Financial Section

SEKISUI

Financial Highlights (6 years)

Millions of yen

	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015
Achievement Transition						
Net Sales	915,492	965,090	1,032,431	1,110,851	1,112,748	1,096,317
Operating Income	49,335	54,610	59,621	82,541	85,764	89,823
Ordinary Income	48,292	54,158	60,670	83,310	87,978	81,213
Net Income Attributable to Owners of Parent	23,574	28,116	30,174	41,190	52,995	56,653
Comprehensive Income	5,705	24,652	77,437	57,944	91,587	37,080
Operating Income Ratio (%)	5.4	5.7	5.8	7.4	7.7	8.2
Assets, Liabilities and Net Assets						
Total Assets	790,189	827,103	901,564	961,009	968,011	936,043
Net Assets	350,045	363,299	433,228	473,555	535,292	544,156
Shareholders' Equity to Total Assets (%)	43.0	42.5	46.4	47.5	53.3	55.9
Current Ratio (%)	126.0	123.5	131.1	127.4	139.8	138.0
Fixed Ratio (%)	120.9	121.4	110.3	102.1	97.2	95.9
Interest-bearing Debt	124,508	127,188	115,320	94,010	63,120	52,338
Debt/Equity Ratio (%)	36.6	36.2	27.6	20.6	12.2	10.0
Total Assets Turnover (Times)	1.16	1.19	1.19	1.19	1.15	1.15
Inventory Turnover (Times)	8.14	7.71	7.57	7.50	7.09	7.11
Tangible Fixed Assets Turnover (Times)	3.71	4.13	4.38	4.51	4.31	4.11
Cash Flow						
Net cash provided by operating activities	64,197	66,652	71,016	97,720	67,760	71,389
Net cash provided by (used in) investing activities	(46,051)	(70,727)	(31,133)	(60,914)	4,127	(23,715)
Net cash used in financing activities	(5,197)	(16,077)	(30,520)	(49,803)	(63,856)	(41,726)
Free Cash Flow	12,602	(12,332)	30,650	24,915	58,810	33,375
Capital Expenditures, Depreciation and R&D Expenditures						
Capital Expenditures	25,269	33,076	36,842	41,827	46,993	49,740
Depreciation and Amortization	34,530	35,102	34,895	34,376	31,203	34,735
R&D Expenditures	24,694	25,611	25,894	27,720	29,452	31,693
R&D Expenditures to Revenues (%)	2.70	2.65	2.51	2.50	2.65	2.89
Per Share Data						
Net Assets per Share (Yen)	650.83	682.46	810.76	897.18	1,033.49	1,071.24
Net Income Attributable to Owners of Parent per Share (Yen)	44.92	53.96	58.53	80.13	104.73	115.08
Dividends per Share (Yen)	13.00	15.00	18.00	23.00	27.00	30.00
Dividends Payout Ratio (%)	28.9	27.8	30.8	28.7	25.8	26.1
Other Data						
Return on Equity (%)	6.9	8.1	7.8	9.4	10.9	10.9
Return on Total Assets (%)	6.1	6.7	7.0	8.9	9.1	8.5
EBITDA	83,865	89,712	94,516	116,918	116,967	124,558
Interest Coverage Ratio (Times)	19.8	20.7	21.7	33.2	51.7	64.5
PER (Times)	14.49	13.31	17.63	13.39	14.89	12.04
Number of Employees	19,770	20,855	22,202	23,017	23,886	23,901
Net Sales per Employee (Ten thousands of yen)	4,631	4,751	4,796	4,913	4,744	4,588

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 Attributable to Owners of Parent / 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 Attributable to Owners of Parent per Share
Net Sales per Employee = Net Sales / Average Number of Employees

SEKISUI

Consolidated Financial Statements

Consolidated Balance Sheet

Sekisui Chemical Co., Ltd. and Consolidated Subsidiaries
March 31, 2016

	Millions of yen	
	2016	2015
Assets		
Current assets:		
Cash and deposits (Notes 16 and 18)	¥ 68,007	¥ 87,169
Notes receivable, trade (Note 18)	35,168	40,026
Accounts receivable, trade (Note 18)	140,828	146,353
Marketable securities (Notes 4 and 18)	107	0
Merchandise and finished goods	58,917	61,922
Land for sale	25,405	22,382
Work in process	38,204	40,990
Raw materials and supplies	28,233	32,309
Advance payments	4,679	2,733
Prepaid expenses	3,766	2,964
Deferred tax assets (Note 9)	12,540	14,718
Short-term loans receivable	974	2,010
Other current assets	19,377	15,707
Allowance for doubtful accounts	(1,698)	(3,126)
Total current assets	434,513	466,164
Non-current assets:		
Property, plant and equipment, net (Notes 5, 6, 14 and 21):		
Buildings and structures	90,767	88,709
Machinery, equipment and vehicles	78,352	75,503
Land	71,203	70,055
Leased assets	9,402	9,894
Construction in progress	12,244	12,370
Other	8,004	7,324
Total property, plant and equipment, net	269,974	263,857
Intangible assets (Notes 6, 14 and 21):		
Goodwill	16,783	10,787
Software	8,108	7,241
Leased assets	271	264
Other	18,559	15,812
Total intangible assets	43,722	34,106
Investments and other assets:		
Investments in securities (Notes 4 and 18)	168,262	182,049
Long-term loans receivable	696	715
Long-term prepaid expenses	1,421	1,601
Asset for retirement benefits (Note 8)	625	844
Deferred tax assets (Note 9)	4,925	7,131
Other	14,424	12,305
Allowance for doubtful accounts	(2,521)	(764)
Total investments and other assets	187,833	203,883
Total non-current assets	501,530	501,847
Total assets (Note 21)	¥ 936,043	¥ 968,011

	Millions of yen	
	2016	2015
Liabilities		
Current liabilities:		
Notes payable, trade (Notes 6 and 18)	¥ 5,021	¥ 7,541
Electronically recorded obligations (Note 18)	14,781	6,886
Accounts payable, trade (Notes 6 and 18)	105,232	121,544
Short-term debt and current portion of long-term debt (Notes 6 and 18)	22,899	25,830
Current portion of bonds (Notes 6 and 18)	10,016	-
Lease obligations (Note 7)	3,227	3,169
Accrued expenses	38,242	36,244
Accrued income taxes and other taxes (Note 9)	5,686	13,184
Deferred tax liabilities (Note 9)	-	44
Allowance for bonuses to employees	16,745	16,570
Allowance for bonuses to directors and audit and supervisory board members	259	258
Provision for compensation for completed construction	1,209	1,161
Provision for loss on transfer of business	3,241	-
Advances received	40,534	43,204
Other	47,845	57,785
Total current liabilities	314,944	333,426
Long-term liabilities:		
Bonds (Notes 6 and 18)	69	10,000
Long-term debt less current portion (Notes 6 and 18)	9,569	17,111
Lease obligations (Note 7)	6,555	7,009
Deferred tax liabilities (Note 9)	3,782	10,591
Liability for retirement benefits (Note 8)	51,455	48,637
Other	5,509	5,941
Total long-term liabilities	76,942	99,291
Total liabilities	391,887	432,718
Contingent liabilities (Note 12)		
Net assets		
Shareholders' equity (Note 10);		
Common stock	100,002	100,002
Capital surplus	109,183	109,234
Retained earnings	295,659	265,246
Treasury stock, at cost	(25,970)	(21,770)
Total shareholders' equity	478,874	452,712
Accumulated other comprehensive income:		
Unrealized holding gain on securities	40,054	43,713
Deferred (loss) gain on hedges	(116)	33
Unrealized gain on land revaluation (Note 11)	321	301
Translation adjustments	5,817	16,417
Retirement benefit adjustments (Note 8)	(1,894)	3,133
Total accumulated other comprehensive income	44,182	63,599
Stock acquisition rights	512	414
Non-controlling interests	20,586	18,566
Total net assets	544,156	535,292
Total liabilities and net assets	¥ 936,043	¥ 968,011

See accompanying notes to consolidated financial statements

SEKISUI

Consolidated Statement of Income

Sekisui Chemical Co., Ltd. and Consolidated Subsidiaries
Year ended March 31, 2016

	Millions of yen	
	2016	2015
Net sales (Notes 17 and 21)	¥ 1,096,317	¥ 1,112,748
Cost of sales	750,513	775,130
Gross profit	345,804	337,617
Selling, general and administrative expenses (Note 13)	255,981	251,853
Operating income (Note 21)	89,823	85,764
Non-operating income:		
Interest income	859	936
Dividends income	3,791	4,100
Equity in earnings of affiliates	2,226	2,263
Foreign exchange gain, net	-	7,395
Miscellaneous income	2,842	3,788
Total non-operating income	9,720	18,484
Non-operating expenses:		
Interest expenses	1,147	1,430
Sales discounts	317	324
Foreign exchange loss, net	3,155	-
Miscellaneous expenses	13,710	14,515
Total non-operating expenses	18,330	16,270
Ordinary income	81,213	87,978
Extraordinary income:		
Gain on sales of investments in securities	10,769	5,084
Total extraordinary income	10,769	5,084
Extraordinary loss:		
Loss on transfer of business	6,638	-
Provision for loss on transfer of business	3,241	-
Loss on impairment of fixed assets and goodwill (Notes 14 and 21)	2,313	7,123
Loss on sales or disposal of property, plant and equipment	1,838	1,707
Total extraordinary loss	14,032	8,830
Income before income taxes	77,950	84,232
Income taxes (Note 9):		
Current	15,007	27,938
Deferred	5,215	2,005
Total income taxes	20,223	29,944
Net income	57,727	54,287
Net income attributable:		
Non-controlling interests	1,073	1,292
Owners of parent	¥ 56,653	¥ 52,995

See accompanying notes to consolidated financial statements

Consolidated Statement of Comprehensive Income

Sekisui Chemical Co., Ltd. and Consolidated Subsidiaries
Year ended March 31, 2016

	Millions of yen	
	2016	2015
Net income	¥ 57,727	¥ 54,287
Other comprehensive (loss) income (Note 15)		
Unrealized holding (loss) gain on securities	(3,480)	23,793
Deferred (loss) gain on hedges	(150)	26
Translation adjustments	(11,828)	10,842
Retirement benefit adjustments	(4,570)	1,395
Comprehensive (loss) income of affiliates accounted for by the equity method attributable to the Company	(616)	1,241
Total other comprehensive (loss) income	(20,647)	37,299
Comprehensive income	¥ 37,080	¥ 91,587
Comprehensive income (loss) attributable to:		
Owners of parent	¥ 37,237	¥ 88,895
Non-controlling interests	(156)	2,691

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, 2016

	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	Non-controlling interests	Total net assets
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 attributable to owners of parent	-	-	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 April 1, 2015	¥ 100,002	¥109,234	¥265,246	¥(21,770)	¥ 43,713	¥ 33	¥ 301	¥ 16,417	¥ 3,133	¥ 414	¥ 18,566	¥ 535,292
Cash dividends	-	-	(13,836)	-	-	-	-	-	-	-	-	(13,836)
Net income attributable to owners of parent	-	-	56,653	-	-	-	-	-	-	-	-	56,653
Decrease in retained earnings resulting from inclusion of subsidiaries in consolidation	-	-	(526)	-	-	-	-	-	-	-	-	(526)
Decrease in retained earnings resulting from exclusion of subsidiaries from consolidation	-	-	(2)	-	-	-	-	-	-	-	-	(2)
Change due to merger	-	-	30	-	-	-	-	-	-	-	-	30
Retirement of treasury stock	-	(11,803)	-	11,803	-	-	-	-	-	-	-	-
Purchase of treasury stock	-	-	-	(16,783)	-	-	-	-	-	-	-	(16,783)
Disposal of treasury stock	-	(102)	-	780	-	-	-	-	-	-	-	677
Transfer from retained earnings to capital surplus	-	11,906	(11,906)	-	-	-	-	-	-	-	-	-
Change in shareholders' equity due to transactions with non-controlling interests	-	(51)	-	-	-	-	-	-	-	-	-	(51)
Net changes of items other than shareholders' equity	-	-	-	-	(3,658)	(150)	20	(10,600)	(5,027)	98	2,019	(17,298)
Total changes of items during the year	-	(51)	30,413	(4,199)	(3,658)	(150)	20	(10,600)	(5,027)	98	2,019	8,863
Balance at March 31, 2016	¥ 100,002	¥109,183	¥295,659	¥(25,970)	¥ 40,054	¥ (116)	¥ 321	¥ 5,817	¥ (1,894)	¥ 512	¥ 20,586	¥ 544,156

See accompanying notes to consolidated financial statements

SEKISUI

Consolidated Statement of Cash Flows

Sekisui Chemical Co., Ltd. and Consolidated Subsidiaries
Year ended March 31, 2016

	Millions of yen	
	2016	2015
Operating activities:		
Income before income taxes	¥ 77,950	¥ 84,232
Adjustments for:		
Depreciation and amortization	34,735	31,203
Amortization of goodwill	2,156	2,348
Loss on impairment of fixed assets and goodwill	2,313	7,123
Loss on disposal of property, plant and equipment	1,134	1,190
Loss on sales of property, plant and equipment, net	703	516
Increase (decrease) in liability for retirement benefits	2,238	(3,165)
Gain on sales of investments in securities	(10,769)	(5,084)
Interest and dividends income	(4,651)	(5,037)
Interest expenses and sales discounts	1,465	1,754
Equity in earnings of affiliates	(2,226)	(2,263)
Loss on transfer of business	6,638	-
Provision for loss on transfer of business	3,241	-
Decrease in notes and accounts receivable	3,927	12,108
Decrease in inventories	4,562	1,432
Decrease in notes and accounts payable	(2,818)	(14,552)
Decrease in advances received	(2,757)	(14,249)
Decrease in deposits	(10,801)	(988)
Other	(8,732)	963
Subtotal	98,310	97,534
Interest and dividends received	5,275	5,650
Interest paid	(1,488)	(1,886)
Income taxes paid	(30,707)	(33,538)
Net cash provided by operating activities	71,389	67,760
Investing activities:		
Purchases of property, plant and equipment	(39,444)	(34,602)
Proceeds from sales of property, plant and equipment	2,525	835
Payments into time deposits	(27,644)	(27,012)
Proceeds from withdrawal of time deposits	51,056	59,028
Purchases of investments in securities	(8,314)	(104)
Proceeds from sales or redemption of investments in securities	21,408	16,789
Acquisition of investments in a subsidiary resulting in change in scope of consolidation (Note 16)	(12,232)	-
Payment for sales of investments in subsidiaries resulting in change in scope of consolidation (Note16)	(4,239)	-
Acquisition of investments in subsidiaries	(1,481)	(5,878)
Purchases of intangible assets	(5,688)	(5,517)
Increase in short-term loans receivable	(185)	(1,294)
Other	525	1,885
Net cash (used in) provided by investing activities	¥ (23,715)	¥ 4,127

Consolidated Statement of Cash Flows (continued)

Financing activities:		
Decrease in short-term debt, net	¥ (3,443)	¥ (6,150)
Repayments of lease obligations	(3,540)	(3,822)
Proceeds from long-term debt	2,611	4,396
Repayment of long-term debt	(6,979)	(21,203)
Redemption of bonds	(8)	(10,000)
Cash dividends paid	(13,820)	(12,743)
Cash dividends paid to non-controlling interests	(479)	(334)
Purchase of treasury stock	(16,783)	(15,024)
Other	717	1,026
Net cash used in financing activities	(41,726)	(63,856)
Effect of exchange rate change on cash and cash equivalents	(2,879)	3,448
Net increase in cash and cash equivalents	3,069	11,480
Cash and cash equivalents at beginning of year	62,780	51,248
Increase in cash and cash equivalents from newly consolidated subsidiaries	1,255	52
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(0)	-
Cash and cash equivalents at end of year (Note 16)	¥ 67,104	¥ 62,780

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 and cash flows for the year ended March 31, 2015 to the 2016 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, 2016, the Company had 196 subsidiaries. The accompanying consolidated financial statements for the year ended March 31, 2016 include the accounts of the Company and its 155 significant subsidiaries.

The accounts of the remaining 41 subsidiaries have not been consolidated with those of the Company at March 31, 2016, because their combined assets, retained earnings, net sales and net income attributable to owners of parent in the aggregate were not material to the consolidated financial statements.

The fiscal year end of 19 overseas consolidated subsidiaries was December 31. These consolidated subsidiaries have been consolidated using provisional financial statements at March 31.

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

At March 31, 2016, although the Company had 41 unconsolidated subsidiaries and 16 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 non-controlling 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 attributable to owners of parent and are reported as translation adjustments and non-controlling 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) Provision for Loss on Transfer of Business

Provision for loss on transfer of business is provided at the estimated amount of possible losses resulting from the transfer of important businesses.

(12) 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.

2. Summary of Significant Accounting Policies (continued)

(12) Retirement Benefits (continued)

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, and the related amount is included in liability for retirement benefits.

(13) 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.

(14) 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.

(15) 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.

(16) 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.

(17) 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.

3. Changes in Accounting Policies

Application of accounting standards for business combinations, etc.

Effective from the year ended March 31, 2016, the Company and its domestic consolidated subsidiaries adopted "Revised Accounting Standard for Business Combinations" (Accounting Standards Board of Japan ("ASBJ") Statement No. 21 of September 13, 2013), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22 of September 13, 2013) and "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7 of September 13, 2013) and other standards. Under these accounting standards, the difference arising from changes in the ownership interest in a subsidiary when control over the subsidiary is retained is recognized under capital surplus and acquisition-related costs are recorded as an expense in the fiscal year in which they occur. For business combinations which became or will become effective on or after April 1, 2015, the accounting method was changed to reflect adjustments to the allocation of acquisition cost on the finalization of provisional accounting treatments in the consolidated financial statements for the year in which the relevant business combinations occurs. In addition, the Company changed the presentation of net income and the term "non-controlling interests" is used instead of "minority interests." Certain reclassifications were made to the previous year's consolidated financial statements to reflect these changes in presentation.

In the consolidated statement of cash flows for the year ended March 31, 2016, cash flows related to the acquisition or sales of investments in subsidiaries not resulting in a change in the scope of consolidation are classified into "Financing activities." Cash flows related to expenses arising from the acquisition of investments in subsidiaries resulting in a change in the scope of consolidation and cash flows related to expenses arising from the acquisition or sales of investments in subsidiaries not resulting in a change in the scope of consolidation are classified into "Operating activities."

ASBJ Statement No. 21 and other standards were applied in accordance with the transitional treatment set forth in Paragraph 58-2 (4) of the ASBJ Statement No. 21, Paragraph 44-5 (4) of ASBJ Statement No. 22 and Paragraph 57-4 (4) of the ASBJ Statement No. 7 prospectively from April 1, 2015.

The effects of this change on the consolidated financial statements and per share information for the year ended March 31, 2016 were immaterial.

4. Marketable Securities and Investments in Securities

(1) Held-to-maturity debt securities at March 31, 2016 and 2015 are summarized as follows:

	Millions of yen			
	2016			
	Carrying value	Estimated fair value	Gross unrealized gain	Gross unrealized loss
Unlisted foreign debt securities	¥ 10	¥ 10	¥ -	¥ -
Total	¥ 10	¥ 10	¥ -	¥ -

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

(2) Other securities with available fair market value at March 31, 2016 and 2015 are summarized as follows:

	Millions of yen			
	2016			
	Acquisition cost	Carrying value	Gross unrealized gain	Gross unrealized loss
Equity securities	¥ 70,496	¥ 125,070	¥ 54,573	¥ -
Equity securities	197	165	-	(32)
Total	¥ 70,694	¥ 125,235	¥ 54,573	¥ (32)

	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)

Because no quoted market prices are available and it is extremely difficult to determine the fair value, unlisted equity securities of ¥2,319 million and ¥1,902 million at March 31, 2016 and 2015, 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, 2016 and 2015 are summarized as follows:

	Millions of yen	
	2016	2015
Proceeds from sales	¥21,256	¥15,412
Gross realized gain	10,769	5,084
Gross realized loss	1	0

5. Accumulated Depreciation

Property, plant and equipment, net reflected in the accompanying consolidated balance sheet at March 31, 2016 and 2015 were stated at cost, less accumulated depreciation. Accumulated depreciation at March 31, 2016 and 2015 amounted to ¥532,778 million and ¥527,840 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, 2016 and 2015 were 2.26% and 1.57%, respectively.

(2) Bonds outstanding at March 31, 2016 and 2015 were as follows:

	Millions of yen	
	2016	2015
0.60% bonds due June 2016	¥ 10,000	¥ 10,000
6 month JPY TIBOR bonds due March 2021	86	-
	10,086	10,000
Less current portion	(10,016)	-
	¥ 69	¥ 10,000

(3) Long-term debt at March 31, 2016 and 2015 was as follows:

	Millions of yen	
	2016	2015
Secured	¥ 495	¥ 947
Unsecured	17,278	23,571
	17,774	24,519
Less current portion	(8,205)	(7,407)
	¥ 9,569	¥ 17,111

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 bonds and long-term debt subsequent to March 31, 2016 are summarized below:

	Millions of yen	
Year ending March 31,	Bonds	Long-term debt
2017	¥ 10,016	¥ 8,205
2018	16	3,726
2019	16	3,779
2020	16	1,542
2021	19	521
2022 and thereafter	-	-

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

(4) At March 31, 2016 and 2015, the following assets were pledged as collateral for notes and accounts payable, trade and long-term and short-term debt:

	Millions of yen	
Assets	2016	2015
Buildings and structures	¥ 4,105	¥ 4,540
Machinery	141	264
Land	4,209	5,438
Intangible assets	194	291
Other	1,603	1,673
Total	¥ 10,254	¥ 12,209

	Millions of yen	
Liabilities	2016	2015
Notes payable, trade	¥ 81	¥ 73
Accounts payable, trade	1,034	1,008
Short-term debt	1,607	5,367
Long-term debt	495	947
Total	¥ 3,219	¥ 7,397

(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, 2016 and 2015 were as follows:

	Millions of yen	
	2016	2015
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, 2016 are summarized below:

Year ending March 31,	Millions of yen
2017	¥ 3,227
2018	2,502
2019	1,749
2020	1,155
2021	621
2022 and thereafter	528

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, 2016 and 2015 were as follows:

	Millions of yen	
	2016	2015
Retirement benefit obligations at the beginning of the year	¥ 135,425	¥ 133,002
Cumulative effect of change in accounting policy	-	3,397
Restated balance at the beginning of the year	135,425	136,399
Service cost	5,945	5,758
Interest cost	1,311	1,493
Actuarial loss	2,813	3,798
Retirement benefits paid	(7,744)	(6,873)
Prior service cost	(72)	28
Others	(516)	(5,179)
Retirement benefit obligations at the end of the year	¥ 137,162	¥ 135,425

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, 2016 and 2015 were as follows:

	Millions of yen	
	2016	2015
Plan assets at the beginning of the year	¥ 95,657	¥ 90,352
Expected return on plan assets	2,382	2,303
Actuarial (loss) gain	(3,421)	5,869
Contributions by the employer	6,575	5,597
Retirement benefits paid	(5,018)	(4,844)
Others	(419)	(3,621)
Plan assets at the end of the year	¥ 95,755	¥ 95,657

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, 2016 and 2015 were as follows:

	Millions of yen	
	2016	2015
Liability for retirement benefits at the beginning of the year	¥ 6,776	¥ 6,676
Retirement benefit expenses	3,446	2,630
Retirement benefits paid	(576)	(361)
Contributions to the plans	(2,330)	(2,169)
Increase due to business combination	822	-
Liability for retirement benefits at the end of the year	¥ 8,137	¥ 6,776

(4) The balance of retirement benefit obligations and plan assets at fair value as of March 31, 2016 and 2015, liabilities and assets recognized in the consolidated balance sheet were as follows:

	Millions of yen	
	2016	2015
Funded retirement benefit obligations	¥ 116,218	¥ 113,181
Plan assets at fair value	(101,381)	(100,970)
	14,837	12,211
Unfunded retirement benefit obligations	34,707	34,333
Net liability recognized in the consolidated balance sheet	49,544	46,545
Liability for retirement benefits	50,170	47,389
Asset for retirement benefits	625	844
Net liability recognized in the consolidated balance sheet	¥ 49,544	¥ 46,545

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

(5) The components of retirement benefit expenses for the years ended March 31, 2016 and 2015 were as follows:

	Millions of yen	
	2016	2015
Service cost	¥ 5,945	¥ 5,758
Interest cost	1,311	1,493
Expected return on plan assets	(2,382)	(2,303)
Amortization of actuarial gain	(985)	(1,519)
Amortization of prior service cost	(29)	117
Loss on liquidation of a defined benefit plan	-	448
Retirement benefit expenses calculated by simplified methods	3,446	2,630
Retirement benefit expenses	¥ 7,306	¥ 6,626

(6) The components of retirement benefit adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2016 and 2015 were as follows:

	Millions of yen	
	2016	2015
Prior service cost	¥ (43)	¥ (79)
Actuarial loss (gain)	6,899	(1,456)
Total	¥ 6,856	¥ (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, 2016 and 2015 were as follows:

	Millions of yen	
	2016	2015
Unrecognized prior service cost	¥ 50	¥ 93
Unrecognized actuarial loss (gain)	2,845	(4,054)
Total	¥ 2,895	¥ (3,960)

(8) Plan assets, by major category, as a percentage of total plan assets as of March 31, 2016 and 2015 were as follows:

	2016	2015
Debt securities	48%	45%
Equity securities	20%	21%
General accounts at life insurance companies	21%	20%
Cash and deposits	1%	1%
Others	10%	13%
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:

	2016	2015
Discount rates	0.2%-0.7%	0.7%-1.3%
Expected long-term rates of return on plan assets	1.5%-2.5%	1.5%-2.5%
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 ¥1,916 million and ¥1,881 million for the years ended March 31, 2016 and 2015, respectively.

(1) The most recent funded status related to multi-employer pension plans as of March 31, 2016 and 2015 was as follows:

	Millions of yen	
	2016	2015
Plan assets	¥ 116,108	¥ 104,427
Amount of actuarial obligations calculated under pension financing	114,167	115,315
Unfunded obligations	¥ 1,940	¥ (10,887)

(2) Benefit obligations calculated under pension financing of the Companies were approximately 20% to the multi-employer pension plans as of March 31, 2016 and 2015.

(3) Supplementary explanation
The above information is obtained from the latest available information. (Data for the years ended March 31, 2016 and 2015 is based on the information as of March 31, 2015 and 2014, respectively.)
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 amounts of the required contribution to the defined contribution plans of the Company and certain consolidated subsidiaries were ¥710 million and ¥457 million for the years ended March 31, 2016 and 2015, respectively.

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 32.9% and 35.4% for the years ended March 31, 2016 and 2015, respectively.

The effective tax rate reflected in the accompanying consolidated statement of income for the year ended March 31, 2016 differs from the above statutory tax rate for the following reasons:

	2016
Statutory tax rate	32.9%
Valuation allowance	(7.3)
Income tax credit	(3.1)
Temporary differences of consolidated subsidiaries which do not recognize tax effects	2.6
Other	0.8
Effective tax rate	25.9%

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.

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, 2016 and 2015 are summarized as follows:

	Millions of yen	
	2016	2015
Deferred tax assets:		
Liability for retirement benefits	¥ 14,632	¥ 14,433
Unrealized gain	5,411	6,156
Allowance for bonuses	5,045	5,333
Loss on devaluation of investments in securities	3,681	3,857
Loss on impairment of fixed assets and goodwill	1,500	2,018
Tax loss carry forwards	1,070	1,087
Accrued business tax	632	1,112
Other	14,657	14,405
Valuation allowance	(4,642)	(4,264)
Total deferred tax assets	41,987	44,140
Deferred tax liabilities:		
Unrealized holding gain on securities	(16,375)	(19,204)
Accelerated depreciation of property, plant and equipment	(3,784)	(4,075)
Temporary differences arising from consolidation without tax effect	(2,919)	(3,152)
Revaluation of investments in affiliates	(2,530)	(2,732)
Deferred capital gains on property	(2,345)	(2,723)
Other	(348)	(1,038)
Total deferred tax liabilities	(28,305)	(32,927)
Net deferred tax assets	¥ 13,682	¥ 11,213

9. Income Taxes (continued)

The "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 15 of 2016) and the "Act for Partial Amendment of the Local Tax Act, etc." (Act No.13 of 2016) were enacted in the Japanese Diet on March 29, 2016.
As a result, the effective statutory tax rate used to measure the Company's deferred tax assets and liabilities was changed from 32.1% to 30.7% for the temporary differences expected to be realized or settled in the years beginning on April 1, 2016 and 2017, and to 30.5% for the temporary differences expected to be realized settled from April 1, 2018. The effect of this change in the effective statutory tax rates on the accompanying consolidated financial statements for the year ended March 31, 2016 was to decrease deferred tax assets, after offsetting deferred tax liabilities, by ¥151 million and to increase income taxes – deferred, unrealized holding gain on securities and retirement benefit adjustments by ¥1,014 million, ¥858 million and ¥5 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, 2016 and 2015.

Stock-based compensation plan
In accordance with the Law, certain stock option plans (the 2010, 2011, 2012, 2013, 2014 and 2015 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 29, 2010, June 29, 2011, June 27, 2012, June 26, 2013, June 26, 2014 and June 25, 2015, respectively.

The stock option plans outlined above are summarized as follows:

	Number of stock options granted	Exercise price	Exercisable period
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
The 2015 plan	1,270,000	1,542	From July 1, 2017 up to and including June 30, 2020

10. Shareholders' Equity (continued)

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

	The 2010 plan	The 2011 plan	The 2012 plan	The 2013 plan	The 2014 plan	The 2015 plan
Number of stock options:						
Balance at March 31, 2014	380,000	765,000	1,200,000	1,195,000	-	-
Granted	-	-	-	-	1,260,000	-
Cancelled	-	-	-	10,000	10,000	-
Exercised	183,000	252,000	521,000	-	-	-
Balance at March 31, 2015	197,000	513,000	679,000	1,185,000	1,250,000	-
Granted	-	-	-	-	-	1,270,000
Cancelled	60,000	-	-	5,000	5,000	-
Exercised	137,000	178,000	162,000	225,000	-	-
Balance at March 31, 2016	-	335,000	517,000	955,000	1,245,000	1,270,000
Fair value of stock options as of the grant date	¥ 92	¥ 67	¥ 61	¥ 238	¥ 173	¥ 100

Common stock and treasury stock

Movements in common stock in issue and treasury stock for the years ended March 31, 2016 and 2015 are summarized as follows:

	Number of shares			
	2016			
	April 1, 2015	Increase	Decrease	March 31, 2016
Common stock	520,507,285	-	10,000,000	510,507,285
Treasury stock	20,926,419	12,012,802	10,702,588	22,236,633

	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

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 ¥321 million and ¥301 million in the accompanying consolidated balance sheets at March 31, 2016 and 2015, respectively.

12. Contingent Liabilities

Contingent liabilities at March 31, 2016 and 2015 were as follows:

	Millions of yen	
	2016	2015
Guaranteed obligations		
Housing loans of customers	¥ 29,740	¥ 26,386
Housing loans of employees	127	206
Loans of unconsolidated subsidiaries	85	170

	Millions of yen	
	2016	2015
Notes receivable, trade with recourse		
Notes receivable, trade endorsed	¥ 290	¥ 401
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, 2016 and 2015 are as follows:

	Millions of yen	
	2016	2015
Research and development costs	¥ 31,693	¥ 29,452

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, 2016, the Companies have written down the full amount of certain property, plant and equipment, from which the recoverability of future cash flows is not expected in the pipeline rehabilitation business in the United States. As a result, the Companies recorded loss on impairment of fixed assets and goodwill under extraordinary loss in the amount of ¥423 million, which consists of machinery and equipment in the amount of ¥219 million, vehicles in the amount of ¥150 million and other in the amount of ¥53 million for the year ended March 31, 2016.
In addition, the Companies have written down intangible assets recognized at the time of acquisition of the IT field related business (present electronics field 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 ¥413 million for the year ended March 31, 2016. The recoverable value was measured at value in use, which is determined by discounting future cash flows at 10%.

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 (present electronics field 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.

15. Other Comprehensive Income

The reclassification adjustments and tax effects for components of other comprehensive income for the years ended March 31, 2016 and 2015 are as follows:

	Millions of yen	
	2016	2015
Unrealized holding (loss) gain on securities:		
Amount arising during the year	¥ 3,705	¥ 38,538
Reclassification adjustments for gains and losses realized in net income attributable to owners of parent	(10,669)	(5,084)
Before tax effects	(6,963)	33,453
Tax effects	3,483	(9,660)
Unrealized holding (loss) gain on securities	(3,480)	23,793
Deferred (loss) gain on hedges:		
Amount arising during the year	(150)	26
Translation adjustments:		
Amount arising during the year	(11,983)	10,842
Reclassification adjustments for gains and losses realized in net income attributable to owners of parent	154	-
Translation adjustments	(11,828)	10,842
Retirement benefit adjustments:		
Amount arising during the year	(6,162)	2,042
Reclassification adjustments for gains and losses realized in net income attributable to owners of parent	(694)	(506)
Before tax effects	(6,856)	1,536
Tax effects	2,285	(140)
Retirement benefit adjustments	(4,570)	1,395
Comprehensive (loss) income of affiliates accounted for by the equity method attributable to the Company:		
Amount arising during the year	(615)	1,329
Reclassification adjustments for gains and losses realized in net income attributable to owners of parent	(0)	(87)
Comprehensive (loss) income of affiliates accounted for by the equity method attributable to the Company	(616)	1,241
Total other comprehensive (loss) income	¥ (20,647)	¥ 37,299

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, 2016 and 2015 are presented as follows:

	Millions of yen	
	2016	2015
Cash and deposits	¥ 68,007	¥ 87,169
Time deposits with maturities in excess of three months	(903)	(24,389)
Cash and cash equivalents	¥67,104	¥62,780

Major components of assets and liabilities of the newly consolidated subsidiary due to acquisition of shares during the year ended March 31, 2016:

The summary of assets acquired and liabilities assumed at the inception of consolidation of EIDIA Co., Ltd., a newly consolidated subsidiary through the acquisition of shares, acquisition cost and net payment for acquisition of shares is as follows:

	Millions of yen
Current assets	¥ 14,174
Non-current assets	9,431
Goodwill	5,768
Current liabilities	(4,746)
Long-term liabilities	(2,411)
Acquisition cost of shares	22,216
Cash and cash equivalents	(9,983)
Net payment for acquisition of shares	¥(12,232)

Major components of assets and liabilities of the companies which were excluded from the scope of consolidation due to sales of shares during the year ended March 31, 2016:

The summary of assets and liabilities of Sekisui SPR Europe G.m.b.H., Sekisui SPR Construction G.m.b.H. and other twelve companies, which were excluded from the scope of consolidation due to sales of their shares, sales value of shares and net payment for sales of shares is as follows:

	Millions of yen
Current assets	¥ 8,318
Non-current assets	1,052
Current liabilities	(2,585)
Long-term liabilities	(45)
Translation adjustments	(100)
Loss on transfer of business	(6,638)
Sales value of shares	0
Cash and cash equivalents	(4,254)
Net payment for sale of shares	¥ (4,254)

Non cash financing activities

Assets and liabilities related to finance lease obligations newly recognized were ¥3,080 million and ¥4,287 during the years ended March 31, 2016 and 2015, respectively.

17. Related Party Transactions

Principal transactions between the Company's consolidated subsidiaries and their related parties for the years ended March 31, 2016 and 2015 are summarized as follows:

2016

			Millions of yen
Name	Title	Transactions	Amounts
Satoshi Uenoyama	Director	Sales of residence	¥50

2015

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

Notes: 1. Above amounts do not include consumption taxes.
2. Prices for the sales and remodeling of the residence were determined based on the same terms as third party transactions.

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 5 years, at the longest, subsequent to March 31, 2016. 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 creditworthiness 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, 2016 and 2015 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, 2016:

	Millions of yen		
	Carrying value	Estimated fair value	Difference
Cash and deposits	¥ 68,007	¥ 68,007	¥ -
Notes and accounts receivable, trade	175,997	175,997	-
Marketable securities and investments in securities	153,718	148,121	(5,596)
Total	¥ 397,722	¥ 392,126	¥ (5,596)
Notes and accounts payable, trade and electronically recorded obligations	¥ 125,035	¥ 125,035	¥ -
Short-term debt	14,694	14,694	-
Long-term debt, including current portion	17,774	17,816	41
Bonds, including current portion	10,086	10,086	-
Total	¥ 167,591	¥ 167,632	¥ 41
Derivative transactions (*):			
Derivatives for which hedge accounting is not applied	¥ (115)	¥ (115)	¥ -
Derivatives for which hedge accounting is applied	(116)	(116)	-
Total	¥ (231)	¥ (231)	¥ -

18. Financial Instruments (continued)

Estimated 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
Derivative transactions (*):			
Derivatives for which hedge accounting is not applied	¥ (489)	¥ (489)	¥ -
Derivatives for which hedge accounting is applied	33	33	-
Total	¥ (455)	¥ (455)	¥ -

(*): Asset and liabilities arising from derivative transactions are shown at net value with the amount in parentheses representing net liability position.

(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	
	2016	2015
Unlisted equity securities	¥ 14,650	¥ 20,161

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, 2016 and 2015:

Maturity analysis at March 31, 2016:

	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	¥ 68,007	¥ -	¥ -	¥ -
Notes and accounts receivable, trade	175,997	-	-	-
Marketable securities and investments in securities				
Held-to-maturity debt securities	7	3	-	-
Other securities with maturity	100	-	-	-
Total	¥ 244,111	¥ 3	¥ -	¥ -

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	¥ -	¥ -

(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, 2016 and 2015:

(1) Derivatives for which hedge accounting is not applied

(a) Currency-related transactions

	Millions of yen					
	2016			2015		
	Notional amount	Fair value	Unrealized gain (loss)	Notional amount	Fair value	Unrealized gain (loss)
Over-the-counter transactions						
Forward foreign exchange contracts:						
Buy: U.S. dollars	¥ 101	¥ 5	¥ 5	¥ 130	¥ (8)	¥ (8)
Buy: Thai Baht	671	6	6	310	(3)	(3)
Buy: S.G. dollars	71	2	2			
Foreign currency swaps:						
Receive fixed – U.S. dollars/ pay fixed – yen	6,789	(170)	(170)	7,685	(966)	(966)
Receive fixed – S.G. dollars/ pay fixed – yen	561	40	40	449	(30)	(30)
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	¥ 8,195	¥(115)	¥ (115)	¥ 16,034	¥(489)	¥ (489)

The notional amount of receive fixed – U.S. dollars / pay fixed – yen includes portions over 1 year of ¥313 million and ¥3,457 million at March 31, 2016 and 2015, respectively.

19. Derivatives (continued)

(2) Derivatives for which hedge accounting is applied

(a) Currency-related transactions

	Millions of yen		
	2016		
	Hedged item	Notional amount	Fair value
Forward foreign exchange contracts:			
Buy: U.S. dollars	Accounts	¥ 1,756	¥ (117)
Buy: Euro	payable	16	0
Total		¥ 1,773	¥ (116)

	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

The notional amount of the buy position in U.S. dollars and Euro does not include any portion over 1 year at March 31, 2016 and 2015.

(b) Interest-related transactions

	Millions of yen		
	2016		
	Hedged item	Notional amount	Fair value
Interest-rate swap:	Long-term		
Receive/floating and pay/fixed	debt	¥ 2,325	(*)
Total		¥ 2,325	

	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	

(*): 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 at March 31, 2016 and 2015.

20. Amounts per Share

	Yen	
	2016	2015
Net income attributable to owners of parent		
Basic	¥ 115.08	¥ 104.73
Diluted	114.88	104.55
Cash dividends	30.00	27.00
Net assets	1,071.24	1,033.49

Basic net income attributable to owners of parent per share has been computed based on the net income attributable to owners of parent 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 attributable to owners of parent per share has been computed based on the net income attributable to owners of parent 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 and residential service business. 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, 2016 and 2015. The figures of intersegment sales and transfers are presented based on the current market prices at the time of these transactions.

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, 2016 and 2015 is summarized as follows:

	Millions of yen					
	2016					
	Reportable segments					
	Housing	Urban infrastructure and environmental products	High performance plastics	Total	Other (*1)	Consolidated
Sales:						
Sales to third parties	¥ 473,380	¥ 213,730	¥ 371,916	¥ 1,059,026	¥ 37,290	¥ 1,096,317
Intersegment sales or transfers	61	12,548	6,636	19,246	1,010	20,257
Net sales	473,441	226,279	378,552	1,078,273	38,300	1,116,574
Segment income (loss)	¥ 36,387	¥ 3,610	¥ 53,353	¥ 93,351	¥ (3,069)	¥ 90,282
Segment assets	¥ 265,481	¥ 179,088	¥ 382,440	¥ 827,009	¥ 33,430	¥ 860,440
Other items:						
Depreciation and amortization (*2)	7,958	6,430	18,117	32,506	1,312	33,818
Investment in affiliates accounted for by the equity method	8,314	-	-	8,314	-	8,314
Increase in property, plant and equipment, and intangible assets (*2)	14,350	8,451	23,484	46,286	2,451	48,737

21. Segment Information (continued)

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

	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

(*1): Other represents segments other than the reportable segments, which includes provision of services and manufacturing and sales of industrial materials and 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, 2016 and 2015

	Millions of yen	
	2016	2015
Net sales:		
Total of reportable segments	¥ 1,078,273	¥ 1,094,102
Other net sales	38,300	38,906
Eliminations	(20,257)	(20,260)
Net sales	¥ 1,096,317	¥ 1,112,748

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	
	2016	2015
Income:		
Total of reportable segments	¥ 93,351	¥ 88,543
Other loss	(3,069)	(1,957)
Eliminations	(0)	319
Corporate expenses (*1)	(459)	(1,141)
Operating income	¥ 89,823	¥ 85,764

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

Assets at March 31, 2016 and 2015

	Millions of yen	
	2016	2015
Assets:		
Total of reportable segments	¥ 827,009	¥ 805,612
Assets classified as “other”	33,430	37,893
Eliminations	(285,374)	(283,044)
Corporate assets (*1)	360,977	407,550
Total assets	¥ 936,043	¥ 968,011

(*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, 2016 and 2015

	Millions of yen			
	2016			
	Reporting Segments	Others	Adjustments (*1)	Consolidated
Other items:				
Depreciation and amortization	¥ 32,506	¥ 1,312	¥ 916	¥ 34,735
Investments in affiliates accounted for by the equity method	8,314	-	28,479	36,794
Increase in property, plant and equipment, and intangible assets	46,286	2,451	1,003	49,740

	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

(*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, 2016 and 2015 is as follows:

	Millions of yen					
	2016					
	Japan	America	Europe	Asia	Other	Total
Net sales	¥ 813,091	¥ 86,215	¥ 66,794	¥ 118,860	¥ 11,355	¥ 1,096,31

	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

(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, 2016 and 2015 is as follows:

	Millions of yen					
	2016					
	Japan	America	Europe	Asia	Other	Total
Property, plant and equipment, net	¥ 193,694	¥ 21,163	¥ 17,829	¥ 35,408	¥ 1,878	¥ 269,974

	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

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, 2016 and 2015 is as follows:

	Millions of yen					
	2016					
	Housing	Urban infrastructure and environmental products	High performance plastics	Other	Elimination or unallocable accounts	Total
Loss on impairment of fixed assets and goodwill	¥ 190	¥ 1,093	¥ 1,029	¥ 0	¥ -	¥ 2,313

	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

(7) Amortization and balance of goodwill

Information on amortization of goodwill by each segment and its remaining balance for the years ended March 31, 2016 and 2015 is summarized as follows:

	Millions of yen					
	2016					
	Housing	Urban infrastructure and environmental products	High performance plastics	Other	Elimination or unallocable accounts	Total
Amortization of goodwill	¥ 127	¥ 303	¥ 1,724	¥ -	¥ -	¥ 2,156
Balance at March 31, 2016	2,416	701	13,665	-	-	16,783

	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

22. Business Combination and Divestiture

(Business combination through acquisition)

1) Summary of the business combination

(1) Name and business description of the acquired company

Name of the acquired company: EIDIA Co., Ltd.

Business description: Manufacture, import, and sale of clinical diagnostic reagents, in vitro diagnostic devices, research reagents, and scientific equipment.

(2) Main reason for the business combination

To expand the diagnostics system business in the life science field

(3) Date of the business combination

December 28, 2015

(4) Legal form of the business combination

Share acquisition

(5) Company name after the business combination

EIDIA Co., Ltd.

(6) Percentage of shares with voting rights acquired

100%

(7) Main reason for the decision of the acquiring company

The acquisition was a share acquisition by the Company for a cash consideration

2) Period for which the acquired company's financial results are included in the Company's consolidated financial statements

January 1, 2016 to March 31, 2016

3) Acquisition cost and type of consideration for the acquired business

Cash payment for acquisition of shares	¥22,216 million
Acquisition cost	¥22,216 million

4) Details on major acquisition-related costs

Compensation and fees for financial advisory services, etc.: ¥67 million

5) Amount, reason for recognition, and amortization method and period for goodwill arising from the acquisition

(1) Amount of goodwill arising from the acquisition

¥5,768 million

(2) Reason for recognition

The difference between the fair value of net assets and the acquisition cost was recognized as goodwill because the fair value of net assets was below the acquisition cost at the time of the share acquisition.

(3) Depreciation method and depreciation period

Straight-line method over a period of 20 years

6) The amounts and main components of assets acquired and liabilities assumed on the date of the business combination

	Millions of yen
Current assets	¥ 14,174
Property, plant and equipment	1,642
Intangible assets	4,413
Investments and other assets	3,375
Total assets	23,606
Current liabilities	4,746
Long-term liabilities	2,411
Total liabilities	¥ 7,158

(Business divestitures)

1) Summary of the business divestiture

(1) Names of the transferred companies

Sekisui SPR Europe G.m.b.H., Sekisui SPR Construction G.m.b.H., and other twelve companies

(2) Business description of the transferred businesses

The Company's pipeline rehabilitation businesses in Europe

(3) Main reason for the business divestiture

The Company launched full-fledged development of its pipeline rehabilitation business in Europe in May 2008 with the acquisition of Chevalier Pipe Technologies G.m.b.H. (currently Sekisui SPR Europe G.m.b.H.) and advanced business related to its general-purpose products, centered on the company's inversion construction method, and to its high-value-added SPR method. The Company further acquired Rabmer Holding G.m.b.H. (currently Sekisui SPR Construction G.m.b.H.) in December 2011 and increased its construction business bases, including in Eastern Europe. However, both companies were impacted by the deteriorating business conditions, including decreasing public works projects, in Europe and were unable to escape the effects of intensifying pricing competition for general-purpose products, leading to persisting operating losses. Although the Company has implemented continuous structural reform for each company's main businesses, the Company determined that radical measures would be needed to improve profitability and ultimately decided upon the transfer of the businesses.

(4) Date of the business divestiture

January 8, 2016

(5) Legal form and other matters related to the summary of the transaction

Transfer of business for a consideration in the form of cash or other properties only

2) Summary of the accounting treatment applied

(1) Amount of loss on transfer of business

¥6,638 million

(2) Book value of the assets and liabilities of the transferred business consisted of the following:

	Millions of yen
Current assets	¥ 8,318
Property, plant and equipment	752
Intangible assets	145
Investments and other assets	154
Total assets	9,370
Current liabilities	2,585
Long-term liabilities	45
Total liabilities	¥ 2,631

(3) Accounting treatment

The accounting treatment applied for the transfer of the business is based on the "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7 of September 13, 2013) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10 of September 13, 2013).

3) Name of the corresponding reportable segment

Urban Infrastructure and Environmental Products Business

4) Estimated amounts of net sales and operating loss associated with the transferred businesses reported in the consolidated statement of income for the year ended March 31, 2016

Net sales	¥5,261 million
Operating loss	¥(512) million

23. 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, 2016, was proposed by the Board of Directors at the meeting held on May 16, 2016. The distribution proposed is subject to approval by the shareholders at the meeting to be held on June 28, 2016.

	Millions of yen
Year-end cash dividends (¥16.0 per share)	¥ 7,817

(Acquisition of treasury stock)

For the purpose of implementing a flexible capital policy and a part of return on shareholders, the Company resolved at the Board of Directors' meeting held on April 27, 2016 to acquire 15 million shares of treasury stock for a maximum total amount of ¥20,000 million through the market during the period from April 28, 2016 through March 31, 2017.

(Issuance of domestic straight bonds)

The Company resolved at the Board of Directors' meeting held on April 27, 2016 to issue the 6th domestic unsecured straight bonds in the aggregate amount of ¥10,000 million in order to finance redemption of bonds, capital investments and other investments and loans and issued these bonds on June 14, 2016.

The unit price for the bond issuance was set at ¥100 per ¥100 nominal value, and the annual interest rate is 0.280%. These bonds will be redeemed at once on the maturity date of June 12, 2026.

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, 2016, 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, 2016, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

June 17, 2016
Osaka, Japan

Ernst & Young ShinNihon LLC