

## Summary of Financial Results of Fiscal Year 2015 Ended March 31, 2016



April 27, 2016

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  
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 TEL: +81-3- 5521-0522  
 Scheduled General Meeting of Shareholders: June 28, 2016  
 Scheduled date for payment of dividends: June 29, 2016  
 Scheduled date for submission of financial statement: June 28, 2016  
 Earnings supplementary explanatory documents: Yes  
 Earnings results briefing: Yes

(Figures rounded down to the nearest million yen)

### 1. Consolidated Business Results for the Fiscal 2015 (April 1, 2015 to March 31, 2016)

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

	Net Sales		Operating Income		Ordinary Income		Net Income attributable to shareholders	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2015	1,096,317	-1.5	89,823	4.7	81,213	-7.7	56,653	6.9
FY2014	1,112,748	0.2	85,764	3.9	87,978	5.6	52,995	28.7

(Note) Comprehensive income March 31, 2016: 37,080 million yen (-59.5%), March 31, 2015: 91,587 million yen (58.1%)

	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	%	%	%
FY2015	115.08	114.88	10.9	8.5	8.2
FY2014	104.73	104.55	10.9	9.1	7.7

(Note) Equity in earnings of affiliated companies March 31, 2016: 2,226 million yen, March 31, 2015: 2,263 million yen

#### (2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	yen
FY2015	936,043	544,156	55.9	1,071.24
FY2014	968,011	535,292	53.3	1,033.49

(Note) Shareholders' Equity : March 31, 2016: 523,057 million yen, March 31, 2015: 516,312 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
FY2015	71,389	-23,715	-41,726	67,104
FY2014	67,760	4,127	-63,856	62,780

### 2. Dividend Status

(Date of Record)	Dividend Per Share					Total Dividend Payment (full year)	Dividend Payout Ratio (consolidated)	Dividend to 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	%	%
FY2014	-	13.00	-	14.00	27.00	13,630	25.8	2.8
FY2015	-	14.00	-	16.00	30.00	14,655	26.1	2.9
FY2016 (outlook)	-	16.00	-	16.00	32.00		26.5	

### 3. Consolidated Outlook for Fiscal 2016 (April 1, 2016 to March 31, 2017)

(% 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	533,000	-1.1	40,000	4.6	38,500	-2.5	26,000	-20.7	53.25
Full Year	1,097,000	0.1	94,000	4.7	88,000	8.4	59,000	4.1	120.83

#### 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): No

c) Amendments to accounting estimates: No

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 12.

(3) Number of shares outstanding (common stock)

a) Number of shares outstanding at the end of term (including treasury stock)	FY2015	510,507,285 shares
	FY2014	520,507,285 shares

b) Treasury stock at the end of term	FY2015	22,236,633 shares
	FY2014	20,926,419 shares

c) Average number of shares outstanding during the current term	FY2015	492,301,991 shares
	FY2014	506,029,895 shares

(Reference information) Non-consolidated financial results for the Fiscal 2015 (April 1, 2015 to March 31, 2016)

(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	%
FY2015	348,513	-3.5	21,199	-9.5	39,059	3.7	36,743	31.6
FY2014	361,317	-4.2	23,436	-2.7	37,650	-10.0	27,911	42.3

	Net Income per Share	Net Income per Share (Diluted)
	yen	yen
FY2015	74.58	74.45
FY2014	55.12	55.03

(2) Non-Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	yen
FY2015	560,697	307,282	54.7	627.84
FY2014	554,839	303,535	54.6	606.33

(Note) Shareholders' Equity : March 31, 2016: 306,770 million yen, March 31, 2015: 303,120 million yen

#### Note: Execution chart for audit procedures

The Financial Instruments and Exchange Law does not require this brief announcement of the most recent financial statements 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 2016 Forecast” on page 3 of the Supplementary Material.

**(Supplementary Material)**

**I. Qualitative Information and Financial Review**

**1. Consolidated Business Results**

Please see the following attachment of materials from presentation of Financial Results for FY2015.

<http://www.sekisuichemical.com/ir/pdf/20160427kge.pdf>

[The Presentation Meeting is scheduled to be held on April 27, 2016, at 3:30 p.m. Japan time]

**2. Consolidated Financial Position**

**1) Cash Flow (April 1, 2015, to March 31, 2016)**

Net cash provided by operating activities amounted to ¥71.3 billion. Cash inflows included ¥77.9 billion in income before income taxes, ¥34.7 billion in depreciation and amortization, and ¥6.6 billion in loss on transfer of business. These exceeded cash outflows, which included ¥30.7 billion in income taxes paid and a ¥10.8 billion decrease in deposits.

Net cash used in investing activities amounted to ¥23.7 billion. The decrease was primarily due to increases from ¥21.4 billion in proceeds from the sale of investments in securities including a portion of the holdings of Sekisui House Ltd. and a ¥23.4 billion net decrease in time deposits while ¥39.4 billion was used for purchases of property, plant, and equipment focused on priority and growth fields, ¥12.2 billion was used to acquire the shares and make a consolidated subsidiary of Eidia Co., Ltd., a manufacturer and marketer of clinical diagnostic reagents, and ¥8.3 billion was used for investments in securities.

Net cash used in financing activities amounted to ¥41.7 billion. The main elements in the decrease were the use of ¥16.7 billion to purchase of treasury stock, ¥14.2 billion in cash dividends paid, and an ¥11.3 billion net decrease in interest-bearing debt.

The result of the above was cash and cash equivalents of ¥67.1 billion at the end of fiscal year 2015.

**2) Fiscal Year 2016 Forecast**

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

(Trends in Cash Flow Indicators)

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Equity ratio (%)	42.5	46.4	47.5	53.3	55.9
Shareholders' equity	44.7	59.1	56.9	80.5	72.3
Ratio of interest-bearing	1.9	1.6	1.0	0.9	0.7
Interest coverage ratio	24.2	23.5	37.2	35.9	48.0

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

Notes:

1. All indicators are calculated from consolidated figures.
2. 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.
3. Cash flow is the cash flow of operating activities reported in the consolidated statement of cash flows.
4. 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 2015 and 2016

Increasing corporate value and actively returning profit to shareholders are fundamental management objectives at Sekisui Chemical. The Company's profit distribution policy to shareholders is to set the distribution amount by taking into account the performance results and seeking to maintain 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). Surplus funds are flexibly used for share buyback, to improve capital efficiency, and to increase earnings per share with the objective of enhancing shareholder return. Internal cash reserves are utilized for R&D, capital investment, strategic investment, loans and investments, and other activities essential to enhancing future 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 2015 as shown in the following table.

	Dividend per Share (yen)		
	End of 1H	Fiscal year end	Total
Previous plan (announced April 28, 2015)	14.00	14.00	28.00
Revised plan	—	16.00	30.00
Actual amount	14.00	—	—
Previous fiscal year amount (fiscal year ended March 2015)	13.00	14.00	27.00

In fiscal year 2016, the Company plans to provide a first half dividend of ¥16 and a second half dividend of ¥16 for a full-year dividend distribution of ¥32 per share.

## II. Basic policy on the selection of accounting standards

The Sekisui Chemical Group currently prepares its consolidated financial statements based on the generally accepted accounting practices of Japan (J-GAAP) in order to facilitate comparison between the periods and the companies presented in the statements.

The Group is presently reviewing its internal policies and the Group organizational structure and is considering the appropriate timing for the adoption of international financial reporting standards (IFRS).

## III. Consolidated Financial Statement (Fiscal Year 2015)

## (1) Consolidated Balance Sheets

(Millions of Yen)

	End Fiscal Year 2014 (As of March 31, 2015)	End Fiscal Year 2015 (As of March 31, 2016)
<b>(Assets)</b>		
<b>Current Assets</b>		
Cash and deposits	87,169	68,007
Notes receivable, trade	40,026	35,168
Accounts receivable, trade	146,353	140,828
Marketable securities	0	107
Merchandise and finished goods	61,922	58,917
Land for sale	22,382	25,405
Work in process	40,990	38,204
Raw materials and supplies	32,309	28,233
Advance payments	2,733	4,679
Prepaid expenses	2,964	3,766
Deferred tax assets	14,718	12,540
Short-term loans receivable	2,010	974
Other current assets	15,707	19,377
Allowance for doubtful accounts	-3,126	-1,698
<b>Total current assets</b>	<b>466,164</b>	<b>434,513</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment, net</b>		
Buildings & structures	88,709	90,767
Machinery, equipment and vehicles	75,503	78,352
Land	70,055	71,203
Leased assets	9,894	9,402
Construction in progress	12,370	12,244
Other	7,324	8,004
<b>Total property, plant and equipment, net</b>	<b>263,857</b>	<b>269,974</b>
<b>Intangible assets</b>		
Goodwill	10,787	16,783
Software	7,241	8,108
Leased assets	264	271
Other	15,812	18,559
<b>Total intangible assets</b>	<b>34,106</b>	<b>43,722</b>
<b>Investments and other assets</b>		
Investments in securities	182,049	168,262
Long-term loans receivable	715	696
Long-term prepaid expenses	1,601	1,421
Asset for retirement benefits	844	625
Deferred tax assets	7,131	4,925
Other	12,305	14,424
Allowance for doubtful accounts	-764	-2,521
<b>Total investments and other assets</b>	<b>203,883</b>	<b>187,833</b>
<b>Total non-current assets</b>	<b>501,847</b>	<b>501,530</b>
<b>Total assets</b>	<b>968,011</b>	<b>936,043</b>

(Millions of Yen)

	End Fiscal Year 2014 (As of March 31, 2015)	End Fiscal Year 2015 (As of March 31, 2016)
<b>(Liabilities)</b>		
Current liabilities		
Notes payable, trade	7,541	5,021
Electronically recorded obligations	6,886	14,781
Accounts payable, trade	121,544	105,232
Short-term debt and current portion of long-term debt	25,830	22,899
Current portion of bonds	-	10,016
Lease obligations	3,169	3,227
Accrued expenses	36,244	38,242
Accrued income taxes and other taxes	13,184	5,686
Deferred tax liabilities	44	-
Allowance for bonuses to employees	16,570	16,745
Allowance for bonuses to directors and corporate auditors	258	259
Provision for compensation for completed constructions	1,161	1,209
Reserve for loss on transfer of business	-	3,241
Advances received	43,204	40,534
Other	57,785	47,845
Total current liabilities	333,426	314,944
Long-term liabilities		
Bonds	10,000	69
Long-term debt less current portion	17,111	9,569
Lease obligations	7,009	6,555
Deferred tax liabilities	10,591	3,782
Liability for retirement benefits	48,637	51,455
Other	5,941	5,509
Total long-term liabilities	99,291	76,942
Total liabilities	432,718	391,887
<b>(Net assets)</b>		
Shareholders' equity		
Common stock	100,002	100,002
Capital surplus	109,234	109,183
Retained earnings	265,246	295,659
Treasury stock, at cost	-21,770	-25,970
Total shareholders' equity	452,712	478,874
Accumulated other comprehensive income:		
Unrealized holding gain on securities	43,713	40,054
Deferred loss (gain) on hedges	33	-116
Unrealized gain on land revaluation	301	321
Translation adjustments	16,417	5,817
Retirement benefit adjustments	3,133	-1,894
Total accumulated other comprehensive income	63,599	44,182
Stock acquisition rights	414	512
Noncontrolling interests	18,566	20,586
Total net assets	535,292	544,156
Total liabilities and net assets	968,011	936,043

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

	(Millions of Yen)	
	Fiscal Year 2014 (From April 1, 2014 to March 31, 2015)	Fiscal Year 2015 (From April 1, 2015 to March 31, 2016)
Net sales	1,112,748	1,096,317
Cost of sales	775,130	750,513
Gross profit	337,617	345,804
Selling, general & administrative expenses	251,853	255,981
Operating Income	85,764	89,823
Non-operating income		
Interest income	936	859
Dividend income	4,100	3,791
Equity in earnings of affiliates	2,263	2,226
Foreign exchange gain, net	7,395	-
Miscellaneous income	3,788	2,842
Total non-operating income	18,484	9,720
Non-operating expenses		
Interest expenses	1,430	1,147
Sales discounts	324	317
Foreign exchange loss, net	-	3,155
Miscellaneous expenses	14,515	13,710
Total non-operating expenses	16,270	18,330
Ordinary income	87,978	81,213
Extraordinary income		
Gain on sales of investments in securities	5,084	10,769
Total extraordinary income	5,084	10,769
Extraordinary loss		
Loss on transfer of business	-	6,638
Provision of reserve for loss on transfer of business	-	3,241
Loss on impairment of fixed assets and goodwill	7,123	2,313
Loss on sales or disposal of property, plant and equipment	1,707	1,838
Total extraordinary loss	8,830	14,032
Income before income taxes	84,232	77,950
Income taxes		
Current	27,938	15,007
Deferred	2,005	5,215
Total income taxes	29,944	20,223
Net Income	54,287	57,727
Net income attributable to noncontrolling interests	1,292	1,073
Net income attributable to shareholders	52,995	56,653

## Consolidated Statement of Comprehensive Income

	(Millions of Yen)	
	Fiscal Year 2014 (From April 1, 2014 to March 31, 2015)	Fiscal Year 2015 (From April 1, 2015 to March 31, 2016)
Net income	54,287	57,727
Other comprehensive income (loss)		
Unrealized holding gain on securities	23,793	-3,480
Deferred loss (gain) on hedges	26	-150
Translation adjustments	10,842	-11,828
Retirement benefit adjustments	1,395	-4,570
Comprehensive income of affiliates accounted for by the equity method attributable to the Company	1,241	-616
Total other comprehensive income	37,299	-20,647
Comprehensive income	91,587	37,080
Comprehensive income attributable to:		
Shareholders of the Company	88,895	37,237
Noncontrolling interests	2,691	-156



(3) Consolidated Statement of Changes in Net Assets  
 Fiscal 2014 (April 1, 2014 to March 31, 2015)

(Millions of Yen)

	Shareholders' Equity					Total share-holders' equity
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost		
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 attributable to Shareholders			52,995			52,995
Increase in retained earnings resulting from inclusion of subsidiaries in consolidation			37			37
Increase (decrease) in retained earnings resulting from exclusion of subsidiaries in consolidation						-
Change by merger						-
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			-
Change in equity interest of parent company due to transactions with noncontrolling interests						-
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	Non-controlling interests	Total net assets
	Unrealized holding gain (loss) on securities	Deferred gain (loss) on hedges	Unrealized gain on land revaluation	Translation adjustments	Accumulated adjustments on retirement benefits	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 attributable to Shareholders									52,995
Increase in retained earnings resulting from inclusion of subsidiaries in consolidation									37
Increase (decrease) in retained earnings resulting from exclusion of subsidiaries in consolidation									-
Change by merger									-
Retirement of treasury stock									-
Purchase of treasury stock									-15,024
Disposal of treasury stock									819
Transfer from retained earnings to capital surplus									-
Change in equity interest of parent company due to transactions with noncontrolling interests									-
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

## Sekisui Chemical (4204) Summary of Financial Results for the Fiscal Year 2015 Ended March 31, 2016

Fiscal 2015 (April 1, 2015 to March 31, 2016)

(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	265,246	-21,770	452,712
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	265,246	-21,770	452,712
Changes					
Cash dividends			-13,836		-13,836
Net Income attributable to Shareholders			56,653		56,653
Decrease in retained earnings resulting from inclusion of subsidiaries in consolidation			-526		-526
Decrease in retained earnings resulting from exclusion of subsidiaries in consolidation			-2		-2
Change by merger			30		30
Retirement of treasury stock		-11,803		11,803	-
Purchase of treasury stock				-16,783	-16,783
Disposal of treasury stock		-102		780	677
Transfer from retained earnings to capital surplus		11,906	-11,906		-
Change in equity interest of parent company due to transactions with noncontrolling interests		-51			-51
Difference caused by the revision to the consolidated subsidiaries' accounting period					-
Net changes of items other than shareholders' equity					-
Total Changes	-	-51	30,413	-4,199	26,162
Balance at the end of the current accounting period	100,002	109,183	295,659	-25,970	478,874

	Accumulated other comprehensive income (loss)						Stock acquisition rights	Non-controlling interests	Total net assets
	Unrealized holding gain (loss) on securities	Deferred gain (loss) on hedges	Unrealized gain on land revaluation	Translation adjustments	Accumulated adjustments on retirement benefits	Total accumulated other comprehensive income			
Balance at the beginning of the current accounting period	43,713	33	301	16,417	3,133	63,599	414	18,566	535,292
Cumulative effect from the change in accounting policy									-
Balance at the start of the current fiscal year reflecting the change in accounting policy	43,713	33	301	16,417	3,133	63,599	414	18,566	535,292
Changes									
Cash dividends									-13,836
Net Income attributable to Shareholders									56,653
Decrease in retained earnings resulting from inclusion of subsidiaries in consolidation									-526
Decrease in retained earnings resulting from exclusion of subsidiaries in consolidation									-2
Change by merger									30
Retirement of treasury stock									-
Purchase of treasury stock									-16,783
Disposal of treasury stock									677
Transfer from retained earnings to capital surplus									-
Change in equity interest of parent company due to transactions with noncontrolling interests									-51
Difference caused by the revision to the consolidated subsidiaries' accounting period									-
Net changes of items other than shareholders' equity	-3,658	-150	20	-10,600	-5,027	-19,416	98	2,019	-17,298
Total Changes	-3,658	-150	20	-10,600	-5,027	-19,416	98	2,019	8,863
Balance at the end of the current accounting period	40,054	-116	321	5,817	-1,894	44,182	512	20,586	544,156

## (4) Consolidated Statements of Cash Flows

	(Millions of Yen)	
	Fiscal Year 2014 (From April 1, 2014 to March 31, 2015)	Fiscal Year 2015 (From April 1, 2015 to March 31, 2016)
Operating activities		
Income before income taxes	84,232	77,950
Depreciation and amortization	31,203	34,735
Amortization of goodwill	2,348	2,156
Loss on impairment of fixed assets and goodwill	7,123	2,313
Loss on disposal of property, plant and equipment	1,190	1,134
Loss on sales of property, plant and equipment, net	516	703
Increase (decrease) in liability for retirement benefits	-3,165	2,238
Gain on sales of investments in securities	-5,084	-10,769
Interest and dividends income	-5,037	-4,651
Interest expenses	1,754	1,465
Equity in earnings of affiliates	-2,263	-2,226
Loss on transfer of business	-	6,638
Provision of reserve for loss on transfer of business	-	3,241
Decrease in notes and accounts receivable	12,108	3,927
Decrease in inventories	1,432	4,562
Decrease in notes and accounts payable	-14,552	-2,818
Decrease in advances received	-14,249	-2,757
Decrease in deposits	-988	-10,801
Other	963	-8,732
Subtotal	97,534	98,310
Interest and dividends received	5,650	5,275
Interest paid	-1,886	-1,488
Income taxes paid	-33,538	-30,707
Net cash provided by operating activities	67,760	71,389
Investing activities		
Purchases of property, plant and equipment	-34,602	-39,444
Proceeds from sales of property, plant and equipment	835	2,525
Payments into time deposits	-27,012	-27,644
Proceeds from withdrawal of time deposits	59,028	51,056
Purchases of investments in securities	-104	-8,314
Proceeds from sales or redemption of investments in securities	16,789	21,408
Acquisition of investments in subsidiaries resulting in change in scope of consolidation	-	-12,232
Sales of investments in subsidiaries resulting in change in scope of consolidation	-	-4,239
Acquisition of securities in subsidiaries	-5,878	-1,481
Purchases of intangible assets	-5,517	-5,688
Increase in short-term loans receivable	-1,294	-185
Other	1,885	525
Net cash used in (provided by) investing activities	4,127	-23,715
Financing activities		
Decrease in short-term debt, net	-6,150	-3,443
Repayments of lease obligations	-3,822	-3,540
Proceeds from long-term debt	4,396	2,611
Repayment of long-term debt	-21,203	-6,979
Payments for redemption of bonds	-10,000	-8
Cash dividends paid	-12,743	-13,820
Cash dividends paid to noncontrolling shareholders of consolidated subsidiaries	-334	-479
Purchases of treasury stock	-15,024	-16,783
Other	1,026	717
Net cash used in financing activities	-63,856	-41,726
Effect of exchange rate changes on cash and cash equivalents	3,448	-2,879
Net increase in cash and cash equivalents	11,480	3,069
Cash and cash equivalents at beginning of term	51,248	62,780
Increase in cash and cash equivalents from newly consolidated subsidiary	52	1,255
Decrease in cash and cash equivalents resulting from exclusion of a subsidiary from consolidation	-	-0
Cash and cash equivalents at end of year	62,780	67,104

(5) Notes regarding the premise of a going concern

No significant change during the term under review.

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

**Changes to the accounting policy**

The Company adopted the Revised Accounting Standard for Business Combinations (Accounting Standards Board of Japan (ASBJ) Statement No. 21, issued September 13, 2013), Revised Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, issued September 13, 2013), and Revised Accounting Standard for Business Divestitures (ASBJ Statement No. 7, issued September 13, 2013) beginning with the consolidated fiscal year period started on April 1, 2015. In addition, the Company booked as capital reserves the differences arising from the changes in the equity holdings of subsidiaries in which the Company has controlling interest and changed the method of accounting for costs related to acquisitions during the consolidated fiscal year.

Due to the corporate integration effected at the start of the current consolidated fiscal year, the Company also changed the method for presenting the revised amount allocated for the acquisition cost based on the established provisional accounting treatment to reflect the periods for the consolidated fiscal year associated with the date of corporate integration in the consolidated financial statements.

Presentations of the net income and other amounts were changed, and minority interest was changed to noncontrolling interest. The full year amounts for the previous fiscal year were reclassified in the consolidated financial statements and the consolidated financial statements to reflect these changes.

In the consolidated statements of cash flows for the consolidated fiscal year, cash flow associated with the acquisition or sale of stocks of subsidiaries that do not affect the scope of consolidation are reported in “net cash provided by (used in) financing activities,” and cash flow associated with expenses associated with the acquisition of stocks of subsidiaries that affect the scope of consolidation or expenses associated with the acquisition or sale of stocks of subsidiaries that do not affect the scope of consolidation are reported in “net cash provided by (used in) operating activities.”

The application of the corporate accounting standards is in line with the transitional measures provided the Accounting Standard for Business Combinations Paragraph 58-2 (4), Accounting Standard for Consolidated Financial Statements.

Paragraph 44-5 (4), and Accounting Standard for Business Divestitures Paragraph 57-4 (4) and is effected beginning with the consolidated fiscal year period started on April 1, 2015.

These changes had no material effect on the operating income, ordinary income, or income before income taxes and noncontrolling interests amounts for the current consolidated fiscal year or on the capital surplus amount at the end of the current fiscal year.

## (7) Notes to the Consolidated Financial Statements

## 1) Notes to the Consolidated Statement of Income

## I. Fiscal year 2014 (April 1, 2014 to March 31, 2015)

## a. Loss on impairment of fixed assets and goodwill

The Group reported a loss on impairment of fixed assets and goodwill in the current consolidated fiscal year associated with the following assets.

Item	Type	Location
Diagnostic reagent business	Other intangible assets	United States of America
IT field business		Gamagori, Aichi Prefecture, Japan

The Group combines assets based on the minimum unit generating cash flows in a manner generally independent of cash flows provided by other assets or asset groups. (Idle assets are treated as individual properties.)

The other intangible assets booked at the time of acquisition of the diagnostic reagent business in the United States were deemed unable to achieve the profits projected in the business plan formulated at the time of the business transfer. The book value of the intangible fixed assets was lowered to the recoverable amount and the resulting difference (¥2,296 million) was recorded as an impairment loss.

Similarly, the other intangible assets booked at the time of acquisition of the IT field business were deemed unable to achieve the profits projected in the business plan formulated at the time of the share acquisition. The book value of the other intangible assets was lowered to the recoverable amount and the resulting difference (¥2,187 million) was recorded as an impairment loss.

## II. Fiscal year 2015 (April 1, 2015 to March 31, 2016)

## a. Loss on impairment of fixed assets and goodwill

The Group reported a loss on impairment of fixed assets and goodwill in the current consolidated fiscal year associated with the following assets.

Item	Type	Location
Pipeline rehabilitation business	Property, plant and equipment	United States of America
IT field business	Other intangible asset	Gamagori, Aichi Prefecture, Japan

The Group combines assets based on the minimum unit generating cash flows in a manner generally independent of cash flows provided by other assets or asset groups. (Idle assets are treated as individual properties.)

The pipeline rehabilitation business was deemed a property, plant and equipment for which cash flow would be unrecoverable in the future, and the total book value was lowered to the recoverable amount (¥423 million) and recorded as an impairment loss.

Similarly, the other intangible assets recorded at the time of acquisition of the IT field business were deemed unable to achieve the profits projected in the business plan formulated at the time of the share acquisition. The book value of the other intangible assets was lowered to the recoverable amount and the resulting difference (¥413 million) was recorded as an impairment loss.

## 2) Segment Information

### 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 and residential services. 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 is 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 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	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 equity-method affiliate	7,950	-	-	7,950	-	7,950
Increase in tangible fixed assets and intangible fixed 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 tangible fixed assets and intangible fixed assets include depreciation related to long-term prepaid expenses and associated costs.

Fiscal 2015 (April 1, 2015 to March 31, 2016)

(Millions of yen)

	Reporting Segment				Other (Note1)	Total
	Housing	Urban Infrastructure & Environmental Products	High Performance Plastics	Total		
I. Net sales:						
(1)To third parties	473,380	213,730	371,916	1,059,026	37,290	1,096,317
(2)Intersegment	61	12,548	6,636	19,246	1,010	20,257
Total	473,441	226,279	378,552	1,078,273	38,300	1,116,574
Operating income (loss)	36,387	3,610	53,353	93,351	-3,069	90,282
Assets	265,481	179,088	382,440	827,009	33,430	860,440
Other Item						
Depreciation and amortization	7,958	6,430	18,117	32,506	1,312	33,818
Investment in equity-method affiliate	8,314	-	-	8,314	-	8,314
Increase in tangible fixed assets and intangible fixed assets(Note2)	14,350	8,451	23,484	46,286	2,451	48,737

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 tangible fixed assets and intangible fixed assets include depreciation related to long-term prepaid expenses and associated costs.

**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 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 non-consolidated 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 financial statements
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.

Fiscal 2015 (April 1, 2015 to March 31, 2016)

Net Sales	(Millions of Yen)
Total of reporting segments	1,078,273
Other Business Sales	38,300
Inter-segment elimination total	-20,257
Net Sales	1,096,317

Income	(Millions of Yen)
Total of reporting segments	93,351
Other Business loss	-3,069
Inter-segment elimination total	-0
Corporate expenses (Note)	-459
Operating Income	89,823

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

Assets	(Millions of Yen)
Total of reporting segments	827,009
Assets classified as Other Business	33,430
Inter-segment elimination total	-285,374
Corporate assets	360,977
Total Assets	936,043

Note: Corporate assets are assets not associated with the reporting segments. The main items were non-consolidated 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 financial
Depreciation and amortization	32,506	1,312	916	34,735
Investment in equity-method affiliate	8,314	—	28,479	36,794
Increase in tangible fixed assets and intangible fixed assets	46,286	2,451	1,003	49,740

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 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	835,540	84,733	64,287	118,240	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

Fiscal 2015 (April 1, 2015 to March 31, 2016)

## 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	813,091	86,215	66,794	118,860	11,355	1,096,317

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	193,694	21,163	17,829	35,408	1,878	269,974

## 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	190	1,093	1,029	0	-	2,313

## 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	127	303	1,724	-	-	2,156
Balance at the end of the current accounting period	2,416	701	13,665	-	-	16,783

### 3) Information on business combinations

Fiscal year 2015 (April 1 2015 to March 31, 2016)

#### 1. Business combinations from acquisitions

##### 1) Summary of business combinations

###### (1) Name and content of the acquired businesses

Name of acquired company: EIDIA Co., Ltd.

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

###### (2) Main reasons for the business combination

To expand the diagnostics systems business of the Life Sciences

###### (3) Business combination date

December 28, 2015

###### (4) Legal form of the business combination

Share acquisition

###### (5) Company name after the business combination

EIDIA Co., Ltd.

###### (6) Percentage of shares with voting rights acquired

100%

###### (7) Main reason for the decision to make a business acquisition

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

##### 2) Period the acquired company's results are included in the consolidated financial statements

January 1, 2016 to March 31, 2016

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

Cash amount expended to acquire shares 22,216 million yen

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Acquisition cost 22,216 million yen

##### 4) Content and amount of expenses related to major acquisitions

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

##### 5) Amount, source and cause, depreciation method, and depreciation period for goodwill arising from the acquisition

###### (1) Amount of goodwill arising from the acquisition

5,768 million yen

###### (2) Goodwill source and cause

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

###### (3) Depreciation method and depreciation period

Straight-line depreciation method over a period of 20 years

6) Assets received and liabilities assumed, including their primary elements, on the date of the business combination

Current assets 14,174 million yen

Property, plant and equipment 1,642 million yen

Intangible assets 4,413 million yen

Investments and other assets 3,375 million yen

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Total assets 23,606 million yen

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Current liabilities 4,746 million yen

Long-term liabilities 2,411 million yen

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Total liabilities 7,158 million yen

2. Business separations

1) Summary of business separations

(1) Names of separated companies

Sekisui SPR Europe G.m.b.H., Sekisui SPR Construction G.m.b.H., and 12 other companies

(2) Content of the separated businesses

The Company's pipeline rehabilitation businesses in Europe

(3) Main reasons for the business separations

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

(4) Business separation date

January 8, 2016

(5) Matters related to the summary of other transactions, including the legal form

Transfer of business with consideration received in the form of cash or other properties only

2) Summary of the accounting treatment used

(1) Amount of gain or loss on business separation

6,638 million yen

(2) Fair book value and the main components of the assets and liabilities transferred

Current assets 8,318 million yen

Property, plant and equipment 752 million yen

Intangible assets 145 million yen

Investments and other assets 154 million yen

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Total assets 9,370 million yen

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Current liabilities 2,585 million yen

Long-term liabilities 45 million yen

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Total liabilities 2,631 million yen

(3) Accounting method

The accounting method used for the transfer of shares is based on the Accounting Standard for Business Divestitures (ASBJ Statement No. 7, issued September 13, 2013) and the Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, September 13, 2013).

3) Names of the reporting segment that contained the separated business

Urban Infrastructure & Environmental Products Company

4) Estimated income amounts associated with the separated business reported in the consolidated statement of income for the current consolidated fiscal year

Sales 5,261 million yen

Operating income -512 million yen

## 4) Per share data (Yen)

	FY2014	FY2015
Net assets per share	1,033.49	1,071.24
Net income per share	104.73	115.08
Net income per share (diluted)	104.55	114.88

Note 1. Computation of net income per share and net income per share (diluted) is based on the following.

	FY2014	FY2015
Net income per share		
Net income amount attributable to owners of parent (Millions of yen)	52,995	56,653
Amount not belonging to the general shareholders (Millions of yen)	-	-
Net income amount attributable to parent company shareholders of common stock (Millions of yen)	52,995	56,653
Average number of shares outstanding during the current term (Thousands)	506,029	492,301
Net income per share (diluted)		
Increase in common shares (Thousands)	851	871
(Number with stock acquisition rights (Thousands))	851	871
Summary of dilutive shares not included in the computation of Net income per share (diluted)	Stock acquisition rights	Stock acquisition rights
	-	1
	Number of stock acquisition rights	Number of stock acquisition rights
	-	1,270

Note 2. Computation of net income per share is based on the following.

	FY2014	FY2015
Total net assets (Millions of yen)	535,292	544,156
Amount deducted from total net assets (Millions of yen)	18,980	21,098
Number with stock acquisition rights (Millions of yen)	414	512
Number with noncontrolling interests (Millions of yen)	18,566	20,586
Net assets at year end per common stock (Millions of yen)	516,312	523,057
Number of common stock at year-end used in the computation of net assets per share (Thousands)	499,580	488,270

## 5) Significant subsequent events

No significant subsequent events.