

Financial Section

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Financial Highlights (6 years)

	Millions of yen					
	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
Achievement Transition						
Net Sales	1,110,851	1,112,748	1,096,317	1,065,776	1,107,429	1,142,713
Operating Income	82,541	85,764	89,823	96,476	99,231	95,686
Ordinary Income	83,310	87,978	81,213	91,513	93,929	93,146
Net Income Attributable to Owners of the Parent	41,190	52,995	56,653	60,850	63,459	66,093
Comprehensive Income	57,944	91,587	37,080	57,638	73,898	55,648
Operating Income Ratio (%)	7.4	7.7	8.2	9.1	9.0	8.4
Assets, Liabilities and Net Assets						
Total Assets	961,009	968,011	936,043	943,640	994,137	1,023,706
Net Assets	473,555	535,292	544,156	570,549	612,757	632,746
Equity	456,819	516,312	523,057	549,344	587,766	607,123
Equity to Total Assets (%)	47.5	53.3	55.9	58.2	59.1	59.3
Current Ratio (%)	127.4	139.8	138.0	160.7	153.6	151.0
Fixed Ratio (%)	102.1	97.2	95.9	86.9	91.0	91.2
Interest-bearing Debt	94,010	63,120	52,338	43,734	46,326	53,848
Debt/Equity Ratio (%)	20.6	12.2	10.0	8.0	7.9	8.9
Total Assets Turnover (Times)	1.19	1.15	1.15	1.13	1.14	1.13
Inventory Turnover (Times)	7.50	7.09	7.11	7.00	6.84	6.30
Tangible Fixed Assets Turnover (Times)	4.51	4.31	4.11	4.01	4.09	3.88
Cash Flow						
Net cash provided by operating activities	97,720	67,760	71,389	108,229	82,272	85,213
Net cash provided by (used in) investing activities	(60,914)	4,127	(23,715)	(44,057)	(60,881)	(62,553)
Net cash used in financing activities	(49,803)	(63,856)	(41,726)	(39,633)	(35,981)	(31,539)
Free Cash Flow	24,915	58,810	33,375	48,107	2,325	2,043
Capital Expenditures, Depreciation and R&D Expenditures						
Capital Expenditures	41,827	46,993	49,740	43,868	53,518	73,595
Depreciation and Amortization	34,376	31,203	34,735	34,843	36,016	38,789
Amortization of Goodwill	2,957	2,348	2,156	2,118	2,416	2,848
R&D Expenditures	27,720	29,452	31,693	34,169	36,974	38,838
R&D Expenditures to Revenues (%)	2.50	2.65	2.89	3.21	3.34	3.40
Per Share Data						
Net Assets per Share (Yen)	897.18	1,033.49	1,071.24	1,147.91	1,245.91	1,307.75
Net Income Attributable to Owners of the Parent per Share (Yen)	80.13	104.73	115.08	126.13	133.80	141.74
Dividends per Share (Yen)	23	27	30	35	40	44
Dividends Payout Ratio (%)	28.7	25.8	26.1	27.7	29.9	31.0
Dividend on Equity Ratio (%)	2.7	2.8	2.8	3.1	3.3	3.4
Other Data						
Return on Equity (%)	9.4	10.9	10.9	11.3	11.2	11.1
Return on Total Assets (%)	8.9	9.1	8.5	9.7	9.7	9.2
EBITDA	119,875	119,316	126,714	133,437	137,665	137,324
Interest Coverage Ratio (Times)	33.2	51.7	64.5	100.4	109.9	113.5
PER (Times)	13.39	14.89	12.04	14.83	13.87	12.55
Number of Employees	23,017	23,886	23,901	23,006	26,080	26,486
Net Sales per Employee (Ten thousands of yen)	4,913	4,744	4,588	4,544	4,512	4,347

Equity = Shareholders' Equity including Accumulated Other Comprehensive Income

Equity to Total Assets = Equity / Total Assets

Current Ratio = Current Assets / Current Liabilities

Fixed Ratio = Fixed Assets / Equity

Debt/Equity Ratio = Interest-bearing Debt / 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

Dividend on Equity Ratio = Total Dividend Payment (full year) / Average Equity

Return on Equity = Net Income Attributable to Owners of the Parent / Average Equity

Return on Total Assets = Ordinary Income / Average Total Assets

EBITDA = Operating Income + Depreciation and Amortization + Amortization of Goodwill

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 the Parent per Share

Net Sales per Employee = Net Sales / Average Number of Employees

Note: "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No.28 issued on February 16, 2018) have been applied from the beginning of the fiscal year ended March 31, 2019 (FY2018). Major management indicators etc. for the previous fiscal year have been calculated by retrospectively applying the accounting standard.

Consolidated Financial Statements

Consolidated Balance Sheet

Sekisui Chemical Co., Ltd. and Consolidated Subsidiaries
March 31, 2019

	Millions of yen	
	2019	2018
Assets		
Current assets:		
Cash and deposits (Notes 16 and 18)	¥ 69,882	¥ 77,996
Notes receivable, trade (Notes 3 and 18)	44,624	45,959
Accounts receivable, trade (Note 18)	142,349	137,304
Marketable securities (Notes 4 and 18)	0	0
Merchandise and finished goods	66,516	62,185
Land for sale	38,266	30,926
Work in process	53,207	46,984
Raw materials and supplies	34,198	30,362
Advance payments	1,950	1,547
Prepaid expenses	4,323	3,762
Short-term loans receivable	2,095	7,230
Other current assets	14,015	16,537
Allowance for doubtful accounts	(1,394)	(1,597)
Total current assets	470,037	459,201
Non-current assets:		
Property, plant and equipment, net (Notes 5, 6, 14 and 21):		
Buildings and structures	101,189	93,140
Machinery, equipment and vehicles	82,923	77,803
Land	78,266	73,299
Leased assets	10,357	10,146
Construction in progress	25,400	14,890
Other	11,318	10,457
Total property, plant and equipment, net	309,455	279,738
Intangible assets (Notes 6, 14 and 21):		
Goodwill	16,953	17,640
Software	9,612	8,177
Leased assets	175	208
Other	24,034	25,071
Total intangible assets	50,775	51,097
Investments and other assets:		
Investments in securities (Notes 4 and 18)	163,334	177,707
Long-term loans receivable	2,281	1,048
Long-term prepaid expenses	1,487	1,519
Asset for retirement benefits (Note 8)	202	200
Deferred tax assets (Note 9)	12,797	12,078
Other	15,535	13,587
Allowance for doubtful accounts	(2,200)	(2,042)
Total investments and other assets	193,438	204,099
Total non-current assets	553,669	534,935
Total assets (Note 21)	¥ 1,023,706	¥ 994,137

	Millions of yen	
	2019	2018
Liabilities		
Current liabilities:		
Notes payable, trade (Notes 3, 6, 17 and 18)	¥ 4,268	¥ 4,972
Electronically recorded obligations (Note 18)	27,626	26,639
Accounts payable, trade (Notes 6 and 18)	98,546	99,208
Short-term debt and current portion of long-term debt (Notes 6 and 18)	7,685	10,974
Commercial paper (Notes 6 and 18)	17,000	7,000
Current portion of bonds (Notes 6 and 18)	16	16
Lease obligations (Note 7)	3,607	3,317
Accrued expenses (Note 17)	41,400	40,942
Accrued income taxes and other taxes (Note 9)	10,968	11,109
Allowance for bonuses to employees	17,918	16,886
Allowance for bonuses to directors and audit and supervisory board members	272	343
Provision for compensation for completed construction	1,311	1,191
Provision for stock-based compensation	133	138
Advances received	43,069	38,798
Other	37,356	37,511
Total current liabilities	311,180	299,050
Long-term liabilities:		
Bonds (Notes 6 and 18)	10,019	10,036
Long-term debt less current portion (Notes 6 and 18)	8,603	7,966
Lease obligations (Note 7)	6,916	7,016
Deferred tax liabilities (Note 9)	3,860	4,750
Liability for retirement benefits (Note 8)	44,585	46,501
Provision for stock-based compensation	395	282
Other	5,398	5,774
Total long-term liabilities	79,779	82,328
Total liabilities	390,960	381,379
Contingent liabilities (Note 12)		
Net assets		
Shareholders' equity (Notes 10 and 20):		
Common stock	100,002	100,002
Capital surplus	109,221	109,031
Retained earnings (Note 23)	408,008	374,101
Treasury stock, at cost (Note 23)	(44,337)	(42,461)
Total shareholders' equity	572,894	540,673
Accumulated other comprehensive income:		
Unrealized holding gain on securities	36,828	46,346
Deferred loss on hedges (Note 19)	(32)	(49)
Unrealized gain on land revaluation (Note 11)	321	321
Translation adjustments	2,123	3,116
Retirement benefit adjustments (Note 8)	(5,011)	(2,643)
Total accumulated other comprehensive income	34,229	47,092
Stock acquisition rights	156	271
Non-controlling interests	25,465	24,720
Total net assets	632,746	612,757
Total liabilities and net assets	¥ 1,023,706	¥ 994,137

See accompanying notes to consolidated financial statements

Consolidated Statement of Income

Sekisui Chemical Co., Ltd. and Consolidated Subsidiaries
Year ended March 31, 2019

	Millions of yen	
	2019	2018
Net sales (Notes 17 and 21)	¥ 1,142,713	¥ 1,107,429
Cost of sales	774,647	745,346
Gross profit	368,065	362,082
Selling, general and administrative expenses (Note 13)	272,378	262,850
Operating income (Note 21)	95,686	99,231
Non-operating income:		
Interest income	1,072	963
Dividends income	4,444	3,952
Equity in earnings of affiliates	2,450	2,508
Foreign exchange gain, net	1,018	-
Miscellaneous income	2,958	4,506
Total non-operating income	11,944	11,931
Non-operating expenses:		
Interest expenses	480	533
Sales discounts	411	414
Foreign exchange loss, net	-	2,480
Inspection and maintenance expenses for external walls	5,138	2,856
Miscellaneous expenses	8,454	10,950
Total non-operating expenses	14,485	17,233
Ordinary income	93,146	93,929
Extraordinary income:		
Gain on sales of investments in securities (Note 4)	3,411	-
Gain on sales of property, plant and equipment	-	2,469
Total extraordinary income	3,411	2,469
Extraordinary loss:		
Loss on impairment of fixed assets (Notes 14 and 21)	1,274	701
Loss on sales or disposal of property, plant and equipment	1,373	1,355
Total extraordinary loss	2,648	2,056
Income before income taxes	93,908	94,342
Income taxes (Note 9):		
Current	22,261	23,393
Deferred	3,167	4,232
Total income taxes	25,428	27,626
Net income	68,480	66,716
Net income attributable to:		
Non-controlling interests	2,386	3,256
Owners of the parent (Note 20)	¥ 66,093	¥ 63,459

See accompanying notes to consolidated financial statements

Consolidated Statement of Comprehensive Income

Sekisui Chemical Co., Ltd. and Consolidated Subsidiaries
Year ended March 31, 2019

	Millions of yen	
	2019	2018
Net income	¥ 68,480	¥ 66,716
Other comprehensive (loss) income (Note 15)		
Unrealized holding (loss) gain on securities	(9,052)	6,144
Deferred gain on hedges	16	3
Translation adjustments	(923)	2,364
Retirement benefit adjustments	(2,277)	(2,217)
Comprehensive (loss) income of affiliates accounted for by the equity method attributable to the Company	(595)	887
Total other comprehensive (loss) income	(12,832)	7,182
Comprehensive income	¥ 55,648	¥ 73,898
Comprehensive income attributable to:		
Owners of the parent	¥ 53,230	¥ 70,442
Non-controlling interests	2,417	3,455

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, 2019

	Millions of yen												
	Shareholders' equity				Accumulated other comprehensive income								Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized holding gain on securities	Deferred loss on hedges	Unrealized gain on land revaluation	Translation adjustments	Retirement benefit adjustments	Stock acquisition rights	Non-controlling interests		
Balance at April 1, 2017	¥ 100,002	¥ 109,192	¥ 341,009	¥ (40,969)	¥ 39,463	¥ (52)	¥ 321	¥ 941	¥ (565)	¥ 418	¥ 20,787	¥ 570,549	
Cash dividends	-	-	(18,137)	-	-	-	-	-	-	-	-	(18,137)	
Net income attributable to owners of the parent	-	-	63,459	-	-	-	-	-	-	-	-	63,459	
Increase in retained earnings resulting from inclusion of subsidiaries in consolidation	-	-	691	-	-	-	-	-	-	-	-	691	
Retirement of treasury stock	-	(12,904)	-	12,904	-	-	-	-	-	-	-	-	
Purchase of treasury stock	-	-	-	(16,006)	-	-	-	-	-	-	-	(16,006)	
Disposal of treasury stock	-	(32)	-	1,608	-	-	-	-	-	-	-	1,576	
Transfer from retained earnings to capital surplus	-	12,921	(12,921)	-	-	-	-	-	-	-	-	-	
Change in shareholders' equity due to transactions with non-controlling interests	-	(145)	-	-	-	-	-	-	-	-	-	(145)	
Net changes of items other than shareholders' equity	-	-	-	-	6,882	3	-	2,175	(2,078)	(147)	3,933	10,769	
Total changes of items during the year	-	(161)	33,092	(1,492)	6,882	3	-	2,175	(2,078)	(147)	3,933	42,208	
Balance at March 31, 2018	¥ 100,002	¥ 109,031	¥ 374,101	¥ (42,461)	¥ 46,346	¥ (49)	¥ 321	¥ 3,116	¥ (2,643)	¥ 271	¥ 24,720	¥ 612,757	
Cash dividends	-	-	(19,713)	-	-	-	-	-	-	-	-	(19,713)	
Net income attributable to owners of the parent	-	-	66,093	-	-	-	-	-	-	-	-	66,093	
Decrease in retained earnings resulting from inclusion of subsidiaries in consolidation	-	-	(499)	-	-	-	-	-	-	-	-	(499)	
Retirement of treasury stock	-	(11,945)	-	11,945	-	-	-	-	-	-	-	-	
Purchase of treasury stock	-	-	-	(14,571)	-	-	-	-	-	-	-	(14,571)	
Disposal of treasury stock	-	(28)	-	750	-	-	-	-	-	-	-	721	
Transfer from retained earnings to capital surplus	-	11,973	(11,973)	-	-	-	-	-	-	-	-	-	
Change in shareholders' equity due to transactions with non-controlling interests	-	190	-	-	-	-	-	-	-	-	-	190	
Net changes of items other than shareholders' equity	-	-	-	-	(9,518)	16	-	(993)	(2,368)	(114)	744	(12,232)	
Total changes of items during the year	-	190	33,906	(1,875)	(9,518)	16	-	(993)	(2,368)	(114)	744	19,988	
Balance at March 31, 2019	¥ 100,002	¥ 109,221	¥ 408,008	¥ (44,337)	¥ 36,828	¥ (32)	¥ 321	¥ 2,123	¥ (5,011)	¥ 156	¥ 25,465	¥ 632,746	

See accompanying notes to consolidated financial statements

Consolidated Statement of Cash Flows

Sekisui Chemical Co., Ltd. and Consolidated Subsidiaries
Year ended March 31, 2019

	Millions of yen	
	2019	2018
Operating activities:		
Income before income taxes	¥ 93,908	¥ 94,342
Adjustments for:		
Depreciation and amortization	38,789	36,016
Amortization of goodwill	2,848	2,416
Loss on impairment of fixed assets	1,274	701
Loss on disposal of property, plant and equipment	1,323	1,118
Loss (gain) on sales of property, plant and equipment, net	50	(2,232)
Decrease in liability for retirement benefits	(1,942)	(997)
Gain on sales of investments in securities	(3,411)	-
Interest and dividends income	(5,517)	(4,916)
Interest expenses and sales discounts	892	947
Equity in earnings of affiliates	(2,450)	(2,508)
Increase in notes and accounts receivable	(2,752)	(5,506)
Increase in inventories	(21,288)	(11,787)
(Decrease) increase in notes and accounts payable	(2,360)	1,350
Increase (decrease) in advances received	4,271	(2,873)
Decrease in deposits received	(3,475)	(674)
Other	1,549	(2,238)
Subtotal	101,709	103,157
Interest and dividends received	6,308	5,603
Interest paid	(879)	(966)
Income taxes paid	(21,925)	(25,521)
Net cash provided by operating activities	85,213	82,272
Investing activities:		
Purchases of property, plant and equipment	(60,082)	(45,526)
Proceeds from sales of property, plant and equipment	712	4,005
Payments into time deposits	(1,239)	(646)
Proceeds from withdrawal of time deposits	1,456	19,920
Purchases of investments in securities	(2,920)	(7,470)
Proceeds from sales or redemption of investments in securities	5,745	1,510
Acquisition of investments in subsidiaries resulting in change in scope of consolidation	-	(22,137)
Acquisition of investments in subsidiaries	(1,908)	(5,006)
Purchases of intangible assets	(6,111)	(4,211)
Decrease (increase) in short-term loans receivable	3,545	(2,158)
Other	(1,752)	837
Net cash used in investing activities	¥ (62,553)	¥ (60,881)

Consolidated Statement of Cash Flows (continued)

Financing activities:		
Decrease in short-term debt, net	¥ (1,310)	¥ (2,828)
Repayments of lease obligations	(3,858)	(3,774)
Increase in commercial paper	10,000	7,000
Proceeds from long-term debt	2,426	2,003
Repayment of long-term debt	(3,812)	(3,784)
Redemption of bonds	(16)	(16)
Cash dividends paid	(19,706)	(18,134)
Cash dividends paid to non-controlling interests	(909)	(930)
Purchase of treasury stock	(14,571)	(16,006)
Other	220	491
Net cash used in financing activities	(31,539)	(35,981)
Effect of exchange rate change on cash and cash equivalents	365	814
Net decrease in cash and cash equivalents	(8,514)	(13,776)
Cash and cash equivalents at beginning of year	76,723	89,856
Increase in cash and cash equivalents from newly consolidated subsidiaries	403	644
Cash and cash equivalents at end of year (Note 16)	¥ 68,613	¥ 76,723

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 amounts in the prior year’s consolidated financial statements have been reclassified to conform to the current year’s 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

The accompanying consolidated financial statements for the year ended March 31, 2019 include the accounts of the Company and its 153 significant subsidiaries.

The accounts of the other subsidiaries have not been consolidated with those of the Company at March 31, 2019, 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 22 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, 2019, the Company has applied the equity method to investments in 8 major affiliates, including Sekisui Plastics Co., Ltd. and Sekisui Jushi Co., Ltd. for the purpose of the consolidated financial statements for the year then ended since the investments in the other 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 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. 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% of the estimated amount calculated in accordance with each subsidiary's internal rules. The related amount is included in liability for retirement benefits.

(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, except for construction contracts with extremely short construction periods. 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.

2. Summary of Significant Accounting Policies (continued)

(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. Forward foreign exchange contracts and currency swap contracts which meet certain criteria are accounted for by allocation method, which requires that recognized foreign currency receivables or payables be translated at the corresponding contract rates.

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 January 16, 2019, the Accounting Standards Board of Japan (“ASBJ”) issued “Accounting Standard for Business Combinations” (revised) (ASBJ Statement No. 21) and “Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (revised) (ASBJ Guidance No. 10).

(a) Overview

“Accounting Standard for Business Combinations” and its implementation guidance were revised through deliberation at the ASBJ, based on the proposal from the Standards Advisory Council to examine treatments for the case that portion of consideration paid is returned in relation to contingent consideration pertaining to “Accounting Standard for Business Combinations” (ASBJ Statement No. 21).

As major revisions, “consideration to be returned” was added to the definition of “contingent consideration,” and the accounting treatments of “contingent consideration of which consideration will be returned” were included in the “Accounting Standard for Business Combinations.”

In addition, as the descriptions of “Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard Business Divestitures” (the “Implementation Guidance”) were revised, the descriptions of the Implementation Guidance on accounting treatments pertaining to the shareholders of the combining companies were revised to ensure consistency with the descriptions of “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013). Since the split-off-type company split has become non-qualified reorganization and the deemed fiscal year for the split-off-type company split was abolished in the 2010 Tax Reform, the related provisions on the treatment of tax effect accounting of the split company were deleted, if the split date is the beginning of the fiscal year of the split company.

(b) Scheduled date of adoption

The Company expects to adopt the revised accounting standard and implementation guidance to reorganization that will be implemented on or after the beginning of the fiscal year ending March 31, 2020.

(c) Impact of the adoption of accounting standard and implementation guidance

The Company is currently evaluating the effect of the adoption of the revised accounting standard and implementation guidance on its consolidated financial statements.

2. Summary of Significant Accounting Policies (continued)

On March 30, 2018, the ASBJ issued “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29) and “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30).

(a) Overview

The International Accounting Standards Board (“IASB”) and the Financial Accounting Standards Board (“FASB”) of the U.S. have jointly developed a comprehensive accounting standard for revenue recognition. In May 2014, the IASB and the FASB each issued “Revenue from Contracts with Customers” (IASB: IFRS 15 and FASB: Topic 606). Considering that IFRS 15 has been applied from fiscal years beginning on or after January 1, 2018 and Topic 606 has been applied from fiscal years beginning after December 15, 2017, the ASBJ has developed a comprehensive accounting standard for revenue recognition, which was issued together with its implementation guidance.

As a basic policy in developing the accounting standard for revenue recognition, the ASBJ has incorporated the basic principles of IFRS 15 from the viewpoint of comparability between financial statements, a factor essential for facilitating consistency with IFRS 15. In addition, if there are any business practices in Japan for which consideration is required, alternative accounting treatments shall be added to the accounting standard to the extent that they do not impair comparability.

(b) Scheduled date of adoption

The Company expects to adopt the accounting standard and implementation guidance from the beginning of the fiscal year ending March 31, 2022.

(c) Impact of the adoption of accounting standard and implementation guidance

The Company is currently evaluating the effect of the adoption of this accounting standard and implementation guidance on its consolidated financial statements.

(18) Changes in Presentation Method

Changes resulting from the adoption of “Partial Amendments to Accounting Standard for Tax Effect Accounting”

The Company has adopted “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018 (here in after, the “Partial Amendments”) from the beginning of the fiscal year ended March 31, 2019, and accordingly, “Deferred tax assets” are presented under “Investments and other assets” and “Deferred tax liabilities” are presented under “Long-term liabilities.”

As a result, in the consolidated balance sheet as of March 31, 2018, ¥14,096 million of “Deferred tax assets” under “Current assets” has been offset against “Deferred tax liabilities” under “Long-term liabilities,” and the net amount of ¥12,078 million has been presented as “Deferred tax assets” under “Investments and other assets,” and total assets has decreased by ¥4,977 million in comparison with the previous presentation.

In addition, “Note 9 Income Taxes” in the Notes to the consolidated financial statements has been expanded in accordance with Note 8 (1) (excluding the total amount of valuation allowance) and Note 9 of Interpretive Notes to Accounting Standard for Tax Effect Accounting as provided in Paragraphs 3 through 5 of the Partial Amendments.

However, comparative information for the year ended March 31, 2018 has not been disclosed in Note 9 in accordance with the transitional provisions set forth in Article 7 of the Partial Amendments.

3. Notes Receivable, Trade and Notes Payable, Trade

The balance sheet date for the years ended March 31, 2019 and 2018 fell on a bank holiday. Consequently, the following notes receivable, trade and notes payable, trade with the due date of March 31 were included in the respective balances and settled on the next business day.

	Millions of yen	
	2019	2018
Notes receivable, trade	¥ 3,871	¥ 3,949
Notes payable, trade	413	483

4. Marketable Securities and Investments in Securities

- (1) Held-to-maturity debt securities at March 31, 2019 and 2018 are summarized as follows:

	Millions of yen			
	2019			
	Carrying value	Estimated fair value	Gross unrealized gain	Gross unrealized loss
Unlisted foreign debt securities	¥ 2	¥ 2	¥ -	¥ -
Total	¥ 2	¥ 2	¥ -	¥ -

	Millions of yen			
	2018			
	Carrying value	Estimated fair value	Gross unrealized gain	Gross unrealized loss
Unlisted foreign debt securities	¥ 2	¥ 2	¥ -	¥ -
Total	¥ 2	¥ 2	¥ -	¥ -

- (2) Other securities with available fair market value at March 31, 2019 and 2018 are summarized as follows:

	Millions of yen			
	2019			
	Acquisition cost	Carrying value	Gross unrealized gain	Gross unrealized loss
Equity securities whose carrying value exceeds their acquisition cost	¥ 52,792	¥ 101,599	¥ 48,806	¥ -
Equity securities whose carrying value does not exceed their acquisition cost	377	341	-	(36)
Total	¥ 53,170	¥ 101,941	¥ 48,806	¥ (36)

	Millions of yen			
	2018			
	Acquisition cost	Carrying value	Gross unrealized gain	Gross unrealized loss
Equity securities whose carrying value exceeds their acquisition cost	¥ 55,369	¥ 117,299	¥ 61,929	¥ -
Equity securities whose carrying value does not exceed their acquisition cost	126	113	-	(13)
Total	¥ 55,496	¥ 117,412	¥ 61,929	¥ (13)

Because no quoted market prices are available and it is extremely difficult to determine the fair value, unlisted equity securities of ¥5,065 million and ¥2,656 million at March 31, 2019 and 2018 are not included in the above tables.

- (3) The proceeds from sales of, and gross realized gain on, other securities for the years ended March 31, 2019 and 2018 are summarized as follows:

	Millions of yen	
	2019	2018
Proceeds from sales	¥ 5,732	¥ 1,442
Gross realized gain	3,411	823

- (4) For the years ended March 31, 2019 and 2018, the Company recorded no loss on devaluation of investments in securities.

5. Accumulated Depreciation

Property, plant and equipment, net reflected in the accompanying consolidated balance sheet at March 31, 2019 and 2018 were stated at cost, less accumulated depreciation. Accumulated depreciation at March 31, 2019 and 2018 amounted to ¥555,557 million and ¥544,814 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, 2019 and 2018 were 1.20% and 1.43%, respectively.

The average interest rates of commercial papers due within one year of ¥17,000 million and ¥7,000 million as at March 31, 2019 and 2018 were negative 0.00% and negative 0.08%, respectively.

(2) Bonds outstanding at March 31, 2019 and 2018 were as follows:

	Millions of yen	
	2019	2018
0.28% bonds due June 2026	¥ 10,000	¥ 10,000
6 month JPY TIBOR bonds due March 2021	36	52
	10,036	10,052
Less current portion	(16)	(16)
	¥ 10,019	¥ 10,036

(3) Long-term debt at March 31, 2019 and 2018 was as follows:

	Millions of yen	
	2019	2018
Secured	¥ 38	¥ 337
Unsecured	10,550	11,620
	10,589	11,958
Less current portion	(1,985)	(3,992)
	¥ 8,603	¥ 7,966

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, 2019 are summarized below:

Year ending March 31,	Millions of yen	
	Bonds	Long-term debt
2020	¥ 16	¥ 1,985
2021	19	3,340
2022	-	2,863
2023	-	1,851
2024	-	547
2025 and thereafter	10,000	-

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

- (4) At March 31, 2019 and 2018, the following assets were pledged as collateral for notes and accounts payable, trade and long-term and short-term debt:

Assets	Millions of yen	
	2019	2018
Buildings and structures	¥ 1,917	¥ 1,757
Machinery	423	646
Land	1,328	1,465
Intangible assets	119	144
Other	2,414	2,497
Total	¥ 6,203	¥ 6,510

Liabilities	Millions of yen	
	2019	2018
Notes payable, trade	¥ 71	¥ 66
Accounts payable, trade	1,058	1,103
Short-term debt	1,060	840
Long-term debt	38	337
Total	¥ 2,230	¥ 2,347

7. Lease Obligations

The annual maturities of lease obligations subsequent to March 31, 2019 are summarized below:

Year ending March 31,	Millions of yen
2020	¥ 3,607
2021	2,788
2022	2,010
2023	1,210
2024	541
2025 and thereafter	364

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, 2019 and 2018 were as follows:

	Millions of yen	
	2019	2018
Retirement benefit obligations at the beginning of the year	¥ 149,595	¥ 146,234
Service cost	6,771	6,768
Interest cost	1,027	1,007
Actuarial loss	456	1,436
Retirement benefits paid	(7,440)	(7,059)
Prior service cost	-	(13)
Others	268	1,223
Retirement benefit obligations at the end of the year	¥ 150,679	¥ 149,595

Note: "Others" include principally foreign exchange translation adjustments.

- (2) The changes in plan assets, excluding plans to which simplified methods are applied, for the years ended March 31, 2019 and 2018 were as follows:

	Millions of yen	
	2019	2018
Plan assets at the beginning of the year	¥ 111,640	¥ 107,712
Expected return on plan assets	2,801	2,643
Actuarial loss	(2,281)	(278)
Contributions by the employer	8,549	6,936
Retirement benefits paid	(5,744)	(5,613)
Others	(54)	239
Plan assets at the end of the year	¥ 114,911	¥ 111,640

Note: "Others" include principally foreign exchange translation adjustments.

- (3) The changes in liability for retirement benefits of the plans to which simplified methods are applied for the years ended March 31, 2019 and 2018 were as follows:

	Millions of yen	
	2019	2018
Liability for retirement benefits at the beginning of the year	¥ 7,262	¥ 7,234
Retirement benefit expenses	3,092	2,839
Retirement benefits paid	(515)	(488)
Contributions to the plans	(2,124)	(1,964)
Increase due to business combinations	-	451
Decrease due to business reorganization	-	(809)
Liability for retirement benefits at the end of the year	¥ 7,715	¥ 7,262

8. Retirement Benefits (continued)

- (4) The balance of retirement benefit obligations and plan assets at fair value as of March 31, 2019 and 2018, liabilities and assets recognized in the consolidated balance sheet were as follows:

	Millions of yen	
	2019	2018
Funded retirement benefit obligations	¥ 127,549	¥ 126,715
Plan assets at fair value	(120,054)	(116,395)
	7,495	10,320
Unfunded retirement benefit obligations	35,989	34,897
Net liability recognized in the consolidated balance sheet	43,484	45,217
Liability for retirement benefits	43,686	45,418
Asset for retirement benefits	202	200
Net liability recognized in the consolidated balance sheet	¥ 43,484	¥ 45,217

Note: Plans to which simplified methods are applied are included. Liability for retirement benefits included retirement benefits for directors and audit and supervisory board members of ¥899 million and ¥1,083 million for the years ended March 31, 2019 and 2018, respectively.

- (5) The components of retirement benefit expenses for the years ended March 31, 2019 and 2018 were as follows:

	Millions of yen	
	2019	2018
Service cost	¥ 6,771	¥ 6,768
Interest cost	1,027	1,007
Expected return on plan assets	(2,801)	(2,643)
Amortization of actuarial gain	(340)	(1,405)
Amortization of prior service cost	2	(11)
Retirement benefit expenses calculated by simplified methods	3,092	2,839
Effects from business reorganization	-	328
Retirement benefit expenses	¥ 7,751	¥ 6,884

- (6) The components of retirement benefit adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2019 and 2018 were as follows:

	Millions of yen	
	2019	2018
Prior service cost	¥ (2)	¥ (2)
Actuarial loss	3,155	2,924
Total	¥ 3,153	¥ 2,921

8. Retirement Benefits (continued)

- (7) The components of retirement benefit adjustments in accumulated other comprehensive income (before tax effect) as of March 31, 2019 and 2018 were as follows:

	Millions of yen	
	2019	2018
Unrecognized prior service cost	¥ 3	¥ 5
Unrecognized actuarial loss	6,831	3,675
Total	¥ 6,834	¥ 3,681

- (8) Plan assets, by major category, as a percentage of total plan assets as of March 31, 2019 and 2018 were as follows:

	2019	2018
Debt securities	45%	43%
Equity securities	22%	22%
General accounts at life insurance companies	18%	19%
Cash and deposits	5%	5%
Others	10%	11%
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:

	2019	2018
Discount rates	0.2%-0.7%	0.2%-0.7%
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 ¥1,500 million and ¥1,408 million for the years ended March 31, 2019 and 2018, respectively.

- (1) The most recent funded status related to multi-employer pension plans as of March 31, 2019 and 2018 was as follows:

	Millions of yen	
	2019	2018
Plan assets	¥ 123,062	¥ 119,968
Amount of actuarial obligations calculated under pension financing	110,638	111,719
Difference	¥ 12,423	¥ 8,249

- (2) Benefit obligations calculated under pension financing of the Companies accounted for approximately 15% of the multi-employer pension plans as of March 31, 2019 and 2018.

- (3) Supplementary explanation

The above information is obtained from the latest available information. (Data for the years ended March 31, 2019 and 2018 is based on the information as of March 31, 2018 and 2017, 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 ¥1,471 million and ¥1,386 million for the years ended March 31, 2019 and 2018, 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 a statutory tax rate of approximately 30.5% for the year ended March 31, 2019.

The effective tax rate reflected in the accompanying consolidated statement of income for the year ended March 31, 2019 differs from the above statutory tax rate for the following reasons:

	2019
Statutory tax rate	30.5%
Income tax credit	(2.9)
Other	(0.5)
Effective tax rate	27.1%

A reconciliation between the statutory tax rate and the effective tax rate for the year ended March 31, 2018 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, 2019 and 2018 are summarized as follows:

	Millions of yen	
	2019	2018
Deferred tax assets:		
Liability for retirement benefits	¥ 12,973	¥ 13,315
Unrealized gain	6,395	6,091
Allowance for bonuses	5,268	5,055
Loss on impairment of fixed assets and goodwill	1,826	1,654
Asset adjustment account	1,168	1,831
Loss on devaluation of investments in securities	1,102	5,070
Tax loss carryforwards (Note)	1,018	1,476
Accrued business tax	863	869
Other	11,013	9,728
Total gross deferred tax assets	41,631	45,095
Valuation allowance for tax loss carryforwards (Note)	(1,018)	-
Valuation allowance for total future deductible temporary differences	(2,866)	-
Total valuation allowance	(3,885)	(5,040)
Total deferred tax assets	37,746	40,054
Deferred tax liabilities:		
Unrealized holding gain on securities	(14,076)	(18,172)
Temporary differences arising from consolidation without tax effect	(4,685)	(4,826)
Retained profit	(2,676)	(2,470)
Deferred capital gains on property	(2,367)	(2,423)
Accelerated depreciation of property, plant and equipment	(2,201)	(2,026)
Revaluation of investments in affiliates	(2,088)	(2,088)
Other	(727)	(719)
Total deferred tax liabilities	(28,825)	(32,727)
Net deferred tax assets	¥ 8,921	¥ 7,327

(Change in presentation method)

"Retained profit," which had been included in "Other" under "Deferred tax liabilities" at March 31, 2018, has been separately presented from the year ended March 31, 2019 to enhance the clarity of presentation. In order to reflect this change in the presentation method, the figures at March 31, 2018 have been reclassified.

9. Income Taxes (continued)

Note: Tax loss carryforwards and their related deferred tax assets by expiry date at March 31, 2019 are as follows:

Year ending March 31	Millions of yen		
	Tax loss carryforwards*	Valuation allowance	Deferred tax assets
2020	¥ 90	¥ 90	¥ -
2021	67	67	-
2022	447	447	-
2023	196	196	-
2024	181	181	-
2025 and thereafter	35	35	-
Total	¥ 1,018	¥ 1,018	¥ -

*The amount is determined by multiplying the corresponding tax loss carryforwards by the statutory tax rate.

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, 2019 and 2018.

Stock-based compensation plan

In accordance with the Law, certain stock option plans (the 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 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 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

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

	The 2013 plan	The 2014 plan	The 2015 plan
Number of stock options:			
Balance at March 31, 2017	608,000	853,000	1,260,000
Granted	-	-	-
Cancelled	-	-	-
Exercised	307,000	245,000	318,000
Balance at March 31, 2018	301,000	608,000	942,000
Granted	-	-	-
Cancelled	214,000	6,000	10,000
Exercised	87,000	172,000	107,000
Balance at March 31, 2019	-	430,000	825,000
Fair value of stock options as of the grant date	¥ 238	¥ 173	¥ 100

10. Shareholders' Equity (continued)

Common stock and treasury stock

Movements in common stock in issue and treasury stock for the years ended March 31, 2019 and 2018 are summarized as follows:

	Number of shares			
	2019			
	April 1, 2018	Increase	Decrease	March 31, 2019
Common stock	500,507,285	-	8,000,000	492,507,285
Treasury stock	28,750,482	8,001,461	8,495,884	28,256,059

	Number of shares			
	2018			
	April 1, 2017	Increase	Decrease	March 31, 2018
Common stock	510,507,285	-	10,000,000	500,507,285
Treasury stock	31,948,436	7,944,186	11,142,140	28,750,482

Note: The number of treasury stock as of March 31, 2019 and 2018 included treasury stock of 516,200 shares and 646,000 shares held by an Employee stock ownership plan ("ESOP") trust and an Executive compensation board incentive plan ("BIP") trust, respectively.

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 in the accompanying consolidated balance sheets at March 31, 2019 and 2018.

12. Contingent Liabilities

Contingent liabilities at March 31, 2019 and 2018 were as follows:

	Millions of yen	
	2019	2018
Guaranteed obligations		
Housing loans of customers and employees	¥ 32,487	¥ 30,253
Other guaranteed obligations	8,615	1,923

	Millions of yen	
	2019	2018
Notes receivable, trade with recourse		
Notes receivable, trade endorsed	¥ 57	¥ 131

13. Research and Development Costs

Research and development costs included in selling, general and administrative expenses for the years ended March 31, 2019 and 2018 are as follows:

	Millions of yen	
	2019	2018
Research and development costs	¥ 38,838	¥ 36,974

14. Loss on Impairment of Fixed Assets

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, 2019, the Companies have written down the amount of certain buildings and structures, which are not expected to be used in the future due to the restructuring of the production system in the injection molding business in Japan, to the recoverable value. As a result, the Companies recorded loss on impairment of fixed assets under extraordinary loss in the amount of ¥806 million. The recoverable value was measured at value in use and the Companies recorded the loss on impairment in the full amount since future cash flows from these properties were no longer expected.

For the year ended March 31, 2018, the Companies have written down the amount of certain machinery, which is not expected to be used in the future due to the restructuring of the production system in the functional resin business in the U.S., to the recoverable value. As a result, the Companies recorded loss on impairment of fixed assets under extraordinary loss in the amount of ¥208 million. The recoverable value was measured at value in use and the Companies recorded the loss on impairment in the full amount since future cash flows from these properties were no longer expected.

15. Other Comprehensive Income

The reclassification adjustments and tax effects for components of other comprehensive income for the years ended March 31, 2019 and 2018 are as follows:

	Millions of yen	
	2019	2018
Unrealized holding (loss) gain on securities:		
Amount arising during the year	¥ (9,779)	¥ 9,520
Reclassification adjustments for gains and losses realized in net income	(3,358)	(794)
Before tax effects	(13,138)	8,726
Tax effects	4,086	(2,581)
Unrealized holding (loss) gain on securities	(9,052)	6,144
Deferred gain on hedges:		
Amount arising during the year	16	3
Deferred gain on hedges	16	3
Translation adjustments:		
Amount arising during the year	(923)	2,364
Translation adjustments	(923)	2,364
Retirement benefit adjustments:		
Amount arising during the year	(2,773)	(1,560)
Reclassification adjustments for gains and losses realized in net income	(379)	(1,361)
Before tax effects	(3,153)	(2,921)
Tax effects	876	704
Retirement benefit adjustments	(2,277)	(2,217)
Comprehensive (loss) income of affiliates accounted for by the equity method attributable to the Company:		
Amount arising during the year	(565)	898
Reclassification adjustments for gains and losses realized in net income	(29)	(11)
Comprehensive (loss) income of affiliates accounted for by the equity method attributable to the Company	(595)	887
Total other comprehensive (loss) income	¥ (12,832)	¥ 7,182

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, 2019 and 2018 are presented as follows:

	Millions of yen	
	2019	2018
Cash and deposits	¥ 69,882	¥ 77,996
Time deposits with maturities in excess of three months	(1,268)	(1,273)
Cash and cash equivalents	¥ 68,613	¥ 76,723

Non cash financing activities

Assets and liabilities related to finance lease obligations newly recognized were ¥4,201 million and ¥3,400 million during the years ended March 31, 2019 and 2018, respectively.

17. Related Party Transactions

Principal transactions between the Company's consolidated subsidiaries and their related parties for the years ended March 31, 2019 and 2018 are summarized as follows:

2019						
Name	Description/ Principal business	Paid-in capital (Millions of yen)	Transaction	Millions of yen		
				Transaction amount	Account name	Ending balance
Musashi Kougyousha Co., Ltd.	Majority of voting rights of this company are owned by a director's relative/ Manufacturing	¥ 10	Processing of metal parts	¥ 42	Accrued expenses	¥ 0

Notes: 1. Above transaction amounts do not include consumption taxes but ending balances are inclusive of consumption taxes.

2. Prices for the above transactions were determined based on the same terms as third party transactions.

2018						
Name	Description/ Principal business	Paid-in capital (Millions of yen)	Transaction	Millions of yen		
				Transaction amount	Account name	Ending balance
Relative of Kazukiyo Kuroki	-	¥ -	Sales of residence	¥ 64	-	¥ -
Yuichi Hamabe	Audit and supervisory board member of the Company	-	Sales of residence	42	-	-
Musashi Kougyousha Co., Ltd.	Majority of voting rights of this company are owned by a director's relative/ Manufacturing	10	Processing of metal parts	39	Notes payable, trade Accrued expenses	18 1
Relative of Hitoshi Kobayashi	-	-	Sales of residence	32	-	-

Notes: 1. Above transaction amounts do not include consumption taxes but ending balances are inclusive of consumption taxes.

2. Prices for the above transactions 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 7 years, at the longest, subsequent to March 31, 2019. 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.

(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.

18. Financial Instruments (continued)

(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, 2019 and 2018 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).

Estimated fair value information at March 31, 2019:

	Millions of yen		
	Carrying value	Estimated fair value	Difference
Cash and deposits	¥ 69,882	¥ 69,882	¥ -
Notes and accounts receivable, trade	186,973	186,973	-
Marketable securities and investments in securities	134,865	131,307	(3,558)
Total assets	¥ 391,721	¥ 388,162	¥ (3,558)
Notes and accounts payable, trade and electronically recorded obligations	¥ 130,441	¥ 130,441	¥ -
Short-term debt	5,699	5,699	-
Commercial paper	17,000	17,000	-
Long-term debt, including current portion	10,589	10,593	4
Bonds, including current portion	10,036	10,113	77
Total liabilities	¥ 173,766	¥ 173,848	¥ 82
Derivative transactions (*):			
Derivatives for which hedge accounting is not applied	-	-	-
Derivatives for which hedge accounting is applied	¥ (32)	¥ (32)	¥ -
Total derivative transactions	¥ (32)	¥ (32)	¥ -

18. Financial Instruments (continued)

Estimated Fair Value of Financial Instruments (continued)

Estimated fair value information at March 31, 2018:

	Millions of yen		
	Carrying value	Estimated fair value	Difference
Cash and deposits	¥ 77,996	¥ 77,996	¥ -
Notes and accounts receivable, trade	183,263	183,263	-
Marketable securities and investments in securities	149,580	153,779	4,198
Total assets	¥ 410,840	¥ 415,039	¥ 4,198
Notes and accounts payable, trade and electronically recorded obligations	¥ 130,820	¥ 130,820	¥ -
Short-term debt	6,981	6,981	-
Commercial paper	7,000	7,000	-
Long-term debt, including current portion	11,958	11,953	(4)
Bonds, including current portion	10,052	10,008	(44)
Total liabilities	¥ 166,812	¥ 166,763	¥ (48)
Derivative transactions (*):			
Derivatives for which hedge accounting is not applied	-	-	-
Derivatives for which hedge accounting is applied	¥ (49)	¥ (49)	¥ -
Total derivative transactions	¥ (49)	¥ (49)	¥ -

(*): Assets 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 investments 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, short-term debt and commercial paper

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	
	2019	2018
Unlisted equity securities	¥ 28,470	¥ 28,126

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, 2019 and 2018:

Maturity analysis at March 31, 2019:

	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	¥ 69,882	¥ -	¥ -	¥ -
Notes and accounts receivable, trade	186,973	-	-	-
Marketable securities and investments in securities Held-to-maturity debt securities	2	-	-	-
Total	¥ 256,857	¥ -	¥ -	¥ -

Maturity analysis at March 31, 2018:

	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	¥ 77,996	¥ -	¥ -	¥ -
Notes and accounts receivable, trade	183,263	-	-	-
Marketable securities and investments in securities Held-to-maturity debt securities	0	2	-	-
Total	¥ 261,260	¥ 2	¥ -	¥ -

- (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, 2019 and 2018:

(1) Derivatives for which hedge accounting is not applied

There were no derivatives for which hedge accounting is not applied at March 31, 2019 and 2018.

(2) Derivatives for which hedge accounting is applied

(a) Currency-related transactions

	Millions of yen		
	Hedged item	Notional amount	Fair value
Forward foreign exchange contracts:			
Buy: Australian dollars	Accounts payable	¥ 4	¥ 0
Foreign currency swaps:			
Receive fixed – U.S. dollars/ pay fixed – Indian rupees	Long-term debt	842	(32)
Total		¥ 846	¥ (32)

	Millions of yen		
	Hedged item	Notional amount	Fair value
Forward foreign exchange contracts:			
Buy: U.S. dollars	Accounts payable	¥ 571	¥ (6)
Buy: Euro		49	(0)
Foreign currency swaps:			
Receive fixed – U.S. dollars/ pay fixed – Indian rupees	Long-term debt	716	(42)
Total		¥ 1,337	¥ (49)

The notional amount of foreign currency swaps of receive fixed – U.S. dollars / pay fixed – Indian rupees includes a portion over 1 year of ¥842 million and ¥716 million at March 31, 2019 and 2018, respectively. The notional amount of forward foreign exchange contracts of the buy position in U.S. dollars, Euro and Australian dollars does not include any portion over 1 year at March 31, 2019 and 2018.

20. Amounts per Share

	Yen	
	2019	2018
Net income attributable to owners of the parent:		
Basic	¥ 141.74	¥ 133.80
Diluted	141.64	133.58
Cash dividends	44.00	40.00
Net assets	1,307.75	1,245.91

Basic net income attributable to owners of the parent per share has been computed based on the net income attributable to owners of the 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 the parent per share has been computed based on the net income attributable to owners of the 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 aggregate amounts of cash dividends include cash dividends of ¥21 million and ¥25 million for the shares of the Company held by the BIP Trust and ESOP Trust for the years ended March 31, 2019 and 2018, respectively. The amounts per share of net assets have been computed based on the number of shares of common stock outstanding at year end.

	Millions of yen	
	2019	2018
Net income attributable to owners of the parent	¥ 66,093	¥ 63,459

	Thousands of shares	
	2019	2018
Weighted-average number of shares of common stock outstanding	466,299	474,280
Increase in shares of common stock resulting from the exercise of stock acquisition rights	321	794

The financial data used in the computation of net assets per share as of March 31, 2019 and 2018 is summarized as follows:

	Millions of yen	
	2019	2018
Total net assets	¥ 632,746	¥ 612,757
Deduction from total net assets:		
Stock acquisition rights	(156)	(271)
Non-controlling interests	(25,465)	(24,720)
	(25,622)	(24,991)
Total net assets attributable to common shareholders	¥ 607,123	¥ 587,766

	Thousands of shares	
	2019	2018
Number of shares of common stock used in the calculation of net assets per share	464,251	471,756

20. Amounts per Share (continued)

The Company's own shares held in the ESOP trust and the BIP trust recorded as treasury stock under shareholders' equity are included in treasury stock to be deducted from the weighted-average number of shares of common stock during the year in computing net income attributable to owners of the parent per share and from the number of shares of common stock at year-end in computing net assets per share. The numbers of shares of treasury stock deducted from the weighted-average number of shares in computing net income attributable to owners of the parent per share were 553 thousand and 675 thousand shares for the years ended March 31, 2019 and 2018, respectively, and the numbers of shares of treasury stock deducted from the number of shares outstanding at year-end in computing net assets per share were 516 thousand and 646 thousand shares as of March 31, 2019 and 2018, respectively.

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, real estate, 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, construction materials, and FFU. The HPP business comprises manufacturing and sales of interlayer films for laminated glass, polyolefin foam, tape, LCD fine particles and photosensitive materials, functional resin for infrastructure, 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, 2019 and 2018. 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, 2019 and 2018 is summarized as follows:

	Millions of yen					
	2019					
	Reportable segments					Consolidated
Housing	Urban infrastructure and environmental products	High performance plastics	Total	Other (*1)		
Sales:						
Sales to third parties	¥ 506,614	¥ 226,112	¥ 404,134	¥ 1,136,861	¥ 5,851	¥ 1,142,713
Intersegment sales or transfers	114	13,080	7,876	21,072	243	21,316
Net sales	506,729	239,193	412,011	1,157,934	6,095	1,164,029
Segment income (loss)	¥ 39,002	¥ 15,007	¥ 54,478	¥ 108,489	¥ (11,099)	¥ 97,389
Segment assets	¥ 315,154	¥ 216,653	¥ 460,407	¥ 992,215	¥ 16,758	¥ 1,008,973
Other items:						
Depreciation and amortization	9,351	6,983	19,203	35,539	2,271	37,811
Investments in affiliates accounted for by the equity method	8,848	-	2,684	11,532	-	11,532
Increase in property, plant and equipment, and intangible assets	17,759	13,870	37,280	68,910	3,718	72,629

21. Segment Information (continued)

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

	Millions of yen					
	2018					
	Reportable segments					Consolidated
Housing	Urban infrastructure and environmental products	High performance plastics	Total	Other (*1)		
Sales:						
Sales to third parties	¥ 497,320	¥ 225,753	¥ 378,676	¥ 1,101,750	¥ 5,679	¥ 1,107,429
Intersegment sales or transfers	462	13,487	7,478	21,427	182	21,610
Net sales	497,782	239,241	386,154	1,123,178	5,861	1,129,039
Segment income (loss)	¥ 37,935	¥ 14,791	¥ 57,821	¥ 110,547	¥ (9,764)	¥ 100,783
Segment assets	¥ 283,296	¥ 207,139	¥ 447,487	¥ 937,923	¥ 14,427	¥ 952,350
Other items:						
Depreciation and amortization	9,296	6,399	18,019	33,714	1,286	35,001
Investments in affiliates accounted for by the equity method	8,595	-	2,630	11,225	-	11,225
Increase in property, plant and equipment, and intangible assets	14,392	9,786	25,715	49,894	2,540	52,434

(*1): Other represents segments other than the reportable segments, which includes provision of services and manufacturing and sales of film-type lithium-ion batteries and products not included in the Company's reportable segments.

(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, 2019 and 2018

	Millions of yen	
	2019	2018
Net sales:		
Total of reportable segments	¥ 1,157,934	¥ 1,123,178
Other net sales	6,095	5,861
Eliminations	(21,316)	(21,610)
Net sales	¥ 1,142,713	¥ 1,107,429

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	
	2019	2018
Income:		
Total of reportable segments	¥ 108,489	¥ 110,547
Other loss	(11,099)	(9,764)
Eliminations	(134)	(151)
Corporate expenses (*1)	(1,568)	(1,400)
Operating income	¥ 95,686	¥ 99,231

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

Assets at March 31, 2019 and 2018

	Millions of yen	
	2019	2018
Assets:		
Total of reportable segments	¥ 992,215	¥ 937,923
Assets classified as "other"	16,758	14,427
Eliminations	(337,151)	(306,451)
Corporate assets (*1)	351,883	348,238
Total assets	¥ 1,023,706	¥ 994,137

(*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, 2019 and 2018

	Millions of yen			
	2019			
	Reporting Segments	Others	Adjustments (*1)	Consolidated
Other items:				
Depreciation and amortization	¥ 35,539	¥ 2,271	¥ 978	¥ 38,789
Investments in affiliates accounted for by the equity method	11,532	-	32,996	44,529
Increase in property, plant and equipment, and intangible assets	68,910	3,718	966	73,595

	Millions of yen			
	2018			
	Reporting Segments	Others	Adjustments (*1)	Consolidated
Other items:				
Depreciation and amortization	¥ 33,714	¥ 1,286	¥ 1,015	¥ 36,016
Investments in affiliates accounted for by the equity method	11,225	-	32,185	43,410
Increase in property, plant and equipment, and intangible assets	49,894	2,540	1,084	53,518

(*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, 2019 and 2018 is as follows:

	Millions of yen					
	2019					
	Japan	America	Europe	Asia	Other	Total
Net sales	¥ 852,543	¥ 82,898	¥ 63,044	¥ 129,873	¥ 14,352	¥ 1,142,713

	Millions of yen					
	2018					
	Japan	America	Europe	Asia	Other	Total
Net sales	¥ 832,441	¥ 77,535	¥ 60,582	¥ 124,393	¥ 12,475	¥ 1,107,429

(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, 2019 and 2018 is as follows:

	Millions of yen					
	2019					
	Japan	America	Europe	Asia	Other	Total
Property, plant and equipment, net	¥ 219,367	¥ 21,598	¥ 29,797	¥ 32,182	¥ 6,509	¥ 309,455

	Millions of yen					
	2018					
	Japan	America	Europe	Asia	Other	Total
Property, plant and equipment, net	¥ 203,098	¥ 18,879	¥ 18,825	¥ 32,116	¥ 6,818	¥ 279,738

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, 2019 and 2018 is as follows:

	Millions of yen					
	2019					
	Housing	Urban infrastructure and environmental products	High performance plastics	Other	Elimination or unallocable accounts	Total
Loss on impairment of fixed assets and goodwill	¥ -	¥ 19	¥ 257	¥ -	¥ 997	¥ 1,274

	Millions of yen					
	2018					
	Housing	Urban infrastructure and environmental products	High performance plastics	Other	Elimination or unallocable accounts	Total
Loss on impairment of fixed assets and goodwill	¥ 67	¥ 330	¥ 303	¥ -	¥ -	¥ 701

Note: The amount of "Elimination or unallocable accounts" denotes loss on impairment of the corporate assets which do not belong to any reportable segment.

(7) Amortization and balance of goodwill

Information on amortization of goodwill by each segment and its remaining balance for the years ended March 31, 2019 and 2018 is summarized as follows:

	Millions of yen					
	2019					
	Housing	Urban infrastructure and environmental products	High performance plastics	Other	Elimination or unallocable accounts	Total
Amortization of goodwill	¥ 127	¥ 216	¥ 2,474	¥ 29	¥ -	¥ 2,848
Balance at March 31, 2019	2,033	53	14,802	63	-	16,953

	Millions of yen					
	2018					
	Housing	Urban infrastructure and environmental products	High performance plastics	Other	Elimination or unallocable accounts	Total
Amortization of goodwill	¥ 127	¥ 215	¥ 2,043	¥ 29	¥ -	¥ 2,416
Balance at March 31, 2018	2,160	270	15,117	92	-	17,640

22. Business Combinations

The information on business combinations is omitted due to lack of materiality.

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, 2019, was proposed by the Board of Directors at the meeting held on May 15, 2019. The distribution proposed was approved by the shareholders at the meeting held on June 20, 2019.

	Millions of yen
Year-end cash dividends (¥23.0 per share)	¥ 10,697

The aggregate amount of cash dividends includes cash dividends of ¥11 million for the shares of the Company held by the BIP Trust and ESOP Trust.

(Business combination through acquisition)

Sekisui America Corporation, a wholly owned subsidiary of the Company, entered into a share transfer agreement to acquire all shares of AIM Aerospace Corporation on June 14, 2019.

(1) Summary of the business combination

(a) Name and business description of the acquired company

Name of the acquired company: AIM Aerospace Corporation

Business description: Shareholdings in subsidiaries engaged in manufacturing and sale of composite mold materials such as carbon fiber reinforced plastics (CFRP) for aircraft and drones.

(b) Main reason for the business combination

To expand the business in the mobility materials domain and acquire the advanced technologies.

(c) Date of the business combination

November 1, 2019 (scheduled)

(d) Legal form of the business combination

Share acquisition

(e) Company name after the business combination

AIM Aerospace Corporation

(f) Percentage of shares with voting rights acquired

100%

(g) Basis for determining the acquiring company

The acquisition was a share acquisition by Sekisui America Corporation for a cash consideration.

(2) Acquisition cost and type of consideration for the acquired company

Cash payment for acquisition of shares	¥56,100 million (estimated)
Acquisition cost	¥56,100 million (estimated)

* The amounts above are tentative and the actual amounts might change based on future price adjustment.

(3) Details on major acquisition-related cost

Not yet determined

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

Not yet determined

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

Not yet determined

(Acquisition of treasury stock)

For the purpose of implementing flexible capital policy and as a way to provide returns to shareholders, the Company resolved at the Board of Directors' meeting held on April 25, 2019 to acquire 8,000,000 shares of treasury stock for a maximum total amount of ¥16,000 million through the market including advance notice type market buying system of ToSTNeT during the period from April 26, 2019 through March 31, 2020.

As of June 20, 2019, the status of the acquisition of treasury stock is as follows:

Type of shares acquired: Common stock

Total number of shares acquired: 2,000,000 shares

Total acquisition cost: ¥3,272 million

Period of acquisition: May 15, 2019 through May 27, 2019

Method of acquisition: Market buying

23. Subsequent Events (continued)

(Retirement of treasury stock)

For the purpose of strengthening measures to enhance capital efficiency and as a way to provide returns to shareholders, the Company resolved at the Board of Directors' meeting held on April 25, 2019 to retire 8,000,000 shares of treasury stock and executed the retirement on May 27, 2019. After the retirement, the total number of shares issued was 484,507,285 shares.

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, 2019, 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, 2019, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Ernst & Young Shin Nihon LLC

June 20, 2019
Osaka, Japan