Financial Section

Financial Highlights (6 years)

	Millions of yen					
	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014
Achievement Transition						
Net Sales	858,514	915,492	965,090	1,032,431	1,110,851	1,112,748
Operating Income	35,955	49,335	54,610	59,621	82,541	85,764
Ordinary Income	31,076	48,292	54,158	60,670	83,310	87,978
Net Income	11,627	23,574	28,116	30,174	41,190	52,995
Comprehensive Income	-	5,705	24,652	77,437	57,944	91,587
Operating Income Ratio (%)	4.2	5.4	5.7	5.8	7.4	7.7
Assets, Liabilities and Net Assets						
Total Assets	787,261	790,189	827,103	901,564	961,009	968,011
Net Assets	351,706	350,045	363,299	433,228	473,555	535,292
Shareholders' Equity to Total Assets (%)	43.4	43.0	42.5	46.4	47.5	53.3
Current Ratio (%)	120.4	126.0	123.5	131.1	127.4	139.8
Fixed Ratio (%)	129.7	120.9	121.4	110.3	102.1	97.2
Interest-bearing Debt	133,085	124,508	127,188	115,320	94,010	63,120
Debt/Equity Ratio (%)	38.9	36.6	36.2	27.6	20.6	12.2
Total Assets Turnover (Times)	1.11	1.16	1.19	1.19	1.19	1.15
Inventory Turnover (Times)	7.56	8.14	7.71	7.57	7.50	7.09
Tangible Fixed Assets Turnover (Times)	3.46	3.71	4.13	4.38	4.51	4.31
Cash Flow						
Net cash provided by operating activities	74,983	64,197	66,652	71,016	97,720	67,760
Net cash provided by (used in) investing activities	(55,496)	(46,051)	(70,727)	(31,133)	(60,914)	4,127
Net cash used in financing activities	(5,749)	(5,197)	(16,077)	(30,520)	(49,803)	(63,856)
Free Cash Flow	15,126	12,602	(12,332)	30,650	24,915	58,810
Capital Expenditures, Depreciation and R&D Expenditures						
Capital Expenditures	44,049	25,269	33,076	36,842	41,827	46,993
Depreciation and Amortization	34,525	34,530	35,102	34,895	34,376	31,203
R&D Expenditures	24,010	24,694	25,611	25,894	27,720	29,452
R&D Expenditures to Revenues (%)	2.80	2.70	2.65	2.51	2.50	2.65
Per Share Data						
Net Assets per Share (Yen)	651.08	650.83	682.46	810.76	897.18	1,033.49
Net Income per Share (Yen)	22.13	44.92	53.96	58.53	80.13	104.73
Dividends per Share (Yen)	10.00	13.00	15.00	18.00	23.00	27.00
Dividends Payout Ratio (%)	45.2	28.9	27.8	30.8	28.7	25.8
Other Data						
Return on Equity (%)	3.5	6.9	8.1	7.8	9.4	10.9
Return on Total Assets (%)	4.0	6.1	6.7	7.0	8.9	9.1
EBITDA	70,480	83,865	89,712	94,516	116,918	116,967
Interest Coverage Ratio (Times)	15.2	19.8	20.7	21.7	33.2	51.7
PER (Times)	28.65	14.49	13.31	17.63	13.39	14.89
Number of Employees	19,761	19,770	20,855	22,202	23,017	23,886
Net Sales per Employee (Ten thousands of yen)	4,346	4,631	4,751	4,796	4,913	4,744

Shareholders' Equity to Total Assets =
Shareholders' Equity including Accumulated Other Comprehensive Income/ Total Assets
Current Ratio = Current Assets / Current Liabilities
Fixed Ratio = Fixed Assets / Shareholders' Equity
Debt/Equity Ratio = Interest-bearing Debt / Shareholders' Equity
Total Assets Turnover = Net Sales / Average Total Assets
Inventory Turnover = Net Sales / Average Inventory
Tangible Fixed Assets Turnover = Net Sales / Average Tangible Fixed Assets
Free Cash Flow =
CF Operating Activities + CF Investing Activities - Dividend Paid

R&D Expenditures to Revenues = R&D Expenditures / Net Sales
Return on Equity = Net Income / Average Shareholders' Equity
Return on Total Assets = Ordinary Income / Average Total Assets
EBITDA = Operating Income + Depreciation and Amortization
Interest Coverage Ratio =
(Operating Income + Interest and Dividends) / Interest Expense
PER = Stock Prices at the End of Fiscal Year / Net Income per Share
Net Sales per Employee = Net Sales / Average Number of Employees

Consolidated Financial Statements

Consolidated Balance Sheet

Sekisui Chemical Co., Ltd. and Consolidated Subsidiaries
March 31, 2015

	Millions of yen	
	2015	2014
Assets		
Current assets:		
Cash and deposits (Notes 16 and 18)	¥ 87,169	¥ 107,673
Notes receivable, trade (Note 18)	40,026	39,643
Accounts receivable, trade (Note 18)	146,353	152,591
Marketable securities (Notes 4 and 18)	0	0
Merchandise and finished goods	61,922	54,209
Land for sale	22,382	21,716
Work in process	40,990	47,730
Raw materials and supplies	32,309	32,690
Advance payments	2,733	1,115
Prepaid expenses	2,964	3,030
Deferred tax assets (Note 9)	14,718	17,243
Short-term loans receivable	2,010	467
Other current assets	15,707	19,296
Allowance for doubtful accounts	(3,126)	(2,748)
Total current assets	466,164	494,660
Non-current assets:		
Property, plant and equipment, net (Notes 5, 6, 14 and 21):		
Buildings and structures	88,709	86,451
Machinery, equipment and vehicles	75,503	68,461
Land	70,055	69,419
Leased assets	9,894	9,045
Construction in progress	12,370	13,133
Other	7,324	5,540
Total property, plant and equipment, net	263,857	252,051
Intangible assets (Notes 6, 14 and 21):		
Goodwill	10,787	12,893
Software	7,241	6,173
Leased assets	264	325
Other	15,812	20,436
Total intangible assets	34,106	39,828
Investments and other assets:		
Investments in securities (Notes 4 and 18)	182,049	151,724
Long-term loans receivable	715	967
Long-term prepaid expenses	1,601	1,177
Asset for retirement benefits (Note 8)	844	490
Deferred tax assets (Note 9)	7,131	8,964
Other	12,305	12,222
Allowance for doubtful accounts	(764)	(1,078)
Total investments and other assets	203,883	174,468
Total non-current assets	501,847	466,349
Total assets (Note 21)	¥ 968,011	¥ 961,009

	Millions of yen	
	2015	2014
Liabilities		
Current liabilities:		
Notes payable, trade (Notes 6 and 18)	¥ 7,541	¥ 8,453
Electronically recorded obligations (Note 18)	6,886	6,520
Accounts payable, trade (Notes 6 and 18)	121,544	133,861
Short-term debt and current portion of long-term debt (Notes 6 and 18)	25,830	44,146
Current portion of bonds (Notes 6 and 18)	-	10,000
Lease obligations (Note 7)	3,169	2,907
Accrued expenses	36,244	32,056
Accrued income taxes and other taxes (Note 9)	13,184	18,286
Deferred tax liabilities (Note 9)	44	371
Allowance for bonuses to employees	16,570	17,250
Allowance for bonuses to directors and corporate auditors	258	261
Provision for compensation for completed construction	1,161	1,132
Advances received	43,204	57,365
Other	57,785	55,752
Total current liabilities	333,426	388,365
Long-term liabilities:		
Bonds (Notes 6 and 18)	10,000	10,000
Long-term debt less current portion (Notes 6 and 18)	17,111	20,459
Lease obligations (Note 7)	7,009	6,496
Deferred tax liabilities (Note 9)	10,591	4,923
Liability for retirement benefits (Note 8)	48,637	51,100
Other	5,941	6,109
Total long-term liabilities	99,291	99,089
Total liabilities	432,718	487,454
Contingent liabilities (Note 12)		
Net assets		
Shareholders' equity (Note 10);		
Common stock	100,002	100,002
Capital surplus	109,234	109,234
Retained earnings	265,246	240,231
Treasury stock, at cost	(21,770)	(20,347)
Total shareholders' equity	452,712	429,120
Accumulated other comprehensive income:		
Unrealized holding gain on securities	43,713	19,001
Deferred gain on hedges	33	7
Unrealized gain on land revaluation (Note 11)	301	261
Translation adjustments	16,417	6,959
Retirement benefit adjustments (Note 8)	3,133	1,468
Total accumulated other comprehensive income	63,599	27,698
Stock acquisition rights	414	267
Minority interests	18,566	16,468
Total net assets	535,292	473,555
Total liabilities and net assets	¥ 968,011	¥ 961,009

See accompanying notes to consolidated financial statements

Consolidated Statement of Income

Sekisui Chemical Co., Ltd. and Consolidated Subsidiaries
Year ended March 31, 2015

	Millions of yen	
	2015	2014
Net sales (Notes 17 and 21)	¥ 1,112,748	¥ 1,110,851
Cost of sales	775,130	774,753
Gross profit	337,617	336,097
Selling, general and administrative expenses (Note 13)	251,853	253,555
Operating income (Note 21)	85,764	82,541
Non-operating income:		
Interest income	936	1,029
Dividends income	4,100	3,094
Equity in earnings of affiliates	2,263	2,070
Foreign exchange gain, net	7,395	3,273
Miscellaneous income	3,788	4,364
Total non-operating income	18,484	13,832
Non-operating expenses:		
Interest expenses	1,430	2,266
Sales discounts	324	345
Inspection and maintenance expenses for external walls	3,268	89
Business restructuring expenses	2,248	1,087
Miscellaneous expenses	8,998	9,276
Total non-operating expenses	16,270	13,064
Ordinary income	87,978	83,310
Extraordinary income:		
Gain on sales of investments in securities	5,084	-
Total extraordinary income	5,084	-
Extraordinary loss:		
Loss on impairment of fixed assets and goodwill (Notes 14 and 21)	7,123	9,642
Loss on sales or disposal of property, plant and equipment	1,707	1,241
Total extraordinary loss	8,830	10,884
Income before income taxes and minority interests	84,232	72,426
Income taxes (Note 9):		
Current	27,938	29,664
Deferred	2,005	393
Total income taxes	29,944	30,058
Income before minority interests	54,287	42,368
Minority interests	1,292	1,177
Net income	¥ 52,995	¥ 41,190

See accompanying notes to consolidated financial statements

Consolidated Statement of Comprehensive Income

Sekisui Chemical Co., Ltd. and Consolidated Subsidiaries
Year ended March 31, 2015

	Millions of yen	
	2015	2014
Income before minority interests	¥ 54,287	¥ 42,368
Other comprehensive income (Note 15)		
Unrealized holding gain on securities	23,793	954
Deferred gain (loss) on hedges	26	(40)
Translation adjustments	10,842	14,389
Retirement benefit adjustments	1,395	-
Comprehensive income of affiliates accounted for by the equity method attributable to the Company	1,241	272
Total other comprehensive income	37,299	15,576
Comprehensive income	¥ 91,587	¥ 57,944
Comprehensive income attributable to:		
Shareholders of the Company	¥ 88,895	¥ 55,778
Minority interests	2,691	2,166

See accompanying notes to consolidated financial statements

Consolidated Statement of Changes in Net Assets

Sekisui Chemical Co., Ltd. and Consolidated Subsidiaries
Year ended March 31, 2015

	Millions of yen											
	Shareholders' equity				Accumulated other comprehensive income (loss)							
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized holding gain on securities	Deferred gain (loss) on hedges	Unrealized gain on land revaluation	Translation adjustments	Retirement benefit adjustments	Stock acquisition rights	Minority interests	Total net assets
Balance at April 1, 2013	¥ 100,002	¥109,234	¥ 209,280	¥(11,577)	¥ 17,778	¥ 47	¥ 260	¥ (6,443)	¥ -	¥ 306	¥ 14,339	¥ 433,228
Cash dividends	-	-	(10,342)	-	-	-	-	-	-	-	-	(10,342)
Net income for the year	-	-	41,190	-	-	-	-	-	-	-	-	41,190
Increase in retained earnings resulting from inclusion of subsidiaries in consolidation	-	-	134	-	-	-	-	-	-	-	-	134
Purchase of treasury stock	-	-	-	(10,038)	-	-	-	-	-	-	-	(10,038)
Disposal of treasury stock	-	(30)	-	1,268	-	-	-	-	-	-	-	1,238
Transfer from retained earnings to capital surplus		30	(30)	-	-	-	-	-	-	-	-	-
Net changes of items other than shareholders' equity	-	-	-	-	1,223	(40)	1	13,403	1,468	(38)	2,128	18,146
Total changes of items during the year	-	-	30,951	(8,770)	1,223	(40)	1	13,403	1,468	(38)	2,128	40,326
Balance at April 1, 2014	¥ 100,002	¥109,234	¥ 240,231	¥(20,347)	¥ 19,001	¥ 7	¥ 261	¥ 6,959	¥ 1,468	¥ 267	¥ 16,468	¥ 473,555
Cumulative effect of change in accounting policy	-	-	(2,389)	-	-	-	-	-	-	-	-	(2,389)
Restated balance at April 1, 2014	100,002	109,234	237,842	(20,347)	19,001	7	261	6,959	1,468	267	16,468	471,165
Cash dividends	-	-	(12,745)	-	-	-	-	-	-	-	-	(12,745)
Net income for the year	-	-	52,995	-	-	-	-	-	-	-	-	52,995
Increase in retained earnings resulting from inclusion of subsidiaries in consolidation	-	-	37	-	-	-	-	-	-	-	-	37
Retirement of treasury stock	-	(12,615)	-	12,615	-	-	-	-	-	-	-	-
Purchase of treasury stock	-	-	-	(15,024)	-	-	-	-	-	-	-	(15,024)
Disposal of treasury stock	-	(165)	-	985	-	-	-	-	-	-	-	819
Transfer from retained earnings to capital surplus		12,781	(12,781)	-	-	-	-	-	-	-	-	-
Decrease in change in accounting period of a consolidated subsidiary	-	-	(100)	-	-	-	-	-	-	-	-	(100)
Net changes of items other than shareholders' equity	-	-	-	-	24,711	26	39	9,458	1,665	146	2,097	38,145
Total changes of items during the year	-	-	27,405	(1,422)	24,711	26	39	9,458	1,665	146	2,097	64,127
Balance at March 31, 2015	¥ 100,002	¥109,234	¥ 265,246	¥(21,770)	¥ 43,713	¥ 33	¥ 301	¥ 16,417	¥ 3,133	¥ 414	¥ 18,566	¥ 535,292

See accompanying notes to consolidated financial statements

Consolidated Statement of Cash Flows

Sekisui Chemical Co., Ltd. and Consolidated Subsidiaries
Year ended March 31, 2015

	Millions of yen	
	2015	2014
Operating activities:		
Income before income taxes and minority interests	¥ 84,232	¥ 72,426
Adjustments for:		
Depreciation and amortization	31,203	34,376
Amortization of goodwill	2,348	2,957
Loss on impairment of fixed assets and goodwill	7,123	9,642
Loss on disposal of property, plant and equipment	1,190	1,125
Loss on sales of property, plant and equipment, net	516	116
Decrease in liability for retirement benefits	(3,165)	(3,326)
Gain on sales of investments in securities	(5,084)	-
Interest and dividends income	(5,037)	(4,124)
Interest expenses and sales discounts	1,754	2,611
Equity in earnings of affiliates	(2,263)	(2,070)
Decrease (increase) in notes and accounts receivable	12,108	(13,206)
Decrease (increase) in inventories	1,432	(12,424)
(Decrease) increase in notes and accounts payable	(14,552)	6,139
(Decrease) increase in advances received	(14,249)	8,156
Other	(24)	8,886
Subtotal	97,534	111,284
Interest and dividends received	5,650	4,536
Interest paid	(1,886)	(2,626)
Income taxes refunded	-	2,806
Income taxes paid	(33,538)	(18,280)
Net cash provided by operating activities	67,760	97,720
Investing activities:		
Purchases of property, plant and equipment	(34,602)	(28,580)
Proceeds from sales of property, plant and equipment	835	856
Payments into time deposits	(27,012)	(71,109)
Proceeds from withdrawal of time deposits	59,028	47,228
Purchases of investments in securities	(104)	(315)
Proceeds from sales or redemption of investments in securities	16,789	230
Acquisition of investments in subsidiaries	(5,878)	(4,346)
Purchases of intangible assets	(5,517)	(3,342)
(Increase) decrease in short-term loans receivable	(1,294)	19
Other	1,885	(1,554)
Net cash provided by (used in) investing activities	¥ 4,127	¥ (60,914)

Consolidated Statement of Cash Flows (continued)

Financing activities:		
Decrease in short-term debt, net	¥ (6,150)	¥ (115)
Repayments of lease obligations	(3,822)	(3,421)
Proceeds from long-term debt	4,396	4,981
Repayment of long-term debt	(21,203)	(31,409)
Redemption of bonds	(10,000)	-
Proceeds from stock issuance to minority shareholders	-	994
Cash dividends paid	(12,743)	(10,351)
Cash dividends paid to minority shareholders of consolidated subsidiaries	(334)	(1,538)
Purchase of treasury stock	(15,024)	(10,038)
Other	1,026	1,095
Net cash used in financing activities	(63,856)	(49,803)
Effect of exchange rate change on cash and cash equivalents	3,448	3,071
Net increase (decrease) in cash and cash equivalents	11,480	(9,926)
Cash and cash equivalents at beginning of year	51,248	58,631
Increase in cash and cash equivalents from newly consolidated subsidiaries	52	2,543
Cash and cash equivalents at end of year (Note 16)	¥ 62,780	¥ 51,248

See accompanying notes to consolidated financial statements

Notes to Consolidated Financial Statements

1. Basis of Preparation of Consolidated Financial Statements

The accompanying consolidated financial statements of the Company and its consolidated subsidiaries (the "Companies") are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

In preparing the accompanying consolidated financial statements, certain reclassifications and rearrangements were made to the consolidated financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan.

Certain reclassifications of previously reported amounts were made to conform the consolidated statements of income for the year ended March 31, 2014 to the 2015 presentation.

As permitted by the Financial Instruments and Exchange Act of Japan, amounts of less than one million yen have been omitted. Consequently, the totals shown in the accompanying consolidated financial statements do not necessarily agree with the sum of the individual amounts.

2. Summary of Significant Accounting Policies

(1) Principles of Consolidation

At March 31, 2015, the Company had 212 subsidiaries. The accompanying consolidated financial statements for the year ended March 31, 2015 include the accounts of the Company and its 166 significant subsidiaries.

The accounts of the remaining 46 subsidiaries have not been consolidated with those of the Company at March 31, 2015, because their combined assets, retained earnings, net sales and net income (loss) in the aggregate were not material to the consolidated financial statements.

The fiscal year end of 18 overseas consolidated subsidiaries was December 31. These consolidated subsidiaries have been consolidated using provisional financial statements at March 31. Effective from the year ended March 31, 2015, the Company changed its accounting policy for consolidating Sekisui-SCG Industry Co., Ltd. to using provisional financial statements at March 31 and this subsidiary's results for the three-month period ended March 31, 2015 have been included in retained earnings directly.

Unrealized intercompany profit and loss among the Company and its consolidated subsidiaries have been entirely eliminated and the portion attributable to minority interests has been charged to minority interests.

At March 31, 2015, although the Company had 46 unconsolidated subsidiaries and 17 affiliates, the Company has applied the equity method to investments in 8 major affiliates, including Sekisui Plastics Co., Ltd. and Sekisui Jushi Corp. for the purpose of the consolidated financial statements for the year then ended since the investments in the remaining unconsolidated subsidiaries and affiliates were not material.

(2) Foreign Currency Transactions

Revenue and expense items arising from transactions denominated in foreign currencies are generally translated into yen at the rates of exchange in effect at the respective transaction dates. Gain or loss on foreign exchange is credited or charged to income in the period in which the gain or loss is recognized for financial reporting purposes.

All monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date and gain or loss on each translation is credited or charged to income.

The balance sheet accounts of the overseas consolidated subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date except that the components of net assets excluding minority interests are translated at their historical exchange rates. Revenue and expense accounts are translated at the average rates of exchange in effect during the year. Adjustments resulting from translating foreign currency financial statements are not included in the determination of net income and are reported as translation adjustments and minority interests in the accompanying consolidated balance sheet and statement of comprehensive income.

2. Summary of Significant Accounting Policies (continued)

(3) Cash and Cash Equivalents
For the purposes of the consolidated statements of cash flows, cash and cash equivalents include cash-on-hand and in banks and other highly liquid investments with maturities of three months or less when purchased.

(4) Inventories
Inventories are stated at the lower of cost or net selling value, cost being determined primarily by the average method.

(5) Securities
Securities other than those of unconsolidated subsidiaries and affiliates are classified into three categories: trading securities, held-to-maturity debt securities or other securities. Trading securities are carried at fair value. Gain or loss, both realized and unrealized, is credited or charged to income. Held-to-maturity debt securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, reported as a separate component of accumulated other comprehensive income (loss). Cost of securities sold is determined by the moving average method. Non-marketable securities classified as other securities are carried at cost determined by the moving average method.

(6) Property, Plant and Equipment and Depreciation (excluding leased assets)
Depreciation of property, plant and equipment is computed by the straight-line method based on the estimated useful lives of the respective assets.

The range of useful lives is principally from 3 to 60 years for buildings and structures and from 4 to 17 years for machinery, equipment and vehicles.

(7) Leased Assets
Leased assets arising from finance lease transactions which do not transfer ownership to the lessee are depreciated to a residual value of zero by the straight-line method using the contract term as the useful life.

(8) Goodwill
Goodwill is amortized over a period of 5 years by the straight-line method. If the economic useful life can be estimated, the useful life is used as the amortization period. Immaterial amounts, however, are charged to income.

(9) Allowance for Doubtful Accounts
The allowance for doubtful accounts is provided to cover possible losses on collection. With respect to normal accounts receivable, trade, allowance for doubtful accounts is stated at an amount based on the actual rate of historical bad debts, and for certain doubtful receivables, the uncollectible amount has been individually estimated.

(10) Allowance for Bonuses to Employees
Allowance for bonuses to employees is provided at the estimated amount of bonuses to be paid to the employees in the following year which has been allocated to the current fiscal year.

(11) Retirement Benefits
Asset for retirement benefits and liability for retirement benefits have been recorded mainly at the amount calculated based on the retirement benefit obligations and the fair value of the pension plan assets as of balance sheet date. The retirement benefit obligation is attributed to each period on a benefit formula basis over the estimated years of service of the eligible employees.

Prior service cost is amortized by the straight-line method over a period of 5 years, which is within the estimated average remaining years of service of the eligible employees.

Actuarial gain or loss is amortized in the year following the year in which the gain or loss is recognized by the straight-line method over a period of 5 years, which is within the estimated average remaining years of service of the eligible employees.

Certain consolidated subsidiaries have adopted a simplified method of calculation with liability for retirement benefits and retirement benefits expense. Under this simplified method, retirement benefit obligation for employees are stated the amount which would be required to be paid if all eligible employees voluntarily retired at the balance sheet date.

Certain consolidated subsidiaries have retirement benefit plans for their officers which are stated at 100 percent of the estimated amount calculated in accordance with each subsidiary’s internal rules are related amount is included in liability for retirement benefits.

2. Summary of Significant Accounting Policies (continued)

(12) Recognition of Revenue and Related Costs

Revenues and costs of construction contracts, of which the percentage of completion can be reliably estimated, are recognized by the percentage-of-completion method. To estimate the progress of such construction projects, the Company and certain consolidated subsidiaries measure the percentage of completion by comparing costs incurred to date with the most recent estimate of total costs required to complete the project (cost to cost basis). If a reliable estimate cannot be made, revenues and costs of construction contract are recognized by the completed-contract method.

(13) Research and Development Costs and Computer Software (excluding leased assets)

Research and development costs are charged to income when incurred. Expenditures relating to computer software developed for internal use are charged to income when incurred, unless these contribute to the generation of future income or cost savings. Such expenditures are capitalized as assets and amortized by the straight-line method over their respective estimated useful lives, generally a period of 5 years.

(14) Income Taxes

Income taxes are calculated based on taxable income and charged to income on an accrual basis. Certain temporary differences exist between taxable income and income reported for financial statement purposes which are entered into the determination of taxable income in different periods. The Company and consolidated subsidiaries have recognized the tax effects of such temporary differences in the accompanying consolidated financial statements.

The Company and certain consolidated subsidiaries have applied the consolidated taxation system.

(15) Consumption Taxes

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes. Consumption taxes paid not offset by consumption taxes received in accordance with Consumption Tax Act of Japan that arise from the purchases of property, plant and equipment are charged to income when incurred.

(16) Derivatives and Hedging Activities

The Company and certain consolidated subsidiaries have entered into derivative transactions in order to manage the risk arising from adverse fluctuation in foreign currency exchange rates and interest rates. Derivatives are carried at fair value with any changes in unrealized gain or loss charged or credited to income, except for those which meet the criteria for deferral hedge accounting under which unrealized gain or loss, net of the applicable income taxes, is reported as a component of accumulated other comprehensive income (loss).

If interest rates swap contracts meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract is executed.

(17) Accounting Standards Issued but Not Yet Effective

On September 13, 2013, the Accounting Standards Board of Japan (“ASBJ”) issued ASBJ Statement No. 21, “Revised Accounting Standard for Business Combinations,” ASBJ Statement No. 22, “Revised Accounting Standard for Consolidated Financial Statements,” ASBJ Statement No. 7, “Accounting Standard for Business Divestitures,” ASBJ statement No. 2, “Accounting Standard for Earnings per Share” ASBJ Guidance No. 10, “Guidance on Accounting Standards for Business Combinations and Business Divestitures” ASBJ Guidance No. 4, “Guidance on Accounting Standard for Earnings per Share.”

These accounting standards were revised principally concerning “Treatment for changes in a parent’s ownership interest in a subsidiary that do not result in a loss of control in the additional acquisition of shares in the subsidiary, etc.,” “Accounting for acquisition-related costs,” “Presentation of net income and the change from minority interests to non-controlling interests,” and “Provisional accounting treatments.”

The Company expects to apply these standards and guidance from April 1, 2015. In addition, provisional accounting treatments are expected to be applied for business combinations to be implemented on or after April 1, 2015.
The Company is currently in the process of measuring the effects of applying these revised accounting standards on the consolidated financial statements.

3. Changes in Accounting Policies

Application of accounting standards for retirement benefits, etc.

Effective from the year ended March 31, 2015, the Company and its domestic subsidiaries adopted the main clause of Paragraph 35 of "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26 of May 17, 2012) and the main clause of Paragraph 67 of "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25 of March 26, 2015). Under these provisions, the Company and its domestic subsidiaries revised the computation methods of retirement benefit obligations and service costs, changed the method of attributing expected retirement benefits to periods from the straight-line basis to the benefit formula basis and also changed the method of determining the discount rate.

The cumulative effect of changing the computation methods of the retirement benefit obligations and service costs was recognized by adjusting retained earnings at April 1, 2014, in accordance with the transitional treatment provided in Paragraph 37 of Accounting Standard for Retirement Benefits. As a result of this change, liability for retirement benefits increased by ¥3,397 million and retained earnings decreased by ¥2,389 million as of April 1, 2014. The effects of this change on operating income, ordinary income and income before income taxes and minority interests are immaterial.

The effects on per share information are described in Note 20 "Amounts per Share."

Change in depreciation method

Effective from the year ended March 31, 2015, the Company and its domestic consolidated subsidiaries have changed the depreciation method from the declining-balance method, which was previously applied to property, plant and equipment (excluding leased assets) other than buildings (except for structures attached to the buildings), to the straight-line method.

In line with the fundamental policy to "maintain a corporate presence for 100 years" the new "SHINKA!-Advance 2016" medium-term management plan launched this fiscal year outlines specific strategies for each divisional company, and the Company assessed outlooks for the operating condition of its primary facilities.

The Housing Company will differentiate its products by making energy-saving equipment standard features and strengthen its strategies in the subdivision and housing complex markets to offset the effect of the contracting market for custom-built homes as the population in Japan declines. Accordingly, it is expected that this will result in stable housing unit sales and stable operations of its domestic production facilities.

The Urban Infrastructure and Environmental Products Company will strengthen its competitiveness amid declining domestic demand by becoming a value chain business encompassing inspection, diagnostics, design, product sales, construction, maintenance and management. The divisional company will also increase its market share in the piping materials field through business acquisitions and reorganize its production bases. Accordingly, it is expected that this will result in achieving of stable sales volume and stable operations of its domestic production facilities.

The High Performance Plastics Company will shift its focus to high value-added products that are expected to draw stable demand and formulate a business base with an optimal allocation of production facilities by shifting production from domestic to overseas bases. Accordingly, it is expected that this will result in stable operations of its domestic production facilities.

For the above reasons, the Company and its domestic subsidiaries and its domestic subsidiaries determined that the straight-line method of allocating costs evenly over the period of use would better reflect the actual usage conditions of the property, plant and equipment of the Company and its domestic consolidated subsidiaries than the previously used declining-balance method.

This change brings the conformity with overseas subsidiaries using the straight-line method. As a result of this change, operating income, ordinary income and income before income taxes and minority interests each increased by ¥4,747 million for the year ended March 31, 2015 compared with the amounts that would have been recorded under the previous method.

4. Marketable Securities and Investments in Securities

(1) Held-to-maturity debt securities at March 31, 2015 and 2014 are summarized as follows:

	Millions of yen			
	2015			
	Carrying value	Estimated fair value	Gross unrealized gain	Gross unrealized loss
Unlisted foreign debt securities	¥ 11	¥ 11	¥ -	¥ -
Total	¥ 11	¥ 11	¥ -	¥ -

	Millions of yen			
	2014			
	Carrying value	Estimated fair value	Gross unrealized gain	Gross unrealized loss
Unlisted foreign debt securities	¥ 9	¥ 9	¥ -	¥ -
Total	¥ 9	¥ 9	¥ -	¥ -

(2) Other securities with available fair market value at March 31, 2015 and 2014 are summarized as follows:

	Millions of yen			
	2015			
	Acquisition cost	Carrying value	Gross unrealized gain	Gross unrealized loss
Equity securities	¥ 72,857	¥ 133,885	¥ 61,028	¥ -
Equity securities	160	152	-	(7)
Total	¥ 73,017	¥ 134,038	¥ 61,028	¥ (7)

	Millions of yen			
	2014			
	Acquisition cost	Carrying value	Gross unrealized gain	Gross unrealized loss
Equity securities	¥ 81,297	¥ 108,957	¥ 27,660	¥ -
Equity securities	2,021	1,856	-	(165)
Bonds and debentures	20	20	-	-
Total	¥ 83,339	¥ 110,834	¥ 27,660	¥ (165)

Because no quoted market prices are available and it is extremely difficult to determine the fair value, unlisted equity securities of ¥1,902 million and ¥1,967 million at March 31, 2015 and 2014, respectively, are not included in the above tables.

(3) The proceeds from sales of, and gross realized gain and loss on, other securities for the years ended March 31, 2015 and 2014 are summarized as follows:

	Millions of yen	
	2015	2014
Proceeds from sales	¥15,412	¥ 219
Gross realized gain	5,084	33
Gross realized loss	0	-

5. Accumulated Depreciation

Property, plant and equipment, net reflected in the accompanying consolidated balance sheet at March 31, 2015 and 2014 were stated at cost, less accumulated depreciation. Accumulated depreciation at March 31, 2015 and 2014 amounted to ¥527,840 million and ¥557,953 million, respectively.

6. Short-Term Debt, Bonds and Long-Term Debt

(1) Short-term debt

The average interest rates of short-term debt outstanding at March 31, 2015 and 2014 were 1.57% and 2.16%, respectively.

(2) Bonds outstanding at March 31, 2015 and 2014 were as follows:

	Millions of yen	
	2015	2014
1.18% bonds due July 2014	¥ -	¥ 10,000
0.60% bonds due June 2016	10,000	10,000
	10,000	20,000
Less current portion	-	(10,000)
	¥ 10,000	¥ 10,000

(3) Long-term debt at March 31, 2015 and 2014 was as follows:

	Millions of yen	
	2015	2014
Secured	¥ 947	¥ 768
Unsecured	23,571	40,595
	24,519	41,363
Less current portion	(7,407)	(20,904)
	¥ 17,111	¥ 20,459

As is customary in Japan, substantially all loans (including short-term loans) from banks are made under general agreements which provide that, at the request of the respective banks, the Company or the relevant consolidated subsidiaries be required to provide collateral or guarantors (or additional collateral or guarantors, as appropriate) with respect to such loans, and that all assets pledged as collateral under such agreements be applicable to all present and future indebtedness to the banks concerned. The general agreements further provide that the banks have the right, as the indebtedness matures or becomes due prematurely by reason of default, to offset deposits at such banks against any indebtedness due to the banks.

The annual maturities of long-term debt subsequent to March 31, 2015 are summarized below:

Year ending March 31,	Millions of yen
2016	¥ 7,407
2017	8,902
2018	4,673
2019	3,533
2020	0
2021 and thereafter	1

6. Short-Term Debt, Bonds and Long-Term Debt (continued)

(4) At March 31, 2015 and 2014, the following assets were pledged as collateral for notes and accounts payable, trade and long-term and short-term debt:

	Millions of yen	
Assets	2015	2014
Buildings and structures	¥ 4,540	¥ 4,492
Machinery	264	341
Land	5,438	5,788
Intangible assets	291	683
Other	1,673	2,611
Total	¥ 12,209	¥ 13,917

	Millions of yen	
Liabilities	2015	2014
Notes payable, trade	¥ 73	¥ 12
Accounts payable, trade	1,008	1,301
Short-term debt	5,367	2,436
Long-term debt	947	768
Total	¥ 7,397	¥ 4,518

(5) In order to achieve more efficient and flexible financing, the Company has concluded line-of-credit agreements with certain financial institutions. The status of these at March 31, 2015 and 2014 were as follows:

	Millions of yen	
	2015	2014
Lines of credit	¥ 10,000	¥ 10,000
Credit used	-	-
Available credit	¥ 10,000	¥ 10,000

7. Lease Obligations

The annual maturities of lease obligations subsequent to March 31, 2015 are summarized below:

Year ending March 31,	Millions of yen
2016	¥ 3,169
2017	2,569
2018	1,849
2019	1,227
2020	628
2021 and thereafter	735

8. Retirement Benefits

The Company and domestic consolidated subsidiaries have set up funded and unfunded defined benefit plans and defined contribution plans to provide for employees' retirement benefits. Under the defined benefit pension plans, which are funded, lump-sum payments or pensions are provided mainly based on the salary amounts and service periods. Under the lump-sum payment plans, which are unfunded, lump-sum payments are provided mainly based on the merit points acquired by the time of retirement.

Certain overseas consolidated subsidiaries have defined benefit plans and defined contribution plans to provide for employees' retirement benefits. Certain consolidated subsidiaries calculated liability for retirement benefits and retirement benefit expenses as for defined benefit pension plans and lump-sum payment plans, using the simplified method. In addition, certain consolidated subsidiaries participate in multi-employer pension plans. Contributions made by certain consolidated subsidiaries to the multi-employer pension plans are expensed when paid in the event that the plan assets attributable to each participant cannot be reasonably determined.

Defined Benefit Plans

(1) The changes in defined benefit obligation, excluding plans to which simplified methods are applied, for the years ended March 31, 2015 and 2014 were as follows:

	Millions of yen	
	2015	2014
Retirement benefit obligations at the beginning of the year	¥ 133,002	¥ 131,436
Cumulative effect of change in accounting policy	3,397	-
Restated balance at the beginning of the year	136,399	131,436
Service cost	5,758	4,682
Interest cost	1,493	2,312
Actuarial loss (gain)	3,798	(661)
Retirement benefits paid	(6,873)	(6,331)
Prior service cost	28	(49)
Others	(5,179)	1,614
Retirement benefit obligations at the end of the year	¥ 135,425	¥ 133,002

Note: "Others" include principally reversal due to liquidation and foreign exchange translation adjustments.

(2) The changes in plan assets, excluding plans to which simplified methods are applied, for the years ended March 31, 2015 and 2014 were as follows:

	Millions of yen	
	2015	2014
Plan assets at the beginning of the year	¥ 90,352	¥ 79,957
Expected return on plan assets	2,303	2,717
Actuarial gain	5,869	4,032
Contributions by the employer	5,597	6,805
Retirement benefits paid	(4,844)	(4,523)
Others	(3,621)	1,362
Plan assets at the end of the year	¥ 95,657	¥ 90,352

Note: "Others" include principally reversal due to liquidation and foreign exchange translation adjustments.

8. Retirement Benefits (continued)

(3) The changes in liability for retirement benefits of the plans to which simplified methods are applied for the years ended March 31, 2015 and 2014 were as follows:

	Millions of yen	
	2015	2014
Liability for retirement benefits at the beginning of the year	¥ 6,676	¥ 7,034
Retirement benefit expenses	2,630	2,519
Retirement benefits paid	(361)	(603)
Contributions to the plans	(2,169)	(2,273)
Liability for retirement benefits at the end of the year	¥ 6,776	¥ 6,676

(4) The balance of retirement benefit obligations and plan assets at fair value as of March 31, 2015 and 2014, liabilities and assets recognized in the consolidated balance sheet were as follows:

	Millions of yen	
	2015	2014
Funded retirement benefit obligations	¥ 113,181	¥ 112,004
Plan assets at fair value	(100,970)	(94,843)
	12,211	17,160
Unfunded retirement benefit obligations	34,333	32,164
Net liability recognized in the consolidated balance sheet	46,545	49,325
Liability for retirement benefits	47,389	49,815
Asset for retirement benefits	844	490
Net liability recognized in the consolidated balance sheet	¥ 46,545	¥ 49,325

Note: Plans to which simplified methods are applied are included.

(5) The components of retirement benefit expenses for the years ended March 31, 2015 and 2014 were as follows:

	Millions of yen	
	2015	2014
Service cost	¥ 5,758	¥ 4,682
Interest cost	1,493	2,312
Expected return on plan assets	(2,303)	(2,717)
Amortization of actuarial (gain) loss	(1,519)	1,089
Amortization of prior service cost	117	(7)
Loss on liquidation of a defined benefit plan	448	-
Retirement benefit expenses calculated by simplified methods	2,630	2,465
Retirement benefit expenses	¥ 6,626	¥ 7,823

(6) The components of retirement benefit adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2015 and 2014 were as follows:

	Millions of yen	
	2015	2014
Prior service cost	¥ (79)	¥ -
Actuarial gain	(1,456)	-
Total	¥ (1,536)	¥ -

8. Retirement Benefits (continued)

(7) The components of retirement benefit adjustments in accumulated other comprehensive income (before tax effect) as of March 31, 2015 and 2014 were as follows:

	Millions of yen	
	2015	2014
Unrecognized prior service cost	¥ 93	¥ 173
Unrecognized actuarial gain	(4,054)	(2,598)
Total	¥ (3,960)	¥ (2,424)

(8) Plan assets, by major category, as a percentage of total plan assets as of March 31, 2015 and 2014 were as follows:

	2015	2014
Debt securities	45%	39%
Equity securities	21%	33%
General accounts at life insurance companies	20%	17%
Cash and deposits	1%	4%
Others	13%	7%
Total	100%	100%

The expected rate of return on plan assets is determined considering the allocation of the plan assets expected currently and in the future and the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(9) The assumptions used in accounting for the above plans were as follows:

	2015	2014
Discount rates	0.7%-1.3%	1.6%
Expected long-term rates of return on plan assets	1.5%-2.5%	1.0%-3.5%
Expected rate of salary increases	2.9%	2.9%

Multi-employer Pension Plans

The contributions to the multi-employer pension plans, which were expensed when paid, were ¥1,881 million and ¥1,857 million for the years ended March 31, 2015 and 2014, respectively.

(1) The most recent funded status related to multi-employer pension plans as of March 31, 2015 and 2014 was as follows:

	Millions of yen	
	2015	2014
Plan assets	¥ 104,427	¥ 95,024
Amount of actuarial obligations calculated under pension financing	115,315	107,328
Unfunded obligations	¥ (10,887)	¥ (12,303)

(2) Benefit obligations calculated under pension financing of the Companies were approximately 20% to the multi-employer pension plans as of March 31, 2015 and 2014.

(3) Supplementary explanation
The above information is obtained from the latest available information. (Data for the years ended March 31, 2015 and 2014 is based on the information as of March 31, 2015 and 2014, respectively.)
The pension financing deficit is rectified through special premiums, etc.
The ratio of benefit obligations noted in above (2) is not the same as the actual ratio of the Group’s obligation.

Defined Contribution Plans

The Company and certain consolidated subsidiaries have defined contribution plans and the amount of the contribution was immaterial.

9. Income Taxes

Income taxes applicable to the Company and its domestic subsidiaries consist of corporation, inhabitants' and enterprise taxes, which, in the aggregate, resulted in statutory tax rates of approximately 35.4% and 37.8% for the years ended March 31, 2015 and 2014, respectively.

A reconciliation between the statutory tax rate and the effective tax rate for the year ended March 31, 2015 is omitted because the difference is less than 5% of the statutory tax rate.

The effective tax rate reflected in the accompanying consolidated statement of income for the year ended March 31, 2014 differs from the above statutory tax rate for the following reasons:

	2014
Statutory tax rate	37.8%
Temporary differences of consolidated subsidiaries which do not recognize tax effects	3.9
Temporary differences arising from consolidation without tax effect	3.4
Income tax credit	(2.5)
Differences of tax rates for overseas consolidated subsidiaries	(2.3)
Other	1.2
Effective tax rate	41.5%

Deferred income taxes reflect the net tax effect of the temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the corresponding amounts reported for income tax purposes. The significant components of the Companies' deferred tax assets and liabilities at March 31, 2015 and 2014 are summarized as follows:

	Millions of yen	
	2015	2014
Deferred tax assets:		
Liability for retirement benefits	¥ 14,433	¥ 17,245
Unrealized gain	6,156	6,819
Allowance for bonuses	5,333	6,042
Loss on devaluation of investments in securities	3,857	4,252
Loss on impairment of fixed assets and goodwill	2,018	2,183
Tax loss carry forwards	1,087	1,525
Accrued business tax	1,112	1,323
Other	14,405	10,369
Valuation allowance	(4,264)	(4,447)
Total deferred tax assets	44,140	45,314
Deferred tax liabilities:		
Unrealized holding gain on securities	(19,204)	(9,475)
Accelerated depreciation of property, plant and equipment	(4,075)	(3,793)
Temporary differences arising from consolidation without tax effect	(3,152)	(3,483)
Revaluation of investments in affiliates	(2,732)	(3,303)
Deferred capital gains on property	(2,723)	(2,811)
Adjustment for allowance for doubtful accounts	-	(12)
Other	(1,038)	(1,521)
Total deferred tax liabilities	(32,927)	(24,401)
Net deferred tax assets	¥ 11,213	¥ 20,913

9. Income Taxes (continued)

The "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 9 of 2015) and the "Act for Partial Amendment of the Local Tax Act, etc." (Act No.2 of 2015) were promulgated on March 31, 2015.
As a result, the effective statutory tax rate used to measure the Company's deferred tax assets and liabilities was changed from 35.4% to 32.9% for the temporary differences expected to be realized or settled in the year beginning on April 1, 2015 and to 32.1% for the temporary differences expected to be realized settled from April 1, 2016. The effect of this change in the effective statutory tax rate on the accompanying consolidated financial statements for the year ended March 31, 2015 was to decrease deferred tax liabilities, after offsetting deferred tax assets, by ¥142 million and to increase income taxes – deferred, unrealized holding gain on securities and retirement benefit adjustments by ¥2,030 million, ¥1,959 million and ¥212 million, respectively.

10. Shareholders' Equity

The Corporation Law of Japan (the "Law") provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met.

Retained earnings include the legal reserve provided in accordance with the provisions of the Law. The legal reserve of the Company included in retained earnings amounted to ¥10,363 million at March 31, 2015 and 2014.

Stock-based compensation plan

In accordance with the Law, certain stock option plans (the 2009, 2010, 2011, 2012, 2013 and 2014 plans) for directors, executive officers and key employees of the Company and for representative directors, certain directors and key employees of certain subsidiaries and affiliates were approved at the annual general meetings of shareholders held on June 26, 2009, June 29, 2010, June 29, 2011, June 27, 2012, June 26, 2013 and June 26, 2014, respectively.

The stock option plans outlined above are summarized as follows:

	Number of stock options granted	Exercise price	Exercisable period
The 2009 plan	1,205,000	¥ 579	From July 1, 2011 up to and including June 30, 2014
The 2010 plan	1,195,000	595	From July 1, 2012 up to and including June 30, 2015
The 2011 plan	1,230,000	739	From July 1, 2013 up to and including June 30, 2016
The 2012 plan	1,205,000	742	From July 1, 2014 up to and including June 30, 2017
The 2013 plan	1,195,000	1,136	From July 1, 2015 up to and including June 30, 2018
The 2014 plan	1,260,000	1,276	From July 1, 2016 up to and including June 30, 2019

10. Shareholders' Equity (continued)

Information regarding the Company's stock option plans is summarized as follows:

	The 2009 plan	The 2010 plan	The 2011 plan	The 2012 plan	The 2013 plan	The 2014 plan
Number of stock options:						
Balance at March 31, 2013	587,000	745,000	1,220,000	1,200,000	-	-
Granted	-	-	-	-	1,195,000	-
Cancelled	-	-	-	-	-	-
Exercised	395,000	365,000	455,000	-	-	-
Balance at March 31, 2014	192,000	380,000	765,000	1,200,000	1,195,000	-
Granted	-	-	-	-	-	1,260,000
Cancelled	80,000	-	-	-	10,000	10,000
Exercised	112,000	183,000	252,000	521,000	-	-
Balance at March 31, 2015	-	197,000	513,000	679,000	1,185,000	1,250,000
Fair value of stock options as of the grant date	¥ 97	¥ 92	¥ 67	¥ 61	¥ 238	¥ 173

Common stock and treasury stock

Movements in common stock in issue and treasury stock for the years ended March 31, 2015 and 2014 are summarized as follows:

	Number of shares			
	2015			
	April 1, 2014	Increase	Decrease	March 31, 2015
Common stock	532,507,285	-	12,000,000	520,507,285
Treasury stock	23,337,707	10,652,420	13,063,708	20,926,419

	Number of shares			
	2014			
	April 1, 2013	Increase	Decrease	March 31, 2014
Common stock	532,507,285	-	-	532,507,285
Treasury stock	16,223,314	8,749,431	1,635,038	23,337,707

11. Land Revaluation

Sekisui Plastics Co., Ltd., which has been accounted for by the equity method, revalued its land held for business use in accordance with the "Land Revaluation Law" and the "Amended Land Revaluation Law." As a result of this revaluation by Sekisui Plastics Co., Ltd., the Company recognized the portion attributable to the Company's interest in the unrealized gain on land revaluation and this has been included in accumulated other comprehensive income as unrealized gain on land revaluation of ¥301 million and ¥261 million in the accompanying consolidated balance sheets at March 31, 2015 and 2014, respectively.

12. Contingent Liabilities

Contingent liabilities at March 31, 2015 and 2014 were as follows:

	Millions of yen	
	2015	2014
Guaranteed obligations		
Housing loans of customers	¥ 26,386	¥ 26,796
Housing loans of employees	206	271
Loans of unconsolidated subsidiaries	170	170

	Millions of yen	
	2015	2014
Notes receivable, trade with recourse		
Notes receivable, trade endorsed	¥ 401	¥ 588
Notes receivable, trade discounted	0	-

13. Research and Development Costs

Research and development costs included in selling, general and administrative expenses for the years ended March 31, 2015 and 2014 are as follows:

	Millions of yen	
	2015	2014
Research and development costs	¥ 29,452	¥ 27,720

14. Loss on Impairment of Fixed Assets and Goodwill

The Companies group their fixed assets and goodwill by cash-generating units (except for idle property which is grouped individually) and these are defined as the smallest identifiable groups of assets generating cash inflows which are largely independent of the cash inflows from other assets or groups of assets.

For the year ended March 31, 2015, the Companies have written down certain intangible assets recognized at the time of acquisition of the medicine testing business in the United States to the net recoverable value since the management of the Companies has determined that reaching the income target expected in line with the business plan in effect when the business was acquired is no longer probable. As a result, the Companies recorded loss on impairment of fixed assets and goodwill under extraordinary loss in the amount of ¥2,296 million for the year ended March 31, 2015. The recoverable value was measured at value in use, which is determined by discounting future cash flows at 11%.
In addition, the Companies have written down intangible assets recognized at the time of acquisition of the IT field related business, to its net recoverable value since the management of the Companies has determined that reaching the income target expected in line with the business plan in effect when the business was acquired is no longer probable. As a result, the Companies recorded loss on impairment of fixed assets and goodwill under extraordinary loss in the amount of ¥2,187 million for the year ended March 31, 2015. The recoverable value was measured at value in use, which is determined by discounting future cash flows at 10%.
In addition, the Companies have written down properties for which future use cannot be reasonably expected due to restructuring the production system, to their net recoverable value. As a result, the Companies recorded loss on impairment of fixed assets and goodwill under extraordinary loss in the amount of ¥1,041 million, which consists of buildings in the amount of ¥951 million and structures in the amount of ¥89 million. The recoverable value was measured at value in use, but the Companies recorded loss on impairment in the full amount since future cash flows from these properties are no longer probable.

For the year ended March 31, 2014, the Companies have written down goodwill recognized at the time of acquisition of the IT field related business, to its net recoverable value because the management of the Companies have determined that reaching the income target expected in line with the business plan in effect when the business was acquired was difficult. As a result, the Companies recorded loss on impairment of goodwill under extraordinary loss in the amount of ¥5,335 million for the year ended March 31, 2014. The recoverable value was measured at value in use based on estimated future cash flows discounted at rates from 7% to 10% and, as a result, the value of goodwill was written down to zero.
In addition, the Companies have written down intangible assets recognized at the time of acquisition of the medicine testing business in the United States to its net recoverable value because the management of the Companies have determined that reaching the income target expected in line with the business plan in effect when the business was acquired was difficult. As a result, the Companies recorded loss on impairment in the amount of ¥2,501 million for the year ended March 31, 2014. The recoverable value was measured at value in use and their intangible assets were written down to zero as the amount of future cash flows were uncertain.

15. Other Comprehensive Income

The reclassification adjustments and tax effects for components of other comprehensive income for the years ended March 31, 2015 and 2014 are as follows:

	Millions of yen	
	2015	2014
Unrealized holding gain on securities:		
Amount arising during the year	¥ 38,538	¥ 1,302
Reclassification adjustments for gains and losses realized in net income	(5,084)	(24)
Before tax effects	33,453	1,277
Tax effects	(9,660)	(323)
Unrealized holding gain on securities	23,793	954
Deferred (loss) gain on hedges:		
Amount arising during the year	26	(40)
Translation adjustments:		
Amount arising during the year	10,842	14,389
Retirement benefit adjustments:		
Amount arising during the year	2,042	-
Reclassification adjustments for gains and losses realized in net income	(506)	-
Before tax effects	1,536	-
Tax effects	(140)	-
Retirement benefit adjustments	1,395	-
Comprehensive income of affiliates accounted for by the equity method attributable to the Company:		
Amount arising during the year	1,329	277
Reclassification adjustments for gains and losses realized in net income	(87)	(5)
Comprehensive income of affiliates accounted for by the equity method attributable to the Company	1,241	272
Total other comprehensive income	¥ 37,299	¥ 15,576

16. Supplemental Information on Statement of Cash Flows

Reconciliations between cash and cash equivalents in the accompanying consolidated statement of cash flows and cash and deposits in the accompanying consolidated balance sheet at March 31, 2015 and 2014 are presented as follows:

	Millions of yen	
	2015	2014
Cash and deposits	¥ 87,169	¥107,673
Time deposits with maturities in excess of three months	(24,389)	(56,425)
Cash and cash equivalents	¥62,780	¥51,248

Non cash financing activities

Assets and liabilities related to finance lease obligations newly recognized were ¥4,287 million and ¥4,767 during the years ended March 31, 2015 and 2014, respectively.

17. Related Party Transactions

Principal transactions between the Company's consolidated subsidiaries and their related parties for the year ended March 31, 2015 are summarized as follows:

2015			
			Millions of yen
Name	Title	Transactions	Amounts
Shigeki Fujii	Executive Officer	Remodeling of residence	¥19

Prices for the remodeling of the residence were determined based on the same terms as third party transactions.

There were no balances or transactions to be disclosed as of March 31, 2014 and for the year then ended.

18. Financial Instruments

Overview

(1) Policy for financial instruments
The Companies raise funds by bank borrowings and bonds, including short-term bonds. The Companies manage funds only through short-term deposits and others. The Companies use derivatives for the purposes of managing foreign currency exchange risk related to notes and accounts receivable, trade and notes and accounts payable, trade and avoiding the risk of fluctuations of interest rates related to debt. The Companies do not enter into derivatives for speculative or trading purposes.

(2) Types of financial instruments and related risk
Notes and accounts receivable, trade are exposed to credit risk in relation to customers. In addition, the Companies are exposed to foreign currency exchange risk arising from receivables denominated in foreign currencies resulting from trade with overseas customers.

Equity securities—the Companies hold equity securities, which are mainly issued by companies who have business relationships with the Companies, and these securities are exposed to the risk of fluctuation in market prices.

Notes and accounts payable, trade and electronically recorded obligations mostly have payment due dates within one year. A portion of trade payables, which is denominated in foreign currencies, is exposed to foreign currency exchange risk.

Short-term debt of bank loans and bonds is raised mainly in connection with business activities. Long-term debt and bonds are taken out principally for the purpose of capital expenditure. Long-term debt and bonds have maturity dates within 9 years, at the longest, subsequent to March 31, 2015. Debt with variable interest rates is exposed to interest rate fluctuation risk. However, to reduce such risk and fix interest expense for debt bearing interest at variable rates, the Companies undertake interest rate swap transactions as a hedging instrument for most long-term debt.

18. Financial Instruments (continued)

(3) Risk management for financial instruments

(a) Monitoring of credit risk (the risk that customers or counterparties may default)
In accordance with the internal policies for managing credit risk of the Companies, the Companies monitor credit worthiness of their main customers periodically, and monitor due dates and outstanding balances by customer.

To minimize the credit risk when entering into derivative transactions, counterparties are limited to financial institutions with high ratings.

(b) Monitoring of market risks (the risks arising from fluctuations in foreign exchange rates, interest rates and others)
For equity securities included in investments in securities, the fair values of these securities are periodically reviewed and reported to the Board of Directors.

In conducting and managing derivative transactions, the accounting department confirms the effectiveness of hedging and obtains approval from the responsible person, depending on the notional contract value, based on the internal policies and formal regulations on market risk for financial instruments.

(c) Monitoring of liquidity risk for financing (the risk that the Companies may not be able to meet its obligations on the scheduled due dates)
The Companies manage liquidity risk mainly through the monthly cash-flow plans, which are prepared by each company.

(4) Supplementary explanation of the estimated fair value of financial instruments
For derivative transactions, please refer to Note 19 “Derivatives” of the notes to consolidated financial statements.

Estimated Fair Value of Financial Instruments

The carrying value of the financial instruments on the consolidated balance sheet, fair value and the difference at March 31, 2015 and 2014 are shown in the following table. The table does not include financial instruments for which it is extremely difficult to determine the fair value. (Please refer to (2) below).

Fair value information at March 31, 2015:

	Millions of yen		
	Carrying value	Estimated fair value	Difference
Cash and deposits	¥ 87,169	¥ 87,169	¥ -
Notes and accounts receivable, trade	186,379	186,379	-
Marketable securities and investments in securities	161,899	159,932	(1,967)
Total	¥ 435,449	¥ 433,481	¥ (1,967)
Notes and accounts payable, trade and electronically recorded obligations	¥ (135,972)	¥ (135,972)	¥ -
Short-term debt	(18,422)	(18,422)	-
Long-term debt, including current portion	(24,519)	(24,556)	36
Bonds, including current portion	(10,000)	(10,053)	53
Total	¥ (188,914)	¥ (189,004)	¥ 89
Derivatives for which hedge accounting is not applied	¥ (489)	¥ (489)	¥ -
Derivatives for which hedge accounting is applied	33	33	-
Total	¥ (455)	¥ (455)	¥ -

18. Financial Instruments (continued)

Estimated fair value information at March 31, 2014:

	Millions of yen		
	Carrying value	Estimated fair value	Difference
Cash and deposits	¥ 107,673	¥ 107,673	¥ -
Notes and accounts receivable, trade	192,234	192,234	-
Marketable securities and investments in securities	136,428	131,235	(5,192)
Total	¥ 436,336	¥ 431,144	¥ (5,192)
Notes and accounts payable, trade and electronically recorded obligations	¥ (148,835)	¥ (148,835)	¥ -
Short-term debt	(23,242)	(23,242)	-
Long-term debt, including current portion	(41,363)	(41,441)	78
Bonds, including current portion	(20,000)	(20,081)	81
Total	¥ (233,441)	¥ (233,600)	¥ 159
Derivatives for which hedge accounting is not applied	¥ (74)	¥ (74)	¥ -
Derivatives for which hedge accounting is applied	7	7	-
Total	¥ (67)	¥ (67)	¥ -

(1) Methods to determine the estimated fair value of financial instruments and other matters related to securities and derivative transactions

Cash and deposits and notes and accounts receivable, trade
Since these items are settled in a short period, their carrying value approximates fair value.

Marketable securities and investment in securities
The fair value of equity securities is based on quoted market prices. The fair value of debt securities is based on either quoted market prices or prices provided by the financial institutions making markets in these securities. For information on securities classified by holding purpose, please refer to Note 4 "Marketable Securities and Investments in Securities."

Notes and accounts payable, trade, electronically recorded obligations and short-term debt
Since these items are settled in a short period, their carrying value approximates fair value.

Long-term debt, including current portion
The fair value of long-term debt is based on the present value of the total amount including principal and interest, discounted by the expected interest rate to be applied if similar new loans with a similar remaining period were entered into. Variable interest rates for long-term debt are hedged by interest rate swap contracts and accounted for as debt with fixed interest rates. The fair value of long-term debt with variable interest is based on the present value of the total of principal, interest and net cash flow of interest rate swap contracts discounted by the reasonably estimated interest rate to be applied if similar new loans with a similar remaining period were entered into.

Bonds, including current portion
The fair value of bonds issued by the Company is the quoted market price.

18. Financial Instruments (continued)

(2) Financial instruments for which it is extremely difficult to determine the fair value were as follows:

	Millions of yen	
	2015	2014
Unlisted equity securities	¥ 20,161	¥ 15,296

Because no quoted market prices are available and it is extremely difficult to determine the fair value, the above financial instruments are not included in the preceding table.

(3) Redemption schedule for cash and deposits, notes and accounts receivable, trade and marketable securities and investments in securities with maturities at March 31, 2015 and 2014:

Maturity analysis at March 31, 2015:

	Millions of yen			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and deposits	¥ 87,169	¥ -	¥ -	¥ -
Notes and accounts receivable, trade	186,379	-	-	-
Marketable securities and investments in securities				
Held-to-maturity debt securities	0	10	-	-
Total	¥ 273,550	¥ 10	¥ -	¥ -

Maturity analysis at March 31, 2014:

	Millions of yen			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and deposits	¥ 107,673	¥ -	¥ -	¥ -
Notes and accounts receivable, trade	192,234	-	-	-
Marketable securities and investments in securities				
Held-to-maturity debt securities	0	9	-	-
Total	¥ 299,908	¥ 9	¥ -	¥ -

(4) The redemption schedule for long-term debt and bonds is disclosed in Note 6 "Short-Term Debt, Bonds and Long-Term Debt."

19. Derivatives

The Company and certain consolidated subsidiaries enter into currency swap contracts, forward foreign exchange contracts and interest-rate swap contracts in order to manage certain risks arising from adverse fluctuation in foreign currency exchange rates and interest rates. The Company and certain consolidated subsidiaries are also exposed to the risk of credit loss in the event of nonperformance by the counterparties to these currency swap contracts, forward foreign exchange contracts and interest-rate swap contracts; however, they do not anticipate nonperformance by any of the counterparties, all of whom are financial institutions with high credit ratings.

Summarized below are the notional amounts and the estimated fair value of the derivatives positions outstanding at March 31, 2015 and 2014:

(1) Derivatives for which hedge accounting is not applied

(a) Currency-related transactions

	Millions of yen					
	2015			2014		
	Notional amount	Fair value	Unrealized loss	Notional amount	Fair value	Unrealized loss
Over-the-counter transactions						
Forward foreign exchange contracts:						
Buy: U.S. dollars	¥ 130	¥ (8)	¥ (8)	¥ 152	¥ (2)	¥ (2)
Buy: Thai Baht	310	(3)	(3)	-	-	-
Foreign currency swaps:						
Receive fixed – U.S. dollars/ pay fixed – yen	7,685	(966)	(966)	7,271	(52)	(52)
Receive fixed – S.G. dollars/ pay fixed – yen	449	(30)	(30)	432	(19)	(19)
Receive fixed – Euro/ pay fixed – yen	6,670	660	660	-	-	-
Receive fixed – Yuan Renminbi/pay fixed – yen	410	(89)	(89)	-	-	-
Receive fixed – Thai Baht/ pay fixed – yen	377	(52)	(52)	-	-	-
Total	¥ 16,034	¥(489)	¥ (489)	¥ 7,856	¥ (74)	¥ (74)

The notional amount of receive fixed – U.S. dollars / pay fixed – yen includes portions over 1 year of ¥3,457 million at March 31, 2015 and 2014.

19. Derivatives (continued)

(2). Derivatives for which hedge accounting is applied

(a) Currency-related transactions

	Millions of yen		
	2015		
	Hedged item	Notional amount	Fair value
Forward foreign exchange contracts:			
Buy: U.S. dollars	Accounts	¥ 1,913	¥ 33
Buy: Euro	payable	19	0
Total		¥ 1,932	¥ 33

	Millions of yen		
	2014		
	Hedged item	Notional amount	Fair value
Forward foreign exchange contracts:			
Buy: U.S. dollars	Accounts	¥ 808	¥ 7
Buy: Euro	payable	1	0
Total		¥ 810	¥ 7

The notional amount of the buy position in U.S. dollars and Euro does not include any portion over 1 year at March 31, 2015 and 2014.

(b) Interest-related transactions

	Millions of yen		
	2015		
	Hedged item	Notional amount	Fair value
Interest-rate swap:	Long-term		
Receive/floating and pay/fixed	debt	¥ 3,325	(*)
Total		¥ 3,325	

	Millions of yen		
	2014		
	Hedged item	Notional amount	Fair value
Interest-rate swap:	Long-term		
Receive/floating and pay/fixed	debt	¥ 7,200	(*)
Total		¥ 7,200	

(*): Because the interest rate swap contract is accounted for as if the interest rate applied to the swap had originally applied to the underlying long-term debt, its fair value is included in that of long-term debt.

The notional amount of the above interest rate swap includes portions over 1 year of ¥2,325 million and ¥3,325 million at March 31, 2015 and 2014, respectively.

20. Amounts per Share

	Yen	
	2015	2014
Net income:		
Basic	¥ 104.73	¥ 80.13
Diluted	104.55	79.94
Cash dividends	27.00	23.00
Net assets	1,033.49	897.18

As noted in Note 3 "Changes in Accounting Policies," the Company adopted the accounting standards for retirement benefits and followed the transitional treatments prescribed in Paragraph 37 of "Accounting Standard for Retirement Benefits." As a result, net assets per share as of March 31, 2015 decreased by ¥4.78.

Basic net income per share has been computed based on the net income available for distribution to shareholders of common stock and the weighted-average number of shares of common stock outstanding during the year. Diluted net income per share has been computed based on the net income available for distribution to the shareholders of common stock and the weighted-average number of shares of common stock outstanding during the year after giving effect to the dilutive potential of the shares of common stock issuable upon the exercise of stock options issued by the Company. The amounts per share of net assets have been computed based on the number of shares of common stock outstanding at year end.

Cash dividends per share represent the cash dividends proposed by the Board of Directors as applicable to the respective fiscal years together with the interim cash dividends paid.

21. Segment Information

(1) Overview of the Reportable segments

The reportable segments of the Companies are determined on the basis that separate financial information of such segments is available and examined periodically by the Board of Directors of the Company to make decisions regarding the allocation of management resources and assess the business performances of such segments. The Companies have divided the business operations into the three segments of Housing, Urban Infrastructure and Environmental Products (UIEP), and High Performance Plastics (HPP) based on manufacturing methods, products, sales channels, and other business similarities. Each business segment formulates comprehensive strategies and develops business activities for its products in Japan and overseas. The Housing business comprises manufacturing, construction, sales, refurbishing, and other operations related to unit housing. The UIEP business comprises manufacturing, sales, and construction operations related to PVC pipes and joints, polyethylene pipes and joints, pipe and drain renewal materials and construction methods, reinforced plastic pipe, and construction materials. The HPP business comprises manufacturing and sales of interlayer films for laminated glass, polyolefin foam, tape, LCD fine particles and photosensitive materials, diagnostic drugs and other products.

(2) Calculation methods used for sales, income, assets and the other items on each reportable segment

The accounting methods for the reportable segments are presented principally in accordance with the same accounting policies of the accompanying consolidated financial statements defined in Note 2 "Summary of Significant Accounting Policies." The amounts of segment income (loss) are calculated based on the same method as the calculation of operating income in the consolidated statement of income for the years ended March 31, 2015 and 2014. The figures of intersegment sales and transfers are presented based on the current market prices at the time of these transactions.
As noted in Note 3 "Changes in Accounting Policies," effective from the year ended March 31, 2015, the Company and its domestic consolidated subsidiaries have changed the depreciation method from the declining-balance method, which was previously applied to property, plant and equipment (excluding leased assets) other than buildings (except for structures attached to the buildings), to the straight-line method. As a result of this change, segment income of "Housing," "Urban Infrastructure and Environmental Products," "High Performance Plastics" and "Other" increased for the year ended March 31, 2015 by ¥663 million, ¥1,179 million, ¥2,397 million and ¥506 million, respectively.

21. Segment Information (continued)

(3) Information as to sales, income, assets and other items on each reportable segment

Reportable segment information of the Companies for the years ended March 31, 2015 and 2014 is summarized as follows:

	Millions of yen					
	2015					
	Reportable segments					
	Housing	Urban infrastructure and environmental products	High performance plastics	Total	Other (*1)	Consolidated
Sales:						
Sales to third parties	¥ 494,037	¥ 215,070	¥ 365,662	¥ 1,074,770	¥ 37,977	¥ 1,112,748
Intersegment sales or transfers	78	12,619	6,633	19,331	928	20,260
Net sales	494,116	227,689	372,296	1,094,102	38,906	1,133,008
Segment income (loss)	¥ 41,327	¥ 1,264	¥ 45,951	¥ 88,543	¥ (1,957)	¥ 86,585
Segment assets	¥ 249,066	¥ 198,848	¥ 357,697	¥ 805,612	¥ 37,893	¥ 843,506
Other items:						
Depreciation and amortization (*2)	6,698	6,188	16,562	29,449	1,108	30,558
Investment in affiliates accounted for by the equity method	7,950	-	-	7,950	-	7,950
Increase in property, plant and equipment, and intangible assets (*2)	9,765	15,368	17,923	43,057	2,507	45,564

21. Segment Information (continued)

(3) Information as to sales, income, assets and other items on each reportable segment (continued)

	Millions of yen					
	2014					
	Reportable segments					
	Housing	Urban infrastructure and environmental products	High performance plastics	Total	Other (*1)	Consoli-Dated
Sales:						
Sales to third parties	¥ 496,679	¥ 226,933	¥ 347,085	¥ 1,070,697	¥ 40,153	¥ 1,110,851
Intersegment sales or transfers	111	13,008	6,696	19,816	3,646	23,462
Net sales	496,790	239,941	353,782	1,090,514	43,799	1,134,313
Segment income (loss)	¥ 41,108	¥ 6,460	¥ 36,098	¥ 83,668	¥ (778)	¥ 82,889
Segment assets	¥ 256,121	¥ 200,277	¥ 341,171	¥ 797,569	¥ 40,940	¥ 838,510
Other items:						
Depreciation and amortization (*2)	7,722	6,083	18,405	32,210	1,534	33,745
Investment in affiliates accounted for by the equity method	7,385	-	-	7,385	-	7,385
Increase in property, plant and equipment, and intangible assets (*2)	11,142	10,473	17,645	39,262	1,468	40,730

(*1): Other represents segments other than the reportable segments, which includes provision of services, manufacturing and sales of flat panel display manufacturing equipment, agricultural and construction materials.

(*2): Depreciation and amortization and increase in property, plant and equipment, and intangible assets include amortization of long-term prepaid expenses and its associated costs.

(4) Information on the difference between the total amount of the reportable segments in the above tables and the corresponding amount reported in the consolidated financial statements

Net sales and income for the years ended March 31, 2015 and 2014

	Millions of yen	
	2015	2014
Net sales:		
Total of reportable segments	¥ 1,094,102	¥ 1,090,514
Other net sales	38,906	43,799
Eliminations	(20,260)	(23,462)
Net sales	¥ 1,112,748	¥ 1,110,851

21. Segment Information (continued)

(4) Information on the difference between the total amount of the reportable segments in the above tables and the corresponding amount reported in the consolidated financial statements (continued)

	Millions of yen	
	2015	2014
Income:		
Total of reportable segments	¥ 88,543	¥ 83,668
Other loss	(1,957)	(778)
Eliminations	319	1,103
Corporate expenses (*1)	(1,141)	(1,451)
Operating income	¥ 85,764	¥ 82,541

(*1): Corporate expenses are mainly general administrative expenses not attributable to each reportable segment.

Assets at March 31, 2015 and 2014

	Millions of yen	
	2015	2014
Assets:		
Total of reportable segments	¥ 805,612	¥ 797,569
Assets classified as “other”	37,893	40,940
Eliminations	(283,044)	(111,138)
Corporate assets (*1)	407,550	233,637
Total assets	¥ 968,011	¥ 961,009

(*1): Corporate assets are assets not attributable to the reportable segments. The main items were cash and deposits, long-term investments (investments in securities), assets related to administrative operations and deferred tax assets, etc. of the Company.

Other items for the years ended March 31, 2015 and 2014

	Millions of yen			
	2015			
	Reporting Segments	Others	Adjustments (*1)	Consolidated
Other items:				
Depreciation and amortization	¥ 29,449	¥ 1,108	¥ 645	¥ 31,203
Investments in affiliates accounted for by the equity method	7,950	-	27,860	35,811
Increase in property, plant and equipment, and intangible assets	43,057	2,507	1,428	46,993

	Millions of yen			
	2014			
	Reporting Segments	Others	Adjustments (*1)	Consolidated
Other items:				
Depreciation and amortization	¥ 32,210	¥ 1,534	¥ 631	¥ 34,376
Investments in affiliates accounted for by the equity method	7,385	-	25,614	33,000
Increase in property, plant and equipment, and intangible assets	39,262	1,468	1,097	41,827

(*1): Adjustment represents the amounts of investments in affiliates accounted for by the equity method, which are not attributable to the reportable segments.

21. Segment Information (continued)

(5) Related information

(a) Sales information by geographic area

Overseas net sales by geographical areas for the years ended March 31, 2015 and 2014 is as follows:

	Millions of yen					
	2015					
	Japan	America	Europe	Asia	Other	Total
Net sales	¥ 835,540	¥ 84,733	¥ 64,287	¥ 118,240	¥ 9,947	¥ 1,112,748

	Millions of yen					
	2014					
	Japan	America	Europe	Asia	Other	Total
Net sales	¥ 851,377	¥ 77,959	¥ 67,006	¥ 104,264	¥ 10,242	¥ 1,110,851

(b) Information of property, plant and equipment, net by geographic area

Information of property, plant and equipment, net by geographical areas as of March 31, 2015 and 2014 is as follows:

	Millions of yen					
	2015					
	Japan	America	Europe	Asia	Other	Total
Property, plant and equipment, net	¥ 185,086	¥ 22,344	¥ 20,589	¥ 33,768	¥ 2,068	¥ 263,857

	Millions of yen					
	2014					
	Japan	America	Europe	Asia	Other	Total
Property, plant and equipment, net	¥ 176,842	¥ 19,231	¥ 24,045	¥ 29,859	¥ 2,073	¥ 252,051

21. Segment Information (continued)

(6) Information of loss on impairment of fixed assets and goodwill

Information on loss on impairment of fixed assets and goodwill for the years ended March 31, 2015 and 2014 is as follows:

	Millions of yen					
	2015					
	Housing	Urban infrastructure and environmental products	High performance plastics	Other	Elimination or unallocable accounts	Total
Loss on impairment of fixed assets and goodwill	¥ 149	¥ 1,858	¥ 5,092	¥ 22	¥ -	¥ 7,123

	Millions of yen					
	2014					
	Housing	Urban infrastructure and environmental products	High performance plastics	Other	Elimination or unallocable accounts	Total
Loss on impairment of fixed assets and goodwill	¥ 434	¥ 1,370	¥ 7,837	¥ -	¥ -	¥ 9,642

21. Segment Information (continued)

(7) Amortization and balance of goodwill

Information on amortization of goodwill by each segment and its remaining balance for the years ended March 31, 2015 and 2014 is summarized as follows:

	Millions of yen					
	2015					
	Housing	Urban infrastructure and environmental products	High performance plastics	Other	Elimination or unallocable accounts	Total
Amortization of goodwill	¥ -	¥ 337	¥ 2,011	¥ -	¥ -	¥ 2,348
Balance at March 31, 2015	-	1,034	9,753	-	-	10,787

	Millions of yen					
	2014					
	Housing	Urban infrastructure and environmental products	High performance plastics	Other	Elimination or unallocable accounts	Total
Amortization of goodwill	¥ -	¥ 321	¥ 2,636	¥ (0)	¥ -	¥ 2,957
Balance at March 31, 2014	-	1,338	11,555	-	-	12,893

22. Subsequent Events

(Year-end cash dividends)

The following distribution of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2015, was proposed by the Board of Directors at the meeting held on May 14, 2015. The distribution proposed is subject to approval by the shareholders at the meeting to be held on June 25, 2015.

	Millions of yen
Year-end cash dividends (¥14.0 per share)	¥ 6,998

(Acquisition of treasury stock)

For the purpose of implementing flexible capital policy and a part of return on shareholders, the Company resolved at the Board of Directors' meeting held on April 28, 2015 to acquire 12 million shares of treasury stock for a maximum total amount of ¥20,000 million through the market during the period from April 30, 2015 through March 31, 2016.

Independent Auditor's Report

The Board of Directors
Sekisui Chemical Co., Ltd.

We have audited the accompanying consolidated financial statements of Sekisui Chemical Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2015, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sekisui Chemical Co., Ltd. and its consolidated subsidiaries at March 31, 2015, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Emphasis of Matter

We draw attention to Note 3 to the consolidated financial statements, which describes that Sekisui Chemical Co., Ltd. and its domestic consolidated subsidiaries have changed their depreciation method from the declining-balance method to the straight-line method to depreciate property, plant and equipment from the year ended March 31, 2015. Previously, Sekisui Chemical Co., Ltd. and its domestic consolidated subsidiaries computed depreciation mainly by the declining-balance method. Our opinion is not qualified in respect of this matter.

June 12, 2015
Osaka, Japan

Ernst & Young ShinNihon LLC