

# Summary of Financial Results of Fiscal Year 2016 Ended March 31, 2017



April 27, 2017

Company Name:	Sekisui Chemical Co., Ltd.
Stock Listings:	Tokyo Stock Exchange
Code Number:	4204
URL:	<a href="http://www.sekisuicheical.com">http://www.sekisuicheical.com</a>
Representative Director:	Mr. Teiji Koge, President
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Scheduled General Meeting of Shareholders:	June 28, 2017
Scheduled date for payment of dividends:	June 29, 2017
Scheduled date for submission of financial statement:	June 28, 2017
Earnings supplementary explanatory documents:	Yes
Earnings results briefing:	Yes

(Figures rounded down to the nearest million yen)

## 1. Consolidated Business Results for the Fiscal 2016 (April 1, 2016 to March 31, 2017)

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

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of Parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2016	1,065,776	-2.8	96,476	7.4	91,513	12.7	60,850	7.4
FY2015	1,096,317	-1.5	89,823	4.7	81,213	-7.7	56,653	6.9

(Note) Comprehensive income March 31, 2017: 57,638 million yen (55.4%), March 31, 2016: 37,080 million yen (-59.5%)

	Net Income Attributable to Owners of Parent per Share	Net Income Attributable to Owners of Parent per Share (Diluted)	Net Income to Equity Ratio	Ordinary Income to Total Assets Ratio	Operating Income Ratio
	yen	yen	%	%	%
FY2016	126.13	125.95	11.3	9.7	9.1
FY2015	115.08	114.88	10.9	8.5	8.2

(Note) Equity in earnings of affiliated companies March 31, 2017: 2,485 million yen, March 31, 2016: 2,226 million yen

### (2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	yen
FY2016	943,640	570,549	58.2	1,147.91
FY2015	936,043	544,156	55.9	1,071.24

(Note) Shareholders' Equity : March 31, 2017: 549,344 million yen, March 31, 2016: 523,057 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
FY2016	108,229	-44,057	-39,633	89,856
FY2015	71,389	-23,715	-41,726	67,104

## 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	%	%
FY2015	-	14.00	-	16.00	30.00	14,655	26.1	2.9
FY2016	-	16.00	-	19.00	35.00	16,837	27.7	3.2
FY2017 (outlook)	-	19.00	-	19.00	38.00		28.9	

(Note) The period-end dividend for the fiscal year ended March 31, 2017 is comprised of an ordinary dividend of ¥18 per share and a commemorative dividend to celebrate the Company's 70th anniversary of ¥1 per share. The interim dividend for the fiscal year ending March 31, 2018 is comprised of an ordinary dividend of ¥18 per share and a commemorative dividend to celebrate the Company's 70th anniversary of ¥1 per share.

## 3. Consolidated Outlook for Fiscal 2017 (April 1, 2017 to March 31, 2018)

(% change from the previous year)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of Parent		Net Income Attributable to Owners of Parent per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	yen
Mid-term	535,000	3.3	44,500	1.9	43,500	8.7	27,000	3.6	56.42
Full Year	1,104,000	3.6	102,000	5.7	97,000	6.0	63,000	3.5	131.65

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: No

b) Changes other than a): No

c) Amendments to accounting estimates: No

d) Restatements: No

(3) Number of shares outstanding (common stock)

a) Number of shares outstanding at the end of term (including treasury stock)

FY2016	510,507,285 shares
FY2015	510,507,285 shares

b) Treasury stock at the end of term

FY2016	31,948,436 shares
FY2015	22,236,633 shares

c) Average number of shares outstanding during the current term

FY2016	482,442,383 shares
FY2015	492,301,991 shares

(Reference information) Non-consolidated financial results for the Fiscal 2016 (April 1, 2016 to March 31, 2017)

(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	%
FY2016	347,483	-0.3	22,738	7.3	33,977	-13.0	25,654	-30.2
FY2015	348,513	-3.5	21,199	-9.5	39,059	3.7	36,743	31.6

	Net Income per Share	Net Income per Share (Diluted)
	yen	yen
FY2016	53.14	53.06
FY2015	74.58	74.45

(2) Non-Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	yen
FY2016	546,373	301,271	55.7	628.21
FY2015	560,697	307,282	54.7	627.84

(Note) Shareholders' Equity : March 31, 2017: 300,852 million yen, March 31, 2016: 306,770 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.

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 2017 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 FY2016.

<http://www.sekisuichemical.com/ir/pdf/20170427kge.pdf>

[The Presentation Meeting is scheduled to be held on April 27, 2017, at 3:30 p.m. Japan time]

**2. Consolidated Financial Position**

**1) Cash Flow (April 1, 2016, to March 31, 2017)**

Net cash provided by operating activities amounted to ¥108.2 billion. In addition to income before income taxes of ¥82.8 billion as well as depreciation and amortization of ¥34.8 billion, major cash inflows included such items as loss on transfer of business of ¥4.9 billion and loss on devaluation of investment in securities of ¥4.5 billion, which exceeded the principal cash outflows of income taxes paid of ¥16.3 billion, increase in inventories of ¥7.4 billion, and gain on sales of investments in securities of ¥6.9 billion.

Net cash used in investing activities came to ¥44.0 billion. While Sekisui Chemical reported proceeds from sales or redemption of investment in securities of ¥18.1 billion, largely reflecting the sale of a portion of the shares of Sekisui House Ltd. held by the Company, this cash inflow was exceeded by purchases of property, plant and equipment of ¥35.2 billion mainly in priority and growth fields as well as payments into time deposits of ¥19.1 billion.

Net cash used in financing activities amounted to ¥39.6 billion. In addition to the purchase of treasury stock totaling ¥16.3 billion as well as cash dividends paid of ¥16.0 billion, other major cash outflows included the net decrease in interest-bearing debt of ¥9.2 Billion.

Accounting for each of the aforementioned activities, cash and cash equivalents as of March 31, 2017 stood at ¥89.8 billion.

**2) Fiscal Year 2017 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	Fiscal year ended March	Fiscal year ended March	Fiscal year ended March	Fiscal year ended March
Equity ratio (%)	46.4	47.5	53.3	55.9	58.2
Shareholders' equity ratio based on market (%)	59.1	56.9	80.5	72.3	94.9
Ratio of interest-bearing liabilities to cash flow	1.6	1.0	0.9	0.7	0.4
Interest coverage ratio (Times)	23.5	37.2	35.9	48.0	104.0

Equity ratio = Shareholders' equity including accumulated other comprehensive income/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 2016 and 2017

Increasing corporate value and actively returning profits to shareholders are fundamental management objectives at Sekisui Chemical. As far as the Company's profit distribution policy to shareholders is concerned, Sekisui Chemical seeks to secure a DOE of around 3% while targeting a dividend payout ratio of 30% on a consolidated basis, and implements stable dividend measures in line with its performance.

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 decided to lift its ordinary dividend ¥2 per share from the most recent forecast of ¥16 per share to ¥18 per share. In appreciation of the support of shareholders as Sekisui Chemical celebrates its 70th anniversary, the Company has also decided to pay a commemorative dividend of ¥1 per share. Accordingly, Sekisui Chemical has revised its dividend distribution amount for fiscal year 2016 as shown in the following table.

	Dividend per Share (yen)		
	End of 1H	Fiscal year end	Total
Previous forecast (announced April 27, 2016)	-	16.00	32.00
Revised forecast	-	19.00*	35.00
Fiscal year 2016	16.00	-	-
Previous fiscal year (fiscal year ended March 2016)	14.00	16.00	30.00

\*Ordinary dividend of ¥18 per share + 70th anniversary commemorative dividend of ¥1 per share

In fiscal year 2017, the Company plans to provide a first half dividend of ¥19 (ordinary dividend of ¥18 per share + 70th anniversary commemorative dividend of ¥1 per share) and a second half dividend of ¥19 for a full-year dividend distribution of ¥38 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 principles 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 2016)

## (1) Consolidated Balance Sheets

(Millions of Yen)

	End Fiscal Year 2015 (As of March 31, 2016)	End Fiscal Year 2016 (As of March 31, 2017)
<b>(Assets)</b>		
<b>Current Assets</b>		
Cash and deposits	68,007	109,891
Notes receivable, trade	35,168	32,960
Accounts receivable, trade	140,828	131,111
Marketable securities	107	1
Merchandise and finished goods	58,917	56,619
Land for sale	25,405	30,879
Work in process	38,204	38,349
Raw materials and supplies	28,233	27,704
Advance payments	4,679	1,687
Prepaid expenses	3,766	3,388
Deferred tax assets	12,540	13,870
Short-term loans receivable	974	5,128
Other current assets	19,377	15,688
Allowance for doubtful accounts	-1,698	-1,179
<b>Total current assets</b>	<b>434,513</b>	<b>466,101</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment, net</b>		
Buildings & structures	90,767	88,882
Machinery, equipment and vehicles	78,352	73,615
Land	71,203	70,426
Leased assets	9,402	10,126
Construction in progress	12,244	9,388
Other	8,004	9,323
<b>Total property, plant and equipment, net</b>	<b>269,974</b>	<b>261,765</b>
<b>Intangible assets</b>		
Goodwill	16,783	14,627
Software	8,108	8,167
Leased assets	271	216
Other	18,559	16,579
<b>Total intangible assets</b>	<b>43,722</b>	<b>39,591</b>
<b>Investments and other assets</b>		
Investments in securities	168,262	156,916
Long-term loans receivable	696	1,789
Long-term prepaid expenses	1,421	1,211
Asset for retirement benefits	625	179
Deferred tax assets	4,925	4,840
Other	14,424	13,058
Allowance for doubtful accounts	-2,521	-1,815
<b>Total investments and other assets</b>	<b>187,833</b>	<b>176,181</b>
<b>Total non-current assets</b>	<b>501,530</b>	<b>477,538</b>
<b>Total assets</b>	<b>936,043</b>	<b>943,640</b>

(Millions of Yen)

	End Fiscal Year 2015 (As of March 31, 2016)	End Fiscal Year 2016 (As of March 31, 2017)
<b>(Liabilities)</b>		
Current liabilities		
Notes payable, trade	5,021	4,320
Electronically recorded obligations	14,781	22,116
Accounts payable, trade	105,232	93,684
Short-term debt and current portion of long-term debt	22,899	13,274
Current portion of bonds	10,016	16
Lease obligations	3,227	3,413
Accrued expenses	38,242	39,115
Accrued income taxes and other taxes	5,686	12,361
Allowance for bonuses to employees	16,745	16,740
Allowance for bonuses to directors and audit and supervisory board members	259	308
Provision for compensation for completed constructions	1,209	1,222
Provision for loss on transfer of business	3,241	-
Advances received	40,534	41,623
Other	47,845	41,884
<b>Total current liabilities</b>	<b>314,944</b>	<b>290,081</b>
Long-term liabilities		
Bonds	69	10,052
Long-term debt less current portion	9,569	9,991
Lease obligations	6,555	6,985
Deferred tax liabilities	3,782	3,364
Liability for retirement benefits	51,455	47,069
Other	5,509	5,545
<b>Total long-term liabilities</b>	<b>76,942</b>	<b>83,009</b>
<b>Total liabilities</b>	<b>391,887</b>	<b>373,090</b>
<b>(Net assets)</b>		
Shareholders' equity		
Common stock	100,002	100,002
Capital surplus	109,183	109,192
Retained earnings	295,659	341,009
Treasury stock, at cost	-25,970	-40,969
<b>Total shareholders' equity</b>	<b>478,874</b>	<b>509,234</b>
Accumulated other comprehensive income:		
Unrealized holding gain on securities	40,054	39,463
Deferred gain (loss) on hedges	-116	-52
Unrealized gain on land revaluation	321	321
Translation adjustments	5,817	941
Retirement benefit adjustments	-1,894	-565
<b>Total accumulated other comprehensive income</b>	<b>44,182</b>	<b>40,109</b>
Stock acquisition rights	512	418
Noncontrolling interests	20,586	20,787
<b>Total net assets</b>	<b>544,156</b>	<b>570,549</b>
<b>Total liabilities and net assets</b>	<b>936,043</b>	<b>943,640</b>

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

	(Millions of Yen)	
	Fiscal Year 2015 (From April 1, 2015 to March 31, 2016)	Fiscal Year 2016 (From April 1, 2016 to March 31, 2017)
Net sales	1,096,317	1,065,776
Cost of sales	750,513	712,258
Gross profit	345,804	353,517
Selling, general & administrative expenses	255,981	257,040
Operating Income	89,823	96,476
Non-operating income		
Interest income	859	748
Dividend income	3,791	3,828
Equity in earnings of affiliates	2,226	2,485
Miscellaneous income	2,842	5,060
Total non-operating income	9,720	12,122
Non-operating expenses		
Interest expenses	1,147	610
Sales discounts	317	396
Foreign exchange loss, net	3,155	808
Miscellaneous expenses	13,710	15,270
Total non-operating expenses	18,330	17,086
Ordinary income	81,213	91,513
Extraordinary income		
Gain on sales of investments in securities	10,769	6,935
Total extraordinary income	10,769	6,935
Extraordinary loss		
Loss on transfer of business	6,638	4,988
Loss on devaluation of investment in securities	-	4,534
Loss on impairment of fixed assets and goodwill	2,313	3,573
Provision for loss on transfer of business	3,241	-
Loss on sales or disposal of property, plant and equipment	1,838	2,500
Total extraordinary loss	14,032	15,596
Income before income taxes	77,950	82,851
Income taxes		
Current	15,007	23,396
Deferred	5,215	-2,446
Total income taxes	20,223	20,950
Net Income	57,727	61,901
Net Income Attributable:		
Non-controlling interests	1,073	1,050
Owners of Parent	56,653	60,850

## (Consolidated Statement of Comprehensive Income)

	(Millions of Yen)	
	Fiscal Year 2015 (From April 1, 2015 to March 31, 2016)	Fiscal Year 2016 (From April 1, 2016 to March 31, 2017)
Net income	57,727	61,901
Other comprehensive income (loss)		
Unrealized holding loss on securities	-3,480	-1,055
Deferred gain (loss) on hedges	-150	64
Translation adjustments	-11,828	-5,086
Retirement benefit adjustments	-4,570	1,359
Comprehensive income (loss) of affiliates accounted for by the equity method attributable to the Company	-616	455
Total other comprehensive loss	-20,647	-4,262
Comprehensive income	37,080	57,638
Comprehensive income attributable to:		
Owners of Parent	37,237	56,777
Non-controlling interests	-156	861



(3) Consolidated Statement of Changes in Net Assets  
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 April 1, 2015	100,002	109,234	265,246	-21,770	452,712
Changes					
Cash dividends			-13,836		-13,836
Net income attributable to owners of parent			56,653		56,653
Decrease in retained earnings resulting from inclusion of subsidiaries in consolidation			-526		-526
Decrease in retained earnings resulting from exclusion of subsidiaries in consolidation			-2		-2
Change due to merger			30		30
Retirement of treasury stock		-11,803		11,803	-
Purchase of treasury stock				-16,783	-16,783
Disposal of treasury stock		-102		780	677
Change in scope of consolidation					-
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
Net changes of items other than shareholders' equity					-
Total changes of items during the year	-	-51	30,413	-4,199	26,162
Balance at March 31, 2016	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	Retirement benefit adjustments	Total accumulated other comprehensive income (loss)			
Balance at April 1, 2015	43,713	33	301	16,417	3,133	63,599	414	18,566	535,292
Changes									
Cash dividends									-13,836
Net income attributable to owners of parent									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 due to merger									30
Retirement of treasury stock									-
Purchase of treasury stock									-16,783
Disposal of treasury stock									677
Change in scope of consolidation									-
Transfer from retained earnings to capital surplus									-
Change in equity interest of parent company due to transactions with noncontrolling interests									-51
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 of items during the year	-3,658	-150	20	-10,600	-5,027	-19,416	98	2,019	8,863
Balance at March 31, 2016	40,054	-116	321	5,817	-1,894	44,182	512	20,586	544,156

Fiscal 2016 (April 1, 2016 to March 31, 2017)

(Millions of Yen)

	Shareholders' Equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2016	100,002	109,183	295,659	-25,970	478,874
Changes					
Cash dividends			-15,541		-15,541
Net income attributable to owners of parent			60,850		60,850
Decrease in retained earnings resulting from inclusion of subsidiaries in consolidation					-
Decrease in retained earnings resulting from exclusion of subsidiaries in consolidation					-
Change due to merger					-
Retirement of treasury stock					-
Purchase of treasury stock				-17,380	-17,380
Disposal of treasury stock		15		2,381	2,397
Change in scope of consolidation			40		40
Transfer from retained earnings to capital surplus					-
Change in equity interest of parent company due to transactions with noncontrolling interests		-6			-6
Net changes of items other than shareholders' equity					-
Total changes of items during the year	—	9	45,349	-14,998	30,359
Balance at March 31, 2017	100,002	109,192	341,009	-40,969	509,234

	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	Retirement benefit adjustments	Total accumulated other comprehensive income (loss)			
Balance at April 1, 2016	40,054	-116	321	5,817	-1,894	44,182	512	20,586	544,156
Changes									
Cash dividends									-15,541
Net income attributable to owners of parent									60,850
Decrease in retained earnings resulting from inclusion of subsidiaries in consolidation									-
Decrease in retained earnings resulting from exclusion of subsidiaries in consolidation									-
Change due to merger									-
Retirement of treasury stock									-
Purchase of treasury stock									-17,380
Disposal of treasury stock									2,397
Change in scope of consolidation									40
Transfer from retained earnings to capital surplus									-
Change in equity interest of parent company due to transactions with noncontrolling interests									-6
Net changes of items other than shareholders' equity	-590	64	—	-4,876	1,329	-4,073	-94	201	-3,966
Total changes of items during the year	-590	64	—	-4,876	1,329	-4,073	-94	201	26,393
Balance at March 31, 2017	39,463	-52	321	941	-565	40,109	418	20,787	570,549

## (4) Consolidated Statements of Cash Flows

	(Millions of Yen)	
	Fiscal Year 2015 (From April 1, 2015 to March 31, 2016)	Fiscal Year 2016 (From April 1, 2016 to March 31, 2017)
Operating activities:		
Income before income taxes	77,950	82,851
Depreciation and amortization	34,735	34,843
Amortization of goodwill	2,156	2,118
Loss on impairment of fixed assets and goodwill	2,313	3,573
Loss on disposal of property, plant and equipment	1,134	1,785
Loss on sales of property, plant and equipment, net	703	715
Decrease (increase) in liability for retirement benefits	2,238	-3,827
Gain on sales of investments in securities	-10,769	-6,935
Loss on devaluation of investment in securities	-	4,534
Interest and dividends income	-4,651	-4,576
Interest expenses	1,465	1,006
Equity in earnings of affiliates	-2,226	-2,485
Loss on transfer of business	6,638	4,988
Provision for loss on transfer of business	3,241	-
Increase (decrease) in notes and accounts receivable	3,927	-2,019
Increase (decrease) in inventories	4,562	-7,466
Increase (decrease) in notes and accounts payable	-2,818	1,898
Increase (decrease) in advances received	-2,757	2,203
Decrease in deposits	-10,801	-4,304
Other	-8,732	6,837
Subtotal	98,310	115,740
Interest and dividends received	5,275	5,264
Interest paid	-1,488	-1,040
Income taxes refund	-	4,661
Income taxes paid	-30,707	-16,395
Net cash provided by operating activities	71,389	108,229
Investing activities:		
Purchases of property, plant and equipment	-39,444	-35,241
Proceeds from sales of property, plant and equipment	2,525	1,459
Payments into time deposits	-27,644	-23,109
Proceeds from withdrawal of time deposits	51,056	4,006
Purchases of investments in securities	-8,314	-2,026
Proceeds from sales or redemption of investments in securities	21,408	18,165
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	-734
Acquisition of securities in subsidiaries	-1,481	-1,630
Purchases of intangible assets	-5,688	-4,572
Increase in short-term loans receivable	-185	-423
Other	525	50
Net cash used in investing activities	-23,715	-44,057
Financing activities:		
Decrease in short-term debt, net	-3,443	-1,336
Repayments of lease obligations	-3,540	-3,817
Proceeds from long-term debt	2,611	3,925
Repayment of long-term debt	-6,979	-7,987
Proceeds from issue of bonds	-	10,000
Redemption of bonds	-8	-10,016
Cash dividends paid	-13,820	-15,538
Cash dividends paid to non-controlling interests	-479	-525
Purchases of treasury stock	-16,783	-16,356
Other	717	2,019
Net cash used in financing activities	-41,726	-39,633
Effect of exchange rate changes on cash and cash equivalents	-2,879	-1,786
Net increase in cash and cash equivalents	3,069	22,752
Cash and cash equivalents at beginning of year	62,780	67,104
Increase in cash and cash equivalents from newly consolidated subsidiaries	1,255	-
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	-0	-
Cash and cash equivalents at end of year	67,104	89,856

**(5) Notes regarding the premise of a going concern**

No significant change during the term under review

(Additional Information)

Application of the Implementation Guidance on Recoverability of Deferred Tax Assets

Effective from the fiscal year under review, Sekisui Chemical has applied the “Implementation Guidance on Recoverability of Deferred Tax Assets” (Accounting Standards Board of Japan Guidance No. 26 issued on March 28, 2016).

Notes to the Consolidated Financial Statements

1) Notes to the Consolidated Statement of Income

I. 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.

II. Fiscal year 2016 (April 1, 2016 to March 31, 2017)

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
Housing Business	Property, plant and equipment	Thailand

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.)

Based on projections that future cash flows from the Housing Business in Thailand would fall below book value, the book value of certain property, plant and equipment was lowered to their recoverable amount and the resulting difference (¥1,926 million) was recorded as an impairment loss.

## 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, real estate, 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, construction materials, and FFU.

The HPP business comprises of manufacturing and sales of interlayer films for laminated glass, polyolefin foam, tape, LCD fine particles and photosensitive materials, functional resin for infrastructure, 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.

(Matters regarding changes in reporting segments)

Following a review of its organizational structure and systems, the operations of Hinomaru Co., Ltd. and Sekisui Seikei Ltd., which were previously included in "Other," have been included in the Urban Infrastructure & Environmental Products segment effective from the fiscal year ended March 31, 2017.

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

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.

Fiscal 2016 (April 1, 2016 to March 31, 2017)

(Millions of yen)

	Reporting Segment				Other (Note1)	Total
	Housing	Urban Infrastructure & Environmental Products	High Performance Plastics	Total		
I. Net sales:						
(1)To third parties	484,668	227,180	351,234	1,063,083	2,692	1,065,776
(2)Intersegment	307	13,152	6,291	19,751	38	19,789
Total	484,975	240,332	357,526	1,082,834	2,730	1,085,565
Operating income (loss)	37,549	12,827	54,537	104,915	-7,619	97,295
Assets	277,762	193,928	388,154	859,845	11,103	870,948
Other Item						
Depreciation and amortization	8,867	6,429	17,727	33,024	837	33,862
Investment in equity-method affiliate	8,178	-	2,522	10,700	-	10,700
Increase in tangible fixed assets and intangible fixed assets(Note2)	13,452	6,690	20,692	40,835	2,077	42,912

Note1: The Others segment encompasses business segments not included in the Company's reporting segments including the manufacture, sale, and service of film-type lithium-ion batteries and products not included in the Company's reporting segments.

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 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 each reportable 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 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 item	Reporting Segment	Others	(Millions of Yen)	
			Adjusted amount (Note)	The corresponding amounts reported in the consolidated
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 represents the amounts of investments in affiliates accounted for by the equity method, which are not attributable to the reportable segments.

Fiscal 2016 (April 1, 2016 to March 31, 2017)

Net Sales	(Millions of Yen)
Total of reporting segments	1,082,834
Other Business Sales	2,730
Inter-segment elimination total	-19,789
Net Sales	1,065,776

Income	(Millions of Yen)
Total of reporting segments	104,915
Other Business loss	-7,619
Inter-segment elimination total	114
Corporate expenses (Note)	-933
Operating Income	96,476

Note: Corporate expenses are mainly general administrative expenses not attributable to each reportable segment.

Assets	(Millions of Yen)
Total of reporting segments	859,845
Assets classified as Other Business	11,103
Inter-segment elimination total	-292,668
Corporate assets	365,360
Total Assets	943,640

Note: 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 item	Reporting Segment	Others	(Millions of Yen)	
			Adjusted amount (Note)	The corresponding amounts reported in the consolidated
Depreciation and amortization	33,024	837	980	34,843
Investment in equity-method affiliate	10,700	-	30,157	40,857
Increase in tangible fixed assets and intangible fixed assets	40,835	2,077	955	43,868

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



## II. Relevance information

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	127	303	1,724	-	-	2,156
Balance at March 31, 2016	2,416	701	13,665	-	-	16,783

Fiscal 2016 (April 1, 2016 to March 31, 2017)

## 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	813,930	73,872	55,796	110,430	11,747	1,065,776

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	195,399	19,737	14,971	28,639	3,018	261,765

## 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	2,373	434	765	-	-	3,573

## d. Goodwill

(Millions of Yen)

	Housing	Urban Infrastructure & Environmental Products	High Performance Plastics	Other Business	Eliminations or Unallocatable Accounts	Total
Amortization of goodwill	127	215	1,774	-	-	2,118
Balance at March 31, 2017	2,288	485	11,852	-	-	14,627

Per share data

(Yen)

	FY2015	FY2016
Net assets per share	1,071.24	1,147.91
Net income per share	115.08	126.13
Net income per share (diluted)	114.88	125.95

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

	FY2015	FY2016
Net income per share		
Net income amount attributable to owners of parent (Millions of yen)	56,653	60,850
Amount not belonging to the general shareholders (Millions of yen)	-	-
Net income amount attributable to parent company shareholders of common stock (Millions of yen)	56,653	60,850
Average number of shares outstanding during the current term (Thousands)	492,301	482,442
Net income per share (diluted)		
Increase in common shares (Thousands)	871	675
(Number with stock acquisition rights (Thousands))	871	675
Summary of dilutive shares not included in the computation of Net income per share (diluted)	Stock acquisition rights 1 Number of stock acquisition rights 1,270	Stock acquisition rights - Number of stock acquisition rights -

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

	FY2015	FY2016
Total net assets (Millions of yen)	544,156	570,549
Amount deducted from total net assets (Millions of yen)	21,098	21,205
Number with stock acquisition rights (Millions of yen)	512	418
Number with noncontrolling interests (Millions of yen)	20,586	20,787
Net assets at year end per common stock (Millions of yen)	523,057	549,344
Number of common stock at year-end used in the computation of net assets per share (Thousands)	488,270	478,558

Note 3. The balances of the Company's own shares held in each of the executive compensation board incentive plan (BIP) trust and employee stock ownership plan (ESOP) trust recorded as treasury stock in shareholders' equity are included in the treasury stock excluded when computing the average number of shares outstanding during the period for the purpose of calculating the amount of net income per share. In addition, the balances of the Company's own shares held in each of the executive compensation BIP trust and ESOP trust recorded as treasury stock in shareholders' equity are included in the treasury stock excluded from the total number of shares issued and outstanding as of the end of the period for the purpose of calculating the amount of net assets per share.

The average number of excluded treasury stock outstanding during the period for the purpose of calculating the amount of net income per share totaled 425,000 shares for the fiscal year under review. The number of excluded treasury stock as of the end of the period came to 750,000 shares for the fiscal year under review (not applicable for the previous fiscal year).

Significant subsequent events

No significant subsequent events.