

# Summary of Financial Results of Fiscal Year 2014 Ended March 31, 2015



April 28, 2015

Company Name: Sekisui Chemical Co., Ltd.  
 Stock Listings: Tokyo Stock Exchange  
 Code Number: 4204  
 URL: <http://www.sekisuichemical.com>  
 Representative Director: Mr. Teiji Koge, President  
 Inquiries: Mr. Yoshiyuki Hirai, Executive Officer  
 TEL: +81-3- 5521-0522  
 Scheduled General Meeting of Shareholders: June 25, 2015  
 Scheduled date for payment of dividends: June 26, 2015  
 Scheduled date for submission of financial statement: June 25, 2015  
 Earnings supplementary explanatory documents: Yes  
 Earnings results briefing: Yes

(Figures rounded down to the nearest million yen)

## 1. Consolidated Business Results for the Fiscal 2014 (April 1, 2014 to March 31, 2015)

### (1) Consolidated Business Results (% change from the previous year)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2014	1,112,748	0.2	85,764	3.9	87,978	5.6	52,995	28.7
FY2013	1,110,851	7.6	82,541	38.4	83,310	37.3	41,190	36.5

(Reference) Comprehensive income March 31, 2015: 91,587 million yen (58.1%), March 31, 2014: 57,944 million yen (-25.2%)

	Net Income per Share	Net Income per Share (Diluted)	Net Income to Equity Ratio	Ordinary Income to Total Assets Ratio	Operating Income Ratio
	yen	yen	%	%	%
FY2014	104.73	104.55	10.9	9.1	7.7
FY2013	80.13	79.94	9.4	8.9	7.4

(Reference) Equity in earnings of affiliated companies March 31, 2015: 2,263 million yen, March 31, 2014: 2,070 million yen

### (2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	yen
FY2014	968,011	535,292	53.3	1,033.49
FY2013	961,009	473,555	47.5	897.18

(Reference) Shareholders' Equity : March 31, 2015: 516,312 million yen, March 31, 2014: 456,819 million yen

### (3) Consolidated Cash Flows

	Operating Activities	Investing Activities	Financing Activities	End of Year Cash and Cash Equivalents
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY2014	67,760	4,127	-63,856	62,780
FY2013	97,720	-60,914	-49,803	51,248

## 2. Dividend Status

(Date of Record)	Dividend per Share					Total Dividend Payment (full year)	Dividend Payout Ratio (consolidated)	Dividend on equity ratio (consolidated)
	At the end of 1Q	At the end of 2Q	At the end of 3Q	Year-end	Full year			
	yen	yen	yen	yen	yen	Millions of yen	%	%
FY2013	-	11.00	-	12.00	23.00	11,807	28.7	2.7
FY2014	-	13.00	-	14.00	27.00	13,630	25.8	2.8
FY2015 (outlook)	-	14.00	-	14.00	28.00		25.4	

## 3. Consolidated Outlook for Fiscal 2015 (April 1, 2015 to March 31, 2016)

(% change from the previous year)

	Net Sales		Operating Income		Ordinary Income		Net income attributable to shareholders		Net Income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	yen
Mid-term	553,000	1.3	38,500	-7.9	39,000	-15.0	24,500	-15.3	49.04
Full Year	1,144,000	2.8	92,000	7.3	91,000	3.4	55,000	3.8	110.09

#### 4. Other

(1) Significant change of subsidiary companies during the term (change of specified subsidiaries that affected the scope of consolidated reporting): No

(2) Changes to the accounting policy, changes or restatements of the accounting estimates

a) Changes caused by revisions to accounting principles: Yes

b) Changes other than a): Yes

c) Amendments to accounting estimates: Yes

d) Restatements: No

Note: For details, see “(6) Important items regarding the basis of preparation of the consolidated financial statements change in accounting policy” on page 13.

(3) Number of shares outstanding (common stock)

a) Number of shares outstanding at the end of term (including treasury stock)	FY2014	520,507,285 shares
	FY2013	532,507,285 shares
b) Treasury stock at the end of term	FY2014	20,926,419 shares
	FY2013	23,337,707 shares
c) Average number of shares outstanding during the current term	FY2014	506,029,895 shares
	FY2013	514,057,819 shares

(Reference information) Non-consolidated financial results for the Fiscal 2014 (April 1, 2014 to March 31, 2015)

(1) Non-Consolidated Business Results (% change from the previous year)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2014	361,317	-4.2	23,436	-2.7	37,650	-10.0	27,911	42.3
FY2013	377,199	10.0	24,085	91.7	41,833	54.2	19,611	24.0

	Net Income per Share	Net Income per Share (Diluted)
	yen	yen
FY2014	55.12	55.03
FY2013	38.13	38.04

(2) Non-Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	yen
FY2014	554,839	303,535	54.6	606.33
FY2013	529,548	282,789	53.4	554.49

(Note) Shareholders' Equity March 31, 2015: 303,120 million yen, March 31, 2014: 282,521 million yen

#### Note: Items Regarding the Implementation of Review Procedures

The Financial Instruments and Exchange Law does not require summary of financial results of fiscal year 2014 ended March 31, 2015 to be subject to audit review. The review procedure of financial statements based on the Financial Instruments and Exchange Law is not completed at the time of the disclosure of these consolidated financial statements.

#### Note: Remarks on appropriate use of forecasted results of operation and other special matters

The earnings forecasts and other forward-looking statements presented in this report are based on information available at the time of the report and on certain assumptions that the Company considers reasonable. Forward-looking statements in no capacity represent a guarantee that the Company will achieve the stated amounts. Various factors can cause actual results to differ materially from the forecasts. For important matters regarding the forecasts, please see “Fiscal Year 2015 Forecast” on page 4 of the Supplementary Material.

## **I. Consolidated Business Results**

### **(1) Analysis of Operating Results**

Please see the following attachment of materials from the Presentation Meeting on the Financial Results for Fiscal Year 2014.

<http://www.sekisuichemical.com/ir/pdf/20150428kge.pdf>

[The Presentation Meeting is scheduled to be held on April 28, 2015, at 5:30 p.m. Japan time]

### **(2) Consolidated Financial Position**

#### **1) Cash Flow (April 1, 2014, to March 31, 2015)**

Net cash provided by operating activities amounted to ¥67.7 billion. Cash inflows included ¥84.2 billion in income before income taxes and minority interests and ¥31.2 billion in depreciation and amortization. These exceeded cash outflows, which included ¥33.5 billion in income taxes paid and a ¥14.5 billion decrease in notes and accounts payable.

Net cash provided by investing activities amounted to ¥4.1 billion. The increase was primarily due to a ¥16.7 billion gain on the sale of investment securities, which included a portion of shareholdings in Sekisui House, Ltd., and a ¥32.0 billion net decrease in time deposits while ¥34.6 billion was used for purchases of property, plant, and equipment focused on priority and growth fields, and ¥5.9 billion was used for investments in securities.

Net cash used in financing activities amounted to ¥63.8 billion. The main elements in the decline were the use of ¥15.0 billion to acquire treasury stock, ¥13.0 billion in cash dividends paid, and a ¥36.7 billion net decrease in interest-bearing debt.

The result of the above was cash and cash equivalents of ¥62.7 billion at the end of fiscal year 2014.

## 2) Fiscal Year 2015 Forecast

Business operations will continue to be conducted with investment concentration in priority and growth fields and an emphasis on cash flow.

### Reference: Trends in Cash Flow Indicators

	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Equity ratio (%)	43.0	42.5	46.4	47.5	53.3
Shareholders' equity ratio based on market value (%)	43.0	44.7	59.1	56.9	80.5
Ratio of interest-bearing liabilities to cash flow	1.9	1.9	1.6	1.0	0.9
Interest coverage ratio (Times)	24.6	24.2	23.5	37.2	35.9

Equity ratio = Equity / Total assets

Shareholders' equity ratio based on market value = Total market value of listed shares / Total assets

Ratio of interest-bearing liabilities to cash flow = Interest-bearing debt / Cash flow

Interest coverage ratio = Cash flow / Interest payments

(Note)

- All indicators are calculated from consolidated figures.
- Total market value of listed shares is calculated by multiplying the closing stock price at the fiscal term end by the total number of shares outstanding at the fiscal term end excluding treasury stock.
- Cash flow is the cash flow of operating activities reported in the consolidated statement of cash flows.
- Interest-bearing debt represents the total amount of debt on which the company pays interest reported in the consolidated balance sheet. The interest payment amount is the amount reported in the consolidated statement of cash flows.

### (3) Fundamental Profit Distribution Policy and Dividends for Fiscal Years 2014 and 2015

Increasing corporate value and returning profit to shareholders are fundamental management objectives at Sekisui Chemical.

The Company's profit distribution policy is to take into account performance results with a management objective for shareholder return to maintain a stable dividend level with a target dividend payout ratio of 30% on a consolidated basis.

The company pays dividends twice annually, with the dates of record set as the last day of the first half (September 30) and the last day of the fiscal year (March 31). In line with company policy, when in possession of surplus funds, these funds are used for share buyback programs to enhance shareholder return as well as to improve capital efficiency and increase earnings per share.

Internal cash reserves are utilized for R&D, capital investment, strategic investment, loans and investments, and other activities essential to the future growth of corporate value.

In consideration of the Company's ongoing solid performance, the target payout ratio, and other factors, the Company has revised the planned dividend distribution amount for fiscal year 2014 as shown in the following table.

	Dividend per Share (yen)		
	End of 1H	Fiscal year end	Total
Previous forecast (announced October 30, 2014)	13.00	13.00	26.00
Revised forecast	-	14.00	27.00
Actual amount	13.00	-	-
Previous fiscal year amount (Fiscal year ended March 2014)	11.00	12.00	23.00

In fiscal year 2015, the Company plans to provide a first half dividend of ¥14 and a second half dividend of ¥14 for a full-year dividend distribution of ¥28 per share.

## II. Consolidated Financial Statement (Fiscal Year 2014)

## (1) Consolidated Balance Sheets

	(Millions of Yen)	
	End Fiscal Year 2013 As of March 31, 2014	End Fiscal Year 2014 As of March 31, 2015
(Assets)		
Current Assets		
Cash and deposits	107,673	87,169
Notes receivable, trade	39,643	40,026
Accounts receivable, trade	152,591	146,353
Marketable securities	0	0
Merchandise and finished goods	54,209	61,922
Land for sale	21,716	22,382
Work in process	47,730	40,990
Raw materials and supplies	32,690	32,309
Advance payments	1,115	2,733
Prepaid expenses	3,030	2,964
Deferred income taxes	17,243	14,718
Short-term loans receivable	467	2,010
Other current assets	19,296	15,707
Allowance for doubtful accounts	-2,748	-3,126
Total current assets	494,660	466,164
Non-current assets		
Property, plant and equipment, net		
Buildings & structures, net	86,451	88,709
Machinery, equipment and vehicles, net	68,461	75,503
Land	69,419	70,055
Leased assets, net	9,045	9,894
Construction in progress	13,133	12,370
Other, net	5,540	7,324
Total property, plant and equipment, net	252,051	263,857
Intangible assets		
Goodwill	12,893	10,787
Software	6,173	7,241
Leased assets	325	264
Other	20,436	15,812
Total intangible assets	39,828	34,106
Investments and other assets		
Investments in securities	151,724	182,049
Long-term loans receivable	967	715
Long-term prepaid expenses	1,177	1,601
Asset for retirement benefits	490	844
Deferred income taxes	8,964	7,131
Other	12,222	12,305
Allowance for doubtful accounts	-1,078	-764
Total investments and other assets	174,468	203,883
Total non-current assets	466,349	501,847
Total assets	961,009	968,011

	(Millions of Yen)	
	End Fiscal Year 2013 As of March 31, 2014	End Fiscal Year 2014 As of March 31, 2015
(Liabilities)		
Current liabilities		
Notes payable, trade	8,453	7,541
Electronically recorded obligations	6,520	6,886
Accounts payable, trade	133,861	121,544
Short-term debt and current portion of long-term debt	44,146	25,830
Current portion of bonds	10,000	-
Lease obligations	2,907	3,169
Accrued expenses	32,056	36,244
Accrued income taxes and other taxes	18,286	13,184
Deferred income taxes	371	44
Allowance for bonuses to employees	17,250	16,570
Allowance for bonuses to directors and corporate auditors	261	258
Provision for compensation for completed constructions	1,132	1,161
Advances received	57,365	43,204
Other	55,752	57,785
Total current liabilities	388,365	333,426
Long-term liabilities		
Bonds	10,000	10,000
Long-term debt less current portion	20,459	17,111
Lease obligations	6,496	7,009
Deferred income taxes	4,923	10,591
Liability for retirement benefits	51,100	48,637
Other	6,109	5,941
Total long-term liabilities	99,089	99,291
Total liabilities	487,454	432,718
(Net assets)		
Shareholders' equity		
Common stock	100,002	100,002
Capital surplus	109,234	109,234
Retained earnings	240,231	265,246
Treasury stock	-20,347	-21,770
Total shareholders' equity	429,120	452,712
Accumulated other comprehensive income:		
Unrealized holding gain on securities	19,001	43,713
Deferred gain on hedges	7	33
Unrealized gain on land revaluation	261	301
Translation adjustments	6,959	16,417
Retirement benefit adjustments	1,468	3,133
Total accumulated other comprehensive income	27,698	63,599
Stock acquisition rights	267	414
Minority interests	16,468	18,566
Total net assets	473,555	535,292
Total liabilities, net assets	961,009	968,011

(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income  
(Consolidated Statement of Income)

	(Millions of Yen)	
	Fiscal Year 2013 (From April 1, 2013 to March 31, 2014)	Fiscal Year 2014 (From April 1, 2014 to March 31, 2015)
Net sales	1,110,851	1,112,748
Cost of sales	774,753	775,130
Gross profit	336,097	337,617
Selling, general & administrative expenses	253,555	251,853
Operating Income	82,541	85,764
Non-operating income		
Interest income	1,029	936
Dividend income	3,094	4,100
Equity in earnings of affiliates	2,070	2,263
Foreign exchange gain, net	3,273	7,395
Miscellaneous income	4,364	3,788
Total non-operating income	13,832	18,484
Non-operating expenses		
Interest expenses	2,266	1,430
Sales discounts	345	324
Miscellaneous expenses	10,453	14,515
Total non-operating expenses	13,064	16,270
Ordinary income	83,310	87,978
Extraordinary income		
Gain on sales of investments in securities	-	5,084
Total extraordinary income	-	5,084
Extraordinary loss		
Loss on impairment of fixed assets and goodwill	9,642	7,123
Loss on sales or disposal of property, plant and equipment	1,241	1,707
Total extraordinary loss	10,884	8,830
Income before income taxes and minority interests	72,426	84,232
Income taxes		
Current	29,664	27,938
Deferred	393	2,005
Total income taxes	30,058	29,944
Income before minority interests	42,368	54,287
Minority interests	1,177	1,292
Net income	41,190	52,995



(Consolidated Statement of Comprehensive Income)

(Millions of Yen)

	Fiscal Year 2013 (From April 1, 2013 to March 31, 2014)	Fiscal Year 2014 (From April 1, 2014 to March 31, 2015)
Income before minority interests	42,368	54,287
Other comprehensive income (loss)		
Unrealized holding gain on securities	954	23,793
Deferred gain (loss) on hedges	-40	26
Translation adjustments	14,389	10,842
Retirement benefit adjustments	-	1,395
Comprehensive income of affiliates accounted for by the equity method attributable to the Company	272	1,241
Total other comprehensive income	<u>15,576</u>	<u>37,299</u>
Comprehensive income	<u>57,944</u>	<u>91,587</u>
Comprehensive income attributable to:		
Shareholders of the Company	55,778	88,895
Minority shareholders	2,166	2,691

## Sekisui Chemical (4204) Summary of Financial Results for the Fiscal Year 2014 Ended March 31, 2015

 (3) Consolidated Statement of Changes in Net Assets  
 Fiscal 2013 (April 1, 2013 to March 31, 2014)

(Millions of Yen)

	Shareholders' Equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at the beginning of the current accounting period	100,002	109,234	209,280	-11,577	406,939
Cumulative effect from the change in accounting policy					-
Balance at the start of the current fiscal year reflecting the change in accounting policy	100,002	109,234	209,280	-11,577	406,939
Changes					
Cash dividends			-10,342		-10,342
Net income for the year			41,190		41,190
Increase in retained earnings resulting from inclusion of subsidiaries in consolidation			134		134
Retirement of treasury stock					-
Purchase of treasury stock				-10,038	-10,038
Disposal of treasury stock		-30		1,268	1,238
Transfer from retained earnings to capital surplus		30	-30		-
Difference caused by the revision to the consolidated subsidiaries' accounting period					-
Net changes of items other than shareholders' equity					
Total Changes	-	-	30,951	-8,770	22,180
Balance at the end of the current accounting period	100,002	109,234	240,231	-20,347	429,120

	Accumulated other comprehensive income (loss)						Stock acquisition rights	Minority interests	Total net assets
	Unrealized holding gain (loss) on securities	Deferred gain (loss) on hedges	Unrealized gain on land revaluation	Translation adjustments	Retirement benefit adjustments	Total accumulated other comprehensive income			
Balance at the beginning of the current accounting period	17,778	47	260	-6,443	-	11,642	306	14,339	433,228
Cumulative effect from the change in accounting policy									-
Balance at the start of the current fiscal year reflecting the change in accounting policy	17,778	47	260	-6,443	-	11,642	306	14,339	433,228
Changes									
Cash dividends									-10,342
Net income for the year									41,190
Increase in retained earnings resulting from inclusion of subsidiaries in consolidation									134
Retirement of treasury stock									-
Purchase of treasury stock									-10,038
Disposal of treasury stock									1,238
Transfer from retained earnings to capital surplus									-
Difference caused by the revision to the consolidated subsidiaries' accounting period									-
Net changes of items other than shareholders' equity	1,223	-40	1	13,403	1,468	16,055	-38	2,128	18,146
Total Changes	1,223	-40	1	13,403	1,468	16,055	-38	2,128	40,326
Balance at the end of the current accounting period	19,001	7	261	6,959	1,468	27,698	267	16,468	473,555

Fiscal 2014 (April 1, 2014 to March 31, 2015)

(Millions of Yen)

	Shareholders' Equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at the beginning of the current accounting period	100,002	109,234	240,231	-20,347	429,120
Cumulative effect from the change in accounting policy			-2,389		-2,389
Balance at the start of the current fiscal year reflecting the change in accounting policy	100,002	109,234	237,842	-20,347	426,731
Changes					
Cash dividends			-12,745		-12,745
Net income for the year			52,995		52,995
Increase in retained earnings resulting from inclusion of subsidiaries in consolidation			37		37
Retirement of treasury stock		-12,615		12,615	—
Purchase of treasury stock				-15,024	-15,024
Disposal of treasury stock		-165		985	819
Transfer from retained earnings to capital surplus		12,781	-12,781		—
Difference caused by the revision to the consolidated subsidiaries' accounting period			-100		-100
Net changes of items other than shareholders' equity					
Total Changes	—	—	27,405	-1,422	25,982
Balance at the end of the current accounting period	100,002	109,234	265,246	-21,770	452,712

	Accumulated other comprehensive income (loss)						Stock acquisition rights	Minority interests	Total net assets
	Unrealized holding gain (loss) on securities	Deferred gain (loss) on hedges	Unrealized gain on land revaluation	Translation adjustments	Retirement benefit adjustments	Total accumulated other comprehensive income			
Balance at the beginning of the current accounting period	19,001	7	261	6,959	1,468	27,698	267	16,468	473,555
Cumulative effect from the change in accounting policy									-2,389
Balance at the start of the current fiscal year reflecting the change in accounting policy	19,001	7	261	6,959	1,468	27,698	267	16,468	471,165
Changes									
Cash dividends									-12,745
Net income for the year									52,995
Increase in retained earnings resulting from inclusion of subsidiaries in consolidation									37
Retirement of treasury stock									—
Purchase of treasury stock									-15,024
Disposal of treasury stock									819
Transfer from retained earnings to capital surplus									—
Difference caused by the revision to the consolidated subsidiaries' accounting period									-100
Net changes of items other than shareholders' equity	24,711	26	39	9,458	1,665	35,900	146	2,097	38,145
Total Changes	24,711	26	39	9,458	1,665	35,900	146	2,097	64,127
Balance at the end of the current accounting period	43,713	33	301	16,417	3,133	63,599	414	18,566	535,292

## (4) Consolidated Statements of Cash Flows

	(Millions of Yen)	
	Fiscal Year 2013 (From April 1, 2013 to March 31, 2014)	Fiscal Year 2014 (From April 1, 2014 to March 31, 2015)
Operating activities		
Income before income taxes and minority interests	72,426	84,232
Depreciation and amortization	34,376	31,203
Amortization of goodwill	2,957	2,348
Loss on impairment of fixed assets and goodwill	9,642	7,123
Loss on disposal of property, plant and equipment	1,125	1,190
Loss on sales of property, plant and equipment	116	516
Decrease in liability for retirement benefits	-3,326	-3,165
Gain on sales of investments in securities	-	-5,084
Interest and dividends income	-4,124	-5,037
Interest expenses	2,611	1,754
Equity in earnings of affiliates	-2,070	-2,263
Decrease (increase) in notes and accounts receivable	-13,206	12,108
Decrease (increase) in inventories	-12,424	1,432
Decrease (increase) in notes and accounts payable	6,139	-14,552
Decrease (increase) in advances received	8,156	-14,249
Other	8,886	-24
Subtotal	111,284	97,534
Interest and dividends received	4,536	5,650
Interest paid	-2,626	-1,886
Income taxes refund	2,806	-
Income taxes paid	-18,280	-33,538
Net cash provided by operating activities	97,720	67,760
Investing activities		
Purchases of property, plant and equipment	-28,580	-34,602
Proceeds from sales of property, plant and equipment	856	835
Payments into time deposits	-71,109	-27,012
Proceeds from withdrawal of time deposits	47,228	59,028
Purchases of investments in securities	-315	-104
Proceeds from sales or redemption of investments in securities	230	16,789
Acquisition of securities in subsidiaries	-4,346	-5,878
Purchases of intangible assets	-3,342	-5,517
Increase (decrease) in short-term loans receivable	19	-1,294
Other	-1,554	1,885
Net cash provided by (used in) investing activities	-60,914	4,127
Financing activities		
Decrease in short-term debt, net	-115	-6,150
Repayments of lease obligations	-3,421	-3,822
Proceeds from long-term debt	4,981	4,396
Repayment of long-term debt	-31,409	-21,203
Payments for redemption of bonds	-	-10,000
Proceeds from stock issuance to minority shareholders	994	-
Cash dividends paid	-10,351	-12,743
Cash dividends paid to minority shareholders of consolidated subsidiaries	-1,538	-334
Purchases of treasury stock	-10,038	-15,024
Other	1,095	1,026
Net cash used in financing activities	-49,803	-63,856
Effect of exchange rate changes on cash and cash equivalents	3,071	3,448
Net increase (decrease) in cash and cash equivalents	-9,926	11,480
Cash and cash equivalents at beginning of year	58,631	51,248
Increase in cash and cash equivalents from newly consolidated subsidiary	2,543	52
Cash and cash equivalents at end of year	51,248	62,780

(5) Notes regarding the premise of a going concern

No significant changes during the term under review

(6) Important items regarding the basis of preparation of the consolidated financial statements change in accounting policy

(Application of accounting principles for retirement benefits)

The Company adopted the Accounting Standard for Retirement Benefits (Accounting Standards Board of Japan (ASBJ) Statement No. 26, issued on May 17, 2012) and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, issued on May 17, 2012), subject to provisions stated in Clause 35 of the Accounting Standard for Retirement Benefits and Clause 67 of the Guidance on Accounting Standard for Retirement Benefits, beginning with the consolidated fiscal year started on April 1, 2014. The Company also revised the accounting methodology for the retirement benefit obligation and service costs by changing the term distribution method used for retirement benefit estimates from fixed-amount attribution to the benefit formula method and using a discount-rate computation method.

In accordance with the transitional treatment prescribed in Clause 37 of the Retirement Benefits Accounting Standard, the Company applied the Accounting Standard for Retirement Benefits and reflected the effect of the revision to the accounting methodology for the retirement benefit obligation and service costs in retained earnings at the start of the current consolidated fiscal year.

As a result, the Company reported an increase in liability for retirement benefits of ¥3,397 million and a decrease of ¥2,389 million in retained earnings at the start of the current consolidated fiscal year. These changes had minimal effect on the operating income, ordinary income, and income before income taxes and minority interests amounts in the current consolidated fiscal year.

(Change in accounting policy which is difficult to distinguish from a change in accounting estimate)

The Company and its domestic consolidated subsidiaries previously applied the declining-balance method for depreciation of other property, plant and equipment other than buildings (except for structures attached to the buildings). The accounting method was changed to the straight-line method at the start of the current consolidated fiscal year.

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

The Housing Company will differentiate its products by making energy-saving equipment standard features and strengthen its strategies in the subdivision and housing complex markets to offset the effect of the contracting market for custom-built homes as the population in Japan declines. We therefore project its housing unit sales to remain steady and operations at its domestic production facilities to stabilize.

The Urban Infrastructure & Environmental Products Company will strengthen its competitiveness amid declining domestic demand by becoming a value chain business encompassing inspection, diagnostics, design, product sales, construction, maintenance, and management. The company will also increase its market share in the piping materials field through the business transfer while reorganization of its production bases should also help enable the realization of steady sales volume. We project operations at its domestic production facilities to stabilize.

The High Performance Plastics Company will shift its focus to high value-added products that are expected to draw stable demand and formulate a business base with an optimal allocation of production facilities by shifting production from domestic to overseas bases. We therefore also project operations at its domestic production facilities to stabilize.

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

This change brings the Company in line with overseas subsidiaries using the straight-line method. In comparison to the previously used method, application of the straight-line method raised each of the operating income, ordinary income, and income before income taxes and minority interests amounts by ¥4,747 million in the current consolidated fiscal year.

## (7) Notes to Consolidated Financial Statements

## I. Segment Information

## a) Overview of the Reporting Segments

The Company's reporting segments are determined on the basis that separate financial information of such segments are available and examined periodically by the Board of Directors to make decisions regarding the allocation of management resources and assess the business performances of such segments.

Sekisui Chemical has divided its business operations into the three segments of Housing, Urban Infrastructure & 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 of manufacturing, construction, sales, refurbishing, and other operations related to unit housing. The UIEP business comprises of 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 of manufacturing and sales of interlayer films for laminated glass, polyolefin foam, tape, LCD fine particles and photosensitive materials, diagnostic reagents and other products.

## b) Valuation method for reporting segment profit (loss) and asset amounts

The accounting methods for the reporting business segments are presented in accordance with "Important fundamental matters for preparing consolidated financial statements." The reporting segment profit figures are based on operating profit. Intersegment internal rates of return and the amounts transferred are presented based on the current market prices at the time of this report.

## c) Net sales, income (loss), assets data by reporting segment

Fiscal 2013 (April 1, 2013 to March 31, 2014)

(Millions of yen)

	Reporting Segment				Other (Note1)	Total
	Housing	Urban Infrastructure & Environmental Products	High Performance Plastics	Total		
I. Net sales:						
(1)To third parties	496,679	226,933	347,085	1,070,697	40,153	1,110,851
(2)Intersegment sales or transfers	111	13,008	6,696	19,816	3,646	23,462
Total	496,790	239,941	353,782	1,090,514	43,799	1,134,313
Operating income (loss)	41,108	6,460	36,098	83,668	-778	82,889
Assets	256,121	200,277	341,171	797,569	40,940	838,510
Other Item						
Depreciation and amortization	7,722	6,083	18,405	32,210	1,534	33,745
Investment in affiliates accounted for by the equity method	7,385	-	-	7,385	-	7,385
Increase in property, plant and equipment, and intangible assets(Note2)	11,142	10,473	17,645	39,262	1,468	40,730

Note1: The Other segment is not a reporting segment, which includes manufacturing and sales of agricultural and construction materials, and provision of services.

2: Depreciation and amortization and increase in property, plant and equipment, and intangible assets include depreciation related to long-term prepaid expenses and associated costs.

Fiscal 2014 (April 1, 2014 to March 31, 2015)

(Millions of yen)

	Reporting Segment				Other (Note1)	Total
	Housing	Urban Infrastructure & Environmental Products	High Performance Plastics	Total		
I. Net sales:						
(1)To third parties	494,037	215,070	365,662	1,074,770	37,977	1,112,748
(2)Intersegment sales or transfers	78	12,619	6,633	19,331	928	20,260
Total	494,116	227,689	372,296	1,094,102	38,906	1,133,008
Operating income (loss)	41,327	1,264	45,951	88,543	-1,957	86,585
Assets	249,066	198,848	357,697	805,612	37,893	843,506
Other Item						
Depreciation and amortization	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(Note2)	9,765	15,368	17,923	43,057	2,507	45,564

Note1: The Other segment is not a reporting segment, which includes manufacturing and sales of agricultural and construction materials, and provision of services.

2: Depreciation and amortization and increase in property, plant and equipment, and intangible assets include depreciation related to long-term prepaid expenses and associated costs.

3. As reported in (6) Important items regarding the basis of preparation of the consolidated financial statements change in accounting policy (Notes), the Company and its domestic consolidated subsidiaries previously applied the declining-balance method for depreciation of other property, plant and equipment (excluding lease assets) other than buildings (except for structures attached to the buildings) but changed the accounting method to the straight-line method at the start of the current consolidated fiscal year. In comparison to the previously used method, application of the straight-line method raised the operating income of the Housing Company by ¥663 million, the UIEP Company by ¥1,179 million, the HPP Company by ¥2,397 million, and Other Businesses by ¥506 million in the current consolidated fiscal year.

**d) Difference between the total of reporting segments in incomes (losses) and the corresponding amounts reported in the consolidated financial statements, and the primary items contributing to the difference**

(Items related to the difference)

Fiscal 2013 (April 1, 2013 to March 31, 2014)

Net Sales	(Millions of Yen)
Total of reporting segments	1,090,514
Other Business Sales	43,799
Inter-segment elimination total	-23,462
Net Sales	1,110,851

Income	(Millions of Yen)
Total of reporting segments	83,668
Other Business loss	-778
Inter-segment elimination total	1,103
Corporate expenses (Note)	-1,451
Operating Income	82,541

Note: Corporate expenses are mainly general administrative expenses not attributable to a reporting segment.

Assets	(Millions of Yen)
Total of reporting segments	797,569
Assets classified as Other Business	40,940
Inter-segment elimination total	-111,138
Corporate assets	233,637
Total Assets	961,009

Note: Corporate assets are assets not associated with the reporting segments. The main items were cash and deposits, long-term investments (investments in securities), assets related to administrative operations and deferred income taxes.

Other item	Reporting Segment	Others	(Millions of Yen)	
			Adjusted amount (Note)	The corresponding amounts reported in the consolidated
Depreciation and amortization	32,210	1,534	631	34,376
Investment in equity-method affiliate	7,385	-	25,614	33,000
Increase in tangible fixed assets and intangible fixed assets	39,262	1,468	1,097	41,827

Note: Adjustment for investment in equity-method affiliate represents the amount invested in equity-method affiliate companies which are not associated with the reporting segments.

Fiscal 2014 (April 1, 2014 to March 31, 2015)

Net Sales	(Millions of Yen)
Total of reporting segments	1,094,102
Other Business Sales	38,906
Inter-segment elimination total	-20,260
Net Sales	1,112,748

Income	(Millions of Yen)
Total of reporting segments	88,543
Other Business loss	-1,957
Inter-segment elimination total	319
Corporate expenses (Note)	-1,141
Operating Income	85,764

Note: Corporate expenses are mainly general administrative expenses not attributable to a reporting segment.

Assets	(Millions of Yen)
Total of reporting segments	805,612
Assets classified as Other Business	37,893
Inter-segment elimination total	-283,044
Corporate assets	407,550
Total Assets	968,011

Note: Corporate assets are assets not associated with the reporting segments. The main items were cash and deposits, long-term investments (investments in securities), assets related to administrative operations and deferred income taxes.

(Millions of Yen)

Other item	Reporting Segment	Others	Adjusted amount (Note)	The corresponding amounts reported in the consolidated
Depreciation and amortization	29,449	1,108	645	31,203
Investment in equity-method affiliate	7,950	-	27,860	35,811
Increase in tangible fixed assets and intangible fixed assets	43,057	2,507	1,428	46,993

Note: Adjustment for investment in equity-method affiliate represents the amount invested in equity-method affiliate companies which are not associated with the reporting segments.



## II. Relevance information

Fiscal 2013 (April 1, 2013 to March 31, 2014)

## a. Product and service information

This information is presented in the segment data and is therefore omitted here.

## b. Geographical information

## 1. Net Sales

(Millions of Yen)

	Japan	United States	Europe	Asia	Others	Total
Net Sales	851,377	77,959	67,006	104,264	10,242	1,110,851

Note 1: Net sales are classified by country or region based on client location

## 2. Property, plant and equipment, net

(Millions of Yen)

	Japan	United States	Europe	Asia	Others	Total
Property, plant and equipment, net	176,842	19,231	24,045	29,859	2,073	252,051

## c. Loss on impairment of fixed assets

(Millions of Yen)

	Housing	Urban Infrastructure & Environmental Products	High Performance Plastics	Other Business	Eliminations or Unallocatable Accounts	Total
Loss on impairment of fixed assets	434	1,370	7,837	-	-	9,642

## d. Goodwill

(Millions of Yen)

	Housing	Urban Infrastructure & Environmental Products	High Performance Plastics	Other Business	Eliminations or Unallocatable Accounts	Total
Amortization of goodwill at this term	-	321	2,636	-0	-	2,957
Balance at the end of the current accounting period	-	1,338	11,555	-	-	12,893

Fiscal 2014 (April 1, 2014 to March 31, 2015)

## a. Product and service information

This information is presented in the segment data and is therefore omitted here.

## b. Geographical information

## 1. Net Sales

(Millions of Yen)

	Japan	United States	Europe	Asia	Others	Total
Net Sales	809,725	84,733	64,287	144,054	9,947	1,112,748

Note 1: Net sales are classified by country or region based on client location

## 2. Property, plant and equipment, net

(Millions of Yen)

	Japan	United States	Europe	Asia	Others	Total
Property, plant and equipment, net	185,086	22,344	20,589	33,768	2,068	263,857

## c. Loss on impairment of fixed assets

(Millions of Yen)

	Housing	Urban Infrastructure & Environmental Products	High Performance Plastics	Other Business	Eliminations or Unallocatable Accounts	Total
Loss on impairment of fixed assets	149	1,858	5,092	22	-	7,123

## d. Goodwill

(Millions of Yen)

	Housing	Urban Infrastructure & Environmental Products	High Performance Plastics	Other Business	Eliminations or Unallocatable Accounts	Total
Amortization of goodwill at this term	-	337	2,011	-	-	2,348
Balance at the end of the current accounting period	-	1,034	9,753	-	-	10,787