

Consolidated Balance Sheets

mitsui chemicals, inc. and consolidated subsidiaries
March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2016/3	2015/3	2016/3
ASSETS			
Current assets			
Cash and deposits	¥ 79,578	¥ 52,004	\$ 706,230
Notes and accounts receivable-trade	245,345	299,052	2,177,361
Inventories (Note 5)	240,686	291,295	2,136,013
Deferred tax assets (Note 18)	11,007	9,118	97,684
Accounts receivable - other	44,913	70,981	398,589
Other	7,480	10,079	66,382
Allowance for doubtful accounts	(799)	(821)	(7,091)
Total current assets	628,210	731,708	5,575,168
Non-current assets			
Property, plant and equipment			
Buildings and structures	328,354	337,811	2,914,040
Accumulated depreciation	(227,510)	(229,306)	(2,019,081)
Buildings and structures, net	100,844	108,505	894,959
Machinery, equipment and vehicles	979,458	1,012,850	8,692,386
Accumulated depreciation	(866,582)	(888,755)	(7,690,646)
Machinery, equipment and vehicles, net	112,876	124,095	1,001,740
Land	157,697	160,188	1,399,512
Construction in progress	31,307	28,994	277,840
Other	70,313	73,035	624,006
Accumulated depreciation	(59,635)	(61,188)	(529,242)
Other, net	10,678	11,847	94,764
Total property, plant and equipment	413,402	433,629	3,668,815
Intangible assets			
Goodwill	9,408	34,978	83,493
Other	30,765	37,785	273,030
Total intangible assets	40,173	72,763	356,523
Investments and other assets			
Investment securities (Notes 15 and 16)	124,942	109,830	1,108,821
Net defined benefit asset (Note 6)	17,571	25,170	155,937
Deferred tax assets (Note 18)	6,362	5,853	56,461
Other	29,070	33,706	257,987
Allowance for doubtful accounts	(782)	(869)	(6,940)
Total investments and other assets	177,163	173,690	1,572,266
Total non-current assets	630,738	680,082	5,597,604
Total assets	¥1,258,948	¥1,411,790	\$11,172,772

The accompanying notes are an integral part of these consolidated financial statements.

		Millions of yen		Thousands of U.S. dollars (Note 4)
		2016/3	2015/3	2016/3
LIABILITIES AND NET ASSETS	Current liabilities			
	Notes and accounts payable-trade	¥ 118,331	¥ 164,193	\$ 1,050,151
	Short-term loans payable (Note 7)	86,490	122,062	767,572
	Current portion of long-term loans payable (Note 7)	25,892	36,192	229,783
	Current portion of bonds (Note 7)	20,142	20,142	178,754
	Accounts payable-other	71,744	60,496	636,706
	Income taxes payable (Note 18)	5,886	4,103	52,236
	Provision for directors' bonuses	164	93	1,455
	Provision for repairs	8,129	10,601	72,142
	Provision for business structure improvement	234	1,290	2,077
	Asset retirement obligations	—	25	—
	Other (Notes 7 and 18)	27,247	29,302	241,809
	Total current liabilities	364,259	448,499	3,232,685
	Non-current liabilities			
	Bonds payable (Note 7)	59,716	79,858	529,961
	Long-term loans payable (Note 7)	279,583	289,138	2,481,212
	Deferred tax liabilities (Note 18)	19,791	24,421	175,639
	Provision for directors' retirement benefits	277	283	2,458
	Provision for repairs	4,251	2,147	37,726
	Provision for environmental measures	786	956	6,976
	Provision for business structure improvement	2,648	10,846	23,500
	Net defined benefit liability (Note 6)	59,659	59,193	529,455
	Asset retirement obligations	3,991	4,268	35,419
	Other (Notes 7 and 18)	20,750	20,882	184,150
	Total non-current liabilities	451,452	491,992	4,006,496
	Total liabilities	815,711	940,491	7,239,181
	Net assets			
	Shareholders' equity (Note 11)			
	Capital stock	125,053	125,053	1,109,807
	Capital surplus	90,847	91,065	806,239
	Retained earnings	181,128	165,408	1,607,455
	Treasury stock	(14,607)	(14,454)	(129,633)
	Total shareholders' equity	382,421	367,072	3,393,868
	Accumulated other comprehensive income (Note 12)			
	Valuation difference on available-for-sale securities	14,650	21,018	130,014
	Deferred gains or losses on hedges	(48)	(331)	(426)
	Foreign currency translation adjustment	8,930	28,926	79,251
	Remeasurements of defined benefit plans	(23,982)	(10,450)	(212,833)
	Total accumulated other comprehensive income (loss)	(450)	39,163	(3,994)
	Non-controlling interests	61,266	65,064	543,717
	Total net assets	443,237	471,299	3,933,591
	Total liabilities and net assets	¥1,258,948	¥1,411,790	\$11,172,772

Consolidated Statements of Operations

MITSUMI CHEMICALS, INC. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2016/3	2015/3	2016/3
Net sales	¥1,343,898	¥1,550,076	\$11,926,677
Cost of sales (Notes 5 and 9)	1,069,451	1,308,542	9,491,045
Gross profit	274,447	241,534	2,435,632
Selling, general and administrative expenses (Notes 6 and 9)	203,521	199,494	1,806,186
Operating income	70,926	42,040	629,446
Non-operating income and expenses			
Non-operating income			
Interest income	637	367	5,653
Dividends income	3,434	4,751	30,476
Amortization of negative goodwill	—	23	—
Foreign exchange gains	—	5,147	—
Other	4,202	4,485	37,291
Total non-operating income	8,273	14,773	73,420
Non-operating expenses			
Interest expenses	6,623	7,353	58,777
Loss on suspension of operations	1,222	1,492	10,845
Share of loss of entities accounted for using equity method	2,150	73	19,081
Foreign exchange losses	1,929	—	17,119
Other	4,092	3,484	36,315
Total non-operating expenses	16,016	12,402	142,137
Ordinary income	63,183	44,411	560,729
Extraordinary income and losses			
Extraordinary income			
Gain on sales of non-current assets	1,236	135	10,969
Gain on sales of investment securities	3,820	2,126	33,901
Gain on transfer of business	3,738	—	33,174
Total extraordinary income	8,794	2,261	78,044
Extraordinary losses			
Loss on disposal of non-current assets	5,277	4,446	46,832
Loss on sales of non-current assets	293	24	2,600
Impairment loss (Note 10)	24,060	5,278	213,525
Loss on restructuring of subsidiaries and affiliates	1,045	—	9,274
Loss on revision of retirement benefit plan	—	181	—
Contract termination fees	—	903	—
Total extraordinary losses	30,675	10,832	272,231
Profit (loss) before income taxes	41,302	35,840	366,542
Income taxes - current	15,840	10,402	140,575
Income taxes - deferred	(4,005)	1,078	(35,543)
Total income taxes	11,835	11,480	105,032
Profit (loss)	29,467	24,360	261,510
Profit (loss) attributable to non-controlling interests	6,504	7,099	57,721
Profit (loss) attributable to owners of parent	¥ 22,963	¥ 17,261	\$ 203,789

Amounts per share of common stock:

	Yen		U.S. dollars (Note 4)
	2016/3	2015/3	2016/3
Earnings per share	¥22.95	¥17.24	\$0.204
Cash dividends per share	8.00	5.00	0.071

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Comprehensive Income (Loss)

MITSUI CHEMICALS, INC. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2016/3	2015/3	2016/3
Profit (loss)	¥ 29,467	¥24,360	\$ 261,510
Other comprehensive income (loss) (Note 12)			
Valuation difference on available-for-sale securities	(6,624)	4,644	(58,786)
Deferred gains or losses on hedges	413	(412)	3,665
Foreign currency translation adjustments	(20,275)	22,770	(179,934)
Remeasurements of defined benefit plans	(13,472)	10,613	(119,560)
Share of other comprehensive income (loss) of entities accounted for using equity method	(3,905)	4,225	(34,657)
Total other comprehensive income (loss)	(43,863)	41,840	(389,270)
Comprehensive income (loss)	¥(14,396)	¥66,200	\$(127,760)
Comprehensive income (loss) attributable to:			
Owners of parent	¥(16,650)	¥54,645	\$(147,764)
Non-controlling interests	2,254	11,555	20,004

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Changes in Net Assets

MITSUI CHEMICALS, INC. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2016 and 2015

	Millions of yen									
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Non-controlling interests	Total net assets
Balance at April 1, 2014	¥125,053	¥91,065	¥149,287	¥(14,341)	¥16,678	¥(105)	¥6,551	¥(21,345)	¥56,804	¥409,647
Cumulative effects of changes in accounting policies	—	—	868	—	—	—	—	—	—	868
Restated balance	125,053	91,065	150,155	(14,341)	16,678	(105)	6,551	(21,345)	56,804	410,515
Dividends of surplus	—	—	(2,002)	—	—	—	—	—	—	(2,002)
Profit attributable to owners of parent	—	—	17,261	—	—	—	—	—	—	17,261
Purchase of treasury stock	—	—	—	(125)	—	—	—	—	—	(125)
Disposal of treasury stock	—	—	(6)	12	—	—	—	—	—	6
Net changes of items other than shareholders' equity	—	—	—	—	4,340	(226)	22,375	10,895	8,260	45,644
Balance at April 1, 2015	¥125,053	¥91,065	¥165,408	¥(14,454)	¥21,018	¥(331)	¥28,926	¥(10,450)	¥65,064	¥471,299
Cumulative effects of changes in accounting policies	—	—	(212)	—	—	—	—	—	—	(212)
Restated balance	125,053	91,065	165,196	(14,454)	21,018	(331)	28,926	(10,450)	65,064	471,087
Dividends of surplus	—	—	(7,006)	—	—	—	—	—	—	(7,006)
Profit attributable to owners of parent	—	—	22,963	—	—	—	—	—	—	22,963
Purchase of treasury stock	—	—	—	(161)	—	—	—	—	—	(161)
Disposal of treasury stock	—	—	(1)	8	—	—	—	—	—	7
Change in equity related to transactions with non-controlling interests	—	(218)	—	—	—	—	—	—	—	(218)
Change of scope of equity method	—	—	(24)	—	—	—	—	—	—	(24)
Net changes of items other than shareholders' equity	—	—	—	—	(6,368)	283	(19,996)	(13,532)	(3,798)	(43,411)
Balance at March 31, 2016	¥125,053	¥90,847	¥181,128	¥(14,607)	¥14,650	¥(48)	¥8,930	¥(23,982)	¥61,266	¥443,237

	Thousands of U.S. dollars (Note 4)									
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Non-controlling interests	Total net assets
Balance at April 1, 2015	\$1,109,807	\$808,174	\$1,467,945	\$(128,275)	\$186,528	\$(2,938)	\$256,709	\$(92,741)	\$577,423	\$4,182,632
Cumulative effects of changes in accounting policies	—	—	(1,881)	—	—	—	—	—	—	(1,881)
Restated balance	1,109,807	808,174	1,466,063	(128,275)	186,528	(2,938)	256,709	(92,741)	577,423	4,180,751
Dividends of surplus	—	—	(62,176)	—	—	—	—	—	—	(62,176)
Profit attributable to owners of parent	—	—	203,789	—	—	—	—	—	—	203,789
Purchase of treasury stock	—	—	—	(1,429)	—	—	—	—	—	(1,429)
Disposal of treasury stock	—	—	(9)	71	—	—	—	—	—	62
Change in equity related to transactions with non-controlling interests	—	(1,935)	—	—	—	—	—	—	—	(1,935)
Change of scope of equity method	—	—	(213)	—	—	—	—	—	—	(213)
Net changes of items other than shareholders' equity	—	—	—	—	(56,514)	2,512	(177,458)	(120,092)	(33,706)	(385,257)
Balance at March 31, 2016	\$1,109,807	\$806,239	\$1,607,454	\$(129,633)	\$130,014	\$(426)	\$79,251	\$(212,833)	\$543,717	\$3,933,591

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

MITSUMI CHEMICALS, INC. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2016/3	2015/3	2015/3
Cash flows from operating activities			
Profit (loss) before income taxes	¥ 41,302	¥ 35,840	\$ 366,542
Depreciation	45,487	45,767	403,683
Amortization of goodwill	3,153	2,484	27,982
Impairment loss	24,060	5,278	213,525
Increase (decrease) in net defined benefit liability	(1,307)	257	(11,599)
Decrease (increase) in net defined benefit asset	(3,466)	(63)	(30,760)
Increase (decrease) in allowance for doubtful accounts	116	(52)	1,029
Increase (decrease) in provision for repairs	(247)	(1,803)	(2,192)
Increase (decrease) in provision for environmental measures	(169)	(657)	(1,500)
Increase (decrease) in provision for business structure improvement	(9,225)	(4,336)	(81,869)
Interest and dividend income	(4,071)	(5,118)	(36,129)
Interest expenses	6,623	7,353	58,777
Share of (profit) loss of entities accounted for using equity method	2,150	73	19,081
Loss (gain) on sales of investment securities	(3,817)	(2,001)	(33,875)
Loss (gain) on valuation of investment securities	—	6	—
Loss on retirement of non-current assets	1,161	938	10,304
Loss (gain) on sales of non-current assets	(943)	(111)	(8,369)
Decrease (increase) in notes and accounts receivable - trade	24,235	5,782	215,078
Decrease (increase) in inventories	34,929	19,008	309,984
Increase (decrease) in notes and accounts payable - trade	(40,440)	(59,995)	(358,892)
Other, net	36,949	20,152	327,911
Subtotal	156,480	68,802	1,388,711
Interest and dividends income received	7,669	8,072	68,060
Interest expenses paid	(7,059)	(7,542)	(62,646)
Income taxes paid	(11,177)	(11,045)	(99,192)
Net cash provided by (used in) operating activities	145,913	58,287	1,294,933
Cash flows from investing activities			
Purchase of property, plant and equipment	(40,046)	(35,091)	(355,396)
Proceeds from sales of property, plant and equipment	1,759	681	15,611
Purchase of intangible assets	(1,340)	(2,385)	(11,892)
Purchase of long-term prepaid expenses	(3,863)	(685)	(34,283)
Purchase of investment securities	(42,920)	(3,245)	(380,902)
Proceeds from sales and redemption of investment securities	5,052	7,499	44,835
Proceeds from transfer of business	44,649	—	396,246
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(2,238)	—
Other, net	344	428	3,053
Net cash provided by (used in) investing activities	(36,365)	(35,036)	(322,728)
Cash flows from financing activities			
Net increase (decrease) in short-term loans payable	(29,774)	(3,896)	(264,235)
Increase (decrease) in commercial papers	—	(15,000)	—
Proceeds from long-term loans payable	18,711	31,318	166,054
Repayment of long-term loans payable	(36,921)	(41,400)	(327,662)
Proceeds from issuance of bonds	—	1,000	—
Redemption of bonds	(20,142)	(13,000)	(178,754)
Proceeds from share issuance to non-controlling shareholders	39	156	346
Proceeds from sales of treasury stock	7	6	62
Purchase of treasury stock	(161)	(125)	(1,429)
Cash dividends paid	(7,006)	(2,002)	(62,176)
Dividends paid to non-controlling interests	(3,540)	(3,552)	(31,416)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(163)	—	(1,447)
Other, net	(91)	(111)	(807)
Net cash provided by (used in) financing activities	(79,041)	(46,606)	(701,464)
Effect of exchange rate change on cash and cash equivalents	(2,978)	2,767	(26,430)
Net increase (decrease) in cash and cash equivalents	27,529	(20,588)	244,311
Cash and cash equivalents at beginning of period	50,622	71,210	449,255
Cash and cash equivalents at end of period (Note 13)	¥ 78,151	¥ 50,622	\$ 693,566

The accompanying notes are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements

mitsui chemicals, inc. and consolidated subsidiaries

For the years ended March 31, 2016 and 2015

1. Basis of preparation

The accompanying consolidated financial statements of Mitsui Chemicals, Inc. (the "Company") and its consolidated subsidiaries have been prepared in accordance with accounting principles generally accepted in Japan and have been compiled from those prepared by the Company as required under the Financial Instruments and Exchange Act, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

Certain amounts in the prior years' financial statements have been reclassified to conform to the current year's presentation.

2. Significant accounting policies

a. Consolidation

The accompanying consolidated financial statements include the accounts of the Company and significant companies over which the Company exerts control through majority voting rights or the existence of certain conditions evidencing substantial control by the Company.

The assets and liabilities of the consolidated subsidiaries, including the portion attributable to non-controlling shareholders, were evaluated using the fair value at the time the Company acquired control of the respective subsidiaries. The excess of the cost of investments in consolidated subsidiaries over the net assets acquired is deferred as goodwill and is amortized over a period of 20 years or less.

All significant intercompany transactions and accounts have been eliminated in consolidation.

Investments in non-consolidated subsidiaries and affiliates, in which the Company has the ability to exercise significant influence over their operating and financial policies, are accounted for by the equity method.

Non-consolidated subsidiaries and affiliates in the process of liquidation are stated at cost or less.

As of March 31, 2016, the Group comprised 95 consolidated subsidiaries, five less than the previous fiscal year. This reflected the one new company, Mitsui Chemicals Korea, Inc. and the exclusion of six former subsidiaries due to the transfer of the polyurethane materials business, including Tianjin Cosmo Polyurethane Co., Ltd.

The equity method is applied to 36 non-consolidated subsidiaries and affiliates, one less than the previous fiscal year.

In order to improve the disclosure of consolidated financial information, from fiscal 2015, the accounting periods of Heraeus Kulzer GmbH and other 21 companies were changed from a December 31 year-end to a March 31 year-end. In addition, the provisional results of Acomon AG, and other five overseas companies, which end their accounting periods on December 31, were included in the consolidated financial statements. As a result, these above companies' 15-month results from January 1, 2015 to March 31, 2016 have been included in fiscal 2015's consolidated results.

b. Foreign currency translation

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the year-end rates. The Company and its consolidated subsidiaries have reported foreign currency translation adjustments as a component of accumulated other comprehensive income (loss) and non-controlling interests.

c. Inventories

Inventories are stated primarily at the lower of cost or market. Costs are determined by the weighted-average method.

d. Securities

Securities other than equity securities issued by subsidiaries and affiliates, which are held by the Company and its subsidiaries, are classified into two categories: held-to-maturity or other securities.

Held-to-maturity securities are carried at amortized costs.

Marketable securities classified as other securities are carried at fair value with changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Non-marketable securities classified as other securities are stated at costs determined by the moving-average method. Costs of other securities sold are determined by the moving-average method.

e. Property, plant and equipment (except for leased assets)

Property, plant and equipment are stated at costs. Depreciation is calculated principally by the straight-line method.

Maintenance, repairs and minor renewals are expensed as incurred. Major renewals and improvements are capitalized.

f. Intangible assets (except for leased assets)

Amortization of intangible assets of the Company and its consolidated subsidiaries is calculated by the straight-line method. The cost of software intended for internal use is amortized using the straight-line method over its estimated useful life (five years).

g. Research and development expenses

Expenses relating to research and development activities are charged to income as incurred.

h. Leases

The Company and its consolidated subsidiaries lease certain machinery and equipment under noncancellable leases referred to as finance leases.

Depreciation of leased assets is computed by the straight-line method over the respective lease terms. In addition, finance lease transactions starting on or before March 31, 2008 that do not transfer ownership of the leased property to the lessees are accounted for as operating leases.

i. Derivatives and hedge accounting

The Company and its consolidated subsidiaries state derivative financial instruments at fair value and recognize any changes in fair value as gains or losses unless the derivatives are being utilized for hedging purposes.

If the derivatives meet certain hedging criteria, the Company and its consolidated subsidiaries defer recognition of gains or losses resulting from changes in fair value of the derivatives positions until the related losses or gains on the hedged items are recognized.

In cases where forward foreign exchange contracts used as hedges meet certain hedging criteria, the existing foreign currency receivables or payables are translated at their respective contract rates.

In addition, if interest rate swap contracts meet certain hedging criteria, the net amount to be paid or received under these swap contracts is added to or deducted from the interest on the assets or liabilities for which the swap contracts were executed.

The following summarizes hedging derivative financial instruments used by the Group and items hedged:

Hedging instruments	Items hedged
Forward foreign exchange contracts	Foreign currency receivables and payables
Interest rate swap contracts	Interest on loans
Currency swap contracts	Foreign currency loans

j. Allowance for doubtful accounts

The allowance for doubtful accounts is provided at amounts sufficient to cover probable losses on collection.

It consists of the estimated uncollectible amounts with respect to identified doubtful accounts and an amount calculated by a formula based on actual collection losses incurred in the past with respect to the remaining receivables.

k. Retirement benefit plans

The net defined benefit liability and net defined benefit asset have been recorded mainly at the amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets as of the balance sheet date.

The retirement benefit obligation for employees is attributed to each period mainly by the straight-line method over the estimated years of service of the eligible employees.

Actuarial gain or loss is amortized by the straight-line method over a certain number of years (10 to 13 years), which are shorter than the average remaining years of service of the employees.

Prior service cost is recognized as incurred or is amortized by the straight-line method over a certain number of years (10 years), which are shorter than the average remaining years of service of the employees.

Unrecognized actuarial gain or loss and unrecognized prior service cost are recognized as remeasurements of defined benefit plans in accumulated other comprehensive income after adjustment for tax effects.

l. Accrued directors' bonuses

The Company and its consolidated subsidiaries provided for accrual of the estimated amount of directors' bonuses at the end of the year.

m. Accrued directors' and corporate auditors' retirement benefits

Certain domestic consolidated subsidiaries accrue liabilities for the aggregate amount payable for directors' and corporate auditors' retirement benefits, pursuant to the internal regulations.

n. Provision for repairs

Provision for repairs of production facilities at plants is recorded based on estimated expense at the end of the year.

o. Provision for environmental measures

Provision for environmental measures is recorded based on estimated expense at the end of the year.

p. Provision for business structure improvement

Provision for business structure improvement is recorded based on estimated expense at the end of the year.

q. Amounts per share of common stock

The computation of earnings per share is based on the weighted average number of shares of common stock outstanding during each year.

Cash dividends per share represent the actual amount applicable to each respective year.

r. Amortization of goodwill

Goodwill arising from the difference between the acquisition costs and the underlying net assets of acquired entities at the date of acquisition is amortized over periods not exceeding 20 years on a straight-line basis. Any immaterial amounts are fully recognized as expenses as incurred.

s. Cash and cash equivalents

In preparing the consolidated statements of cash flows, cash on hand, readily-available deposits and short-term highly liquid investments with maturities not in excess of three months from the date of purchase are considered cash and cash equivalents.

t. Consolidated taxation system

The Company and certain of its subsidiaries have adopted the consolidated taxation system, with the Company registered as the consolidated taxation parent company.

u. Consumption taxes

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

3. Accounting changes

a. Changes in accounting policies

The Company and its consolidated subsidiaries have applied the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21 revised September 13, 2013), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22 revised September 13, 2013), "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7 revised September 13, 2015) and related standards effective from fiscal 2015. Under these revised standards, differences caused by changes in the Company's interest in subsidiaries which the Company retains control, shall be now recorded in capital surplus, and acquisition-related expenses shall be reported as expenses in the period in which they are incurred. As to business combinations taking place on or after April 1, 2015, i.e. the beginning of fiscal 2015, appraisal of purchase price allocation, pursuant to the final determination of provisional accounting, shall now be subject to the transitional treatments with any changes reflected in the consolidated financial statements for the period in which the business combination occurs. In addition, the presentation method of net income was amended and "minority interests" was changed to "non-controlling interests". The consolidated financial statements for the previous fiscal year have been reclassified to reflect this change in presentation.

The implementation of Accounting Standard for Business Combinations and its related standards is subject to the transitional treatments stipulated in the provisions of Article 58-2 (4) of Accounting Standard for Business Combinations, Article 44-5 (4) of Accounting Standard for Consolidated Financial Statements, and Article 57-4 (4) of Accounting Standard for Business Divestitures.

The effect of this change on operating income, ordinary income and profit before income taxes for fiscal 2015, was immaterial.

Regarding the consolidated statement of cash flows, cash flows from changes in ownership interests in subsidiaries that do not result in a change in the scope of consolidation are stated under "cash flows from financing activities". Cash flows from expenses due to the acquisition of subsidiaries and expenses related to the purchase or sales of ownership interests in subsidiaries, which do not result in a change in the scope of consolidation, are stated under "cash flows from operating activities".

As a result, the ending balance of capital surplus on the consolidated statement of changes in net assets decreased ¥218 million.

Furthermore, net assets per share at the end of fiscal 2015 decreased ¥0.22, compared with the previous fiscal year. The impact on earnings per share data was immaterial.

b. Changes in presentation

Consolidated balance sheet

"Accounts payable-other", which was included in "other" in "current liabilities" as of March 31, 2015, exceeded 5% of the total of liabilities and net assets as of March 31, 2016. Therefore, this is presented separately from fiscal 2015. To reflect this change in presentation, the consolidated balance sheet was reclassified.

Consequently, on the consolidated balance sheet, "other" in "current liabilities" of ¥89,798 million as of March 31, 2015 was reclassified to "accounts payable-other" in the amount of ¥60,496 million and "other" in the amount of ¥29,302 million.

4. U.S. dollar amounts

The translation of yen amounts into U.S. dollar amounts is included solely for the convenience of readers, using ¥112.68=US\$1.00, the approximate rate of exchange in effect on March 31, 2016. The translation should not be construed as a representation that yen amounts have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

5. Inventories

Inventories at March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016/3	2015/3	2016/3
Finished goods	¥163,116	¥204,175	\$1,447,604
Work in process	5,806	6,383	51,526
Raw materials and supplies	71,764	80,737	636,883
Total	¥240,686	¥291,295	\$2,136,013

6. Retirement benefit plans

The Company and most of its consolidated subsidiaries have either funded or unfunded defined benefit plans and/or defined contribution plans. In addition, some overseas consolidated subsidiaries apply International Financial Reporting Standards for the recognition, measurement, and disclosure of employees' retirement benefits.

In addition, the Company and certain of its consolidated subsidiaries have set up an employees' retirement benefit trust.

Under these plans, all eligible employees are entitled to certain benefits based on their abilities, occupational roles, work performances, length of service and certain other factors.

The liabilities and expenses for severance and retirement benefits are determined based on the amounts calculated actuarially under certain assumptions.

The changes in the retirement benefit obligation for the years ended March 31, 2016 and 2015 were as follows:
Movements in defined benefit obligation

	Millions of yen		Thousands of U.S. dollars
	2016/3	2015/3	2016/3
Defined benefit obligation as of April 1	¥197,917	¥208,726	\$1,756,452
Cumulative effects of changes in accounting policies	—	(953)	—
Restated balance	197,917	207,773	1,756,452
Service cost	5,239	5,103	46,494
Interest cost	1,234	2,001	10,951
Actuarial gains/losses	11,201	7,537	99,405
Prior service cost	13	(74)	115
Benefits paid	(13,469)	(13,619)	(119,533)
Decrease due to transfer to defined contribution plan	—	(11,150)	—
Others	(1,593)	346	(14,136)
Defined benefit obligation as of March 31	¥200,542	¥197,917	\$1,779,748

Movements in plan assets

	Millions of yen		Thousands of U.S. dollars
	2016/3	2015/3	2016/3
Plan assets as of April 1	¥163,894	¥163,438	\$1,454,508
Expected return on plan assets	3,653	3,653	32,419
Actuarial gains/losses	(5,937)	10,346	(52,689)
Employer contributions	5,609	5,577	49,778
Benefits paid	(8,179)	(9,158)	(72,586)
Decrease due to transfer to defined contribution plan	—	(9,956)	—
Others	(586)	(6)	(5,200)
Plan assets as of March 31	¥158,454	¥163,894	\$1,406,230

Funded status of the pension plans

	Millions of yen		Thousands of U.S. dollars
	2016/3	2015/3	2016/3
Funded retirement benefit obligation	¥ 152,433	¥ 149,939	\$ 1,352,796
Plan assets at fair value	(158,454)	(163,894)	(1,406,230)
	(6,021)	(13,955)	(53,434)
Unfunded retirement benefit obligation	48,109	47,978	426,952
Net liability for retirement benefits in the balance sheet	42,088	34,023	373,518
Net defined benefit liability	59,659	59,193	529,455
Net defined benefit asset	(17,571)	(25,170)	(155,937)
Net liability for retirement benefits in the balance sheet	¥ 42,088	¥ 34,023	\$ 373,518

Retirement benefit expenses

	Millions of yen		Thousands of U.S. dollars
	2016/3	2015/3	2016/3
Service cost	¥ 5,239	¥ 5,103	\$ 46,495
Interest cost	1,234	2,001	10,951
Return on plan assets	(3,653)	(3,653)	(32,419)
Amortization of actuarial loss	3,190	7,379	28,310
Amortization of prior service cost	10	(78)	89
Premium severance pay	333	333	2,955
Total	¥ 6,353	¥11,085	\$ 56,381

Remeasurements of defined benefit plans before tax effect included in other comprehensive income

	Millions of yen		Thousands of U.S. dollars
	2016/3	2015/3	2016/3
Prior service cost	¥ 4	¥ 4	\$ 35
Actuarial gains/losses	13,524	(10,082)	120,022
Total	¥13,528	¥(10,078)	\$120,057

Remeasurements of defined benefit plans before tax effect included in accumulated other comprehensive income

	Millions of yen		Thousands of U.S. dollars
	2016/3	2015/3	2016/3
Unrecognized prior service cost	¥ (66)	¥ (70)	\$ (586)
Unrecognized actuarial gains/losses	25,032	11,508	222,151
Total	¥24,966	¥11,438	\$221,565

Plan assets by category (%)

	2016/3	2015/3
Bonds	32%	30%
Stocks	53%	55%
Cash on hand and in banks	1%	1%
Other	14%	14%
Total	100%	100%

Discount rate and rate of expected return on the pension plan assets

	2016/3	2015/3
Discount rate	Principally 0.0%	Principally 0.5%
Rate of expected return on the pension plan assets	Principally 2.5%	Principally 2.5%
Rate of estimated future salary increases	Principally 1.0-4.9%	Principally 1.0-4.9%

Expenses for defined contribution plans

	Millions of yen		Thousands of U.S. dollars
	2016/3	2015/3	2016/3
Total	¥602	¥484	\$5,343

7. Loans and bonds

1. Loans payable breakdown

	Millions of yen		Thousands of U.S. dollars
	2016/3	2015/3	2016/3
Short-term loans payable (0.46%)	¥ 86,490	¥122,062	\$ 767,572
Current portion of long-term loans payable (1.78%)	25,892	36,192	229,783
Current portion of lease obligations	62	70	550
Long-term loans payable due in 2017 – 2024 (1.19%)	279,583	289,138	2,481,213
Long-term lease obligations due in 2017 – 2028	1,101	1,251	9,771
Total	¥393,128	¥448,713	\$3,488,889

The aforementioned interest rate is an average, shown as the weighted average interest rate on the outstanding balance as of March 31, 2016.

The average interest rate for lease obligations is omitted because lease obligations are recorded on the balance sheet in an amount that includes the equivalent in interest, which is included in the total lease amount:

Maturities of loans payable due within 5 years:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2018	¥20,281	\$179,988
2019	25,238	223,979
2020	57,402	509,425
2021	41,524	368,513

Maturities of lease obligations due within 5 years:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2018	¥101	\$896
2019	69	612
2020	68	603
2021	73	648

2. Bonds payable breakdown

	Millions of yen		Thousands of U.S. dollars
	2016/3	2015/3	2016/3
1.52% bonds due in 2015	¥ —	¥ 10,000	\$ —
1.84% bonds due in 2016	—	10,000	—
2.09% bonds due in 2016	10,000	10,000	88,747
1.96% bonds due in 2017	10,000	10,000	88,747
1.93% bonds due in 2017	10,000	10,000	88,747
1.246% bonds due in 2020	10,000	10,000	88,747
1.354% bonds due in 2021	10,000	10,000	88,747
0.651% bonds due in 2017	14,000	14,000	124,246
0.682% bonds due in 2018	15,000	15,000	133,120
0.49% bonds due in 2021	858	1,000	7,614
Total	¥79,858	¥100,000	\$708,715

Maturities of bonds payable due within 5 years:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2017	¥20,142	\$178,754
2018	24,142	214,253
2019	15,142	134,381
2020	142	1,260
2021	10,142	90,007

8. Contingent liabilities

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

	Millions of yen		Thousands of U.S. dollars
	2016/3	2015/3	2016/3
As endorser of trade notes discounted	¥ 178	¥ 198	\$ 1,580
As guarantor of indebtedness, principally of non-consolidated subsidiaries and affiliates	59,482	31,115	527,884
As issuer of commitments for guarantees	—	6	—

9. Research and development expenses

Research and development expenses for the years ended March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016/3	2015/3	2016/3
Research and development expenses	¥31,493	¥32,473	\$279,491

10. Impairment loss

The Company and its consolidated subsidiaries have categorized their business assets in use based on business divisions or quasi-units. Assets that are to be disposed of due to business withdrawal or other reasons are assessed on individual basis. Idle properties, which are not in use, are also assessed on individual basis.

Among business assets in use, a goodwill impairment test related to the dental materials business was conducted and goodwill was written down to the recoverable amount. The amount of the write-down was presented extraordinary losses. The measurement of the recoverable amount is based on the present value of estimated future cash flows with a discount rate of 4.1%.

Other business assets in use, which are determined to be disposed of due to business withdrawal or other reasons, are stated at lower of the recoverable amount or book value based on the impairment test.

The amount which has been written down was presented as impairment loss within extraordinary losses. The measurement of the recoverable amount is based on net sales price or value in use. The net sales price mainly consists of estimated sales price, meanwhile value in use is considered zero as there was no expectation of future cash flows.

Idle properties which have a decline in the market price and not been scheduled for any future use are stated at the lower of the recoverable amount or book value according to the impairment test. The measurement of the recoverable amount is based on net sales price, which mainly consists of estimated sales price.

Impairment loss for the years ended March 31, 2016 and 2015 consisted of the following:

Year ended March 31, 2016

Location	Major use	Asset category	Millions of yen	Thousands of U.S. dollars	Remarks*
Dental materials business (Europe, etc.)	Others	Goodwill	¥19,472	\$172,808	Business assets in use
Company housing (Nagoya city, Aichi prefecture)	Welfare facilities	Land	¥ 1,367	\$ 12,132	Business assets in use
Heraeus Kulzer Nordic AB (Sweden)	Production and sales	Intangible assets - others, machinery, equipment and vehicles	¥ 1,291	\$ 11,457	Business assets in use
Others	4 items	Production facilities	¥ 1,304	\$ 11,573	Business assets in use
	4 items	Production facilities	¥ 587	\$ 5,209	Idle properties
	1 item	Welfare facilities	¥ 39	\$ 346	Business assets in use
Total			¥24,060	\$213,525	

* Goodwill impairment loss was ¥19,472 million. Other business assets in use comprised ¥1,367 for land, ¥1,261 million for intangible assets - others, ¥1,090 million for machinery, equipment and vehicles, and ¥283 million for other assets. These amounts were included in impairment loss as ¥4,001 million, respectively.

Idle properties comprised ¥303 million for buildings and structures, ¥234 million for machinery, equipment and vehicles, and ¥50 million for others. These amounts were included in impairment loss as ¥587 million, respectively.

Year ended March 31, 2015

Location	Major use	Asset category	Millions of yen	Remarks*
PTA & PET business (Iwakuni City and Waki-cho, Yamaguchi Prefecture)	Production facilities	Machinery, equipment and vehicles, buildings and structures, others	¥1,963	Business assets in use
Polyurethane materials business, etc. (Omura City, Fukuoka Prefecture, etc.)	Production facilities, etc.	Machinery, equipment and vehicles, buildings and structures, others	¥1,669	Business assets in use
Others	9 items	Production facilities, etc.	¥1,571	Business assets in use
	1 item	Welfare facilities	¥ 68	Business assets in use
	1 item	Production facilities	¥ 7	Idle properties
Total			¥5,278	

* Business assets in use comprised ¥3,548 million for machinery, equipment and vehicles, ¥1,544 million for building and structures, and ¥179 million for other assets. These amounts were included in impairment loss as ¥5,271 million, respectively.

Idle properties comprised ¥4 million for machinery, equipment and vehicles, and ¥3 million for buildings and structures and others. These amounts were included in impairment loss as ¥7 million, respectively.

11. Shareholders' equity

Under the Corporate Law of Japan (the "Law"), the amount paid for new shares is required to be accounted for as common stock, although a company may account for the amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

The Law provides that an amount equal to 10% of distribution from surplus shall be appropriated and set aside as legal earnings reserve or additional paid-in capital, until the total amount of legal earnings reserve and additional paid-in capital equals 25% of common stock. Legal earnings reserve and additional paid-in capital may be used to eliminate or reduce a deficit or may be transferred to common stock by resolution of the shareholders' meeting. The Law also stipulates that the amount of any such excess is available for appropriations by resolution of the shareholders. Legal earnings reserve is included in retained earnings in the accompanying consolidated financial statements.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Law.

Appropriations are not accrued in the financial statements for the period to which they relate, but are recorded in the subsequent accounting period when the shareholders' approval has been obtained. Retained earnings at March 31, 2016 include amounts representing the year-end cash dividends approved at the shareholders' meeting held on June 24, 2016.

	Millions of yen	Thousands of U.S. dollars
Cash dividends of ¥4 (\$0.04) per share	¥4,002	\$35,517

12. Consolidated statements of comprehensive income

Reclassification adjustments and tax effects for components of other comprehensive income (loss) for the years ended March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016/3	2015/3	2016/3
Valuation difference on available-for-sale securities:			
Gains (losses) arising during the year	¥ (5,239)	¥ 8,009	\$ (46,495)
Reclassification adjustment to profit or loss	(3,805)	(1,858)	(33,768)
Amount before income tax effect	(9,044)	6,151	(80,263)
Income tax effect	2,420	(1,507)	21,477
Total	(6,624)	4,644	(58,786)
Deferred gains or losses on hedges:			
Gains (losses) arising during the year	413	(852)	3,665
Adjustments of acquisition cost for assets	—	439	—
Amount before income tax effect	413	(413)	3,665
Income tax effect	—	1	—
Total	413	(412)	3,665
Foreign currency translation adjustments:			
Adjustments arising during the year	(19,456)	22,770	(172,666)
Reclassification adjustment to profit or loss	(819)	—	(7,268)
Total	(20,275)	22,770	(179,934)
Remeasurements of defined benefit plans:			
Adjustments arising during the year	(16,715)	2,704	(148,341)
Reclassification adjustment to profit or loss	3,187	7,374	28,284
Amount before income tax effect	(13,528)	10,078	(120,057)
Income tax effect	56	535	497
Total	(13,472)	10,613	(119,560)
Share of other comprehensive income (loss) of entities accounted for using equity method:			
Gains (losses) arising during the year	(4,273)	4,093	(37,922)
Reclassification adjustment to profit or loss	368	132	3,266
Total	(3,905)	4,225	(34,656)
Total other comprehensive income (loss)	¥(43,863)	¥41,840	\$(389,271)

13. Supplementary cash flow information

(1) Cash and cash equivalents at March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016/3	2015/3	2016/3
Cash	¥78,151	¥50,141	\$693,566
Cash equivalents	—	481	—
Total	¥78,151	¥50,622	\$693,566

(2) Breakdown of assets and liabilities of companies that were newly included in the scope of consolidation as consolidated subsidiaries following the acquisition of shares and assets, related acquisition costs and net disbursement were as follows:

Not applicable for the year ended March 31, 2016.

Year ended March 31, 2015

Kyowa Industrial Co. Ltd. and other 3 subsidiaries	Millions of yen
Current assets	¥ 3,924
Non-current assets	3,206
Goodwill	1,546
Current liabilities	(4,287)
Non-current liabilities	(2,111)
Non-controlling interests	(120)
Acquisition value of shares and assets	2,158
Cash and cash equivalents	(964)
Payments due to loans assumed	1,044
Net disbursement due to the acquisition	¥ 2,238

(3) Breakdown of assets and liabilities related to the transfer of a business for a consideration in cash and cash equivalents was as follows:

Year ended March 31, 2016

Polyurethane materials business	Millions of yen	Thousands of U.S. dollars
Current assets	¥44,298	\$393,131
Non-current assets	16,143	143,264
Current liabilities	(10,540)	(93,539)
Non-current liabilities	(165)	(1,464)
Accumulated other comprehensive income (loss)	(572)	(5,076)
Non-controlling interests	(3,025)	(26,846)
Unrealized gain and other	3,313	29,401
Gain on sales of business	3,738	33,174
Business transfer price	¥53,190	\$472,045
Cash and cash equivalents	(8,541)	(75,799)
Proceeds from transfer of business	¥44,649	\$396,246

Not applicable for the year ended March 31, 2015.

14. Leases

Obligations under noncancellable operating leases at March 31, 2016 and 2015, were as follows:

Future minimum lease payments:

	Millions of yen		Thousands of U.S. dollars
	2016/3	2015/3	2016/3
Due within one year	¥61	¥113	\$541
Due after one year	26	88	231
Total	¥87	¥201	\$772

15. Financial instruments

(1) Status of financial instruments

1. Management policy

In light of plans for capital investment, the Group raises the funds it requires primarily through bank loans and bonds issuance. The Group invests temporary surplus funds in financial assets that have high levels of safety and liquidity. Further, the Group raises short-term working capital through bank loans and commercial paper issuance. The Group also utilizes derivative financial instruments to hedge various risks as described in detail below and does not enter into derivatives for trading or speculative purposes.

2. Details of financial instruments and associated risk

The trade notes and accounts receivable are exposed to credit risk of customers. In addition, foreign-currency operating receivables used to carry out overseas business operations are exposed to foreign currency exchange risk. However, foreign exchange forward contracts are used to hedge against such risk for a certain portion of this amount, excluding the amount that falls within the scope of the balance of trade notes and accounts payable denominated in the same foreign currencies as said foreign exchange forward contracts.

Short-term investment securities and investment securities, other securities, primarily the shares of companies with which the Group has operational relationships, are exposed to stock market fluctuation risk.

Almost all trade notes and accounts payable have payment due dates within three months. Funds denominated in foreign currencies are exposed to foreign currency exchange fluctuation risk. Foreign exchange forward contracts are used to hedge against such risks for a certain portion of said funds, excluding the amount that falls within the scope of the balance of trade notes and accounts receivable denominated in the same foreign currencies as said funds.

Loans payable and corporate bonds are primarily for fund raising related to capital investment, with a maxi-

imum maturity of nine years after the balance sheet date. Certain loans payable are exposed to foreign currency exchange risk and interest rate fluctuation risk, and derivative transactions such as foreign currency swaps and interest rate swaps are used to hedge these risks.

Derivative transactions such as foreign exchange forward contracts and foreign currency swaps are used in order to hedge foreign currency exchange risk associated with operating receivables and payables as well as loans payable denominated in foreign currencies and interest rate swaps are used for the purpose of hedging interest rate risk associated with bank loans.

In addition, hedging instruments and hedged items, hedging policy, and effectiveness of hedge transactions are described in "2. Significant accounting policies, i. Derivatives and hedge accounting."

3. Risk management

1) Credit risk management (risks of default of debtors)

To minimize the credit risk relating to operating receivables and long-term loans receivable, the Group performs due date controls and outstanding balance controls for each customer in accordance with internal customer credit management rules, and regularly screens customers' credit status.

Management of the Company believes that there is no significant risk of default by the counterparties to derivative transactions, as the Company and its consolidated subsidiaries only conduct transactions with high credit-rated financial institutions.

2) Market risk management (risks of exchange and interest rate fluctuations)

The Company and its consolidated subsidiaries utilize foreign exchange forward contracts and foreign currency swaps to hedge foreign currency exchange risk associated with operating receivables and payables as well as bank loans denominated in foreign currencies. Further, the Company and its consolidated subsidiaries also utilize interest rate swaps for the purpose of hedging interest rate fluctuation risk associated with loans payable.

The fair value of short-term investment securities and investment securities together with financial conditions of investees (trading partners) are periodically monitored. The possession of other securities other than held-to-maturity debt securities are reviewed continuously, taking market conditions and trade relations with the issuers into consideration.

Derivative transactions are authorized by the responsible director. Transactions are executed and managed by the financial section. The results of each transaction are reported by the financial section semi-annually at the Management Meeting. Derivative transactions entered into by consolidated subsidiaries are executed and managed in accordance with the management and other criteria for derivative transactions for each company.

3) Liquidity risk management (non-performance risk on payment due date)

The Company's finance department formulates and updates cash flow plans in a timely manner based on each department's estimated cash flow and manages liquidity risks through such measures as maintaining an accessible supply of cash. The cash flows of consolidated subsidiaries are managed in the same manner as those of the Company.

4. Supplemental explanation regarding fair value of financial instruments

Fair value of financial instruments is measured based on the quoted market price, if available, or reasonably assessed value if a quoted market price is not available. Fair value of financial instruments for which a quoted market price is not available is calculated based on certain assumptions, and the estimated fair value might differ if different assumptions are used. In addition, the contract amount of the derivative transactions described below in "17. Derivatives" does not represent the market risk of the derivative transactions.

(2) Fair value of financial instruments

The carrying value on the consolidated balance sheet, fair value, and differences as of March 31, 2016 and 2015 are as follows. In addition, financial instruments, for which is extremely difficult to measure the fair value, are not included. (Please see Note 2)

Year ended March 31, 2016	Millions of yen		
	Carrying value	Fair value	Differences
Assets			
(1) Cash and deposits	¥ 79,578	¥ 79,578	¥ —
(2) Trade notes and accounts receivable	245,345	245,345	—
(3) Short-term investment securities and investment securities, other securities	41,252	41,252	—
Total	366,175	366,175	—
Liabilities			
(1) Trade notes and accounts payable	118,331	118,331	—
(2) Short-term bank loans	86,490	86,490	—
(3) Corporate bonds(*1)	79,858	81,767	1,909
(4) Long-term loans payable(*1)	305,475	319,833	14,358
Total	590,154	606,421	16,267
Derivative transactions(*2)	¥ (107)	¥ (107)	¥ —

*1 These amounts include the current portion of corporate bonds and long-term loans payable, respectively

*2 Derivative assets and (liabilities) are on net basis.

Year ended March 31, 2016	Thousands of U.S. dollars		
	Carrying value	Fair value	Differences
Assets			
(1) Cash and deposits	\$ 706,230	\$ 706,230	\$ —
(2) Trade notes and accounts receivable	2,177,360	2,177,360	—
(3) Short-term investment securities and investment securities, other securities	366,099	366,099	—
Total	3,249,689	3,249,689	—
Liabilities			
(1) Trade notes and accounts payable	1,050,151	1,050,151	—
(2) Short-term bank loans	767,572	767,572	—
(3) Corporate bonds(*1)	708,715	725,657	16,942
(4) Long-term loans payable(*1)	2,710,996	2,838,419	127,423
Total	5,237,434	5,381,799	144,365
Derivative transactions(*2)	\$ (950)	\$ (950)	\$ —

*1 These amounts include the current portion of corporate bonds and long-term loans payable, respectively

*2 Derivative assets and (liabilities) are on net basis.

Year ended March 31, 2015	Millions of yen		
	Carrying value	Fair value	Differences
Assets			
(1) Cash and deposits	¥ 52,004	¥ 52,004	¥ —
(2) Trade notes and accounts receivable	299,052	299,052	—
(3) Short-term investment securities and investment securities, other securities	50,017	50,017	—
Total	401,073	401,073	—
Liabilities			
(1) Trade notes and accounts payable	164,193	164,193	—
(2) Short-term bank loans	122,062	122,062	—
(3) Corporate bonds(*1)	100,000	102,475	2,475
(4) Long-term loans payable(*1)	325,330	335,507	10,177
Total	711,585	724,237	12,652
Derivative transactions(*2)	¥ (485)	¥ (485)	¥ —

*1 These amounts include the current portion of corporate bonds and long-term loans payable, respectively

*2 Derivative assets and (liabilities) are on net basis.

Note 1. Fair value measurement of financial instruments and items relating to short-term investment securities and derivative transactions.

Assets

1) Cash and deposits, and 2) Trade notes and accounts receivable

The relevant book values are used, because the carrying amount approximates fair value because of the short maturity of these instruments.

3) Short-term investment securities and investment securities

The fair value of equity securities equals quoted market price, if available. The fair value of debt securities equals quoted market price or provided price by financial institutions. Moreover, investment securities based on holding purpose are described in “16. Securities”.

Liabilities

1) Trade notes and accounts payable, and 2) Short-term bank loans

The relevant book values are used, because the carrying amount approximates fair value because of the short maturity of these instruments.

3) Corporate bonds

The fair value of corporate bonds equals the quoted market price, if available. If the market prices of bonds are not available, fair value is calculated based on the present value of the total amount of principal and interest, discounted by the interest rate determined by taking into account the remaining maturity and credit risk.

4) Long-term loans payable

The fair value of long-term loans payable is calculated by applying a discount rate to the total of principal and interest. The discount rate is based on the assumed interest rate if a similar new loan was entered into. A portion of floating rate long-term loans payable subject to special treatment in the form of interest rate swaps (described in “17. Derivatives”) are calculated by discounting the total amount of principal and interest—which is handled together with said interest-rate swaps—against assumed interest to be paid when new loans of the same type are undertaken.

Derivative transactions

Contract amount, fair value, unrealized gain or loss, and others are described in "17. Derivatives".

Note 2. Financial instruments of which the fair value is extremely difficult to measure.

Year ended March 31, 2016	Millions of yen	Thousands of U.S. dollars
Unlisted equity securities	¥10,958	\$97,248
Unlisted preferred securities	2,542	22,559
Year ended March 31, 2015	Millions of yen	
Unlisted equity securities	¥9,678	
Unlisted preferred securities	—	

The above are not included in "(3) Short-term investment securities and investment securities", because there is no market value and the future cash flows cannot be estimated, as well as the fair value is extremely difficult to measure.

Note 3. The redemption schedule for monetary claims and held-to-maturity debt securities with maturities subsequent to the consolidated balance sheet date.

Year ended March 31, 2016	Millions of yen			
	Due within one year	Due over one year but within five years	Due over five years but within ten years	Due over ten years
Cash and deposits	¥ 79,578	¥ —	¥ —	¥ —
Trade notes and accounts receivable	245,345	—	—	—
Total	¥324,923	¥ —	¥ —	¥ —
Year ended March 31, 2016	Thousands of U.S. dollars			
	Due within one year	Due over one year but within five years	Due over five years but within ten years	Due over ten years
Cash and deposits	\$ 706,230	\$ —	\$ —	\$ —
Trade notes and accounts receivable	2,177,361	—	—	—
Total	\$2,883,591	\$ —	\$ —	\$ —
Year ended March 31, 2015	Millions of yen			
	Due within one year	Due over one year but within five years	Due over five years but within ten years	Due over ten years
Cash and deposits	¥ 52,004	¥ —	¥ —	¥ —
Trade notes and accounts receivable	299,052	—	—	—
Total	¥351,056	¥ —	¥ —	¥ —

Note 4. The redemption schedule for corporate bonds and long-term bank loans subsequent to the consolidated balance sheet date.

Year ended March 31, 2016	Millions of yen					
	Due within one year	Due over one year but within two years	Due over two years but within three years	Due over three years but within four years	Due over four years but within five years	Due over five years
Short-term bank loans	¥ 86,490	¥ —	¥ —	¥ —	¥ —	¥ —
Corporate bonds	20,142	24,142	15,142	142	10,142	10,148
Long-term loans payable	25,892	20,281	25,238	57,402	41,524	135,138
Total	¥132,524	¥44,423	¥40,380	¥57,544	¥51,666	¥145,286
Year ended March 31, 2016	Thousands of U.S. dollars					
	Due within one year	Due over one year but within two years	Due over two years but within three years	Due over three years but within four years	Due over four years but within five years	Due over five years
Short-term bank loans	\$ 767,572	\$ —	\$ —	\$ —	\$ —	\$ —
Corporate bonds	178,754	214,253	134,381	1,260	90,007	90,060
Long-term loans payable	229,783	179,988	223,979	509,425	368,513	1,199,308
Total	\$1,176,109	\$394,241	\$358,360	\$510,685	\$458,520	\$1,289,368
Year ended March 31, 2015	Millions of yen					
	Due within one year	Due over one year but within two years	Due over two years but within three years	Due over three years but within four years	Due over four years but within five years	Due over five years
Short-term bank loans	¥122,062	¥ —	¥ —	¥ —	¥ —	¥ —
Corporate bonds	20,142	20,142	24,142	15,142	142	20,290
Long-term loans payable	36,192	26,344	20,670	23,529	54,900	163,695
Total	¥178,396	¥46,486	¥44,812	¥38,671	¥55,042	¥183,985

16. Securities

Information on securities held by the Company and its subsidiaries at March 31, 2016 and 2015 was as follows:

(1) Held-to-maturity debt securities

Not applicable for both years ended March 31, 2016 and 2015.

(2) Other securities with maturities

Year ended March 31, 2016	Millions of yen			Thousands of U.S. dollars		
	Carrying value	Acquisition cost	Difference	Carrying value	Acquisition cost	Difference
Securities whose carrying value exceeds their acquisition value:						
(1) Equity securities	¥40,210	¥20,823	¥19,387	\$356,851	\$184,798	\$172,054
(2) Debt securities - corporate bonds	5	5	0	44	44	0
Securities whose carrying value does not exceed their acquisition value:						
(1) Equity securities	1,036	1,519	(483)	9,194	13,481	(4,287)
(2) Others	1	1	0	9	9	0
Total	¥41,252	¥22,348	¥18,904	\$366,099	\$198,332	\$167,767

Note: Unlisted equity securities with carrying value of ¥10,958 million and unlisted bonds with carrying value of ¥2,542 million as of March 31, 2016 have no market value and their future cash flows cannot be estimated. Those securities' fair value is extremely difficult to measure and not included in the table above.

Year ended March 31, 2015	Millions of yen		
	Carrying value	Acquisition cost	Difference
Securities whose carrying value exceeds their acquisition value:			
(1) Equity securities	¥47,457	¥21,304	¥26,153
(2) Debt securities - corporate bonds	6	6	0
Securities whose carrying value does not exceed their acquisition value:			
(1) Equity securities	2,073	2,874	(801)
(2) Others	481	481	0
Total	¥50,017	¥24,665	¥25,352

Note: Unlisted equity securities with carrying value of ¥9,678 million as of March 31, 2015 have no market value and their future cash flows cannot be estimated. Those securities' fair value is extremely difficult to measure and not included in the table above.

(3) Other securities sold during the fiscal years ended March 31, 2016 and 2015.

Year ended March 31, 2016	Millions of yen			Thousands of U.S. dollars		
	Sales price	Gain on sales	Loss on sales	Sales price	Gain on sales	Loss on sales
Equity securities	¥4,314	¥3,563	¥(1)	\$38,285	\$31,621	\$(9)
Others	113	—	(0)	1,012	—	(0)
Total	¥4,427	¥3,563	¥(1)	\$39,297	\$31,621	\$(9)

Year ended March 31, 2015	Millions of yen		
	Sales price	Gain on sales	Loss on sales
Equity securities	¥3,681	¥1,951	¥101
Others	512	—	—
Total	¥4,193	¥1,951	¥101

(4) Impairment of investment securities

For the fiscal years ended March 31, 2016 and 2015, the Group recognized impairment losses on investment securities, in the amounts of ¥6 (¥6 million on other marketable securities without market value) and ¥6 million (¥6 million on other marketable securities without market value), respectively.

Regarding loss disposal, typically, when the fair value at the fiscal year end falls 50% or greater compared with the acquisition cost, the loss shall be recognized, in principle. When said fair value falls between 30% and 50% of the acquisition cost, if the rate of decrease remains at 30% or above for a two-year period prior to the end of the fiscal year-end, or if a significant downturn in performance occurs over an approximately three-year period, it shall be determined that there is no possibility of recovery and loss recognized.

17. Derivatives

The Company and certain of its subsidiaries had the following derivatives contracts outstanding at March 31, 2016 and 2015.

(1) Derivative transactions to which the Company did not apply hedge accounting

Currency related

Year ended March 31, 2016	Millions of yen				Thousands of U.S. dollars			
	Contract amount	(Contract amount over one year)	Fair value	Unrealized gain (loss)	Contract amount	(Contract amount over one year)	Fair value	Unrealized gain (loss)
Off-market transactions:								
Forward foreign exchange contracts for								
(1) Selling U.S. dollar	¥ 904	¥—	¥ (20)	¥ (20)	\$ 8,023	\$—	\$(177)	\$(177)
(2) Buying U.S. dollar	3,816	—	(86)	(86)	33,866	—	(764)	(764)
Total	¥4,720	¥—	¥(106)	¥(106)	\$41,889	\$—	\$(941)	\$(941)

Note: Fair value is based on information provided by financial institutions at the end of the fiscal year.

Year ended March 31, 2015	Millions of yen			
	Contract amount	(Contract amount over one year)	Fair value	Unrealized gain (loss)
Off-market transactions:				
Forward foreign exchange contracts for				
(1) Selling U.S. dollar	¥2,250	¥—	¥(64)	¥(64)
(2) Buying U.S. dollar	3,352	—	14	14
Total	¥5,602	¥—	¥(50)	¥(50)

Note: Fair value is based on information provided by financial institutions at the end of the fiscal year.

(2) Derivative transactions to which the Company applied hedge accounting

1. Currency related

Year ended March 31, 2016	Millions of yen			Thousands of U.S. dollars		
	Contract amount	(Contract amount over one year)	Fair value	Contract amount	(Contract amount over one year)	Fair value
Principle-based accounting method:						
Forward foreign exchange contracts for						
(1) Selling Swedish krona (hedged item - loans receivable)	¥ 69	¥—	¥(1)	\$ 612	\$—	\$(9)
(2) Buying U.S. dollar (hedged item - trade accounts payable)	26	—	(0)	231	—	(0)
Alternative method(*):						
Forward foreign exchange contracts for						
(1) Selling U.S. dollar (hedged item - trade accounts receivable)	¥252	¥—	(Note 2)	\$2,236	\$—	(Note 2)
Total	¥347	¥—	¥(1)	\$3,079	\$—	\$(9)

*Foreign monetary obligations denominated in foreign currencies for which foreign exchange forward contracts are used to hedge the foreign currency fluctuation are translated at the contracted rate, if the forward contracts qualify for hedge accounting.

Notes:

1. Fair value is based on information provided by financial institutions at the end of the fiscal year.
2. For certain trade accounts receivable denominated in foreign currencies for which foreign exchange forward contracts are used to hedge the foreign currency fluctuations, fair value of the derivative financial instrument is included in the hedged trade accounts receivable.

Year ended March 31, 2015	Millions of yen		
	Contract amount	(Contract amount over one year)	Fair value
Principle-based accounting method:			
Forward foreign exchange contracts for			
(1) Selling U.S. dollar (hedged item - trade loans receivable)	¥ 485	¥ —	¥ (15)
(2) Buying U.S. dollar (hedged item - trade accounts payable)	1,294	—	(7)
(3) Buying JPY (hedged item - loans payable)	43	—	(0)
(4) Buying Singaporean dollar (hedged item - fixed assets)	2,404	—	(208)
(5) Buying JPY (hedged item - fixed assets)	1,024	—	(148)
(6) Buying Euro (hedged item - fixed assets)	257	—	(57)
Alternative method(*):			
Forward foreign exchange contracts for			
(1) Selling U.S. dollar (hedged item - trade accounts receivable)	¥ 226	¥ —	(Note 2)
(2) Buying U.S. dollar (hedged item - trade accounts payable)	90	—	(Note 2)
(3) Buying Euro (hedged item - trade accounts payable)	1	—	(Note 2)
Total	¥5,824	¥—	¥(435)

*Foreign monetary obligations denominated in foreign currencies for which foreign exchange forward contracts are used to hedge the foreign currency fluctuation are translated at the contracted rate, if the forward contracts qualify for hedge accounting.

Notes:

1. Fair value is based on information provided by financial institutions at the end of the fiscal year.
2. For certain trade accounts receivable and trade accounts payable denominated in foreign currencies for which foreign exchange forward contracts are used to hedge the foreign currency fluctuations, fair value of the derivative financial instrument is included in the hedged trade accounts receivable or trade accounts payable.

2. Interest related

Year ended March 31, 2016	Millions of yen			Thousands of U.S. dollars		
	Contract amount	(Contract amount over one year)	Fair value	Contract amount	(Contract amount over one year)	Fair value
Alternative method:						
Interest swap contracts						
(hedged item - long-term bank loans)						
Receiving floating / Paying fixed rate	¥106,089	¥106,089	(Note)	\$ 941,507	\$ 941,507	(Note)
Currency swap contracts						
(hedged item - long-term bank loans)						
Receiving floating / Paying fixed rate	¥ 20,655	¥ 20,655	(Note)	\$ 183,307	\$ 183,307	(Note)
Total	¥126,744	¥126,744	¥—	\$1,124,814	\$1,124,814	\$—

Note:

For certain long-term bank loans for which interest swap contracts are used to hedge the interest rate fluctuations, fair value of the derivative financial instrument is included in the hedged loans payable.

Year ended March 31, 2015	Millions of yen		
	Contract amount	(Contract amount over one year)	Fair value
Alternative method:			
Interest swap contracts (hedged item - long-term bank loans)			
Receiving floating / Paying fixed rate	¥103,089	¥102,089	(Note)
Currency swap contracts (hedged item - long-term bank loans)			
Receiving floating / Paying fixed rate	¥ 20,655	¥ 20,655	(Note)
Total	¥123,744	¥122,744	¥—

Note:

For certain long-term bank loans for which interest swap contracts are used to hedge the interest rate fluctuations, fair value of derivative financial instrument is included in the hedged loans payable.

18. Income taxes

(1) The Company and its consolidated domestic subsidiaries are subject to a number of income taxes in Japan which, in the aggregate, resulted in statutory tax rates of approximately 33.1% and 35.6% for the years ended March 31, 2016 and 2015, respectively.

(2) The significant components of the Company and its consolidated subsidiaries' deferred tax assets and liabilities as of March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016/3	2015/3	2016/3
Deferred tax assets:			
Allowance for doubtful accounts	¥ 917	¥ 464	\$ 8,138
Net defined benefit liabilities	32,350	29,448	287,096
Accrued bonuses	3,816	3,823	33,866
Depreciation	5,112	6,701	45,367
Accrued enterprise tax	740	504	6,567
Tax loss carryforwards	44,154	49,422	391,853
Provision for repairs	3,932	4,330	34,895
Provision for environmental measures	454	310	4,029
Provision for business structure improvement	709	5,167	6,292
Unrealized gains on fixed assets	2,761	1,585	24,503
Loss on valuation of inventories	3,379	3,162	29,988
Loss on valuation of investment securities	4,724	4,410	41,924
Impairment loss	7,598	7,687	67,430
Other	17,083	13,333	151,607
Subtotal	127,729	130,346	1,133,555
Valuation allowance	(95,986)	(101,017)	(851,846)
Total deferred tax assets	31,743	29,329	281,709
Deferred tax liabilities:			
Net defined benefit assets	(10,313)	(9,809)	(91,525)
Gain on contribution of securities to retirement benefit trust	(3,825)	(3,343)	(33,946)
Net unrealized holding gain on securities	(4,995)	(7,415)	(44,329)
Deferred gain on real properties	(277)	(293)	(2,458)
Retained earnings of overseas consolidated subsidiaries, etc.	(3,641)	(4,503)	(32,313)
Adjustment of book value based on fair value	(7,436)	(8,880)	(65,992)
Other	(3,703)	(4,757)	(32,862)
Total deferred tax liabilities	(34,190)	(39,000)	(303,425)
Net deferred tax assets (liabilities)	¥ (2,447)	¥ (9,671)	\$ (21,716)

“Unrealized gains on fixed assets”, which was included in “Other” of deferred tax assets in the previous fiscal year, is presented separately from fiscal 2015, due to its increased materiality. To reflect this change in presentation, the previous fiscal year's significant components of deferred tax assets were reclassified.

“Other” in the previous fiscal year's deferred tax assets, in the amount of ¥14,918 million, was reclassified as “Unrealized gains on fixed assets” in the amount of ¥1,585 million and “Other” in the amount of ¥13,333 million.

(3) The following table summarizes the significant differences between the statutory tax rate and effective tax rates for consolidated financial statement purposes for the years ended March 31, 2016 and 2015:

	2016/3	2015/3
Statutory tax rate	33.1%	35.6%
Non-deductible expenses	3.3	3.4
Permanently non-deductible items including dividend income	(1.4)	(3.5)
Changes in valuation allowance	(18.4)	(0.1)
Differences of statutory tax rate in overseas consolidated subsidiaries	(6.9)	(8.2)
Goodwill amortization	19.9	2.0
Other	(0.9)	2.8
Effective tax rate	28.7%	32.0%

Change of deferred tax assets and deferred tax liabilities due to change in effective statutory tax rate.

The “Act on Partial Revision of the Income Tax Act” (Act No. 15 of 2016) and the “Act on Partial Revision of the Local Tax Act” (Act No. 13 of 2016) were promulgated on March 29, 2016, lowering the corporate tax rate from fiscal years beginning on or after April 1, 2016. Accordingly, the effective statutory tax rate used for calculating deferred income tax assets and deferred income tax liabilities is slated to fall from 32.3% to 30.9% for the fiscal years beginning April 1, 2016 and 2017, resulting in a temporary difference in assets or liabilities extinguished. The rate is scheduled to drop further to 30.6% in the fiscal year beginning April 1, 2018, again resulting in a temporary difference in assets or liabilities extinguished.

As a result of this tax rate change, the amount of deferred tax liabilities (net of deferred tax assets) decreased by ¥63 million, income taxes–deferred increased ¥171 million, valuation difference on available-for-sale securities increased by ¥289 million, and remeasurements of defined benefit plans decreased by ¥55 million.

19. Segment information

(1) Overview of reportable segments

The reportable segments of the Group comprise those entities for which obtaining separate financial reports is possible and those are subject to regular review by the Board of Directors, which decides upon the distribution of management resources to said segments.

The Group positions segments distinguished by their products and services within its headquarters. Each segment proposes comprehensive domestic and overseas strategies in addition to pursuing business expansion in its respective product and service area.

The six reportable segments (distinguished by products and services) that therefore comprise the Group operations are: Healthcare, Functional Polymeric Materials, Polyurethane, Basic Chemicals, Petrochemicals and Food & Packaging.

	Segment	Major Products
Reportable Segments	Healthcare	Healthcare materials, nonwoven materials and dental materials
	Functional Polymeric Materials	Elastomers, performance compounds, and performance polymer
	Polyurethane	Polyurethane materials, coating materials, adhesive materials, and molding materials
	Basic Chemicals	Phenols, bisphenol-A, PTA, PET, ethylene oxide, specialty gas and other chemical products
	Petrochemicals	Ethylene, propylene, polyethylene, polypropylene and catalysts
	Food & Packaging	Performance films and sheets, and agrochemical products
Others	Others	Other related businesses, etc.

(2) Methods to determine net sales, income or loss, assets, and other items by reportable business segment

The accounting methods by reportable business segment herein are almost the same as those described under “significant accounting policies.” Income by reportable business segment is stated on an operating income basis. Intersegment net sales and transfers are based on the values of transactions undertaken between third parties.

(3) Information concerning net sales, income or loss, assets, and other items for each reportable segment

Year ended March 31, 2016	Reportable Segments							(Millions of yen)	
	Healthcare	Functional Polymeric Materials	Polyurethane	Basic Chemicals	Petrochemicals	Food & Packaging	Total	Others (Note 1)	Sum total
I. Net sales:									
Customers	¥151,274	¥167,512	¥112,152	¥251,245	¥491,254	¥131,910	¥1,305,347	¥38,551	¥1,343,898
Inter-segment	2,753	19,092	2,383	19,758	105,754	3,881	153,621	56,432	210,053
Total	¥154,027	¥186,604	¥114,535	¥271,003	¥597,008	¥135,791	¥1,458,968	¥94,983	¥1,553,951
II. Segment income (loss)	¥ 10,660	¥ 26,198	¥ (8,495)	¥ (3,651)	¥ 39,262	¥ 13,908	¥ 77,882	¥ (106)	¥ 77,776
III. Segment assets	¥200,879	¥161,313	¥111,388	¥163,138	¥356,758	¥157,442	¥1,150,918	¥51,505	¥1,202,423
IV. Other items:									
Depreciation and amortization (Note 2)	¥ 9,806	¥ 7,188	¥ 2,325	¥ 6,802	¥ 9,582	¥ 5,317	¥ 41,020	¥ 4,157	¥ 45,177
Amortization of goodwill	2,897	—	166	—	—	—	3,063	90	3,153
Investment in equity method affiliates	735	18,391	33,506	15,672	1,571	1,424	71,299	3,015	74,314
Capital expenditures (Note 2)	4,588	5,283	5,535	6,094	13,465	4,453	39,418	3,548	42,966

Year ended March 31, 2016	Reportable Segments							(Thousands of U.S. dollars)	
	Healthcare	Functional Polymeric Materials	Polyurethane	Basic Chemicals	Petrochemicals	Food & Packaging	Total	Others (Note 1)	Sum total
I. Net sales:									
Customers	\$1,342,510	\$1,486,617	\$ 995,314	\$2,229,721	\$4,359,727	\$1,170,660	\$11,584,549	\$342,128	\$11,926,677
Inter-segment	24,432	169,436	21,148	175,346	938,534	34,443	1,363,339	500,816	1,864,155
Total	\$1,366,942	\$1,656,053	\$1,016,462	\$2,405,067	\$5,298,261	\$1,205,103	\$12,947,888	\$842,944	\$13,790,832
II. Segment income (loss)	\$ 94,604	\$ 232,499	\$ (75,390)	\$ (32,401)	\$ 348,438	\$ 123,429	\$ 691,179	\$ (941)	\$ 690,238
III. Segment assets	\$1,782,739	\$1,431,603	\$ 988,534	\$1,447,799	\$3,166,116	\$1,397,249	\$10,214,040	\$457,091	\$10,671,131
IV. Other items:									
Depreciation and amortization (Note 2)	\$ 87,025	\$ 63,791	\$ 20,634	\$ 60,366	\$ 85,037	\$ 47,187	\$ 364,040	\$ 36,892	\$ 400,932
Amortization of goodwill	25,710	—	1,473	—	—	—	27,183	799	27,982
Investment in equity method affiliates	6,523	163,214	297,355	139,084	13,942	12,638	632,756	26,758	659,514
Capital expenditures (Note 2)	40,717	46,885	49,121	54,082	119,499	39,519	349,823	31,487	381,310

Year ended March 31, 2015	Reportable Segments							(Millions of yen)	
	Healthcare	Functional Polymeric Materials	Polyurethane	Basic Chemicals	Petrochemicals	Food & Packaging	Total	Others (Note 1)	Sum total
I. Net sales:									
Customers	¥138,186	¥174,497	¥154,785	¥330,829	¥584,442	¥129,149	¥1,511,888	¥ 38,188	¥1,550,076
Inter-segment	1,226	20,237	3,090	28,927	145,620	3,946	203,046	65,494	268,540
Total	¥139,412	¥194,734	¥157,875	¥359,756	¥730,062	¥133,095	¥1,714,934	¥103,682	¥1,818,616
II. Segment income (loss)	¥ 9,152	¥ 18,665	¥ (3,531)	¥ (7,857)	¥ 21,587	¥ 9,085	¥ 47,101	¥ 884	¥ 47,985
III. Segment assets	¥238,291	¥177,957	¥127,539	¥177,811	¥409,932	¥163,939	¥1,295,469	¥ 58,024	¥1,353,493
IV. Other items:									
Depreciation and amortization (Note 2)	¥ 9,205	¥ 6,990	¥ 2,625	¥ 7,194	¥ 9,841	¥ 5,793	¥ 41,648	¥ 4,059	¥ 45,707
Amortization of goodwill	2,428	—	37	—	—	—	2,465	19	2,484
Investment in equity method affiliates	661	21,126	9,923	24,839	1,833	1,512	59,894	3,412	63,306
Capital expenditures (Note 2)	8,346	3,635	5,702	4,457	13,937	4,193	40,270	6,933	47,203

Notes: 1. "Others" encompasses operations not included in reportable segments.

2. Depreciation and amortization and capital expenditures include amortization costs and expenditures under long-term prepaid expenses.

(4) Reconciliation of differences between total amounts of reportable segments and amounts in the consolidated financial statements (adjustments)

Net sales:	Millions of yen		Thousands of U.S. dollars
	2016/3	2015/3	2016/3
Total reportable segment sales	¥1,458,968	¥1,714,934	\$12,947,888
Net sales classified under "Others"	94,983	103,682	842,944
Elimination of intersegment transactions	(210,053)	(268,540)	(1,864,155)
Net sales recorded in Consolidated Statements of Operations	¥1,343,898	¥1,550,076	\$11,926,677
Income:			
Total reportable segment income	¥77,882	¥47,101	\$691,179
Income classified under "Others"	(106)	884	(941)
Elimination of intersegment transactions	11	(184)	98
Corporate expenses (Note)	(6,861)	(5,761)	(60,890)
Operating income recorded in Consolidated Statements of Operations	¥70,926	¥42,040	\$629,446

Note: Corporate expenses mainly comprise general and administrative expenses not usually attributed to segments.

	Millions of yen		Thousands of U.S. dollars
	2016/3	2015/3	2016/3
Assets:			
Total amounts of reportable segment assets	¥1,150,918	¥1,295,469	\$10,214,040
Assets classified under "Others"	51,505	58,024	457,091
Elimination of intersegment transactions	(99,315)	(91,515)	(881,390)
Corporate assets (Note)	155,840	149,812	1,383,031
Assets recorded in Consolidated Balance Sheets	¥1,258,948	¥1,411,790	\$11,172,772

Note: Corporate assets are mainly attributed to the Company's surplus management funds (cash and savings), long-term investment funds (investment securities), deferred tax assets and administrative departments.

	Millions of yen		Thousands of U.S. dollars
	2016/3	2015/3	2016/3
Depreciation and amortization:			
Total amounts of reportable segment amounts	¥41,020	¥41,648	\$364,040
Amounts classified under "Others"	4,157	4,059	36,892
Adjustment amounts (Note)	310	60	2,751
Amounts from Consolidated Financial Statements	¥45,487	¥45,767	\$403,683

Note: Adjustment amounts are depreciation and amortization expenses related to new businesses development.

	Millions of yen		Thousands of U.S. dollars
	2016/3	2015/3	2016/3
Amortization of goodwill:			
Total amounts of reportable segment amounts	¥3,063	¥2,465	\$27,183
Amounts classified under "Others"	90	19	799
Adjustment amounts	—	—	—
Amounts from Consolidated Financial Statements	¥3,153	¥2,484	\$27,982

	Millions of yen		Thousands of U.S. dollars
	2016/3	2015/3	2016/3
Investment in equity method affiliates:			
Total amounts of reportable segment amounts	¥71,299	¥59,894	\$632,756
Amounts classified under "Others"	3,015	3,412	26,758
Adjustment amounts	—	—	—
Amounts from Consolidated Financial Statements	¥74,314	¥63,306	\$659,514

	Millions of yen		Thousands of U.S. dollars
	2016/3	2015/3	2016/3
Capital expenditures:			
Total amounts of reportable segment amounts	¥39,418	¥40,270	\$349,823
Amounts classified under "Others"	3,548	6,933	31,487
Adjustment amounts (Note)	439	328	3,896
Amounts from Consolidated Financial Statements	¥43,405	¥47,531	\$385,206

Note: Adjustment amounts are capital expenditures related to new businesses development.

Related Information

(Information by region)

	Millions of yen		Thousands of U.S. dollars
	2016/3	2015/3	2016/3
Net sales:			
Japan	¥ 745,738	¥ 863,966	\$ 6,618,193
China	130,494	165,459	1,158,094
Asia	208,296	265,487	1,848,562
America	169,815	166,400	1,507,055
Europe	80,766	74,273	716,773
Other regions	8,789	14,491	78,000
Total	¥1,343,898	¥1,550,076	\$11,926,677

Notes: 1. Net sales are classified by country and region based on customer location.

2. Major countries and regions located in areas outside of Japan and China are as follows:

(1) Asia: Taiwan, South Korea, Thailand, Malaysia, Singapore, India

(2) America: The United States, Mexico

(3) Europe: Germany, France

(4) Other regions: Oceania, Africa

	Millions of yen		Thousands of U.S. dollars
	2016/3	2015/3	2016/3
Property, plant and equipment:			
Japan	¥324,054	¥332,554	\$2,875,879
Singapore	46,043	45,748	408,617
Asia	23,757	33,399	210,836
Other regions	19,548	21,928	173,482
Total	¥413,402	¥433,629	\$3,668,814

Note: Major countries and regions located in areas outside of Japan and Singapore are as follows:

(1) Asia: China, Taiwan, South Korea, Thailand, Malaysia, India

(2) Other regions: North America, Europe

(Information by main customers)

	Millions of yen		Thousands of U.S. dollars
	2016/3	2015/3	2016/3
Net sales:			
Mitsui & Co., LTD.	¥233,131	¥298,933	\$2,068,965

Note: Related segments are as follows:

Functional Chemicals, Functional Polymeric Materials, Polyurethane, Basic Chemicals, Petrochemicals and Films and Sheets

Information Concerning Impairment Loss of Fixed Assets by Reportable Segment

	Millions of yen		Thousands of U.S. dollars
	2016/3	2015/3	2016/3
Impairment loss:			
Healthcare	¥21,385	¥ 32	\$189,785
Functional Polymeric Materials	209	138	1,855
Polyurethane	1,141	1,677	10,126
Basic Chemicals	184	2,009	1,633
Petrochemicals	342	18	3,035
Food & Packaging	755	952	6,701
Others	—	452	—
Corporate Expenses	44	—	390
Total	¥24,060	¥5,278	\$213,525

Information Concerning the Amount of Amortization and Unamortized Balance of Goodwill by Reportable Segment

	Millions of yen		Thousands of U.S. dollars
	2016/3	2015/3	2016/3
Amount of amortization:			
Healthcare	¥2,897	¥2,428	\$25,710
Functional Polymeric Materials	—	—	—
Polyurethane	166	37	1,473
Basic Chemicals	—	—	—
Petrochemicals	—	—	—
Food & Packaging	—	—	—
Others	90	19	799
Corporate Expenses	—	—	—
Total	¥3,153	¥2,484	\$27,982

	Millions of yen		Thousands of U.S. dollars
	2016/3	2015/3	2016/3
Unamortized balance:			
Healthcare	¥9,003	¥34,299	\$79,898
Functional Polymeric Materials	—	—	—
Polyurethane	—	167	—
Basic Chemicals	—	—	—
Petrochemicals	—	—	—
Food & Packaging	—	—	—
Others	405	512	3,594
Corporate Expenses	—	—	—
Total	¥9,408	¥34,978	\$83,492

Information Concerning the Amount of Amortization and Unamortized Balance of Negative Goodwill by Reportable Segment

Amount of amortization:	Millions of yen		Thousands of U.S. dollars
	2016/3	2015/3	2016/3
Healthcare	¥—	¥23	\$—
Functional Polymeric Materials	—	—	—
Polyurethane	—	—	—
Basic Chemicals	—	—	—
Petrochemicals	—	—	—
Food & Packaging	—	—	—
Others	—	—	—
Corporate Expenses	—	—	—
Total	¥—	¥23	\$—

20. Information on related party transactions

(1) Related party transactions

Main transactions of the Company with its affiliated companies for the year ended March 31, 2016 were as follows:

Name of company	Chiba Chemicals Manufacturing LLP
Type of related party	Affiliated company
Location	Chiyoda-ku, Tokyo
Common stock	¥200 million (US\$1,775 thousand)
Business	Manufacturing petrochemical materials and supplying to partners
Holding ratio of voting rights	Direct 50%
Relationship	Supply and purchases of raw materials
Transaction amount (Notes 1, 2)	¥755 million (US\$6,700 thousand)
Balance at end of year (Note 2)	Other accounts receivable: ¥9,258 million (US\$82,162 thousand) Accounts payable: ¥7,985 million (US\$70,864 thousand)

Notes: 1. The trade terms of the above transactions were shown on a net basis in the Consolidated Statements of Operations.

2. The trade terms of the above transactions were determined based on consideration of the market prices and others.

Name of company	Shanghai Sinopec Mitsui Chemicals, Co.,Ltd.
Type of related party	Affiliated company
Location	Shanghai, China
Paid-in capital	¥17,382 million (US\$154,260 thousand)
Business	Manufacturing and sales of phenol, acetone and bisphenol A in China
Holding ratio of voting rights	Direct 50%
Relationship	Loan guarantee, interlocking directors
Transaction amount (Note 3)	¥23,380 million (US\$207,490 thousand)

Note: 3. The Company conducts loan guarantees for the related party without guarantee fees.

(2) Summary of financial information for significant affiliated companies

The Company's significant affiliates are Du Pont-Mitsui Fluorochemicals Company, Ltd. and Shanghai Sinopec Mitsui Chemicals, Co., Ltd. for the year ended March 31, 2016.

Du Pont-Mitsui Fluorochemicals Company, Ltd.

	Millions of yen		Thousands of U.S. dollars
	2016/3	2015/3	2016/3
Balance Sheet			
Total current assets	¥15,575	¥14,981	\$138,223
Total non-current assets	13,029	13,957	115,628
Total current liabilities	9,452	8,995	83,884
Total non-current liabilities	1,504	1,585	13,348
Total net assets	17,648	18,358	156,621
Statement of Operations			
Net sales	27,172	25,559	241,143
Profit (loss) before income taxes	7,403	6,942	65,699
Profit (loss)	4,836	4,361	42,918

Shanghai Sinopec Mitsui Chemicals, Co., Ltd.

	Millions of yen		Thousands of U.S. dollars
	2016/3	2015/3	2016/3
Balance Sheet			
Total current assets	¥ 11,528	¥—	\$ 102,307
Total non-current assets	36,659	—	325,337
Total current liabilities	31,342	—	278,151
Total non-current liabilities	16,789	—	148,997
Total net assets	56	—	497
Statement of Operations			
Net sales	28,998	—	257,348
Profit (loss) before income taxes	(11,462)	—	(101,722)
Profit (loss)	(11,559)	—	(102,583)

Note: Shanghai Sinopec Mitsui Chemicals Co., Ltd. was added from the year ended March 31, 2016 due to its increased importance.

21. Business combination

Establishment of Joint Venture for Polyurethane Material Businesses with SKC

On December 22, 2014, the Company agreed to the basic terms of a joint venture agreement with SKC Co., Ltd. (Seoul, Korea; "SKC") regarding the combination of the two companies' polyurethane material businesses ("business combination"). The Company and SKC launched Mitsui Chemicals & SKC Polyurethanes Inc. (the "Korean affiliate") on July 1, 2015.

The Company established a new business company in Japan (the "Japanese affiliate") which absorbed the Company's split-off polyurethane material business ("company split") for a cash consideration. All shares of the new business company are held by the Korean affiliate.

Therefore, the Company holds 50% of the shares of the Korean affiliate, to which it applies equity method accounting.

1. Outline of the company split

(1) Name and outline of the Japanese affiliate

- Company name: Mitsui Chemicals & SKC Polyurethanes Inc.
- Location: 1-5-2 Higashi-Shimbashi, Minato-ku, Tokyo, Japan
- Business: Manufacturing, sales, and development of polyurethane materials
- Paid-in capital: ¥18 billion

(2) Business of the company split

Manufacturing, sales, and development of polyurethane materials

(3) Reasons for the company split

To maximize synergy effects by integrating the two parents' system products businesses. The knowledge and information accumulated by the Company and SKC over the years will be shared and utilized to provide total solutions to customers.

(4) Date

July 1, 2015

(5) Legal form

- Legal form: Absorption-type split for a cash consideration

- Other transactions under the business combination: The Company injected all its shares of the Japanese affiliate in the form of capital into the Korean affiliate concurrently with the effective date of the company split. A gain on negative goodwill in the amount of ¥3.1 billion was recorded under share of profit of entities accounted for using equity method.

- Outline of the Korean affiliate:

Company name: Mitsui Chemicals & SKC Polyurethanes Inc.

Location: Seoul, Korea

Business: Manufacturing, sales, and development of polyurethane materials

Paid-in capital: KRW 70 billion

Shareholding ratio: The Company 50%, SKC 50%

(An equity method affiliate)

2. Outline of the accounting

(1) Profit (loss) transferred: ¥3,738 million

(2) Breakdown of assets and liabilities of the business transferred based on fair value (as of July 1, 2015)

Current assets	¥44,298 million
Non-current assets	¥16,143 million
Total assets	¥60,441 million
Current liabilities	¥10,540 million
Non-current liabilities	¥165 million
Total liabilities	¥10,705 million

(3) Accounting

Accounting was conducted in compliance with “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, revised September 13, 2013) and “Guidance on Accounting Standard for Business Combinations” and “Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, revised September 13, 2013).

Any capital previously invested in the transferred polyurethane materials business was considered liquidated and all related profits and losses have been recognized as gains or losses on business transfer.

3. Business segment involved in the business transfer

Polyurethane

4. Estimated impact on the consolidated statement of operations as a result of the business transfer

Net sales	¥14.4 billion
Operating income	¥0.5 billion

22. Subsequent events

There were no applicable items.