SUMITOMO CHEMICAL

Consolidated Financial Statements

Years ended March 31, 2016 and 2015

Consolidated Balance Sheets

Sumitomo Chemical Company, Limited and Consolidated Subsidiaries
March 31, 2016 and 2015

	Millions of yen		Thousands of US dollars (Note 1)
	2016	2015	2016
Assets			
Current assets:			
Cash and cash equivalents (Notes 5, 9 and 20)	¥ 215,592	¥ 201,997	$ 1,913,312
Short-term investments (Note 5)	2,001	3,013	17,758
Securities (Notes 5 and 7)	2	18,549	18
Trade notes and accounts receivable (Notes 5 and 9)	414,809	456,054	3,681,301
Inventories (Note 6)	402,255	439,880	3,569,888
Deferred tax assets (Note 15)	86,369	60,526	766,498
Other (Notes 5 and 21)	68,520	82,804	608,094
Allowance for doubtful accounts	(1,619)	(1,917)	(14,368)
Total current assets	1,187,929	1,260,906	10,542,501
Property, plant and equipment (Notes 9 and 12):			
Land	82,982	82,765	736,439
Buildings and structures	651,675	660,694	5,783,413
Machinery and equipment	1,732,483	1,833,432	15,375,249
Construction in progress	34,263	44,342	304,073
	2,501,403	2,621,233	22,199,174
Less accumulated depreciation	(1,859,237)	(1,926,798)	(16,500,151)
Net property, plant and equipment	642,166	694,435	5,699,023
Investments and other assets:			
Investment securities (Notes 5, 7, 8, 9 and 21)	469,319	518,800	4,165,060
Long-term loans (Notes 5 and 21)	70,107	74,766	622,178
Net defined benefit asset (Note 13)	53,800	68,276	477,458
Deferred tax assets (Note 15)	13,581	17,701	120,527
Goodwill	82,647	95,249	733,466
Patents (Note 12)	4,511	5,200	40,034
Software	11,620	12,204	103,124
In-process research and development	60,145	64,456	533,768
Other (Notes 8, 12 and 21)	67,186	69,262	596,256
Allowance for doubtful accounts	(861)	(859)	(7,641)
Total investments and other assets	832,055	925,055	7,384,230
Total assets	¥2,662,150	¥2,880,396	$23,625,754

See accompanying notes.

	Millions of yen		Thousands of US dollars (Note 1)
	2016	2015	2016
Liabilities and Net assets			
Current liabilities:			
Short-term debt (Notes 5 and 9)	¥ 126,659	¥ 147,805	$ 1,124,059
Long-term debt due within one year (Notes 5 and 9)	100,576	138,736	892,581
Trade notes and accounts payable (Notes 5 and 9)	205,188	258,161	1,820,980
Income taxes payable	42,220	14,357	374,689
Reserve for sales rebates	49,224	36,352	436,848
Reserve for bonuses	31,045	29,236	275,515
Other (Notes 9 and 15)	234,518	245,198	2,081,273
Total current liabilities	789,430	869,845	7,005,945
Long-term liabilities:			
Long-term debt (Notes 5 and 9)	604,270	693,632	5,362,709
Deferred tax liabilities (Note 15)	75,490	96,253	669,950
Net defined benefit liability (Note 13)	35,824	34,178	317,927
Other	66,360	68,272	588,924
Total long-term liabilities	781,944	892,335	6,939,510
Contingent liabilities (Note 17)			
Net assets (Note 16):			
Common stock:			
Authorized — 5,000,000,000 shares			
Issued — 1,655,446,177 shares at March 31, 2016			
1,655,446,177 shares at March 31, 2015	89,699	89,699	796,051
Capital surplus	23,475	23,695	208,333
Retained earnings	539,490	477,445	4,787,806
Treasury stock, at cost			
21,206,065 shares at March 31, 2016			
21,075,315 shares at March 31, 2015	(8,953)	(8,870)	(79,455)
Shareholders' equity	643,711	581,969	5,712,735
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	84,901	104,841	753,470
Deferred losses on hedges	(702)	(97)	(6,230)
Land revaluation reserve (Note 18)	4,472	4,363	39,688
Foreign currency translation adjustment	34,772	82,284	308,591
Remeasurements of defined benefit plans	(280)	17,959	(2,485)
Total accumulated other comprehensive income	123,163	209,350	1,093,034
Non-controlling interests	323,902	326,897	2,874,530
Total net assets	1,090,776	1,118,216	9,680,299
Total liabilities and net assets	¥2,662,150	¥2,880,396	$23,625,754

See accompanying notes.

Consolidated Statements of Income

Sumitomo Chemical Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2016 and 2015

	Millions of yen		Thousands of US dollars (Note 1)
	2016	2015	2016
Net sales	¥2,101,764	¥2,376,697	$18,652,503
Cost of sales	1,404,801	1,727,803	12,467,173
Selling, general and administrative expenses	532,517	521,548	4,725,923
Operating income	164,446	127,346	1,459,407
Other income (expenses):			
Interest and dividend income (Note 21)	9,321	14,141	82,721
Interest expenses	(11,976)	(13,483)	(106,283)
Equity in earnings of affiliates	20,240	23,931	179,624
Net (loss) gain on foreign currency transactions	(8,518)	9,957	(75,595)
Cost of inactive facilities	(3,209)	(3,296)	(28,479)
Gain on sale of investment securities	15,831	4,090	140,495
Gain on sale of property, plant and equipment	—	16,241	—
Compensation income	—	2,700	—
Compensation income for damage	—	1,711	—
Impairment loss (Note 12)	(24,688)	(33,258)	(219,098)
Restructuring charges (Note 14)	(4,791)	(32,196)	(42,519)
Other, net	913	(1,182)	8,103
Income before income taxes and non-controlling interests	157,569	116,702	1,398,376
Income taxes (Note 15)**:**			
Current	67,640	37,772	600,284
Deferred	(22,469)	7,826	(199,405)
Total income taxes	45,171	45,598	400,879
Net income	112,398	71,104	997,497
Net income attributable to non-controlling interests	30,947	18,912	274,645
Net income attributable to owners of the parent	¥ 81,451	¥ 52,192	$ 722,852

	Yen		US dollars (Note 1)
	2016	2015	2016
Net income per share (Note 22)	¥49.84	¥31.93	$0.442
Diluted net income per share (Note 22)	49.78	31.84	0.442

	Yen		US dollars (Note 1)
	2016	2015	2016
Cash dividends per share (applicable to the year)	¥14.00	¥9.00	$0.124

See accompanying notes.

Consolidated Statements of Comprehensive Income

Sumitomo Chemical Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2016 and 2015

	Millions of yen		Thousands of US dollars (Note 1)
	2016	2015	2016
Net income	¥112,398	¥ 71,104	$997,497
Other comprehensive income:			
Valuation difference on available-for-sale securities	(19,852)	29,211	(176,180)
Deferred losses on hedges	(494)	(15)	(4,384)
Foreign currency translation adjustment	(52,613)	84,998	(466,925)
Remeasurements of defined benefit plans	(19,493)	3,110	(172,994)
Share of other comprehensive income of associates accounted for using equity method	(9,031)	26,051	(80,147)
Total other comprehensive income (Note 19)	(101,483)	143,355	(900,630)
Comprehensive income	¥ 10,915	¥214,459	$ 96,867
Comprehensive income attributable to:			
Owners of the parent	¥ (4,667)	¥167,513	$ (41,418)
Non-controlling interests	15,582	46,946	138,285

See accompanying notes.

Consolidated Statements of Changes in Net Assets

Sumitomo Chemical Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2016 and 2015

	Millions of yen											
	Shares of common stock (thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Valuation difference on available-for-sale securities	Deferred losses on hedges	Land revaluation reserve	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Non-controlling interests	Total net assets
Balance at April 1, 2014	1,655,446	¥89,699	¥23,695	¥444,671	¥(8,816)	¥ 78,604	¥(358)	¥4,130	¥ (1,420)	¥13,092	¥291,209	¥ 934,506
Cumulative effects of changes in accounting policies				(3,636)								(3,636)
Restated balance at April 1, 2014	1,655,446	89,699	23,695	441,035	(8,816)	78,604	(358)	4,130	(1,420)	13,092	291,209	930,870
Net income attributable to owners of the parent				52,192								52,192
Cash dividends at ¥9.00 per share				(14,719)								(14,719)
Decrease due to changes in scope of consolidation and equity method				(157)								(157)
Loss on sale of treasury stock				(0)								(0)
Net increase in treasury stock					(54)							(54)
Decrease due to change in fiscal period of consolidated subsidiaries				(906)								(906)
Other						26,237	261	233	83,704	4,867	35,688	150,990
Balance at April 1, 2015	1,655,446	¥89,699	¥23,695	¥477,445	¥(8,870)	¥104,841	¥ (97)	¥4,363	¥82,284	¥17,959	¥326,897	¥1,118,216
Net income attributable to owners of the parent				81,451								81,451
Cash dividends at ¥11.00 per share				(17,988)								(17,988)
Decrease due to changes in scope of consolidation and equity method				(3)								(3)
Gain on sale of treasury stock			1									1
Net increase in treasury stock					(83)							(83)
Decrease due to change in fiscal period of consolidated subsidiaries				(1,418)								(1,418)
Other			(221)	3		(19,940)	(605)	109	(47,512)	(18,239)	(2,995)	(89,400)
Balance at March 31, 2016	1,655,446	¥89,699	¥23,475	¥539,490	¥(8,953)	¥ 84,901	¥(702)	¥4,472	¥34,772	¥ (280)	¥323,902	¥1,090,776

	Thousands of US dollars (Note 1)										
Balance at April 1, 2015	$796,051	$210,286	$4,237,176	$(78,718)	$930,431	$ (861)	$38,720	$730,245	$159,381	$2,901,109	$9,923,820
Net income attributable to owners of the parent			722,852								722,852
Cash dividends at ¥11.00 (US$0.10) per share			(159,638)								(159,638)
Decrease due to changes in scope of consolidation and equity method			(27)								(27)
Gain on sale of treasury stock		9									9
Net increase in treasury stock				(737)							(737)
Decrease due to change in fiscal period of consolidated subsidiaries			(12,584)								(12,584)
Other		(1,962)	27		(176,961)	(5,369)	968	(421,654)	(161,866)	(26,579)	(793,396)
Balance at March 31, 2016	$796,051	$208,333	$4,787,806	$(79,455)	$753,470	$(6,230)	$39,688	$308,591	$ (2,485)	$2,874,530	$9,680,299

See accompanying notes.

Consolidated Statements of Cash Flows

Sumitomo Chemical Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2016 and 2015

	Millions of yen		Thousands of US dollars (Note 1)
	2016	2015	2016
Cash flows from operating activities:			
Income before income taxes and non-controlling interests	¥157,569	¥116,702	$1,398,376
Adjustments to reconcile income before income taxes and non-controlling interests to net cash provided by operating activities—			
Depreciation and amortization	108,094	111,502	959,301
Amortization of goodwill	8,508	7,675	75,506
Impairment loss	24,688	33,258	219,098
Equity in losses (earnings) of affiliates	6,364	(15,950)	56,479
Increase in provision	17,020	5,235	151,047
Interest and dividend income	(9,321)	(14,141)	(82,721)
Interest expenses	11,976	13,483	106,283
Gain on sale of investment securities	(15,831)	(4,090)	(140,495)
Restructuring charges	991	30,021	8,795
Gain on sale of property, plant and equipment	—	(16,241)	—
Decrease in notes and accounts receivable	24,028	16,298	213,241
Decrease in inventories	20,774	8,072	184,363
Decrease in notes and accounts payable	(35,723)	(57,667)	(317,031)
Other, net	(14,337)	70,778	(127,237)
Subtotal	304,800	304,935	2,705,005
Interest and dividends received	9,167	13,268	81,354
Interest paid	(11,568)	(13,708)	(102,662)
Income taxes paid	(41,227)	(43,641)	(365,877)
Net cash provided by operating activities	261,172	260,854	2,317,820
Cash flows from investing activities:			
Acquisition of securities	—	(34,360)	—
Proceeds from sale and redemption of securities	18,499	49,620	164,173
Acquisition of investment securities	(1,290)	(12,126)	(11,448)
Proceeds from sale and redemption of investment securities	16,752	13,539	148,669
Acquisition of property, plant and equipment	(89,765)	(93,066)	(796,636)
Proceeds from sale of property, plant and equipment	1,115	22,661	9,895
Acquisition of shares of newly consolidated subsidiaries	(3,390)	(4,301)	(30,085)
Payments for sales of subsidiaries' shares resulting in changes in scope of consolidation	(780)	—	(6,922)
Other, net	5,181	1,405	45,978
Net cash used in investing activities	(53,678)	(56,628)	(476,376)
Cash flows from financing activities:			
Net decrease in short-term debt	(19,404)	(85,336)	(172,204)
Proceeds from long-term debt	19,759	98,627	175,355
Repayments of long-term debt	(142,180)	(138,599)	(1,261,803)
Repayments of finance lease obligations	(992)	(1,295)	(8,804)
Purchase of treasury stock	(82)	(54)	(728)
Cash dividends paid	(17,988)	(14,719)	(159,638)
Cash dividends paid to non-controlling interests	(17,898)	(11,768)	(158,839)
Proceeds from share issuance to non-controlling shareholders	1,447	1,679	12,842
Payments from changes in ownership interests in subsidiaries that do not result in changes in scope of consolidation	(618)	—	(5,485)
Net cash used in financing activities	(177,956)	(151,465)	(1,579,304)
Effect of exchange rate changes on cash and cash equivalents	(14,252)	16,302	(126,482)
Net change in cash and cash equivalents	15,286	69,063	135,658
Increase in cash and cash equivalents resulting from changes in scope of consolidation	—	754	—
Decrease in cash and cash equivalents resulting from change in fiscal period of consolidated subsidiaries	(1,691)	(141)	(15,007)
Cash and cash equivalents at beginning of year	201,997	132,321	1,792,661
Cash and cash equivalents at end of year (Note 20)	¥215,592	¥201,997	$1,913,312

See accompanying notes.

Notes to Consolidated Financial Statements

Sumitomo Chemical Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2016 and 2015

1 Basis of Financial Statements

(a) The accompanying consolidated financial statements of Sumitomo Chemical Company, Limited ("the Company") and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards. The accounts of foreign consolidated subsidiaries are prepared in accordance with International Financial Reporting Standards or US generally accepted accounting principles with necessary adjustments for consolidated financial reporting.

The accompanying consolidated financial statements have been restructured and translated into English from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Japanese Financial Instruments and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in these accompanying consolidated financial statements.

Certain reclassifications have been made in the previous consolidated financial statements to conform to the current presentation.

(b) The translations of Japanese yen amounts into US dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2016, which was ¥112.68 to US$1.00. Such translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be converted into US dollars at this or any other rate of exchange.

(c) In these notes, the "Companies" means the Company and its consolidated subsidiaries.

2 Significant Accounting Policies

(a) Consolidation

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

The consolidated financial statements include the accounts of the Company and 160 and 167 significant subsidiaries for the years ended March 31, 2016 and 2015, respectively. Investments in non-consolidated subsidiaries and affiliates (generally 20%-50% ownership) over which the Company has the ability to exercise significant influence on operating and financial policies are accounted for by the equity method. The equity method is applied to 36 and 34 significant affiliates for the years ended March 31, 2016 and 2015, respectively. In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to non-controlling shareholders, are evaluated using the fair value at the time the Company acquired control of the respective subsidiary. All significant intercompany transactions and accounts have been eliminated. Some subsidiaries and affiliates are consolidated with year-ends that differ from that of the Company. However, necessary adjustments have been made if the effect of the differences is material.

(b) Foreign currency translation

Foreign currency monetary assets and liabilities are translated into Japanese yen at the current rate at the end of the year, and the resulting translation gains or losses are included in earnings.

The items of financial statements of foreign subsidiaries and affiliates are translated into Japanese yen at the current rate at the end of the year for all assets and liabilities, and at the average rate during the fiscal year for revenues and expenses.

(c) Securities

The Companies have no trading securities.

Equity securities issued by subsidiaries and affiliates which are not consolidated or accounted for using the equity method are stated at moving-average cost.

Available-for-sale securities whose fair value is readily determinable are stated at fair value as of the end of the year with unrealized gains and losses, net of applicable deferred tax assets/liabilities and non-controlling interests, not reflected in earnings but directly reported as a separate component of net assets. Realized gains and losses on sales of such securities are computed using moving-average cost. Other securities with no available fair market value are stated at moving-average cost.

(d) Derivatives and hedge accounting

The Companies state derivative financial instruments at fair value and recognize changes in the fair value as gains or losses unless the derivative instruments are used for hedging purposes. If the derivative financial instruments meet certain hedging criteria, the Companies defer gains and losses resulting from changes in fair value of the derivative financial instruments until the hedged transactions occur. When a foreign exchange forward contract or foreign currency swap contract meets certain conditions, the hedged item is stated by the forward exchange contract rate. If interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contracts is added to or deducted from the interest on the assets or liabilities for which the interest rate swap contracts were executed.

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

Hedging instruments	Items hedged
Forward foreign exchange contracts	Foreign currency receivables and payables
Currency swap contracts	Foreign currency bonds and loans
Interest rate swap contracts	Interest on bonds and loans
Commodity forward contracts	Sales and purchase of aluminum

(e) Inventories

Inventories are stated at the lower of weighted-average cost or net realizable value. Certain overseas consolidated subsidiaries use the FIFO (first-in, first-out) costing method for which inventories are stated at the lower of cost or net realizable value.

(f) Property, plant and equipment

Property, plant and equipment are carried at cost and depreciated by the straight-line method over estimated useful lives. Useful lives are based on Japanese tax laws.

(g) Intangible assets

Goodwill is amortized on the straight-line method within 20 years with the exception of minor amounts which are charged to income in the year of acquisition. Patents, software and other intangible assets are amortized on the straight-line method over the estimated useful lives.

(h) Lease assets

Lease assets under finance lease arrangements which do not transfer the ownership of the leased property to the lessee are capitalized and depreciated to a residual value of zero by the straight-line method using lease period as the useful life.

Finance leases which commenced prior to March 31, 2008 and do not transfer the ownership to the lessee were accounted for as operating leases.

(i) Research and development

Expenses relating to research and development activities are charged to income as incurred. Research and development expenses were ¥155,771 million (US$1,382,419 thousand) and ¥147,919 million for the years ended March 31, 2016 and 2015, respectively.

(j) Income taxes

Income taxes comprise corporation tax, prefectural and municipal inhabitant taxes and enterprise tax.

Deferred taxes are accounted for using the asset and liability method under which deferred tax assets and liabilities are recognized for loss carryforwards and the future tax consequences of temporary differences between the carrying amounts and tax basis of assets and liabilities using enacted tax rates.

The Company and certain consolidated subsidiaries apply the consolidated taxation system.

(k) Retirement benefits

i) Employees:

The Company and certain consolidated subsidiaries have established the following defined pension plans: a lump-sum benefit plan; a defined benefit corporate pension plan; and a defined contribution pension plan. The defined benefit pension plans of the Company and certain consolidated subsidiaries thereof are funded through outside trusts and cover all eligible employees.

The Company and certain consolidated subsidiaries establish the employee retirement benefit trust.

Certain consolidated subsidiaries use the simplified method for computing their liability for retirement benefits.

Certain consolidated subsidiaries participate in the multiemployer pension plan in which the amount of required contributions is recognized in the same manner as the defined contribution plan.

The Company and certain consolidated subsidiaries provide for employees' severance and retirement benefits based on the estimated amounts of projected benefit obligations and the fair value of the pension assets.

The unrecognized actuarial differences on pension assets are amortized mainly over three years commencing the year following the current fiscal year.

Other unrecognized actuarial differences are amortized mainly over three years commencing the current fiscal year.

Prior service costs are amortized mainly over three years from the revision date.

(l) Allowance for doubtful accounts

Allowance for doubtful accounts is provided in amounts sufficient to cover possible losses on collection. Allowance for doubtful accounts consists of the estimated uncollectible amounts with respect to specific items, and the amount calculated using the actual percentage of collection losses in the past with respect to other items.

(m) Reserve for bonuses

To provide for payments for bonuses subsequent to the consolidated year-end date, reserves for bonuses were recorded based on the amounts expected to be paid.

(n) Reserve for periodic repairs

The Company and several consolidated subsidiaries provide for the costs of periodic repairs of production facilities at plants. In the consolidated balance sheets ¥6,778 million (US$60,153 thousand) and ¥8,882 million were included in "other current liabilities" and "other long-term liabilities" on March 31, 2016 and 2015, respectively.

(o) Reserve for sales rebates

The reserve for sales rebates mainly related to public programs and contracts with wholesalers is provided based on the amounts expected to be paid subsequent to the consolidated year-end date.

(p) Reserve for removal cost of property, plant and equipment

The reserve for removal cost of property, plant and equipment is provided based on estimated future removal cost of property, plant and equipment. ¥15,074 million (US$133,777 thousand) and ¥18,452 million were included in "other current liabilities" and "other long-term liabilities" on March 31, 2016 and 2015, respectively.

(q) Net income per share

Computation of net income per share of common stock shown in the consolidated statements of operations is based on the weighted average number of shares of common stock outstanding during the period and net income attributable to owners of the parent. The computation of dilutive net income per share of common stock is based on the weighted average number of shares of common stock outstanding increased by the number of shares which would have been outstanding assuming the translation of outstanding share subscription rights at the beginning of the period. Related interest expenses, net of income taxes, have been eliminated for the purposes of this calculation.

(r) Cash and cash equivalents

Cash and cash equivalents include cash on hand, readily available deposits and short-term investments, which are easily convertible into cash and present insignificant risk of changes in value, with original maturities of three months or less.

3 Changes in Accounting Policies

(a) The Company and its domestic subsidiaries adopted "Revised Accounting Standard for Business Combinations" (ASBJ Statement No.21, September 13, 2013 (hereinafter, "Statement No.21")), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22, September 13, 2013 (hereinafter, "Statement No.22")) and "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No.7, September 13, 2013 (hereinafter, "Statement No.7")) (together, the "Business Combination Accounting Standards"), from the current fiscal year. As a result, the Company changed its accounting policies to recognize in capital surplus the differences arising from the changes in the Company's ownership interest of subsidiaries over which the Company continues to maintain control and to record acquisition related costs as expenses in the fiscal year in which the costs are incurred. In addition, the Company changed its accounting policy for the reallocation of acquisition costs due to the completion following provisional accounting to reflect such reallocation in the consolidated financial statements for the fiscal year in which the business combination took place. The Company also changed the presentation of net income and the term "non-controlling interests" is used instead of "minority interests". Certain amounts in the prior year comparative information were reclassified to conform to such changes in the current year presentation.

With regard to the application of the Business Combination Accounting Standards, the Company followed the provisional treatments in article 58-2 (4) of Statement No.21, article 44-5 (4) of Statement No.22 and article 57-4 (4) of Statement No.7 with application from the beginning of the current fiscal year prospectively.

The effects on the consolidated financial statements of the current fiscal year are immaterial.

In the consolidated statement of cash flows, cash flows from acquisition or disposal of shares of subsidiaries with no changes in the scope of consolidation are included in "Cash flows from financing activities" and cash flows from acquisition related costs for shares of subsidiaries with changes in the scope of consolidation or costs related to acquisition or disposal of shares of subsidiaries with no changes in the scope of consolidation are included in "Cash flows from operating activities".

Information of the effects on segment information and net income per share is omitted because the effects are immaterial.

(b) Effective from the year ended March 31, 2015, the Company and its consolidated subsidiaries have applied article 35 of the "Accounting Standard for Retirement Benefits" (ASBJ Statement No.26, May 17, 2012 (hereinafter, "Statement No.26")) and article 67 of the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No.25, March 26, 2015 (hereinafter, "Guidance No.25")), and have changed the determination of retirement benefit obligations and current service costs. In addition, the Company and its consolidated subsidiaries have changed the method of attributing expected benefit to periods from the straight-line basis to the benefit formula basis, and the method of determining the discount rate from using the bond rate determined by reference to the terms closely related to average remaining working lives of the employees to using a single weighted average discount rate reflecting the estimated timing and amount of benefit payment.

In accordance with article 37 of Statement No.26, the effect of changing the determination of retirement benefit obligations and current service costs has been recognized in retained earnings at the beginning of the year ended March 31, 2015.

As a result of the application, net defined benefit liability increased by ¥505 million and net defined benefit asset and retained earnings decreased by ¥4,833 million and ¥3,636 million respectively, at the beginning of the year ended March 31, 2015.

The effects on the profit for the year ended March 31, 2015 are immaterial.

Information of the effects on segment information is omitted because the effects are immaterial.

Information of the effects on net income per share is omitted because the effects are immaterial.

4 Accounting Standards Not Yet Applied

"Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016 (hereinafter, "Guidance No.26"))

(a) Overview

Following the framework in Auditing Committee Report No. 66 "Audit Treatment regarding the Judgment of Recoverability of Deferred Tax Assets", which prescribes estimation of deferred tax assets according to the classification of the entity by one of five types, the following treatments were changed as necessary:

1. Treatment for an entity that does not meet any of the criteria in types 1 to 5;
2. Criteria for types 2 and 3;
3. Treatment for deductible temporary differences which an entity classified as type 2 is unable to schedule;
4. Treatment for the period which an entity classified as type 3 is able to reasonably estimate with respect to future taxable income before consideration of taxable or deductible temporary differences that exist at the end of the current fiscal year; and
5. Treatment when an entity classified as type 4 also meets the criteria for types 2 or 3.

(b) Effective date

Effective from the beginning of the fiscal year ending March 31, 2017

(c) Effect of application of the standard

The Companies are currently in the process of determining the effects of these new standards on the consolidated financial statements.

5 Financial Instruments

(a) Status of financial instruments

The Companies procure funds that are required in light of investment plans and other determining factors through bank loans and corporate bonds issuance in order to carry out business inside and outside Japan, and procure short-term working funds through bank loans and commercial paper issuance.

Temporary surplus funds are to be utilized only for highly safe financial instruments with fixed yields and low probabilities of losses of principal.

Trade notes and accounts receivable are exposed to the credit risks in relation to customers, and in order to reduce such risks, the Company regularly monitors the business condition, the sales turnover, and the balance of receivables of all business counterparties by business sections of each business segment, reviews the dealing policies according to the company regulation for credit management, and aims at the grasp of customers' credit risks due to deterioration of the financial condition, etc. at the early stage and the reduction of the credit risks. Besides, the Company hedges the exchange rate risks of trade notes and accounts receivable denominated in foreign currencies arisen primarily from exporting by utilizing forward foreign exchange contracts within a certain extent in accordance with the company regulation for management of foreign currency risk.

For securities and investment securities which are mainly shares, the Companies regularly review the fair values or financial positions of the invested companies and revise the portfolio considering the relationship with them.

Among debts, short-term loans payable and commercial paper are primarily for short-term working capital. Long-term loans payable and corporate bonds are primarily for funding related to capital investment & financing and long-term working capital. Long-term loans payable with floating interest rates are exposed to the rising interest rate risks, which are hedged by interest rate swap contracts used within a certain extent.

The Companies enter into currency swap contracts to hedge exchange rate risk associated with loans denominated in foreign currencies, and commodity forward contracts to manage exposure to fluctuations in the market price of aluminum, in addition to forward foreign exchange contracts and interest rate swap contracts as stated above.

The Companies utilize derivative transactions only for risk hedging purposes and limit the amounts to actual demand. The Company and certain consolidated subsidiaries establish the company regulation which stipulates the utilization purpose, policy, authorization and procedures of the derivative transactions and manage the risk arisen from the derivative transactions. Also, the Companies assess effectiveness of the hedge transactions by verifying the hedged items and the corresponding derivatives.

Fair values of financial instruments include the values based on market prices, and the values deemed as market prices assessed by the reasonable estimate when the financial instruments do not have market prices. Since certain assumptions and others are adopted for calculating such values, they may differ when adopting different assumptions and others.

(b) Fair values of financial instruments

Book values and fair values of the financial instruments on the consolidated balance sheet as of March 31, 2016 were as follows.
Certain financial instruments were excluded from the following table as the fair values were not available (see Note 2 below).

	Millions of yen		
	Book value	Fair value	Difference
Cash and cash equivalents	¥ 215,592	¥ 215,592	¥ —
Short-term investments	2,001	2,001	—
Trade notes and accounts receivable	414,809	414,809	—
Securities and investment securities			
Investment in non-consolidated subsidiaries and affiliates	191,798	195,774	3,976
Available-for-sale securities	191,480	191,480	—
Long-term loans*1	70,114	70,114	—
Total	¥1,085,794	¥1,089,770	¥ 3,976
Short-term debt	126,659	126,659	—
Trade notes and accounts payable	205,188	205,188	—
Long-term debt*1	704,846	721,525	16,679
Total	¥1,036,693	¥1,053,372	¥16,679
Derivative transactions*2	¥ 704	¥ (5,349)	¥ (6,053)

	Thousands of US dollars		
	Book value	Fair value	Difference
Cash and cash equivalents	$1,913,312	$1,913,312	$ —
Short-term investments	17,758	17,758	—
Trade notes and accounts receivable	3,681,301	3,681,301	—
Securities and investment securities			
Investment in non-consolidated subsidiaries and affiliates	1,702,147	1,737,433	35,286
Available-for-sale securities	1,699,326	1,699,326	—
Long-term loans *1	622,240	622,240	—
Total	$9,636,084	$9,671,370	$ 35,286
Short-term debt	1,124,059	1,124,059	—
Trade notes and accounts payable	1,820,980	1,820,980	—
Long-term debt*1	6,255,290	6,403,310	148,020
Total	$9,200,329	$9,348,349	$148,020
Derivative transactions*2	$ 6,248	$ (47,471)	$ (53,719)

*1: Long-term loans and long-term debt include those due within one year.
*2: Net receivables/payables arising from derivative transactions are shown and items that are net payables are shown in parentheses.

Book values and fair values of the financial instruments on the consolidated balance sheet as of March 31, 2015 were as follows.
Certain financial instruments were excluded from the following table as the fair values were not available (see Note 2 below).

	Millions of yen		
	Book value	Fair value	Difference
Cash and cash equivalents	¥ 201,997	¥ 201,997	¥ —
Short-term investments	3,013	3,013	—
Trade notes and accounts receivable	456,054	456,054	—
Securities and investment securities			
Investment in non-consolidated subsidiaries and affiliates	213,712	327,932	114,220
Available-for-sale securities	240,684	240,684	—
Long-term loans*1	74,773	74,773	—
Total	¥1,190,233	¥1,304,453	¥114,220
Short-term debt	147,805	147,805	—
Trade notes and accounts payable	258,161	258,161	—
Long-term debt*1	832,368	848,743	16,375
Total	¥1,238,334	¥1,254,709	¥ 16,375
Derivative transactions*2	¥ 801	¥ (2,609)	¥ (3,410)

*1: Long-term loans and long-term debt include those due within one year.
*2: Net receivables/payables arising from derivative transactions are shown and items that are net payables are shown in parentheses.

(Note 1): Fair values of financial instruments, and matters pertaining to securities and derivative transactions

Assets

Cash and cash equivalents, Short-term investments and Trade notes and accounts receivable
The book values approximate the fair values because of short-term maturities of these instruments.

Securities and investment securities
The market prices and quoted prices were used for shares and bonds except certain short-term deposits, which were recorded at book value. See the notes on "7. Securities."

Long-term loans
The discounted cash flow method was used to estimate fair values, with discount rates calculated as the total of the appropriate baseline rate and the credit risk spread.

Liabilities

Short-term debt, Trade notes and accounts payable
The book values approximate the fair values because of short-term settlement of these instruments.

Long-term debt
The discounted cash flow method was used to estimate fair values of bank loans, with discount rates based on the marginal borrowing rates. Market prices were used for corporate bonds.

Derivative transactions
See the notes on "11. Derivative Transactions and Hedge Accounting."

(Note 2): The financial instruments excluded from the table as of March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of US dollars
	2016	2015	2016
Unlisted equity securities	¥85,032	¥80,774	$754,633
Preferred securities	396	346	3,514
Other	615	1,833	5,458

These instruments were not included in securities and investment securities as the fair values were not available.

(Note 3): Financial assets subject to redemption at maturities subsequent to March 31, 2016 were as follows:

	Millions of yen			
	Within one year	Over one year, within five years	Over five years, within ten years	Over ten years
Cash and cash equivalents	¥145,653	¥ —	¥—	¥—
Short-term investments	2,001	—	—	—
Trade notes and accounts receivable	406,913	7,896	—	—
Securities and investment securities				
Available-for-sale securities				
Government bonds and municipal bonds	—	—	—	—
Bonds	—	—	—	—
Other bonds	—	—	—	—
Other	—	—	—	—
Long-term loans *	7	1,247	27	98
Total	¥554,574	¥9,143	¥27	¥98

	Thousands of US dollars			
	Within one year	Over one year, within five years	Over five years, within ten years	Over ten years
Cash and cash equivalents	$1,292,625	$ —	$ —	$ —
Short-term investments	17,758	—	—	—
Trade notes and accounts receivable	3,611,226	70,075	—	—
Securities and investment securities				
Available-for-sale securities				
Government bonds and municipal bonds	—	—	—	—
Bonds	—	—	—	—
Other bonds	—	—	—	—
Other	—	—	—	—
Long-term loans *	62	11,067	240	871
Total	$4,921,671	$81,142	$240	$871

* A long-term loan of ¥68,735 million (US$610,000 thousand) to Rabigh Refining and Petrochemical Company (an affiliated company of the Company) was a subordinated loan subject to the terms and conditions stipulated in the project finance agreement concerning "The Rabigh Phase I Project." The loan was not included in the above schedule, because the future cash flows of the said company were uncertain and the repayment schedule could not be determined at the consolidated year-end date.

Financial assets subject to redemption at maturities subsequent to March 31, 2015 were as follows:

	Millions of yen			
	Within one year	Over one year, within five years	Over five years, within ten years	Over ten years
Cash and cash equivalents	¥136,212	¥ —	¥—	¥ —
Short-term investments	3,013	—	—	—
Trade notes and accounts receivable	451,454	4,600	—	—
Securities and investment securities				
Available-for-sale securities				
Government bonds and municipal bonds	6,268	—	—	—
Bonds	10,050	—	—	—
Other bonds	—	—	—	49
Other	2,222	—	—	—
Long-term loans *	7	1,328	36	98
Total	¥609,226	¥5,928	¥36	¥147

* A long-term loan of ¥73,304 million to Rabigh Refining and Petrochemical Company (an affiliated company of the Company) was a subordinated loan subject to the terms and conditions stipulated in the project finance agreement concerning "The Rabigh Phase I Project." The loan was not included in the above schedule, because the future cash flows of the said company were uncertain and the repayment schedule could not be determined at the consolidated year-end date.

(Note 4): See the notes on "9. Short-term Debt and Long-term Debt" for the aggregate annual maturities of long-term debt after the consolidated year-end date.

6 Inventories

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

	Millions of yen		Thousands of US dollars
	2016	2015	2016
Merchandise and finished goods	¥283,037	¥317,994	$2,511,866
Work in process	13,229	14,518	117,403
Raw materials and supplies	105,989	107,368	940,619
Total	¥402,255	¥439,880	$3,569,888

7 Securities

Securities with available fair values included in securities and investment securities as of March 31, 2016 were as follows:

Available-for-sale securities

(a) Securities with book values exceeding acquisition cost

	Millions of yen		
	Book value	Acquisition cost	Difference
Equity securities	¥181,637	¥42,377	¥139,260
Other securities	—	—	—
Total	¥181,637	¥42,377	¥139,260

	Thousands of US dollars		
	Book value	Acquisition cost	Difference
Equity securities	$1,611,972	$376,083	$1,235,889
Other securities	—	—	—
Total	$1,611,972	$376,083	$1,235,889

(b) Securities with book values not exceeding acquisition cost

	Millions of yen		
	Book value	Acquisition cost	Difference
Equity securities	¥ 9,843	¥ 11,348	¥(1,505)
Other securities	—	—	—
Other	81,039	81,039	—
Total	¥90,882	¥92,387	¥(1,505)

	Thousands of US dollars		
	Book value	Acquisition cost	Difference
Equity securities	$ 87,354	$100,710	$(13,356)
Other securities	—	—	—
Other	719,196	719,196	—
Total	$806,550	$819,906	$(13,356)

Total sales of available-for-sale securities

	Millions of yen		
	Amount of sales	Gain on sales	Loss on sales
Equity securities	¥16,578	¥15,836	¥—
Other securities	51	20	0
Total	¥16,629	¥15,856	¥ 0

	Thousands of US dollars		
	Amount of sales	Gain on sales	Loss on sales
Equity securities	$147,125	$140,540	$—
Other securities	453	177	0
Total	$147,578	$140,717	$ 0

Securities with available fair values included in securities and investment securities as of March 31, 2015 were as follows:

Available-for-sale securities

(a) Securities with book values exceeding acquisition cost

	Millions of yen		
	Book value	Acquisition cost	Difference
Equity securities	¥221,323	¥52,097	¥169,226
Other securities	2,171	2,152	19
Total	¥223,494	¥54,249	¥169,245

(b) Securities with book values not exceeding acquisition cost

	Millions of yen		
	Book value	Acquisition cost	Difference
Equity securities	¥ 771	¥ 979	¥(208)
Other securities	14,197	14,201	(4)
Other	2,222	2,222	—
Total	¥17,190	¥17,402	¥(212)

Total sales of available-for-sale securities

	Millions of yen		
	Amount of sales	Gain on sales	Loss on sales
Equity securities	¥5,045	¥4,119	¥—
Other securities	2,867	4	0
Total	¥7,912	¥4,123	¥ 0

8 Investments in Related Companies

Investments in non-consolidated subsidiaries and affiliates included in the consolidated balance sheet as of March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of US dollars
	2016	2015	2016
Investment securities	¥265,690	¥281,627	$2,357,916
Other (Investments and other assets)	2,747	2,860	24,379
Total	¥268,437	¥284,487	$2,382,295

9 Short-term Debt and Long-term Debt

Interest rates on short-term bank loans ranged from 0.07% to 4.14% and from 0.25% to 11.00% as of March 31, 2016 and 2015, respectively.

Short-term debt as of March 31, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of US dollars
	2016	2015	2016
Bank loans	¥102,659	¥107,805	$ 911,066
Commercial paper	24,000	40,000	212,993
Total	¥126,659	¥147,805	$1,124,059

Long-term debt as of March 31, 2016 and 2015 consisted of the following:

	Millions of yen	Thousands of US dollars
	2016	2016
0.34%-2.14% debentures due through 2024	¥302,000	$2,680,156
0.32%-5.90% long-term bank loans payable due through 2025	402,846	3,575,134
Subtotal	704,846	6,255,290
Less amounts due within one year	(100,576)	(892,581)
Total	¥604,270	$5,362,709

	Millions of yen
	2015
0.34%-2.14% debentures due through 2024	¥382,000
0.32%-5.90% long-term bank loans payable due through 2025	450,368
Subtotal	832,368
Less amounts due within one year	(138,736)
Total	¥693,632

Long-term debt with maturities subsequent to March 31, 2016 and 2015 was as follows:

	Millions of yen	Thousands of US dollars
	2016	2016
2017	¥100,576	$ 892,581
2018	106,127	941,844
2019	115,918	1,028,736
2020	87,976	780,760
2021	86,775	770,101
2022 and thereafter	207,474	1,841,268
Total	¥704,846	$6,255,290

	Millions of yen
	2015
2016	¥138,736
2017	102,676
2018	107,510
2019	100,929
2020	88,685
2021 and thereafter	293,832
Total	¥832,368

As of March 31, 2016 and 2015, assets pledged as collateral for short-term debt, long-term debt and others were as follows:

	Millions of yen		Thousands of US dollars
	2016	2015	2016
Investment securities	¥ 86,209	¥100,511	$ 765,078
Property, plant and equipment, net of accumulated depreciation	20,879	19,427	185,295
Trade notes and accounts receivable	8,092	1,228	71,814
Cash and cash equivalents	386	511	3,426
Total	¥115,566	¥121,677	$1,025,613
Liabilities secured thereby	¥ 10,148	¥ 8,680	$ 90,060

* ¥86,157 million (US$764,617 thousand) and ¥100,444 million of investment securities pledged as collateral for affiliates' debt amounted to ¥200,965 million (US$1,783,502 thousand) and ¥247,545 million are subjected to real guarantee as of March 31, 2016 and 2015, respectively.

10 Leases

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

	Millions of yen		Thousands of US dollars
	2016	2015	2016
Due within one year	¥ 4,495	¥ 3,902	$ 39,891
Due after one year	31,005	34,552	275,160
Total	¥35,500	¥38,454	$315,051

11 Derivative Transactions and Hedge Accounting

The contract amounts and fair values of derivative transactions as of March 31, 2016 were as follows:

Hedge accounting is not applied

Currency-related derivative transactions

	Millions of yen		
	Contract amounts, etc.		
Transaction type	Total	Due over one year	Fair value
Foreign exchange forward contracts			
Sell contracts			
USD	¥15,692	¥—	¥201
Buy contracts			
USD	18,010	—	19
SGD	1,235	—	(1)
Total	¥34,937	¥—	¥219

	Thousands of US dollars		
	Contract amounts, etc.		
Transaction type	Total	Due over one year	Fair value
Foreign exchange forward contracts			
Sell contracts			
USD	$139,262	$—	$1,784
Buy contracts			
USD	159,833	—	169
SGD	10,960	—	(9)
Total	$310,055	$—	$1,944

Hedge accounting applied

(a) Currency-related derivative transactions

Main items hedged by foreign exchange forward contracts and currency swap contracts are trade accounts receivable and payable and loans payable, respectively.

	Millions of yen		
	Contract amounts, etc.		
Transaction type	Total	Due over one year	Fair value
Foreign exchange forward contracts			
Sell contracts			
USD	¥ 7,932	¥—	¥149
EUR	936	—	46
Other	313	—	13
Buy contracts			
USD	8,615	—	(116)
NZD	1,911	—	18
Other	5,378	—	144
Currency swap contract			
Pay USD, receive JPY	887	—	58
Total	¥25,972	¥—	¥312

	Thousands of US dollars		
	Contract amounts, etc.		
Transaction type	Total	Due over one year	Fair value
Foreign exchange forward contracts			
Sell contracts			
USD	$ 70,394	$—	$1,322
EUR	8,307	—	408
Other	2,778	—	115
Buy contracts			
USD	76,455	—	(1,029)
NZD	16,960	—	160
Other	47,727	—	1,278
Currency swap contract			
Pay USD, receive JPY	7,872	—	515
Total	$230,493	$—	$2,769

The following foreign exchange forward contracts meet certain conditions and their corresponding hedged items are stated by the forward exchange contract rates. Main items hedged are trade accounts receivable and payable, and their fair values are included in those of their hedged items in the notes of "5. Financial Instruments."

	Millions of yen		
	Contract amounts, etc.		
Transaction type	Total	Due over one year	Fair value
Foreign exchange forward contracts			
Sell contracts			
USD	¥13,004	¥—	¥—
EUR	371	—	—
Other	34	—	—
Buy contracts			
USD	3,767	—	—
Other	484	—	—
Total	¥17,660	¥—	¥—

	Thousands of US dollars		
	Contract amounts, etc.		
Transaction type	Total	Due over one year	Fair value
Foreign exchange forward contracts			
Sell contracts			
USD	$115,406	$—	$—
EUR	3,293	—	—
Other	302	—	—
Buy contracts			
USD	33,431	—	—
Other	4,295	—	—
Total	$156,727	$—	$—

(b) Interest-related derivative transactions

Main items hedged by interest rate swap contracts are loans payable.

	Millions of yen		
	Contract amounts, etc.		
Transaction type	Total	Due over one year	Fair value
Interest rate swap contracts			
Pay fixed rate, receive floating rate	¥11,944	¥2,479	¥(227)

	Thousands of US dollars		
	Contract amounts, etc.		
Transaction type	Total	Due over one year	Fair value
Interest rate swap contracts			
Pay fixed rate, receive floating rate	$105,999	$22,000	$(2,015)

The following interest rate swap contracts are used as hedges and meet certain hedging criteria. The net amount to be paid or received under these interest rate swap contracts is added to or deducted from the interest on the assets or liabilities for which these interest rate swap contracts were executed. Main items hedged are loans payable.

	Millions of yen		
	Contract amounts, etc.		
Transaction type	Total	Due over one year	Fair value
Interest rate swap contracts			
Pay fixed rate, receive floating rate	¥133,170	¥126,160	¥(6,053)

	Thousands of US dollars		
	Contract amounts, etc.		
Transaction type	Total	Due over one year	Fair value
Interest rate swap contracts			
Pay fixed rate, receive floating rate	$1,181,842	$1,119,631	$(53,718)

(c) Commodity-related derivative transactions

Main items hedged are trade accounts receivable and payable arising from sales and purchase transactions of aluminum.

	Millions of yen		
	Contract amounts, etc.		
Transaction type	Total	Due over one year	Fair value
Commodity forward contracts			
Sell contracts			
Metals	¥ 7,067	¥1,437	¥1,130
Buy contracts			
Metals	10,565	2,344	(730)
Total	¥17,632	¥3,781	¥ 400

	Thousands of US dollars		
	Contract amounts, etc.		
Transaction type	Total	Due over one year	Fair value
Commodity forward contracts			
Sell contracts			
Metals	$ 62,718	$12,753	$10,029
Buy contracts			
Metals	93,761	20,802	(6,479)
Total	$156,479	$33,555	$ 3,550

The contract amounts and fair values of derivative transactions as of March 31, 2015 were as follows:

Hedge accounting applied

(a) Currency-related derivative transactions

Main items hedged by foreign exchange forward contracts and currency swap contracts are trade accounts receivable and payable and loans payable, respectively.

	Millions of yen		
	Contract amounts, etc.		
Transaction type	Total	Due over one year	Fair value
Foreign exchange forward contracts			
Sell contracts			
USD	¥ 4,246	¥—	¥ 21
EUR	1,023	—	(67)
Other	223	—	(3)
Buy contracts			
USD	10,629	—	188
NZD	2,320	—	(4)
Other	6,058	—	33
Currency swap contract			
Pay USD, receive JPY	971	—	2
Total	¥25,470	¥—	¥170

The following foreign exchange forward contracts meet certain conditions and their corresponding hedged items are stated by the forward exchange contract rates. Main items hedged are trade accounts receivable and payable, and their fair values are included in those of their hedged items in the notes of "5. Financial Instruments."

	Millions of yen		
	Contract amounts, etc.		
Transaction type	Total	Due over one year	Fair value
Foreign exchange forward contracts			
Sell contracts			
USD	¥25,366	¥—	¥—
EUR	791	—	—
Other	565	—	—
Buy contracts			
USD	7,876	—	—
Other	1,941	—	—
Total	¥36,539	¥—	¥—

(b) Interest-related derivative transactions

Main items hedged by interest rate swap contracts are loans payable.

	Millions of yen		
	Contract amounts, etc.		
Transaction type	Total	Due over one year	Fair value
Interest rate swap contracts			
Pay fixed rate, receive floating rate	¥14,060	¥12,170	¥(246)

The following interest rate swap contracts are used as hedges and meet certain hedging criteria. The net amount to be paid or received under these interest rate swap contracts is added to or deducted from the interest on the assets or liabilities for which these interest rate swap contracts were executed. Main items hedged are loans payable.

	Millions of yen		
	Contract amounts, etc.		
Transaction type	Total	Due over one year	Fair value
Interest rate swap contracts			
Pay fixed rate, receive floating rate	¥139,678	¥136,170	¥(3,410)

(c) Commodity-related derivative transactions

Main items hedged are trade accounts receivable and payable arising from sales and purchase transactions of aluminum.

	Millions of yen		
	Contract amounts, etc.		
Transaction type	Total	Due over one year	Fair value
Commodity forward contracts			
Sell contracts			
Metals	¥13,205	¥4,245	¥899
Buy contracts			
Metals	8,521	421	(22)
Total	¥21,726	¥4,666	¥877

12 Impairment Loss

The Companies recognized impairment losses on fixed assets for the year ended March 31, 2016. Main assets for which impairment losses were recognized were as follows:

			Millions of yen	Thousands of US dollars
Location	Usage purpose	Type of assets	2016	2016
Singapore	S-SBR production facilities	Buildings, structures, machinery and equipment, etc.	¥8,519	$75,603
Poland	Diesel particulate filter production facilities	Buildings, structures, machinery and equipment, etc.	8,174	72,542
Singapore	Methyl methacrylate production facilities	Buildings, structures, machinery and equipment, etc.	5,420	48,101

The Companies group business assets based on business segments (of these assets, certain intangible assets are grouped individually based on each asset), and idle assets based on each asset.

The Company and certain consolidated subsidiaries recognized impairment losses on production facilities with decreased profitability due to the revised business plan or serious deterioration in the business environment. These were written down to the recoverable amounts. The recoverable amounts of these assets were measured at their net realizable value or their value in use. The net realizable value was based on the estimated sales value. The value in use was calculated by discounting future cash flows with a discount rate of 6.2%.

The Companies recognized impairment losses on fixed assets for the year ended March 31, 2015. Main assets for which impairment losses were recognized were as follows:

			Millions of yen
Location	Usage purpose	Type of assets	2015
U.K.	Exclusive rights with respect to PLED materials and devices, etc.	Patents	¥12,576
Ehime, Japan	Alumina production facilities, etc.	Buildings, structures, machinery and equipment, etc.	6,419
Ehime, Japan	Pharmaceuticals production facilities, etc.	Buildings, structures, construction in progress, long-term prepaid expenses, etc.	5,128
Korea	Sapphire substrates production facilities	Structures, machinery and equipment	4,811
Korea	Production facilities for touchscreen panels used for LCD	Machinery and equipment, vehicles, construction in progress	1,600

The Companies group business assets based on business segments (of these assets, certain intangible assets are grouped individually based on each asset), and idle assets based on each asset.

The Company and certain consolidated subsidiaries recognized impairment losses on patents for which future profitability has been deemed through the revised business plan to be lacking, the production facilities of businesses with decreased profitability due to a serious deterioration in the business environment, with the plan to close in connection with reorganization of production sites and with the revision of the business plan due to a change in the business environment. These were written down to the recoverable amounts. The recoverable amounts of these assets were measured at their net realizable value or their value in use. The net realizable value was based on the estimated sales value. The value in use was calculated by discounting future cash flows with a discount rate of 6.9%.

13 Retirement Benefits

(a) Defined benefit plans

i) Movement in retirement benefit obligations, except plan applied simplified method

	Millions of yen	Thousands of US dollars
Balance at April 1, 2014	¥268,851	
Cumulative effects of changes in accounting policies	5,338	
Restated balance at April 1, 2014	274,189	
Service cost	11,483	
Interest cost	3,538	
Actuarial loss	10,852	
Benefits paid	(13,469)	
Prior service costs	(318)	
Other	2,046	
Balance at March 31, 2015	¥288,321	$2,558,759
Service cost	12,060	107,029
Interest cost	3,100	27,512
Actuarial loss	11,282	100,124
Benefits paid	(13,497)	(119,782)
Prior service costs	161	1,429
Other	(1,466)	(13,010)
Balance at March 31, 2016	¥299,961	$2,662,061

ii) Movements in plan assets, except plan applied simplified method

	Millions of yen	Thousands of US dollars
Balance at April 1, 2014	¥302,090	
Expected return on plan assets	4,201	
Actuarial gain	20,705	
Contributions paid by the employer	11,350	
Benefits paid	(12,141)	
Other	1,240	
Balance at March 31, 2015	¥327,445	$2,905,973
Expected return on plan assets	4,237	37,602
Actuarial gain	(5,597)	(49,672)
Contributions paid by the employer	10,533	93,477
Benefits paid	(11,912)	(105,715)
Other	(1,291)	(11,457)
Balance at March 31, 2016	¥323,415	$2,870,208

iii) Movements in net defined benefit liability in which the simplified method has been applied

	Millions of yen	Thousands of US dollars
Balance at April 1, 2014	¥5,659	
Retirement benefit costs	390	
Benefits paid	(388)	
Contributions paid by the employer	(236)	
Other	(399)	
Balance at March 31, 2015	¥5,026	$44,604
Retirement benefit costs	1,189	10,552
Benefits paid	(532)	(4,721)
Contributions paid by the employer	(204)	(1,810)
Other	(1)	(9)
Balance at March 31, 2016	¥5,478	$48,616

iv) Reconciliation from retirement benefit obligations and plan assets to net defined benefit liability (asset)

	Millions of yen		Thousands of US dollars
	2016	2015	2016
Funded retirement benefit obligations	¥279,491	¥269,682	$2,480,396
Plan assets	(327,543)	(331,615)	(2,906,842)
	(48,052)	(61,933)	(426,446)
Unfunded retirement benefit obligations	30,076	27,835	266,915
Total net defined benefit liability (asset) at March 31, 2016 and 2015	¥ (17,976)	¥ (34,098)	$ (159,531)
Net defined benefit liability	35,824	34,178	317,927
Net defined benefit asset	(53,800)	(68,276)	(477,458)
Total net defined benefit liability (asset) at March 31, 2016 and 2015	¥ (17,976)	¥ (34,098)	$ (159,531)

Note: Including the simplified method.

v) Retirement benefit costs

	Millions of yen		Thousands of US dollars
	2016	2015	2016
Service cost	¥12,060	¥11,483	$107,029
Interest cost	3,100	3,538	27,512
Expected return on retirement benefit plan assets	(4,237)	(4,201)	(37,602)
Amortization of actuarial differences	(8,363)	(4,909)	(74,219)
Amortization of prior service costs	(2,594)	(2,763)	(23,021)
Amortization of net retirement benefit obligation at transition	—	(4)	—
Total retirement benefit costs on the simplified method	1,189	390	10,552
Other	156	(319)	1,384
Total retirement benefit costs for the fiscal years ended March 31, 2016 and 2015	¥ 1,311	¥ 3,215	$11,635

vi) Remeasurements of defined benefit plans included in other comprehensive income (before deducting the amount of deferred tax assets (liabilities))

	Millions of yen		Thousands of US dollars
	2016	2015	2016
Prior service costs	¥ (2,755)	¥(2,443)	$ (24,450)
Actuarial differences	(25,002)	4,751	(221,885)
Net retirement benefit obligation at transition	—	(4)	—
Total for the fiscal years ended March 31, 2016 and 2015	¥(27,757)	¥ 2,304	$(246,335)

vii) Remeasurements of defined benefit plans included in accumulated other comprehensive income (before deducting the amount of deferred tax assets (liabilities))

	Millions of yen		Thousands of US dollars
	2016	2015	2016
Unrecognized prior service costs	¥(1,183)	¥ (3,938)	$(10,499)
Unrecognized actuarial differences	3,761	(21,241)	33,378
Total balance at March 31, 2016 and 2015	¥ 2,578	¥(25,179)	$ 22,879

viii) Plan assets

Plan assets comprise:	2016	2015
Bonds	62%	58%
Equity securities	25	27
Cash and cash equivalents	7	9
General account	3	3
Other	3	3
Total	100%	100%

Note: 7% and 8% of the plan assets were contributed to the employee retirement benefit trust as of March 31, 2016 and 2015, respectively.

Long-term expected rate of return
Current and target asset allocations, historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

ix) Actuarial assumptions
The principal actuarial assumptions as of March 31, 2016 and 2015 were as follows:

	2016	2015
Discount rate	Mainly 0.5%	Mainly 1.0%
Long-term expected rate of return	Mainly 1.0%	Mainly 1.0%

(b) Defined contribution plans
The amounts of required contributions to the defined contribution plans of the Company and certain consolidated subsidiaries were ¥4,994 million (US$44,320 thousand) and ¥4,439 million as of March 31, 2016 and 2015, respectively.

Certain information concerning the multi-employer pension plan, which requires contributions recorded as retirement benefit costs was as follows:

i) Accumulated funds for the plan as of March 31, 2015 and 2014

	Millions of yen		Thousands of US dollars
	2015	2014	2015
Plan assets	¥334,668	¥292,417	$2,970,075
Projected benefit obligation	381,438	366,867	3,385,144
Differences	¥ (46,770)	¥ (74,450)	$ (415,069)

ii) Ratios of total pension plan accounted for by contributions from the Companies
As of March 31, 2015 1.06%
As of March 31, 2014 1.06%

iii) Supplementary explanation
The difference presented in item i) above is the difference of ¥49,404 million (US$438,445 thousand) in the present value of special contributions and ¥2,634 million (US$23,376 thousand) in the general reserve as of March 31, 2015, and the total of ¥50,581 million in the present value of special contributions and ¥23,869 million in the plan assets shortfall carried forward as of March 31, 2014, respectively. The present value of special contributions represents the estimated amount to be amortized over future periods to account for the amount of the past shortfall of plan assets in pension finance, and a certain rate that has been pre-determined under an agreement regarding the welfare pension fund is applied.

Under this plan, the present value of special contributions is amortized using the equal payment method. The remaining years of amortization are 16 years and 0 months and 17 years and 0 months as of March 31, 2015 and 2014, respectively. Special contributions of ¥51 million (US$453 thousand) and ¥52 million have been accounted for as pension expense on the consolidated financial statements for the years ended March 31, 2015 and 2014, respectively.

As the amount of special contributions is calculated by multiplying the amount of the standard salary at the time of contribution by the pre-determined rate, the ratios under item ii) above do not match the Group's ratios of actual contributions.

14 Restructuring Charges

Restructuring charges for the years ended March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of US dollars
	2016	2015	2016
Loss on disposal of property, plant and equipment	¥3,963	¥26,657	$35,171
Loss on business restructuring	215	3,194	1,908
Expenses on improving the business structure and organization in subsidiaries	613	1,961	5,440
Other	—	384	—
Total	¥4,791	¥32,196	$42,519

15 Deferred Taxes

Main components of deferred tax assets and liabilities as of March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of US dollars
	2016	2015	2016
Tax loss carryforwards	¥ 62,053	¥ 68,104	$ 550,701
Unrealized gain on inventories	25,273	3,162	224,290
Depreciation and amortization	21,782	25,819	193,308
Reserve for sales rebates	17,564	14,158	155,875
Net defined benefit liability	14,736	14,553	130,777
Prepaid research and development expenses	9,527	10,478	84,549
Inventories	9,064	8,059	80,440
Accrued bonuses	8,942	7,710	79,357
Impairment loss on fixed assets	7,943	11,242	70,492
Reserve for removal cost of property, plant and equipment	4,253	6,119	37,744
Tax credit for research and development expenses	3,107	6,298	27,574
Other	30,883	32,838	274,078
Subtotal	215,127	208,540	1,909,185
(Valuation allowance)	(84,999)	(98,614)	(754,340)
Total deferred tax assets	130,128	109,926	1,154,845
Unrealized gains on investment securities	(41,325)	(53,831)	(366,747)
Valuation differences due to an application of purchase accounting method	(25,041)	(27,272)	(222,231)
Net defined benefit asset	(18,350)	(22,392)	(162,851)
Affiliates' undistributed earnings	(8,564)	(9,467)	(76,003)
Revaluation of exchange for assets and liabilities denominated in foreign currencies	(2,915)	(4,085)	(25,870)
Other	(10,068)	(10,966)	(89,349)
Total deferred tax liabilities	(106,263)	(128,013)	(943,051)
Net deferred tax assets (liabilities)	¥ 23,865	¥ (18,087)	$ 211,794

Main items in the reconciliations of the normal income tax rate to the effective income tax rate for the years ended March 31, 2016 and 2015 were as follows:

	2016	2015
Statutory income tax rate in Japan	33.1%	35.6%
Permanently non-deductible expenses	1.4	2.3
Permanently non-taxable income	(0.3)	(0.4)
Equity in earnings of affiliates	(4.0)	(6.3)
Affiliates' undistributed (losses) earnings	(0.5)	2.0
Change in valuation allowance	(2.8)	1.3
Amortization of goodwill	1.6	2.1
Change in income tax rate	0.9	2.3
Other	(0.7)	0.2
Effective income tax rate	28.7%	39.1%

Adjustment of deferred tax assets and liabilities for enacted change in tax law and rate

On March 29, 2016, amendments to the Japanese tax regulations were enacted into law. Based on the amendments, the statutory income tax rates utilized for the measurement of deferred tax assets and liabilities expected to be settled or realized from April 1, 2016 to March 31, 2018 and on or after April 1, 2018 are changed from 32.34% for the fiscal year ended March 31, 2016 to 30.86% and 30.62%, respectively, as of March 31, 2016. Due to these changes in statutory income tax rates, net deferred tax assets (less the amount of deferred tax liabilities) increased by ¥695 million (US$6,168 thousand) as of March 31, 2016, deferred income tax expense recognized for the fiscal year ended March 31, 2016 increased by ¥1,431 million (US$12,700 thousand), valuation difference on available-for-sale securities as of March 31, 2016 increased by ¥2,123 million (US$18,841 thousand), deferred losses on hedges as of March 31, 2016 increased by ¥18 million (US$160 thousand), and remeasurements of defined benefit plans included in accumulated other comprehensive income as of March 31, 2016 decreased by ¥15 million (US$133 thousand).

On March 31, 2015, amendments to the Japanese tax regulations were enacted into law. Based on the amendments, the statutory income tax rates utilized for the measurement of deferred tax assets and liabilities expected to be settled or realized from April 1, 2015 to March 31, 2016 and on or after April 1, 2016 are changed from 35.64% for the fiscal year ended March 31, 2015 to 33.1% and 32.34%, respectively, as of March 31, 2015. Due to these changes in statutory income tax rates, net deferred tax assets (less the amount of deferred tax liabilities) increased by ¥3,387 million as of March 31, 2015, deferred income tax expense recognized for the fiscal year ended March 31, 2015 increased by ¥2,646 million, valuation difference on available-for-sale securities as of March 31, 2015 increased by ¥5,187 million, deferred losses on hedges as of March 31, 2015 increased by ¥28 million, and remeasurements of defined benefit plans included in accumulated other comprehensive income as of March 31, 2015 increased by ¥818 million.

16 Net Assets

Under the Companies Act, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital, depending on the equity account charged upon payment of such dividends, until the aggregate amount of additional paid-in capital and legal reserve equals 25% of common stock. Under the Companies Act, the aggregate amount of additional paid-in capital and legal reserve that exceeds 25% of common stock may be made available for dividends by resolution of the shareholders. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation of such threshold. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

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 Japanese laws and regulations.

17 Contingent Liabilities

The Companies guaranteed debt of affiliated companies and third parties in the ordinary course of business. Should the guaranteed parties fail to make payments, the Companies would be required to make such payments under those guarantees. Also, the Companies sold certain trade receivables to independent third parties, some of which are with recourse. If the collectability of those receivables with recourse becomes irrecoverable, the Companies are obligated to assume the liabilities.

As of March 31, 2016 and 2015, the Companies were contingently liable as follows:

	Millions of yen		Thousands of US dollars
	2016	2015	2016
As guarantor of project completion	¥229,349	¥160,396	$2,035,401
As guarantor of indebtedness	60,651	42,812	538,259
Repurchase obligation for the securitization of receivables	1,843	4,640	16,356
Total	¥291,843	¥207,848	$2,590,016

The Company guaranteed debt of its affiliated company, Rabigh Refining and Petrochemical Company, concerning "The Rabigh Phase II Project" in Saudi Arabia and the amount of the contingent liability was ¥229,349 million (US$2,035,401 thousand) and 160,396 million on March 31, 2016 and 2015, respectively.

18 Land Revaluation Reserve

Certain affiliates, accounted for by the equity method, revalued land under the Land Revaluation Law and recorded unrealized gains on revaluation, net of tax, as a revaluation reserve directly in net assets. Investments in these affiliates increased in an amount equal to the Companies' equity in their reserves, as presented as land revaluation reserve.

19 Supplementary Comprehensive Income Information

Amounts reclassified to net income (loss) in the current period that were recognized in other comprehensive income in the current or previous periods and tax effects for each component of other comprehensive income were as follows:

	Millions of yen		Thousands of US dollars
	2016	2015	2016
Valuation difference on available-for-sale securities			
(Decrease) increase during the year	¥ (15,398)	¥ 43,244	$(136,652)
Reclassification adjustments	(16,959)	(6,053)	(150,506)
Sub-total, before tax	(32,357)	37,191	(287,158)
Tax benefit (expense)	12,505	(7,980)	110,978
Sub-total, net of tax	(19,852)	29,211	(176,180)
Deferred losses on hedges			
Increase during the year	57	887	506
Reclassification adjustments	5	173	44
Adjustments of acquisition cost of assets	(526)	(1,009)	(4,668)
Sub-total, before tax	(464)	51	(4,118)
Tax expense	(30)	(66)	(266)
Sub-total, net of tax	(494)	(15)	(4,384)
Foreign currency translation adjustment			
(Decrease) increase during the year	(53,558)	85,130	(475,312)
Reclassification adjustments	945	(132)	8,387
Sub-total, before tax	(52,613)	84,998	(466,925)
Tax benefit	—	—	—
Sub-total, net of tax	(52,613)	84,998	(466,925)
Remeasurements of defined benefit plans			
(Decrease) increase during the year	(12,774)	10,930	(113,365)
Reclassification adjustments	(14,983)	(8,626)	(132,969)
Sub-total, before tax	(27,757)	2,304	(246,334)
Tax benefit	8,264	806	73,340
Sub-total, net of tax	(19,493)	3,110	(172,994)
Share of other comprehensive income of associates accounted for using equity method			
(Decrease) increase during the year	(8,930)	25,913	(79,251)
Reclassification adjustments	(101)	138	(896)
Sub-total, before tax	(9,031)	26,051	(80,147)
Total other comprehensive income	¥(101,483)	¥143,355	$(900,630)

20 Supplementary Cash Flow Information

Cash and cash equivalents

As of March 31, 2016 and 2015, cash and cash equivalents were as follows:

	Millions of yen		Thousands of US dollars
	2016	2015	2016
Cash	¥134,553	¥109,245	$1,194,116
Cash equivalents	81,039	92,752	719,196
Total	¥215,592	¥201,997	$1,913,312

21 Related Party Transactions

Major transactions of the Company with Rabigh Refining and Petrochemical Company (an affiliated company of the Company) for the years ended March 31, 2016 and 2015 were summarized as follows:

	Millions of yen		Thousands of US dollars
	2016	2015	2016
Reimbursement of advances paid	¥ —	¥126,679	$ —
Interest income	1,682	1,380	14,927

The balances of the Company due to or from Rabigh Refining and Petrochemical Company as of March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of US dollars
	2016	2015	2016
Pledged assets	¥200,965	¥247,545	$1,783,502
Contingent liabilities	287,715	200,075	2,553,381
Long-term loans	68,735	73,304	610,002
Accrued interest receivable	10,843	10,545	96,228
Non-trade accounts receivable	—	10,088	—

A summary of the total financial information of all affiliates which were the basis for calculating the equity in earnings of affiliates, including that of Rabigh Refining and Petrochemical Company and Petrochemical Corporation of Singapore (Pte.) Ltd., which are significant affiliated companies, for the years ended March 31, 2016 and 2015 was as follows:

	Millions of yen		Thousands of US dollars
Balance Sheets	2016	2015	2016
Current assets	¥1,044,991	¥1,327,862	$ 9,273,971
Non-current assets	2,063,543	1,516,714	18,313,303
Current liabilities	723,899	924,844	6,424,379
Long-term liabilities	1,427,483	911,599	12,668,468
Net assets	957,149	1,008,131	8,494,400

	Millions of yen		Thousands of US dollars
Statements of Operations	2016	2015	2016
Net sales	¥2,736,125	¥3,627,247	$24,282,259
Income before income taxes	80,267	95,238	712,345
Net income	56,148	73,109	498,296

22 Net Income per Share

A reconciliation of the numerators and denominators of the basic and diluted net income per share computations for the years ended March 31, 2016 and 2015 was as follows:

	Millions of yen		Thousands of US dollars
Income (Numerator)	2016	2015	2016
Net income attributable to owners of the parent — basic	¥81,451	¥52,192	$722,852
Net income attributable to owners of the parent — diluted	81,358	52,033	722,027

	Number of shares	
Shares (Denominator)	2016	2015
Average shares — basic	1,634,294,942	1,634,434,741
Average shares — diluted	1,634,294,942	1,634,434,741

	Yen		US dollars
Net income per share	2016	2015	2016
Basic	¥49.84	¥31.93	$0.442
Diluted	49.78	31.84	0.442

23 Segment Information

(a) General information on reported segments

The reported segments of the Companies refer to business units for which separate financial information is available and that are reviewed regularly at the Board of Directors meeting in order to determine distribution of management resources and evaluate business results by each reported segment.

The Companies position segments, identified by products and services, which manage operating, sales and research in an integrated manner. Each business segment proposes comprehensive domestic and overseas strategies with respect to products and services, and operates its business activities.

The Companies consist of five segments identified by products and services, including "Petrochemicals & Plastics," "Energy & Functional Materials," "IT-related Chemicals," "Health & Crop Sciences" and "Pharmaceuticals."

The major products and services of each reported segment are as follows:

Reported Segments	Major Products and Services
Petrochemicals & Plastics	Petrochemical products, inorganic chemicals, raw materials for synthetic fibers, organic chemicals, synthetic resins, methyl methacrylate products, synthetic resin processed products, etc.
Energy & Functional Materials	Alumina products, aluminum, functional materials, additives, dyestuffs, synthetic rubber, etc.
IT-related Chemicals	Optical products, color filters, semiconductor processing materials, engineering plastics, compound semiconductor materials, battery materials, touchscreen panels, etc.
Health & Crop Sciences	Crop protection chemicals, fertilizers, agricultural materials, household and public hygiene insecticides, materials for protection against tropical diseases, feed additives, pharmaceutical chemicals, etc.
Pharmaceuticals	Pharmaceuticals for medical treatment, radiopharmaceuticals, etc.

Change in Business Segment Classification

Due to the Company's organizational reform as of April 1, 2015, the Basic Chemicals Segment was eliminated, and businesses in this segment were split up and transferred to the Petrochemicals & Plastics Segment and the Energy & Functional Materials Segment, which was established as a new business segment. In addition, a part of businesses in the Petrochemicals & Plastics Segment was transferred to the Energy & Functional Materials Segment. Inorganic chemicals, raw materials for synthetic fibers, organic chemicals, and methyl methacrylate, which had been included in the Basic Chemicals Segment, were transferred to the Petrochemicals & Plastics Segment. Alumina products, aluminum, functional materials, additives, and dyes, which had also been included in the Basic Chemicals Segment, were transferred to the Energy & Functional Materials Segment. In addition, synthetic rubber, which had been included in the Petrochemicals & Plastics Segment, was transferred to the Energy & Functional Materials Segment. One of the Company's consolidated subsidiaries, formerly categorized under the Health & Crop Sciences Segment, has been categorized into the Energy & Functional Materials Segment.

(b) Basis of measurement of reported segment profit or loss, segment assets and other material items

The accounting methods for each reported segment are almost the same as those set forth in the "Significant Accounting Policies." The segment profit or loss for each reported segment is in conformity with the operating income of consolidated statements of income.

Moreover, inter-segment revenues and transfers are based on market prices.

(c) Information on reported segment profit or loss, segment assets and other material items

Segment information as of and for the fiscal year ended March 31, 2016 was as follows:

	Millions of yen								
	Segment information by product group								
	Petrochemicals & Plastics	Energy & Functional Materials	IT-related Chemicals	Health & Crop Sciences	Pharmaceuticals	Total	Others	Adjustments	Consolidated
Year ended March 31, 2016									
Revenue from customers	¥657,093	¥184,473	¥409,066	¥359,013	¥435,478	¥2,045,123	¥ 56,641	¥ —	¥2,101,764
Inter-segment revenues and transfers	10,581	8,699	3,431	4,918	9	27,638	47,920	(75,558)	—
Total sales	667,674	193,172	412,497	363,931	435,487	2,072,761	104,561	(75,558)	2,101,764
Segment profit (loss)	¥ 28,767	¥ (2,039)	¥ 24,721	¥ 77,518	¥ 42,686	¥ 171,653	¥ 7,830	¥(15,037)	¥ 164,446
Assets	¥688,186	¥192,617	¥365,899	¥447,357	¥766,357	¥2,460,416	¥254,275	¥(52,541)	¥2,662,150
Depreciation and amortization	21,776	10,101	36,579	14,217	16,258	98,931	5,280	3,883	108,094
Amortization of goodwill	402	15	73	2,037	5,980	8,507	1	—	8,508
Investment in affiliates accounted for by the equity method	145,010	—	480	24,216	772	170,478	91,780	—	262,258
Expenditure for addition to tangible and intangible assets	20,702	15,386	31,903	15,546	13,873	97,410	3,667	2,676	103,753

	Thousands of US dollars								
	Segment information by product group								
	Petrochemicals & Plastics	Energy & Functional Materials	IT-related Chemicals	Health & Crop Sciences	Pharmaceuticals	Total	Others	Adjustments	Consolidated
Year ended March 31, 2016									
Revenue from customers	$5,831,496	$1,637,140	$3,630,334	$3,186,129	$3,864,732	$18,149,831	$ 502,672	$ —	$18,652,503
Inter-segment revenues and transfers	93,903	77,201	30,449	43,646	80	245,279	425,275	(670,554)	—
Total sales	5,925,399	1,714,341	3,660,783	3,229,775	3,864,812	18,395,110	927,947	(670,554)	18,652,503
Segment profit (loss)	$ 255,298	$ (18,095)	$ 219,391	$ 687,948	$ 378,825	$ 1,523,367	$ 69,489	$(133,449)	$ 1,459,407
Assets	$6,107,437	$1,709,416	$3,247,240	$3,970,154	$6,801,180	$21,835,427	$2,256,612	$(466,285)	$23,625,754
Depreciation and amortization	193,255	89,644	324,627	126,171	144,285	877,982	46,859	34,460	959,301
Amortization of goodwill	3,568	132	648	18,078	53,071	75,497	9	—	75,506
Investment in affiliates accounted for by the equity method	1,286,919	—	4,260	214,909	6,851	1,512,939	814,519	—	2,327,458
Expenditure for addition to tangible and intangible assets	183,724	136,545	283,129	137,966	123,119	864,483	32,544	23,749	920,776

Note 1: "Others" represents businesses such as supplying electrical power and steam, providing services for the design, engineering and construction management of chemical plants, providing transport and warehousing, conducting materials and environmental analysis and providing services to Rabigh Refining and Petrochemical Company(an affiliated company of the Company) , which were not included in reported segments.

Note 2: Amounts in "Adjustments" were as follows.

i) ¥(15,037) million (US$(133,449) thousand) for segment profit (loss) in "Adjustments" included inter-segment elimination of ¥556 million (US$4,934 thousand) and corporate expenses of ¥(15,593) million (US$(138,383) thousand) unallocated to each reported segment. Corporate expenses were mainly R&D expenses for company-wide research, which were not attributed to reported segments.

ii) Segment assets in "Adjustments" was ¥(52,541) million (US$(466,285) thousand), which included ¥(196,926) million (US$(1,747,657) thousand) in eliminations of inter-segment receivables and assets, and ¥144,385 million (US$1,281,372 thousand) of corporate assets unallocated to each reported segment. Corporate assets mainly consist of cash and deposits, investment securities, deferred tax assets and the assets related to R&D activities for company-wide research.

iii) Depreciation and amortization in "Adjustments" was ¥3,883 million (US$34,460 thousand), mainly related to the assets arising from R&D activities for company-wide research unallocated to each reported segment.

iv) Expenditure for addition to tangible and intangible assets in "Adjustments" was ¥2,676 million (US$23,749 thousand), mainly contributed in R&D activities for company-wide research unallocated to each reported segment.

Note 3: Segment profit (loss) is adjusted against operating income of consolidated statements of income.

Note 4: Depreciation and expenditure of long-term advanced payments are included in depreciation and amortization, and expenditure for addition to tangible and intangible assets, respectively.

Segment information as of and for the fiscal year ended March 31, 2015, which was restated in conformity with the requirements of the Standard, was as follows:

	Millions of yen								
	Segment information by product group								
	Petrochemicals & Plastics	Energy & Functional Materials	IT-related Chemicals	Health & Crop Sciences	Pharmaceuticals	Total	Others	Adjustments	Consolidated
Year ended March 31, 2015									
Revenue from customers	¥932,294	¥202,844	¥405,126	¥345,383	¥403,562	¥2,289,209	¥ 87,488	¥ —	¥2,376,697
Inter-segment revenues and transfers	13,112	6,504	4,492	5,076	11	29,195	49,973	(79,168)	—
Total sales	945,406	209,348	409,618	350,459	403,573	2,318,404	137,461	(79,168)	2,376,697
Segment profit (loss)	¥ 20,809	¥ 783	¥ 32,408	¥ 56,117	¥ 29,024	¥ 139,141	¥ 15,653	¥(27,448)	¥ 127,346
Assets	¥760,658	¥221,136	¥391,841	¥468,191	¥778,575	¥2,620,401	¥254,045	¥ 5,950	¥2,880,396
Depreciation and amortization	22,171	12,423	32,929	13,815	15,470	96,808	5,362	9,332	111,502
Amortization of goodwill	402	—	221	1,605	5,446	7,674	1	—	7,675
Investment in affiliates accounted for by the equity method	152,716	2,243	462	30,520	482	186,423	90,979	—	277,402
Expenditure for addition to tangible and intangible assets	19,741	5,826	17,498	16,263	16,534	75,862	5,086	3,202	84,150

Note 1: "Others" represents businesses such as supplying electrical power and steam, providing services for the design, engineering and construction management of chemical plants, providing transport and warehousing, and conducting materials and environmental analysis, which were not included in reported segments.

Note 2: Amounts in "Adjustments" were as follows.

i) ¥(27,448) million for segment profit (loss) in "Adjustments" included inter-segment elimination of ¥(1,850) million and corporate expenses of ¥(25,598) million unallocated to each reported segment. Corporate expenses were mainly R&D expenses for company-wide research, which were not attributed to reported segments.

ii) Segment assets in "Adjustments" was ¥5,950 million, which included ¥(188,533) million in eliminations of inter-segment receivables and assets, and ¥194,483 million of corporate assets unallocated to each reported segment. Corporate assets mainly consist of cash and deposits, investment securities, deferred tax assets and the assets related to R&D activities for company-wide research.

iii) Depreciation and amortization in "Adjustments" was ¥9,332 million, mainly related to the assets arising from R&D activities for company-wide research unallocated to each reported segment.

iv) Expenditure for addition to tangible and intangible assets in "Adjustments" was ¥3,202 million, mainly contributed in R&D activities for company-wide research unallocated to each reported segment.

Note 3: Segment profit (loss) is adjusted against operating income of consolidated statements of income.

Note 4: Depreciation and expenditure of long-term advanced payments are included in depreciation and amortization, and expenditure for addition to tangible and intangible assets, respectively.

Related information

Related information for and as of the fiscal year ended March 31, 2016 was as follows:

(a) Information on geographic areas

i) Revenues

	Millions of yen				
	Japan	China	North America	Other	Total
Year ended March 31, 2016	¥812,532	¥347,918	¥306,193	¥635,121	¥2,101,764

	Thousands of US dollars				
	Japan	China	North America	Other	Total
Year ended March 31, 2016	$7,210,969	$3,087,664	$2,717,368	$5,636,502	$18,652,503

Note: Revenues are classified by country and region based on customer location.

ii) Tangible fixed assets

	Millions of yen			
	Japan	Korea	Other	Total
Year ended March 31, 2016	¥385,578	¥114,278	¥142,310	¥642,166

	Thousands of US dollars			
	Japan	Korea	Other	Total
Year ended March 31, 2016	$3,421,885	$1,014,182	$1,262,956	$5,699,023

(b) Information on major customers

No information is shown because no customer accounts for over 10% of the amount of consolidated net sales to external customers.

Related information for and as of the fiscal year ended March 31, 2015 was as follows:

(a) Information on geographic areas

i) Revenues

	Millions of yen				
	Japan	China	North America	Other	Total
Year ended March 31, 2015	¥948,278	¥418,868	¥257,342	¥752,209	¥2,376,697

Note: Revenues are classified by country and region based on customer location.

ii) Tangible fixed assets

	Millions of yen			
	Japan	Korea	Other	Total
Year ended March 31, 2015	¥385,057	¥131,294	¥178,084	¥694,435

(b) Information on major customers

No information is shown because no customer accounts for over 10% of the amount of consolidated net sales to external customers.

Information on impairment loss of fixed assets by reported segments

Information on impairment loss of fixed assets by reported segments for the fiscal year ended March 31, 2016 was as follows:

	Millions of yen							
	Petrochemicals & Plastics	Energy & Functional Materials	IT-related Chemicals	Health & Crop Sciences	Pharmaceuticals	Others	Corporate & Elimination	Total
Year ended March 31, 2016								
Impairment loss	¥6,168	¥17,008	¥—	¥846	¥553	¥—	¥113	¥24,688

	Thousands of US dollars							
	Petrochemicals & Plastics	Energy & Functional Materials	IT-related Chemicals	Health & Crop Sciences	Pharmaceuticals	Others	Corporate & Elimination	Total
Year ended March 31, 2016								
Impairment loss	$54,739	$150,941	$—	$7,508	$4,908	$—	$1,002	$219,098

Information on impairment loss of fixed assets by reported segments for the fiscal year ended March 31, 2015 was as follows:

	Millions of yen							
	Petrochemicals & Plastics	Energy & Functional Materials	IT-related Chemicals	Health & Crop Sciences	Pharmaceuticals	Others	Corporate & Elimination	Total
Year ended March 31, 2015								
Impairment loss	¥1,073	¥6,917	¥7,308	¥16	¥5,310	¥—	¥12,634	¥33,258

Note: "Corporate & Elimination" presents the amount of impairment loss related to corporate assets unallocated to each reported segment.

Information on unamortized balance of goodwill by reported segments

Information on unamortized balance of goodwill by reported segments as of the fiscal year ended March 31, 2016 was as follows:

	Millions of yen							
	Petrochemicals & Plastics	Energy & Functional Materials	IT-related Chemicals	Health & Crop Sciences	Pharmaceuticals	Others	Corporate & Elimination	Total
Year ended March 31, 2016								
Unamortized balance of goodwill	¥501	¥878	¥295	¥4,019	¥76,950	¥4	¥—	¥82,647

	Thousands of US dollars							
	Petrochemicals & Plastics	Energy & Functional Materials	IT-related Chemicals	Health & Crop Sciences	Pharmaceuticals	Others	Corporate & Elimination	Total
Year ended March 31, 2016								
Unamortized balance of goodwill	$4,446	$7,792	$2,618	$35,667	$682,907	$36	$—	$733,466

Information on unamortized balance of goodwill by reported segments as of the fiscal year ended March 31, 2015 was as follows:

	Millions of yen							
	Petrochemicals & Plastics	Energy & Functional Materials	IT-related Chemicals	Health & Crop Sciences	Pharmaceuticals	Others	Corporate & Elimination	Total
Year ended March 31, 2015								
Unamortized balance of goodwill	¥903	¥—	¥—	¥6,266	¥88,075	¥5	¥—	¥95,249

24 Subsequent Events

Dividend declaration

At the Board of Directors meeting of the Company held on May 11, 2016, year-end cash dividends were resolved as follows:

	Millions of yen	Thousands of US dollars
Cash dividends at ¥6.00 (US$0.053) per share	¥9,811	$87,070

Independent Auditor's Report

To the Board of Directors of
Sumitomo Chemical Company, Limited:

We have audited the accompanying consolidated financial statements of Sumitomo Chemical Company, Limited and its consolidated subsidiaries , which comprise the consolidated balance sheets as at March 31, 2016 and 2015, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended , and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Sumitomo Chemical Company, Limited and its consolidated subsidiaries as at March 31, 2016 and 2015, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2016 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note1(b) to the consolidated financial statements.

KPMG AZSA LLC

June 21, 2016
Tokyo, Japan