

# Summary of Consolidated Financial Results for FY2016

May 12, 2017  
Mitsui Chemicals, Inc.

## 1. Summary of Income Statement

(Unit : Billions of Yen)

	FY2015	FY2016	Incr. (Decr.)
Net sales	1,343.9	1,212.3	(131.6)
Operating income	70.9	102.1	31.2
Ordinary income	63.2	97.2	34.0
Profit attributable to owners of parent	23.0	64.8	41.8
Comprehensive income	(14.4)	85.4	99.8

Outlook for FY2017 (announced May 12)	
Interim	Full Year
620.0	1,300.0
43.0	98.0
41.0	96.0
29.0	65.0

## 2. Net Sales and Operating Income (Loss) (by business segment)

(Unit : Billions of Yen)

### ·Net Sales

	FY2015	FY2016	Incr. (Decr.)	Breakdown	
				Volume	Price
Mobility	318.2	293.3	(24.9)	10.1	(35.0)
Health Care	161.1	134.2	(26.9)	(14.4)	(12.5)
Food & Packaging	195.2	182.5	(12.7)	(0.2)	(12.5)
Basic Materials	630.8	565.6	(65.2)	(24.6)	(40.6)
Others	38.6	36.7	(1.9)	-	(1.9)
Total	1,343.9	1,212.3	(131.6)	(29.1)	(102.5)

Outlook for FY2017 (announced May 12)	
Interim	Full Year
150.0	310.0
65.0	140.0
90.0	190.0
300.0	630.0
15.0	30.0
620.0	1,300.0

### ·Operating Income (Loss)

(Unit : Billions of Yen)

	FY2015	FY2016	Incr. (Decr.)	Breakdown		
				Volume	Price <sup>※</sup>	Fixed Costs etc.
Mobility	44.9	40.7	(4.2)	3.9	(7.9)	(0.2)
Health Care	11.6	10.1	(1.5)	(1.2)	(0.6)	0.3
Food & Packaging	20.3	20.6	0.3	1.4	(1.1)	0.0
Basic Materials	1.0	38.5	37.5	1.2	29.5	6.8
Others	(0.1)	(0.3)	(0.2)	-	-	(0.2)
Adjustment	(6.8)	(7.5)	(0.7)	-	-	(0.7)
Total	70.9	102.1	31.2	5.3	19.9	6.0

Outlook for FY2017 (announced May 12)	
Interim	Full Year
20.5	42.0
5.0	13.0
8.5	20.5
13.0	29.5
0.0	0.0
(4.0)	(7.0)
43.0	98.0

With the aim of accelerating the business strategies outlined in the 2014 Mid-Term Business Plan, the Group undertook minor reorganization in some of its business segments on April 1, 2016.

※ Price includes both selling and purchasing price variances.

## 3. Extraordinary Gains and Losses

(Unit : Billions of Yen)

	FY2015	FY2016	Incr. (Decr.)
Gain on sales of non-current assets & investment securities	5.1	2.6	(2.5)
Gain on transfer of business	3.7	-	(3.7)
Loss on sales and disposal of non-current assets	(5.6)	(7.3)	(1.7)
Impairment loss	(24.1)	(4.1)	20.0
Loss on valuation of investment securities	-	(0.2)	(0.2)
Loss on restructuring of subsidiaries and affiliates	(1.0)	-	1.0
Others	-	(2.4)	(2.4)
Total	(21.9)	(11.4)	10.5

Outlook for FY2017 (announced May 12)	
Interim	Full Year
-	-
-	-
(2.0)	(7.0)
-	-
-	-
-	-
(2.0)	(7.0)

## 4. Summary of Balance Sheet

(Unit : Billions of Yen)

	Assets				Liabilities and Net assets		
	As of Mar. 31, 2016	As of Mar. 31, 2017	Incr. (Decr.)		As of Mar. 31, 2016	As of Mar. 31, 2017	Incr. (Decr.)
Current assets	628.2	678.9	50.7	Interest-bearing liabilities	473.0	439.9	(33.1)
Tangible fixed assets	413.4	409.4	(4.0)	Other liabilities	342.7	371.0	28.3
Intangible fixed assets	40.2	35.2	(5.0)	Shareholders' equity	381.9	449.7	67.8
Investments and others	177.1	202.0	24.9	Non-controlling interests	61.3	64.9	3.6
Total assets	1,258.9	1,325.5	66.6	Total liabilities and net assets	1,258.9	1,325.5	66.6
[ Inventories ]	240.7	247.5	6.8	[ Net D/E Ratio ]	1.03	0.79	(0.24)

## 5. Summary of Cash Flow

(Unit : Billions of Yen)

	FY2015	FY2016	Incr. (Decr.)	Outlook for FY2017 (announced May 12)	
				Interim	Full Year
Cash flows from operating activities	145.9	100.4	(45.5)	40.0	95.0
Cash flows from investing activities	(36.4)	(47.4)	(11.0)	(35.0)	(85.0)
Free cash flows	109.5	53.0	(56.5)	5.0	10.0
Cash flows from financing activities	(79.0)	(47.6)	31.4	(5.0)	(10.0)
Others	(2.9)	(0.7)	2.2	-	-
Net incr.(decr.) in cash and cash equivalents	27.6	4.7	(22.9)	0.0	0.0
Cash and cash equivalents at the end of period	78.2	82.9	4.7		

## 6. Accounting Fundamentals

		FY2015	FY2016	Incr. (Decr.)	Outlook for FY2017 (announced May 12)	
					Interim	Incr. (Decr.)
R & D expenses	¥ Billions	31.5	30.8	(0.7)	18.0	36.0
Depreciation & amortization	¥ Billions	48.6	44.1	(4.5)	24.0	49.0
Capital expenditures	¥ Billions	43.4	45.4	2.0	30.0	74.0
Financing incomes & expenses	¥ Billions	(2.6)	(2.1)	0.5	(1.5)	(3.0)
Interest-bearing liabilities	¥ Billions	473.0	439.9	(33.1)	445.0	450.0
Net D/E Ratio		1.03	0.79	(0.24)	0.77	0.73
Number of employees	person	13,447	13,423	(24)	13,700	13,700
Exchange rate	Yen / US\$	120	108	(12)	110	110
Domestic standard naphtha price	Yen / KL	42,800	34,700	(8,100)	42,000	42,000

## 7. Scope of Consolidation and Equity Method

	As of Mar. 31, 2016	As of Mar. 31, 2017	Incr. (Decr.)	Outlook for FY2017 (announced May 12)	
				Interim	Full Year
Consolidated subsidiaries	95	94	(1)	95	95
Non-consolidated subsidiaries and affiliates	36	37	1	37	37
Total	131	131	-	132	132

## 8. Dividends

	Annual Dividends per Share (yen)				
	1st Q	Interim (2nd Q)	3rd Q	Year-end (4th Q)	Annual
FY2015 Result	-	4.00	-	4.00	8.00
FY2016 Result	-	5.00	-	9.00	14.00
FY2017 Outlook	-	8.00	-	8.00	16.00

Note: 1. FY2016's year-end dividend comprises a 7 yen regular dividend and a 2 yen memorial dividend.

2. FY2017 outlook is calculated based on the number of shares before the 5-to-1 share consolidation, which will be proposed at the Company's 20th Ordinary General Meeting of Shareholders.

## 9. Number of shares outstanding (common stock)

	FY2015	FY2016
Number of shares outstanding at term-end (including treasury stock)	1,022,020,076	1,022,020,076
Number of shares of treasury stock at term-end	21,483,760	21,683,571
Average number of shares	1,000,696,291	1,000,456,622

## 1. Operating Results

### (1) Overview

In the fiscal period under review (the twelve-month period from April 1, 2016 to March 31, 2017, hereafter “fiscal 2016”), the economy of the United States and Europe continued to improve backed by firm personal consumption, while China and emerging markets experienced stagnation and deceleration in certain areas. Furthermore, careful attention needs to be paid to fluctuations in the global economy, including those caused by the United Kingdom’s decision to leave the European Union and the U.S. presidential election.

In Japan, despite signs of delayed recovery in some sectors, the economy continued to gradually improve amid rising employment and incomes.

In domestic chemical industry, domestic naphtha crackers operated at a consistently high capacity due to steady crude oil prices and the effects of business structure improvement, including a reduction of superfluous domestic facilities.

Under these circumstances, as outlined in the 2014 Mid-Term Business Plan, the Mitsui Chemicals Group (hereafter “the Group”) worked to intensively expand business in the three business domains for growth of Mobility, Health Care, and Food & Packaging while also steadily carrying out business restructuring in the area of Basic Materials. In fiscal 2016, the final year of the business plan, we established a framework that fits the four business sectors to promote the plan’s basic strategies and undertook the efforts outlined below. In addition, we formulated a long-term business plan with an eye to fiscal 2025, aiming to achieve greater sustained growth.

In Mobility, functional polymeric materials products—especially polypropylene compounds and elastomers—have contributed to steady returns on growth-oriented investments. The aim of these investments was to capture increased demand driven by expanding automobile sales. In particular, demand for polypropylene compounds is expected to rise further due mainly to the trend toward lighter automobiles. To ensure its world-class supply capability, the Group decided to expand its production capacity to a total of 1,050 thousand tons across eight regions around the world.

In Health Care, sales of ophthalmic lens materials were healthy and, with the start of large-scale equipment operations in March 2016, we established a supply system capable of supporting further sales expansion. We boosted production capacity of our nonwoven fabric facilities in Thailand and China, Nagoya, and Yokkaichi to meet the continued increase in demand for premium disposable diapers—this materials’ main application. In dental materials, the Group is working hard to promote sustainable growth, including through an enhancement of its sales framework.

In Food & Packaging, to expand our overseas agrochemical business, in fiscal 2016 we established a JV with PI Industries Limited, which is called SOLINNOS Agro Science Private Limited in India and promoted business and capital alliances with Cuulong Joint Stock Company in Vietnam and Belchim Crop Protection NV in Europe. In the packaging field, we stepped up sales activities centered on performance films and sheets to capture stable domestic demand and accelerated the development of applications for the world’s first eco-friendly and high-performance polyurethane material, FORTIMO™ and STABIO™.

In Basic Materials, which is centered on petrochemicals and basic chemicals, positive effects have steadily materialized thanks to the effects of business structure improvement, with establishment of an optimized domestic production system and, efforts to maintain stable operations at full capacity.

The Group reported the following operating results for fiscal 2016.

(Billions of Yen)

	Net Sales	Operating Income	Ordinary Income	Profit Attributable to Owners of Parent
Fiscal 2016	1,212.3	102.1	97.2	64.8
Previous fiscal year	1,343.9	70.9	63.2	23.0
Change	(131.6)	31.2	34.0	41.8
Change (%)	(9.8)	44.0	53.8	182.4

**Net Sales** decreased 131.6 billion yen, or 9.8%, compared with the previous fiscal year to 1,212.3 billion yen. This was attributable to 102.5 billion yen decrease in sales prices and 29.1 billion yen decrease in sales volume. Sales prices were lower because of the drop in naphtha, other raw materials and fuel prices and changes in foreign exchange rates. Sales volume fell, due to the impact of unification of accounting periods in the dental materials and other businesses and transfer of business in the Polyurethane segment in the previous fiscal year.

Net sales overseas were 515.2 billion yen, a decrease of 2.0% compared with the previous fiscal year to 42.5% in the total net sales.

**Operating income** was 102.1 billion yen, an increase of 31.2 billion yen or 44.0% year on year. This result was due to improvement in terms of trade and reduced fixed costs attributable to the effect of business structure improvement in the Basic Materials segment.

**Ordinary income** was 97.2 billion yen, increased 34.0 billion yen or 53.8% year on year. This result was reflected by an increase in operating income in addition to an increase in equity in earnings of affiliates.

**Extraordinary income and losses** improved 10.5 billion yen year on year to 11.4 billion yen loss, because a goodwill impairment loss in the dental materials business was booked in the previous fiscal year.

As a result of the aforementioned factors, **profit before income taxes** amounted to 85.8 billion yen, an improvement of 44.5 billion yen, or 107.7% year on year.

**Profit attributable to owners of parent** after accounting for income taxes and non-controlling interests was 64.8 billion yen, a growth of 41.8 billion yen, or 182.4% compared with the previous fiscal year. Net income per share for the period was 64.81 yen.

## (2) Results by Business Segment

The status of each segment during fiscal 2016 is as follows.

With the aim of accelerating the business strategies outlined in the 2014 Mid-Term Business Plan, the Group undertook minor reorganization in some of its business segments on April 1, 2016. Specifically, overseas polypropylene compound businesses, which had been components of the Petrochemicals segment, were integrated with the former Functional Polymeric Materials segment, which, in turn, has been reclassified as the Mobility segment. Moreover, the Group reclassified the Food & Packaging segment by incorporating the coatings & engineering materials business that had been a part of the Polyurethane segment. The former Basic Chemicals segment was integrated with the Petrochemicals segment—after relocating its overseas polypropylene compound businesses—as well as the polyurethane materials business, which had been a part of the Polyurethane segment, thereby forming the new Basic Materials segment.

Accordingly, segment information for the corresponding period of the previous fiscal year is based on this reclassification.

## Mobility

Net sales decreased 24.9 billion yen compared with the previous fiscal year to 293.3 billion yen and comprised 24% of total sales. Operating income decreased 4.2 billion yen to 40.7 billion yen year on year. The decrease in income was due to the effect of a stronger yen and the unfavorable trading terms in spite of an increase in sales volume.

In **elastomers**, which are primarily used in automotive components and as resin modifiers, the business performances were affected by the unfavorable trading terms and the effect of a stronger yen despite its healthy sales.

In **performance compounds**, sales expanded due to the start-up of a subsidiary in China, in spite of the impact of a stronger yen.

In **functional polymers**, which are primarily used in ICT (information communication technology) -related products, the business performances were affected by stronger yen, in spite of the healthy sales.

In overseas **polypropylene compound** businesses, although the production volume of automobile industry increased mainly in North America, trading terms turned unfavorable including the impact of stronger yen.

## Health Care

Net sales decreased 26.9 billion yen year on year to 134.2 billion yen and comprised 11% of total sales. Operating income decreased 1.5 billion yen compared with the previous fiscal year to 10.1 billion yen, mainly due to the decrease in sales volume of nonwoven fabrics although vision care materials enjoyed healthy sales and fixed costs of dental materials were reduced.

In **vision care materials**, sales of ophthalmic lens materials were healthy.

In **nonwoven fabrics**, consumption of premium paper diapers remained firm, but sales volume was impacted by the usage of distribution stock.

In **dental materials**, although the sales volume decreased due to unification of accounting periods in the previous fiscal period, sales were healthy mainly in Europe and North America. Because of the impairment loss booked in the previous fiscal year, amortization expenses of goodwill and other fixed expenses decreased.

## Food & Packaging

Net sales decreased 12.7 billion yen compared with the previous fiscal year to 182.5 billion yen and comprised 15% of total sales. On the other hand, operating income increased 0.8 billion yen to 20.6 billion yen year on year, due to the healthy sales.

In **coatings & engineering materials**, sales were healthy.

In **performance films and sheets**, sales of packaging materials were healthy.

In **agrochemicals**, sales volume decreased in overseas markets. Performance was affected by a stronger yen.

## Basic Chemicals

Net sales decreased 65.2 billion yen compared with the previous fiscal year to 565.6 billion yen and accounted for 47% of total sales. On the other hand, operating income increased

37.5 billion yen year on year, to 38.5 billion yen. This was mainly attributable to the effect of business structure improvement and firm domestic demand.

**Naphtha cracker** operating rates grew compared with the same period of the previous fiscal year. Performances of **polyethylene** and **polypropylene** were firm, backed by domestic demand.

In **phenols**, the market environment was severe in comparison with the previous fiscal year. The effect of business structure improvement gradually emerged.

In **purified terephthalic acid (PTA)**, although conditions remained severe mainly due to market stagnation in China, the effect of business structure improvement gradually emerged.

In **polyurethane materials**, operating income was improved, mainly due to the reduction of fixed costs resulting from business structure improvement.

### Others

Net sales decreased 1.9 billion yen to 36.7 billion yen, comprised 3% of total sales. Operating loss was 0.3 billion yen, a worsening of 0.2 billion yen year on year.

### (3) Outlook for Fiscal 2017 (Year Ending March 31, 2018) (Overall of Financial Outlook for Fiscal 2017)

The fiscal 2017 global economy is expected to gradually improve. While the slowing of China's growth rate and sluggish growth in Europe persist, the U.S. economy continues to expand, driven mainly by domestic demand. Measures to ease inflation in Southeast Asia helped consumption recover while boosting exports to the United States. However, growing uncertainty at the global level demands constant vigilance. Items to watch include the new Trump administration in the United States, U.K. political trends, and excess facility capacity in China.

In Japan, although concerns remain regarding a slowdown in exports due to weak global capital investment, public-sector demand is expected to remain firm and demand for facility renovation is expected to remain steady due to the effects of economic policies. Personal consumption is expected to gradually improve in tandem with better employment rates.

Under these conditions, the Group forecasts its business performance and earnings growth for fiscal 2017 as follows.

(Billions of Yen)	Net Sales	Operating Income	Ordinary Income	Profit Attributable to Owners of Parent
FY2017	1,300.0	98.0	96.0	65.0
FY2016	1,212.3	102.1	97.2	64.8
Difference	87.7	(4.1)	(1.2)	0.2
Ratio (%)	7.2	(4.1)	(1.2)	0.2

Outlook above are based on the following assumptions:

- a) Exchange rate for the full year is 110 yen/US\$
- b) Average price of domestic naphtha is 42,000 yen /kl

## (Outlook by FY2017 Business Segment)

Outlook by FY2017 business segment is as follows.

(Billions of Yen)

	Net Sales						
	Mobility	Health Care	Food & Packaging	Basic Materials	Others	Adjustment	Total
FY2017	310.0	140.0	190.0	630.0	30.0	-	1,300.0
FY2016	293.3	134.2	182.5	565.6	36.7	-	1,212.3
Difference	16.7	5.8	7.5	64.4	(6.7)	-	87.7
Ratio(%)	5.7	4.3	4.1	11.4	(18.3)	-	7.2

(Billions of Yen)

	Operating Income (Loss)						
	Mobility	Health Care	Food & Packaging	Basic Materials	Others	Adjustment	Total
FY2017	42.0	13.0	20.5	29.5	0.0	(7.0)	98.0
FY2016	40.7	10.1	20.6	38.5	(0.3)	(7.5)	102.1
Difference	1.3	2.9	(0.1)	(9.0)	0.3	0.5	(4.1)
Ratio(%)	3.2	28.5	(0.5)	(23.4)	-	-	(4.1)

## 2. Financial Position

### (1) Status of Assets, Liabilities and Net Assets

**Total assets** at the end of the fiscal year stood at 1,325.5 billion yen, an increase of 66.6 billion yen compared with the end of the previous fiscal year.

**Total liabilities** at the end of the fiscal year decreased 4.8 billion yen compared with the previous fiscal year-end to 810.9 billion yen. **Interest-bearing debt** amounted to 439.9 billion yen, a fall of 33.1 billion yen compared with March 31, 2016. As a result, the interest-bearing debt ratio was 33.2%, a decrease of 4.4 points.

**Net assets** totaled 514.6 billion yen, an increase of 71.4 billion yen compared with the previous fiscal year-end. The **ratio of shareholders' equity to total assets** was 33.9%, up 3.6 points from the previous fiscal year-end.

Accounting for the aforementioned factors, the **net debt-equity ratio** stood at 0.79 at the end of the fiscal year, down 0.24 point from the previous fiscal year-end.

### (2) Cash Flow Status

Cash and cash equivalents (hereafter called "cash") increased 4.7 billion yen to 82.9 billion yen as of the end of this fiscal year compared with the previous fiscal year-end.

#### Cash Flows from Operating Activities

Net cash provided by operating activities decreased 45.5 billion yen to 100.4 billion yen due to an increase in working capital.

#### Cash Flows from Investing Activities

Net cash used in investing activities increased 11.0 billion yen compared with the previous fiscal year to 47.4 billion yen due to inflows from transfer of Polyurethane materials business in the previous fiscal year.

## Cash Flows from Financing Activities

Net cash used in financing activities decreased 31.4 billion yen compared with the previous fiscal year to 47.6 billion yen due primarily to the decrease in repayments of interest-bearing debts.

### (3) Trends in Cash Flow Indicators

	FY2012 (As of March 31, 2013)	FY2013 (As of March 31, 2014)	FY2014 (As of March 31, 2015)	FY2015 (As of March 31, 2016)	FY2016 (As of March 31, 2017)
Shareholders' Equity Ratio (%)	28.2	24.6	28.8	30.3	33.9
Shareholders' Equity Ratio on a Market Value Basis (%)	15.4	17.7	27.4	29.8	41.5
Ratio of Interest-bearing Debt to Cash Flows	27.4	13.4	9.4	3.2	4.4
Interest Coverage Ratio (Times)	2.7	5.6	7.7	20.7	17.3

#### Notes:

- Shareholders' Equity Ratio: Shareholders' equity to total assets.
- Shareholders' Equity Ratio on a Market Value Basis: Market capitalization to total assets.
- Ratio of Interest-bearing Debt to Cash Flows: Interest-bearing debt to cash flows.
- Interest Coverage Ratio: Cash flows to interest paid.
- Each of the indicators was calculated using consolidated financial figures.
- The market capitalization was calculated by multiplying the closing share price as of the end of the period with the number of shares outstanding (excluding treasury stock).
- Operating cash flow figures have been used for cash flow calculations.
- Interest-bearing debt is the portion of total debt booked on the consolidated balance sheet on which interest is being paid. Interest paid is the amount of interest paid as reported in the consolidated statements of cash flows.

## 3. Basic Policy on Appropriation of Profits, Cash Dividends for Fiscal 2016 and 2017 (Year Ending March 31, 2017 and March 31, 2018)

### (1) Basic Policy on Appropriation of Profits

The Company adopts a holistic approach to profit sharing, including returning profits to our shareholders and increasing retained earnings in preparation for strategic growth and expansion in the future.

The Company makes every effort to provide our shareholders with a return that reflects our consolidated performance over the medium to long term and to pay out dividends on a consistent basis, in line with our consolidated dividend payout ratio and consolidated dividends on equity (DOE). Specifically, we aim to maintain a consolidated dividend payout ratio of at least 25% and a DOE of at least 2%.

During the period of the Medium-term Business Plan, which was initiated in fiscal 2014, the Group's financial standing has improved, including in terms of net interest-bearing debt ratio (net D/E ratio) and the ratio of shareholders' equity to total assets. In light of having realized an environment where the Company can aim to raise dividend payouts, the Company has decided to revise its dividend policy from fiscal 2017.

Under its policy on shareholder returns from fiscal 2017, in addition to continually raising dividends in line with performance trends, the Company will flexibly acquire treasury stock



depending on the stock price and market environment, therefore to enhance returns to shareholders.

Specifically, the Company will aim to gradually achieve a total return ratio of 30% or more.

Note: Total return ratio = (dividends paid + treasury stock acquired) / profit attributable to owners of parent

## **(2) Cash Dividends for Fiscal 2016 and 2017**

Due to profits reaching a record high in fiscal 2016, the Company has raised the regular year-end dividend, bringing it to 7 yen per share, or 1 yen higher than the most recent forecast. In addition, on October 1, 2017, the Company will celebrate its 20th anniversary. To show our appreciation to our shareholders, at the end of fiscal 2016 the Company will pay out a 2 yen per share memorial dividend.

The year-end dividend for fiscal 2016 is therefore expected to be 9 yen per share, comprising the 7 yen regular dividend and the 2 yen memorial dividend.

Because a 5 yen interim dividend was already paid out on December 2, 2016, dividends for the full fiscal year will total 14 yen per share.

Turning to dividends for the fiscal year ending March 31, 2018, the Company plans to pay an interim dividend of 8 yen per share and a year-end dividend of 8 yen per share, respectively. The Company therefore plans the annual dividend for the fiscal year to be 16 yen per share.

The aforementioned dividend plan is calculated based on the number of shares before the 5-to-1 share consolidation, which will be proposed at the Company's 20<sup>th</sup> Ordinary General Meeting of Shareholders and conducted on October 1, 2017.

## 4. Consolidated Balance sheets

	Millions of yen	
	FY2015 As of March 31, 2016	FY2016 As of March 31, 2017
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	79,578	84,120
Notes and accounts receivable-trade	245,345	271,706
Inventories	240,686	247,544
Deferred tax assets	11,007	16,192
Accounts receivable-other	44,913	52,279
Other	7,480	7,628
Allowance for doubtful accounts	(799)	(531)
<b>Total current assets</b>	<b>628,210</b>	<b>678,938</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures	328,354	335,957
Accumulated depreciation	(227,510)	(232,255)
Buildings and structures, net	100,844	103,702
Machinery, equipment and vehicles	979,458	988,248
Accumulated depreciation	(866,582)	(861,563)
Machinery, equipment and vehicles, net	112,876	126,685
Land	157,697	155,441
Construction in progress	31,307	11,465
Other	70,313	72,481
Accumulated depreciation	(59,635)	(60,345)
Other, net	10,678	12,136
<b>Total property, plant and equipment</b>	<b>413,402</b>	<b>409,429</b>
<b>Intangible assets</b>		
Goodwill	9,408	7,407
Other	30,765	27,781
<b>Total intangible assets</b>	<b>40,173</b>	<b>35,188</b>
<b>Investments and other assets</b>		
Investment securities	124,942	141,873
Net defined benefit asset	17,571	31,103
Deferred tax assets	6,362	6,755
Other	29,070	24,610
Allowance for doubtful accounts	(782)	(2,371)
<b>Total investments and other assets</b>	<b>177,163</b>	<b>201,970</b>
<b>Total non-current assets</b>	<b>630,738</b>	<b>646,587</b>
<b>Total assets</b>	<b>1,258,948</b>	<b>1,325,525</b>

	<b>Millions of yen</b>	
	<b>FY2015</b>	<b>FY2016</b>
	<b>As of</b>	<b>As of</b>
	<b>March 31, 2016</b>	<b>March 31, 2017</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	118,331	145,658
Short-term loans payable	86,490	90,276
Current portion of long-term loans payable	25,892	18,582
Current portion of bonds	20,142	24,142
Accounts payable-other	71,744	69,531
Income taxes payable	5,886	5,735
Provision for directors' bonuses	164	140
Provision for repairs	8,129	12,173
Provision for business structure improvement	234	—
Other	27,247	26,546
<b>Total current liabilities</b>	<b>364,259</b>	<b>392,783</b>
<b>Non-current liabilities</b>		
Bonds payable	59,716	35,574
Long-term loans payable	279,583	268,654
Deferred tax liabilities	19,791	24,169
Provision for directors' retirement benefits	277	251
Provision for repairs	4,251	3,878
Provision for environmental measures	786	732
Provision for business structure improvement	2,648	—
Net defined benefit liability	59,659	55,200
Asset retirement obligations	3,991	4,196
Other	20,750	25,453
<b>Total non-current liabilities</b>	<b>451,452</b>	<b>418,107</b>
<b>Total liabilities</b>	<b>815,711</b>	<b>810,890</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	125,053	125,053
Capital surplus	90,847	90,491
Retained earnings	181,128	236,961
Treasury stock	(14,607)	(14,708)
<b>Total shareholders' equity</b>	<b>382,421</b>	<b>437,797</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	14,650	20,337
Deferred gains or losses on hedges	(48)	(25)
Foreign currency translation adjustments	8,930	4,211
Remeasurements of defined benefit plans	(23,982)	(12,628)
<b>Total accumulated other comprehensive income</b>	<b>(450)</b>	<b>11,895</b>
<b>Non-controlling interests</b>	<b>61,266</b>	<b>64,943</b>
<b>Total net assets</b>	<b>443,237</b>	<b>514,635</b>
<b>Total liabilities and net assets</b>	<b>1,258,948</b>	<b>1,325,525</b>

## 5. Consolidated Income Statements and Consolidated Comprehensive Income Statements

### (Consolidated Income Statements)

	Millions of yen	
	FY2015	FY2016
	April 1, 2015 to March 31, 2016	April 1, 2016 to March 31, 2017
<b>Net sales</b>	<b>1,343,898</b>	<b>1,212,282</b>
Cost of sales	1,069,451	919,268
<b>Gross profit</b>	<b>274,447</b>	<b>293,014</b>
Selling, general and administrative expenses	203,521	190,865
<b>Operating income</b>	<b>70,926</b>	<b>102,149</b>
<b>Non-operating income and expenses</b>		
<b>Non-operating income</b>		
Interest income	637	941
Dividends income	3,434	2,679
Rent income	711	718
Share of profit of entities accounted for using equity method	—	208
Other	3,491	2,136
<b>Total non-operating income</b>	<b>8,273</b>	<b>6,682</b>
<b>Non-operating expenses</b>		
Interest expenses	6,623	5,749
Loss on suspension of operations	1,222	557
Share of loss of entities accounted for using equity method	2,150	—
Foreign exchange losses	1,929	1,257
Provision of allowance for doubtful accounts	—	1,370
Other	4,092	2,702
<b>Total non-operating expenses</b>	<b>16,016</b>	<b>11,635</b>
<b>Ordinary income</b>	<b>63,183</b>	<b>97,196</b>
<b>Extraordinary income and losses</b>		
<b>Extraordinary income</b>		
Gain on sales of non-current assets	1,236	253
Gain on sales of investment securities	3,820	2,381
Gain on transfer of business	3,738	—
<b>Total extraordinary income</b>	<b>8,794</b>	<b>2,634</b>
<b>Extraordinary losses</b>		
Loss on disposal of non-current assets	5,277	7,375
Loss on sales of non-current assets	293	10
Impairment loss	24,060	4,111
Loss on valuation of investment securities	—	196
Loss on restructuring of subsidiaries and affiliates	1,045	—
Contract termination fees	—	2,366
<b>Total extraordinary losses</b>	<b>30,675</b>	<b>14,058</b>
<b>Profit (loss) before income taxes</b>	<b>41,302</b>	<b>85,772</b>
<b>Income taxes—current</b>	<b>15,840</b>	<b>15,704</b>
<b>Income taxes—deferred</b>	<b>(4,005)</b>	<b>(3,789)</b>
<b>Total income taxes</b>	<b>11,835</b>	<b>11,915</b>
<b>Profit (loss)</b>	<b>29,467</b>	<b>73,857</b>
<b>Profit (loss) attributable to non-controlling interests</b>	<b>6,504</b>	<b>9,018</b>
<b>Profit (loss) attributable to owners of parent</b>	<b>22,963</b>	<b>64,839</b>

(Consolidated Comprehensive Income Statements)

	Millions of yen	
	FY2015	FY2016
	April 1, 2015 to March 31, 2016	April 1, 2016 to March 31, 2017
<b>Profit (loss)</b>	<b>29,467</b>	<b>73,857</b>
<b>Other comprehensive income (loss)</b>		
Valuation difference on available-for-sale securities	(6,624)	5,647
Deferred gains or losses on hedges	413	0
Foreign currency translation adjustment	(20,275)	(3,870)
Remeasurements of defined benefit plans	(13,472)	11,380
Share of other comprehensive income of entities accounted for using equity method	(3,905)	(1,614)
<b>Total other comprehensive income (loss)</b>	<b>(43,863)</b>	<b>11,543</b>
<b>Comprehensive income (loss)</b>	<b>(14,396)</b>	<b>85,400</b>
Comprehensive income (loss) attributable to		
Comprehensive income (loss) attributable to owners of parent	(16,650)	77,184
Comprehensive income (loss) attributable to non-controlling interests	2,254	8,216

## 6. Consolidated Statements of Cash Flows

	Millions of yen	
	FY2015	FY2016
	April 1, 2015 to March 31, 2016	April 1, 2016 to March 31, 2017
Profit (loss) before income taxes	41,302	85,772
Depreciation	45,487	42,809
Amortization of goodwill	3,153	1,248
Impairment loss	24,060	4,111
Increase(decrease) in net defined benefit liability	(1,307)	(2,314)
Decrease (increase) in net defined benefit asset	(3,466)	(3,989)
Increase (decrease) in allowance for doubtful accounts	116	1,353
Increase (decrease) in provision for repairs	(247)	3,671
Increase (decrease) in provision for environmental measures	(169)	(54)
Increase (decrease) in provision for business structure improvement	(9,225)	(2,864)
Interest and dividend income	(4,071)	(3,620)
Interest expenses	6,623	5,749
Share of (profit) loss of entities accounted for using equity method	2,150	(208)
Loss (gain) on sales of investment securities	(3,817)	(2,379)
Loss on retirement of non-current assets	1,161	709
Loss (gain) on sales of non-current assets	(943)	(243)
Decrease (increase) in notes and accounts receivable - trade	24,235	(27,375)
Decrease (increase) in inventories	34,929	(8,014)
Increase (decrease) in notes and accounts payable - trade	(40,440)	27,580
Other, net	36,949	(8,425)
<b>Subtotal</b>	<b>156,480</b>	<b>113,517</b>
Interest and dividends income received	7,669	7,699
Interest expenses paid	(7,059)	(5,818)
Income taxes paid	(11,177)	(14,958)
<b>Net cash provided by (used in) operating activities</b>	<b>145,913</b>	<b>100,440</b>
Purchase of property, plant and equipment	(40,046)	(39,530)
Proceeds from sales of property, plant and equipment	1,759	1,082
Purchase of intangible assets	(1,340)	(1,968)
Purchase of long-term prepaid expenses	(3,863)	(1,431)
Purchase of investment securities	(42,920)	(10,390)
Proceeds from sales and redemption of investment securities	5,052	4,179
Proceeds from transfer of business	44,649	-
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	30
Other, net	344	633
<b>Net cash provided by (used in) investing activities</b>	<b>(36,365)</b>	<b>(47,395)</b>

	Millions of yen	
	FY2015	FY2016
	April 1, 2015 to March 31, 2016	April 1, 2016 to March 31, 2017
Net increase (decrease) in short-term loans payable	(29,774)	4,154
Proceeds from long-term loans payable	18,711	10,000
Repayment of long-term loans payable	(36,921)	(27,818)
Redemption of bonds	(20,142)	(20,142)
Proceeds from share issuance to non-controlling shareholders	39	8
Proceeds from sales of treasury shares	7	1
Purchase of treasury shares	(161)	(103)
Cash dividends paid	(7,006)	(9,005)
Dividends paid to non-controlling interests	(3,540)	(4,006)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(163)	(548)
Other, net	(91)	(116)
<b>Net cash provided by (used in) financing activities</b>	<b>(79,041)</b>	<b>(47,575)</b>
Effect of exchange rate change on cash and cash equivalents	(2,978)	(737)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>27,529</b>	<b>4,733</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>50,622</b>	<b>78,151</b>
<b>Cash and cash equivalents at end of period</b>	<b>78,151</b>	<b>82,884</b>

## 7. Segment Information

### (1) Overview of Reportable Segments

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

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

The four reportable segments (distinguished by products and services) that therefore comprise the Group's operations are: Mobility, Health Care, Food & Packaging and Basic Materials.

Segments		Major Products
Reportable Segments	Mobility	Elastomers, performance compounds, functional polymers and, polypropylene compounds
	Health Care	Vision care materials, nonwoven fabrics, dental materials and, personal care materials
	Food & Packaging	Coating & engineering materials, performance films and sheets and, agrochemical products
	Basic Materials	Ethylene, propylene, polyethylene, polypropylene, catalysts, phenols, PTA, PET, polyurethane materials and, industrial chemical products
Others	Others	Other related businesses, etc.

### (2) Methods to Determine Net Sales, Income or Loss, Assets, and Others by Reportable Business Segment

Profit by reportable business segment is stated on an operating income basis. Intersegment net sales and transfers are based on the values of transactions undertaken between third parties.

### (3) Information concerning Net Sales, Income or Loss, Assets, and Others by Reportable Business Segment

The previous fiscal year (April 1, 2015 – March 31, 2016)

(Millions of yen)

	Reportable Segment					Others (Note 1)	Sum total
	Mobility	Health Care	Food & Packaging	Basic Materials	Total		
Net sales							
1) To external customers	318,224	161,139	195,240	630,744	1,305,347	38,551	1,343,898
2) Internal sales among segments and transfers	11,531	2,728	4,675	71,358	90,292	56,432	146,724
Total	329,755	163,867	199,915	702,102	1,395,639	94,983	1,490,622
Segment income (loss)	44,943	11,538	20,271	1,055	77,807	(106)	77,701
Segment assets	242,495	213,192	207,216	488,015	1,150,918	51,505	1,202,423
Other items							
Depreciation and amortization (Note 2)	10,427	10,145	7,131	13,317	41,020	4,157	45,177
Amortization of goodwill	—	2,897	—	166	3,063	90	3,153
Amount invested in equity method affiliate	18,391	4,208	2,061	46,639	71,299	3,015	74,314
Capital expenditures (Note 2)	6,722	6,153	8,901	17,642	39,418	3,548	42,966

Notes:

1. "Others" category incorporates operations not included in reportable segments.

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



The fiscal year under review (April 1, 2016 – March 31, 2017)

(Millions of yen)

	Reportable Segment					Others (Note 1)	Sum total
	Mobility	Health Care	Food & Packaging	Basic Materials	Total		
Net sales							
1) To external customers	293,283	134,198	182,468	565,617	1,175,566	36,716	1,212,282
2) Internal sales among segments and transfers	10,217	2,166	5,132	57,379	74,894	50,747	125,641
Total	303,500	136,364	187,600	622,996	1,250,460	87,463	1,337,923
Segment income (loss)	40,716	10,118	20,606	38,504	109,944	(353)	109,591
Segment assets	241,814	206,186	209,310	544,307	1,201,617	59,396	1,261,013
Other items							
Depreciation and amortization (Note 2)	9,241	9,049	6,687	13,341	38,318	4,134	42,452
Amortization of goodwill	—	1,148	—	—	1,148	100	1,248
Amount invested in equity method affiliate	16,666	4,628	2,322	46,381	69,997	2,760	72,757
Capital expenditures (Note 2)	10,447	8,745	7,145	14,221	40,558	3,936	44,494

Notes: 1. "Others" category incorporates operations not included in reportable segments.  
2. Depreciation and amortization, and capital expenditures include amortization costs and expenditures for long-term prepaid expenses.

**(4) Reconciliation of Differences between Total Amounts of Reportable Segments and Consolidated Financial Statements (adjustment of difference)**

(Millions of yen)

Net Sales	FY 2015	FY 2016
Total reportable segment sales	1,395,639	1,250,460
Net sales classified under "Others"	94,983	87,463
Elimination of intersegment transactions	(146,724)	(125,641)
Net sales recorded in Consolidated Income Statements	1,343,898	1,212,282

(Millions of yen)

Income	FY 2015	FY 2016
Total reportable segment income	77,807	109,944
Income classified under "Others"	(106)	(353)
Elimination of intersegment transactions and etc	86	(596)
Corporate expenses (note)	(6,861)	(6,846)
Operating income (loss) recorded in Consolidated Income Statements	70,926	102,149

Note: Corporate expenses mainly comprise general & administrative expenses which are usually not attributed to segments and R&D expenses for new business.

(Millions of yen)

Assets	FY 2015	FY 2016
Total reportable segment assets	1,150,918	1,201,617
Assets classified under "Others"	51,505	59,396
Elimination of intersegment transactions	(99,315)	(116,819)
Corporate assets (note)	155,840	181,331
Assets recorded in Consolidated Balance Sheets	1,258,948	1,325,525

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

(Millions of yen)

Other items	Reportable segments		Others		Adjustments (note)		Amounts from consolidated financial	
	FY15	FY16	FY15	FY16	FY15	FY16	FY15	FY16
Depreciation and amortization	41,020	38,318	4,157	4,134	310	357	45,487	42,809
Amortization of goodwill	3,063	1,148	90	100	—	—	3,153	1,248
Investment in equity method affiliate	71,299	69,997	3,015	2,760	—	—	74,314	72,757
Capital expenditures	39,418	40,558	3,548	3,936	439	889	43,405	45,383

Note: Adjustments incorporate depreciation expenses, amortization expenses and capital expenditures which are related to R&D of new business.

## 8. Segment Related Information

### Information by Region

The previous consolidated fiscal year (April 1, 2015 – March 31, 2016)

a. Net Sales (Millions of yen)

Japan	China	Asia	America	Europe	Other regions	Total
745,738	130,494	208,296	169,815	80,766	8,789	1,343,898

- Notes:
- Net sales are classified by country and region based on customer location.
  - Major countries and regions located in areas outside of Japan and China are as follows:
    - Asia: Taiwan, South Korea, Thailand, Malaysia, Singapore, India
    - America: The United States, Mexico
    - Europe: Germany, France
    - Other regions: Oceania, Africa

b. Tangible Assets

(Millions of yen)

Japan	Singapore	Asia	Other regions	Total
324,054	46,043	23,757	19,548	413,402

- Note: Major countries and regions located in areas outside of Japan and Singapore are as follows:
- Asia: China, Taiwan, South Korea, Thailand, Malaysia, India
  - Other regions: North America, Europe

The consolidated fiscal year under review (April 1, 2016 – March 31, 2017)

a. Net Sales

(Millions of yen)

Japan	China	Asia	America	Europe	Other regions	Total
697,065	121,188	167,617	153,434	66,082	6,896	1,212,282

- Notes:
- Net sales are classified by country and region based on customer location.
  - Major countries and regions located in areas outside of Japan and China are as follows:
    - Asia: Taiwan, South Korea, Thailand, Malaysia, Singapore, India
    - America: The United States, Mexico
    - Europe: Germany, France
    - Other regions: Oceania, Africa

b. Tangible Assets

(Millions of yen)

Japan	Singapore	Asia	Other regions	Total
321,672	42,279	23,022	22,456	409,429

- Note: Major countries and regions located in areas outside of Japan and Singapore are as follows:
- Asia: China, Taiwan, South Korea, Thailand, Malaysia, India
  - Other regions: North America, Europe

### Information Concerning Impairment Loss of Fixed Assets by Reportable Segment

The previous fiscal year (April 1, 2015 – March 31, 2016)

(Millions of yen)

	Mobility	Health Care	Food & Packaging	Basic Materials	Others	Corporate Expenses	Total
Impairment loss	340	21,375	821	1,480	–	44	24,060

The fiscal year under review (April 1, 2016 – March 31, 2017)

(Millions of yen)

	Mobility	Health Care	Food & Packaging	Basic Materials	Others	Corporate Expenses	Total
Impairment loss	51	85	405	461	2,769	340	4,111

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

The previous fiscal year (April 1, 2015 – March 31, 2016)

(Millions of yen)

	Mobility	Health Care	Food & Packaging	Basic Materials	Others	Corporate Expenses	Total
Amount of amortization	–	2,897	–	166	90	–	3,153
Unamortized balance	–	9,003	–	–	405	–	9,408

The fiscal year under review (April 1, 2016 – March 31, 2017)

(Millions of yen)

	Mobility	Health Care	Food & Packaging	Basic Materials	Others	Corporate Expenses	Total
Amount of amortization	–	1,148	–	–	100	–	1,248
Unamortized balance	–	7,104	–	–	303	–	7,407