NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

KANEKA CORPORATION AND CONSOLIDATED SUBSIDIARIES

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

Kaneka Corporation (the "Company") and its consolidated domestic subsidiaries maintain their official accounting records in Japanese yen and in accordance with the provisions set forth in the Financial Instruments and Exchange Law in Japan and its related accounting regulations and accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accompanying consolidated financial statements have been restructured and translated into English with some expanded descriptions and the inclusion of consolidated statements of changes in net assets 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 Financial Instruments and Exchange Law in Japan. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

Prior to the year ended March 31, 2009, the accounts of consolidated overseas subsidiaries were based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. The accounts of major consolidated overseas subsidiaries after the year ended March 31, 2009 were prepared for consolidation purposes in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles, with adjustments for the specified items as applicable in compliance with ASBJ Practical Solution No. 18, "Tentative Treatment of Accounting for Foreign Subsidiaries in Preparing Consolidated Financial Statements."

The translation of the Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan, using the prevailing exchange rate on March 31, 2016 which was ¥112.68 to U.S.$1.00. The 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 U.S. dollars at this or any other rate of exchange.

2. SIGNIFICANT ACCOUNTING POLICIES

Consolidation

The accompanying consolidated financial statements include the accounts of the Company and significant companies over which the Company has power of control through majority voting rights or existence of certain other conditions evidencing control (together, the "Companies"). Investments in nonconsolidated subsidiaries and affiliates over which the Company has the ability to exercise significant influence over operating and financial policies are accounted for by the equity method, except for insignificant investments which are recorded at cost.

The Company has 75 consolidated subsidiaries (62 in FY2015 and 60 in FY2014) and 3 affiliates accounted for by the equity method (3 in FY2015 and 3 in FY2014). For the year ended March 31, 2016, the accounts of 15 consolidated subsidiaries were included based on a fiscal year that ended on December 31. When significant transactions occur at those subsidiaries between their fiscal year end and that of the Company, the transactions are included in consolidation. Intercompany transactions and accounts have been eliminated. 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.

Cash and cash equivalents

Cash on hand, readily available deposits and short-term highly liquid investments with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

Allowance for doubtful accounts

The allowance for doubtful receivables is provided to cover possible losses on collection. With respect to normal trade accounts receivable, it is based on the actual rate of historical bad debts, and for certain doubtful receivables, the uncollectible amount is individually estimated.

Securities

The Companies hold equity securities issued by subsidiaries and affiliated companies and available-for-sale securities. Equity securities issued by subsidiaries and affiliated companies which are not consolidated or accounted for using the equity method are stated at moving average cost. Available-for-sale securities with available fair values are stated at fair value. Unrealized gains and unrealized losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gains and losses on the sale of such securities are computed using moving average cost. Securities with no available fair value are stated at moving average cost.

Derivatives and hedge accounting

Derivative financial instruments are stated at fair value, and changes in the fair value are recognized as gain or loss unless the derivative financial instruments are used for hedging purposes. If derivative financial instruments are used as hedges and meet certain hedging criteria, the Companies defer recognition of gain or loss resulting from a change in the fair value of the derivative financial instrument until the related loss or gain on the hedged item is recognized. Also, 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 contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

Inventories

Inventories are principally valued at cost as determined by the average cost method. If the profitability of the inventories decreases, the book value is reduced accordingly.

Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated loss from impairment. Cumulative amounts of recognized impairment loss are deducted from acquisition costs. Depreciation is computed over the estimated useful life of the asset mainly by the straight-line method. Repairs, maintenance and minor renewals are charged to expenses as incurred. Property, plant and equipment capitalized under finance lease arrangements are depreciated over the estimated useful life as measured by the lease term of the respective asset by the straight-line method. The residual value is zero or the guaranteed residual value.

Goodwill

Goodwill, except for minor goodwill, is amortized by the straight-line method within 20 years. Minor goodwill is expensed as incurred.

Liability (asset) for retirement benefits

The Company has an unfunded lump-sum benefit plan generally covering all employees. Under the terms of the plan, eligible employees are entitled upon mandatory retirement at age 60 or earlier voluntary termination to a lump-sum severance payment based on compensation at the time of severance and years of service.

In addition to the unfunded lump-sum plan, the Company participates in a noncontributory funded pension plan, which covers substantially all employees. Consolidated domestic subsidiaries have similar lump-sum benefit plans and pension plans. Certain overseas consolidated subsidiaries have defined contribution plans.

The Companies provide employees' severance and retirement benefits based on the estimated amounts of projected benefit obligation, actuarially calculated using certain assumptions, and the fair value of the plan assets. The estimated benefit is attributed to each period based on the plan's benefit formula. Prior service costs are recognized as expense using the straight-line method over mainly 5 years, a term within the average of the estimated remaining service years of the current employees. Actuarial gains and losses are recognized using the straight-line method over mainly 10 years, a term also within the average of the estimated remaining service years of employees, commencing with the following period.

Provision for directors' retirement benefits

Directors and statutory auditors terminating their service with certain consolidated domestic subsidiaries are entitled to receive retirement benefits based on compensation and years of service, subject to the approval of shareholders. Certain consolidated domestic subsidiaries accrue the liability for their plans in amounts sufficient to provide for benefits arising from services performed through the balance sheet date.

Research and development expenses

Expenses related to research and development activities are charged to income as incurred. Research and development expenses for the years ended March 31, 2016, 2015 and 2014 were ¥26,768 million ($237,558 thousand), ¥23,319 million and ¥21,096 million, respectively.

Income taxes

The tax effects of temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting are recognized as deferred income taxes. The asset-liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Net income per share

The computations of net income per share of common stock are based on the weighted average number of shares outstanding during each period.

Application of consolidated taxation system

The Company and certain domestic consolidated subsidiaries apply a consolidated taxation system.

Reclassifications

Certain prior year amounts have been reclassified to conform to the 2016 presentation. These changes had no impact on previously reported results of operations or shareholders' equity.

Additional information

(Transfer of Company shares to the employees through an employee stock ownership trust)

The Company has introduced a plan to transfer Company shares to the employees' share holding association through a trust in order to provide the Company group's employees to promote the benefit and welfare of the employees of the Company and to provide incentives to increase the enterprise value of the Company.

(1) Outline of the transactions

The Board of Directors approved a resolution on October 9, 2015 to introduce the "Employee Stock Ownership Plan (ESOP) Trust"(the "Plan") to provide employees an incentive toward achieving medium- to long-term growth in corporate value.

The Plan is an incentive plan in which all employees of the Company who are members of the "Kaneka Share Holding Association" ("Share Holding Association") may participate. According to the plan, The Company creates a trust with employee members of the Share Holding Association who meet certain requirements as beneficiaries, and during a predetermined period, the trust acquires a number of the Company's shares that the Association is then expected to acquire over the next five years.

Afterwards, the trust sells the shares to the Share Holding Association in accordance with the plan. The remaining funds will be distributed according to each employee's contribution ratio when there are the trust earnings resulting from an upward swing in stock price when the trust ends. There is no additional risk of loss to the employee when a loss is incurred as a result of a decrease in the stock price as the Company will pay back the loan based on a guarantee clause in the loan agreement.

(2) Stocks remaining in the trust

The book value (excluding incidental expenses) of stock remaining in the trust is included as "treasury stock" in net assets in the consolidated balance sheets. As of March 31, 2016, the trust held 1,422,000 shares of Company stock with a book value of ¥1,689 million ($14,989 thousand).

(3) Book value of loans recorded using the gross price method

¥1,706 million ($15,140 thousand) as of March 31, 2016.

Changes in accounting policies

(Changes in accounting policies that are difficult to distinguish from changes in accounting estimates)

The depreciation method used for property, plant and equipment, excluding some categories, for the Company, consolidated domestic subsidiaries and some consolidated overseas subsidiaries, was changed from the declining balance method to the straight-line method starting from the year ended March 31, 2014.

The Kaneka Group is striving to globalize in accordance with its targets for fiscal 2020 set forth in its long-term management vision, "Declaration of Kaneka United for the Future," formulated by the Company in 2009. From the year ended March 31, 2014, the Company will begin making significant foreign investments mainly to establish new manufacturing and marketing bases overseas and bolstering manufacturing capacity. Kaneka has decided to unify the Group's depreciation method for calculating depreciation under the straight-line method. Depreciation of the Group's property, plant and equipment is commensurate with the straight-line method given that those assets can all be used over a relative long term and because economic realities conform with that method. Moreover, unification under this method will enhance the Company's ability to make decisions regarding asset distribution by enabling it to compare costs among Group companies. It will also make it easier to compare the Kaneka Group's earnings performance against other multinational companies. Overall, the Kaneka Group sees this change in depreciation method as a step toward the globalization of the Kaneka Group.

As a result of this change, in comparison with the former calculation method, Kaneka's operating income, income before income taxes and minority interests for the year ended March 31, 2014 increased by ¥8,368 million.

(Application of Accounting Standard for Retirement Benefits)

The Company and its consolidated domestic subsidiaries adopted Article 35 of Statement No. 26 and Article 67 of Guidance No. 25 (amended March 26, 2015) from the current fiscal year and have changed the determination of retirement benefit obligations and current service costs. In addition, the Company and its consolidated domestic subsidiaries have changed the method of attributing expected benefits to periods from a straight-line basis to a benefit formula basis and changed the method used for determining the discount rates.

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 current fiscal year.

As a result, net defined benefit liability increased by ¥4,194 million, net defined benefit asset decreased by ¥950 million and retained earnings decreased by ¥3,396 million in the beginning balance of the fiscal year ended March 31, 2015. The impact on operating income, and income before income taxes and minority interests for the fiscal year ended March 31, 2015 was immaterial.

(Application of accounting standard for business combinations)

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 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 prior years comparative information were reclassified to conform to such changes in the current year presentation.

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."

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.

These changes had no material effect on operating income, income before income taxes and non-controlling interests and earnings per share for the fiscal year ended March 31, 2016, and on the capital surplus amount at the end of the fiscal year ended March 31, 2016.

New accounting pronouncements

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

(1) 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.

(2) Effective date

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

(3) Effects of application of the Guidance

The impact of the revision on the consolidated financial statements is currently being evaluated.

3. COMPREHENSIVE INCOME

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

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2016	2015	2014	2016
Valuation difference on available-for-sale securities				
Decrease during the year	¥ (3,666)	¥ 13,134	¥ 3,475	$ (32,535)
Reclassification adjustments	112	(480)	(625)	994
Subtotal, before tax	(3,554)	12,654	2,850	(31,541)
Tax expense	1,315	(3,383)	(543)	11,671
Subtotal, net of tax	(2,239)	9,271	2,307	(19,870)
Deferred gains or losses on hedges				
Decrease during the year	242	(43)	—	2,148
Reclassification adjustments	(173)	(94)	—	(1,536)
Subtotal, before tax	69	(137)	—	612
Tax expense	(16)	32	—	(142)
Subtotal, net of tax	53	(105)	—	470
Foreign currency translation adjustments				
Decrease during the year	(4,049)	2,395	6,632	(35,933)
Reclassification adjustments	—	—	—	—
Subtotal, before tax	(4,049)	2,395	6,632	(35,933)
Tax expense	—	—	—	—
Subtotal, net of tax	(4,049)	2,395	6,632	(35,933)
Remeasurements of defined benefit plans, net of tax				
Decrease during the year	(17,811)	5,783	—	(158,067)
Reclassification adjustments	344	902	—	3,053
Subtotal, before tax	(17,467)	6,685	—	(155,014)
Tax expense	5,369	(2,314)	—	47,648
Subtotal, net of tax	(12,098)	4,371	—	(107,366)
Share of other comprehensive income of associates accounted for using equity method				
Decrease during the year	8	48	25	71
Reclassification adjustments	(26)	69	(9)	(231)
Subtotal, net of tax	(18)	117	16	(160)
Total other comprehensive income	¥ (18,351)	¥ 16,049	¥ 8,955	$ (162,859)

4. FINANCIAL INSTRUMENTS

1. Matters regarding financial instruments

(1) Policy for handling financial instruments

The Companies procure funds necessary for the manufacturing and sales business primarily through borrowings from financial institutions or by issuing corporate bonds based upon the plan and budget for capital investments. In principle, temporary surplus funds are centralized by the Cash Management System (CMS) and invested in highly safe financial assets. In addition, the Companies procure short-term operating capital from financial institutions. Derivative transactions are used to hedge against risks described below, but never for speculative purposes.

(2) Description of financial instruments and inherent risks

Notes and accounts receivable—trade, which are operating receivables, are exposed to customer credit risk. Operating receivables denominated in foreign currencies generated from global business operations are exposed to foreign exchange fluctuation risk. Marketable securities and investment securities, primarily shares of companies with which the Companies maintain business relations, are exposed to the risk of market price fluctuations.

Notes and accounts payable, which are operating payables, are basically settled in the short-term with a deadline set within a year. Operating payables include payables denominated in foreign currencies for importing materials and are exposed to foreign exchange fluctuation risk. However, they remain within the range of the balance of operating receivables denominated in the same foreign currencies. Short-term borrowings are primarily for procuring operating capital and long-term debt, and bonds are issued to obtain necessary funds mainly for capital expenditures. A portion of the short-term debt and the long-term debt are exposed to interest rate fluctuation risk, but the effect is limited.

Derivative transactions such as foreign exchange forward contracts, currency swaps and interest rate swaps are used to hedge against the foreign currency fluctuation risk associated with operating receivables and payables denominated in foreign currencies, investment assets, loans receivable, etc. Since all derivative transactions correspond to assets and liabilities on the balance sheets, foreign exchange fluctuation risk is hedged and the fluctuation risk of market interest rates is rendered insignificant.

(3) Risk management system related to financial instruments

(a) Credit risk management (risk pertaining to breach of contract on the part of business partners)

The Company aims to mitigate credit risk by quickly identifying any concerns about the collection of operating receivables resulting from the deterioration of a business partner's financial position or other factors. Also, each business division periodically reviews the status of our main business partners and regularly monitors deadlines, balances and credit status for each partner. The consolidated subsidiaries also manage operating receivables in accordance with the practices of the Company.

As for debt securities, the credit risk is insignificant since the Company only handles those with high ratings or issued by companies with existing business relations with the Company and whose creditability is verifiable. Further, the Company periodically verifies the financial position of issuers to mitigate risk. Since the counterparties to the derivative transactions are highly creditworthy financial institutions, the Company considers the risk of their breach of contract as almost nil.

The maximum credit risk exposure of financial assets is represented by their carrying amounts on the balance sheet as of March 31, 2016.

(b) Market risk management (foreign exchange and interest rate fluctuation risk)

The Company and some consolidated subsidiaries identify foreign exchange fluctuation risk associated with operating receivables and payables denominated in foreign currencies by currency and by month. Such risk is hedged by using foreign exchange forward contracts, principally up to the amounts to be settled after netting operating payables denominated in foreign currencies. Note that the Company defines the monthly execution limit and the operating standard based upon its Procedures for Foreign Exchange Management and enters into foreign exchange forward contracts within the scope provided by the procedures. Also, the Companies utilize interest rate swaps mainly to hedge against the fluctuation risk of market interest rates.

For marketable securities and investment securities, the Company periodically identifies fair values and the financial positions of the issuers (business partner companies). For securities other than held-to-maturity bonds, the Company continuously revises the holding status taking into consideration the business relationship with the business partner companies.

The Financial Department of the Company executes derivative transactions based upon its Transaction Regulations for Derivative Financial Products, which defines the basic policy, the scope of operations, the personnel responsible for execution, the basis for decision making and the management system. Consolidated subsidiaries enter into derivative transactions based upon resolutions passed by their respective bodies upon the Company's approval. The Company ensures an effective internal checking system by segregating the execution function from the monitoring and managing function. Also, the Director of the Company's Financial Department performs evaluations for hedge effectiveness of all derivative transactions entered into by the Companies and reports the results together with a description of the underlying assets and liabilities to the President and the CFO on a monthly basis and periodically to the Board of Directors.

(c) Liquidity risk management relating to fund procurement (risk of non-execution of payments by deadlines)

The Company manages liquidity risk by timely preparing and updating cash flow plans by the Financial Department and by maintaining a liquidity facility, which is the sum of liquidity on hand and commitment lines, in the approximate amount of one month's consolidated net sales. In addition, the Companies mitigate liquidity risk in principle by centralizing the Companies' funds using CMS. Accordingly, the Companies consider that no significant liquidity risk exists.

(4) Supplementary explanation for matters regarding fair value of financial instruments

The fair value of financial instruments is based on market price. If a market price is not available, another valuation method is used. Such methods include variable factors and assumptions, and the results of a valuation may differ depending on which factors and assumptions are used.

The contract amounts related to the derivative transactions shown in "Derivative Transactions" do not indicate the market risks associated with the derivative transactions themselves.

2. Matters regarding the fair value of financial instruments

The table below shows the amounts of financial instruments recorded in the consolidated balance sheets as of March 31, 2016 (the consolidated accounts settlement date of the year ending March 31, 2016), their fair values and any differences between the balance sheet amounts and the fair values. Financial instruments whose fair values were deemed extremely difficult to assess were not included (see Note 2).

Millions of yen

	Consolidated balance sheet amount	Fair value	Difference
(1) Cash and cash equivalents	¥ 43,162	¥ 43,162	¥ —
(2) Notes and accounts receivable—trade	121,683	121,683	—
(3) Marketable and investment securities			
Available-for-sale securities	45,772	45,772	—
(4) Long-term loans receivable	1,308		
Allowance for doubtful receivables (*1)	(0)		
	1,308	1,313	5
Total assets	211,925	211,930	5
(1) Notes and accounts payable—trade	64,820	64,820	—
(2) Short-term loans payable	52,696	52,696	—
(3) Accounts payable—other	24,609	24,609	—
(4) Bonds payable	10,000	10,550	550
(5) Long-term loans payable	53,773	54,427	654
Total liabilities	205,898	207,102	1,204
Derivative transactions (*2)			
– Hedge accounting applied	9	9	—
– Hedge accounting not applied	233	233	—

The table below shows the amounts of financial instruments recorded in the consolidated balance sheets as of March 31, 2015 (the consolidated accounts settlement date for the year ending March 31, 2015), their fair values and any differences between the balance sheet amounts and the fair values. Financial instruments whose fair values were deemed extremely difficult to assess were not included (see Note 2).

Millions of yen

	Consolidated balance sheet amount	Fair value	Difference
(1) Cash and cash equivalents	¥ 28,020	¥ 28,020	¥ —
(2) Notes and accounts receivable—trade	122,084	122,084	—
(3) Marketable and investment securities			
Available-for-sale securities	51,415	51,398	(17)
(4) Long-term loans receivable	1,413		
Allowance for doubtful receivables (*1)	(0)		
	1,413	1,379	(34)
Total assets	202,932	202,881	(51)
(1) Notes and accounts payable—trade	63,072	63,072	—
(2) Short-term loans payable	55,636	55,636	—
(3) Accounts payable - other	24,912	24,912	—
(4) Bonds payable	10,000	10,634	634
(5) Long-term loans payable	47,274	47,196	(78)
Total liabilities	200,894	201,450	556
Derivative transactions (*2)			
– Hedge accounting applied	(44)	(44)	—
– Hedge accounting not applied	(99)	(99)	—

The table below shows the amounts as of March 31, 2016 calculated into U.S. dollars.

Thousands of U.S. dollars (Note 1)

	Consolidated balance sheet amount	Fair value	Difference
(1) Cash and cash equivalents	$ 383,049	$ 383,049	$ —
(2) Notes and accounts receivable—trade	1,079,899	1,079,899	—
(3) Marketable and investment securities			
Available-for-sale securities	406,212	406,212	—
(4) Long-term loans receivable	11,608		
Allowance for doubtful receivables (*1)	(0)		
	11,608	11,652	44
Total assets	1,880,768	1,880,812	44
(1) Notes and accounts payable—trade	575,257	575,257	—
(2) Short-term loans payable	467,660	467,660	—
(3) Accounts payable - other	218,397	218,397	—
(4) Bonds payable	88,747	93,628	4,881
(5) Long-term loans payable	477,219	483,023	5,804
Total liabilities	1,827,280	1,837,965	10,685
Derivative transactions (*2)			
– Hedge accounting applied	80	80	—
– Hedge accounting not applied	2,068	2,068	—

(*1) The amount of allowance for doubtful accounts, which is recorded for each long-term loan receivable, is excluded.

(*2) Assets and liabilities arising from derivative transactions are stated as a net amount. The figures in parenthesis indicate net liabilities.

Note 1.
Matters regarding the determination of fair value for financial instruments, marketable securities and derivative transactions

Assets

(1) Cash and cash equivalents
The fair value of time deposits approximates book value because of their short-term nature. Thus, the book value is used as the fair value.

(2) Notes and accounts receivable—trade
The fair value of notes and accounts receivable—trade settled in a short period of time approximates book value. Therefore, the book value is used as the fair value. The fair value of long-term notes and accounts receivable—trade is based on the present value calculated by discounting receivable amounts classified by certain periods at a rate that takes into account the time to maturity and credit risk.

(3) Marketable and investment securities
The fair value of equity securities is measured by market prices on exchanges. The fair value of debt securities is based on market prices on exchanges or by prices obtained from financial institutions. Debt securities without available market prices are measured at present value by discounting future cash flows generated by the financial assets. Refer to "Securities" for matters regarding securities classified by the purpose for which they are held.

(4) Long-term loans receivable
The fair value of long-term loans receivable is measured at the present value of future cash flows classified by the length of term and by risk category, according to the Company's credit risk management, at a rate with credit spread added to appropriate indices such as JGB yields. The fair value of borrowings with special concern is measured at the amounts deemed collectable because of the existence of collateral and/or guarantees.

Liabilities

(1) Notes and accounts payable—trade, (2) Short-term loans payable and (3) Accounts payable—other

The fair value of notes and accounts payable—trade, short-term loans payable and accounts payable—other approximate book value because they are mostly settled in a short period of time. As a result, the book value is used as the fair value. When it cannot be determined whether or not the settlement is made in a short period of time, the fair value is measured at the present value of future cash flows classified by a certain period at a rate that takes into account the time to maturity and credit risk.

(4) Bonds payable

The fair value of bonds payable issued by the Company is measured based on the market price.

(5) Long-term loans payable

The fair value of long-term loans payable is measured at the present value calculated by discounting the total amount of principle and interest at an interest rate for similar new borrowings.

Derivative transactions

Refer to Note 6, "Derivative financial instruments and hedging transactions."

Note 2.

Financial instruments whose fair values are deemed extremely difficult to assess

Type	Consolidated balance sheet amount		
	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Unlisted equity securities	¥ 10,312	¥ 10,300	$ 91,516

The financial instruments shown above are not included in the tables in "(3) Marketable securities and investment securities" because their market prices were not available and their fair values were deemed extremely difficult to assess.

Note 3.

Redemption schedules after the consolidated balance sheet date for monetary receivables and securities with maturity dates

	Millions of yen			
	2016			
	Within one year	Over one year to five years	Over five years to ten years	Over ten years
Cash and cash equivalents	¥ 43,162	¥ —	¥ —	¥ —
Notes and accounts receivable—trade	121,683	—	—	—
Long-term loans receivable	53	505	460	290
Total	¥ 164,898	¥ 505	¥ 460	¥ 290

	Millions of yen			
	2015			
	Within one year	Over one year to five years	Over five years to ten years	Over ten years
Cash and cash equivalents	¥ 28,020	¥ —	¥ —	¥ —
Notes and accounts receivable—trade	122,084	—	—	—
Long-term loans receivable	43	527	462	381
Total	¥ 150,147	¥ 527	¥ 462	¥ 381

	Thousands of U.S. dollars (Note 1)			
	2016			
	Within one year	Over one year to five years	Over five years to ten years	Over ten years
Cash and cash equivalents	$ 383,049	$ —	$ —	$ —
Notes and accounts receivable—trade	1,079,899	—	—	—
Long-term loans receivable	470	4,482	4,082	2,574
Total	$ 1,463,418	$ 4,482	$ 4,082	$ 2,574

Note 4.

Maturity schedules after the consolidated balance sheet date for bonds and long-term debt

Refer to Note 12, "Short-term loans payable and long-term debt."

5. SECURITIES

The following tables summarize acquisition costs and book values (fair values) of available-for-sale securities with available fair values as of March 31, 2016:

Securities with book value exceeding acquisition cost:

	Millions of yen			Thousands of U.S. dollars (Note 1)		
	2016			2016		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Equity securities	¥ 17,322	¥ 43,054	¥ 25,732	$ 153,727	$ 382,091	$ 228,364
Bonds	—	—	—	—	—	—
	¥ 17,322	¥ 43,054	¥ 25,732	$ 153,727	$ 382,091	$ 228,364

Securities with book value not exceeding acquisition cost:

	Millions of yen			Thousands of U.S. dollars (Note 1)		
	2016			2016		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Equity securities	¥ 3,331	¥ 2,718	¥ (613)	$ 29,562	$ 24,121	$ (5,441)
Bonds	—	—	—	—	—	—
	¥ 3,331	¥ 2,718	¥ (613)	$ 29,562	$ 24,121	$ (5,441)

The following table summarizes sales of available-for-sale securities as of March 31, 2016:

	Millions of yen			Thousands of U.S. dollars (Note 1)		
	2016			2016		
	Sales	Gain on sales	Loss on sales	Sales	Gain on sales	Loss on sales
Equity securities	¥ 386	¥ 77	¥ —	$ 3,426	$ 683	$ —
Bonds	—	—	—	—	—	—
	¥ 386	¥ 77	¥ —	$ 3,426	$ 683	$ —

The following tables summarize acquisition costs and book values (fair values) of available-for-sale securities with available fair values as of March 31, 2015:

Securities with book value exceeding acquisition cost:

	Millions of yen		
	2015		
	Acquisition cost	Book value	Difference
Equity securities	¥ 18,065	¥ 47,236	¥ 29,171
Bonds	—	—	—
	¥ 18,065	¥ 47,236	¥ 29,171

Securities with book value not exceeding acquisition cost:

	Millions of yen		
	2015		
	Acquisition cost	Book value	Difference
Equity securities	¥ 2,539	¥ 1,931	¥ (608)
Bonds	—	—	—
	¥ 2,539	¥ 1,931	¥ (608)

The following table summarizes sales of available-for-sale securities as of March 31, 2015:

	Millions of yen		
	2015		
	Sales	Gain on sales	Loss on sales
Equity securities	¥ 719	¥ 493	¥ —
Bonds	—	—	—
	¥ 719	¥ 493	¥ —

6. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS

Derivative transactions to which hedge accounting was not applied as of March 31, 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	Contract amount	Fair value	Contract amount	Fair value
Foreign exchange forward contracts				
Sell contract				
U.S. dollar	**¥ 1,353**	**¥ 4**	**$ 12,007**	**$ 35**
Currency swap contracts				
Pay JPY and receive U.S. dollar	**2,421**	**22**	**21,486**	**195**

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	Contract amount	Fair value	Contract amount	Fair value
Interest rate swaps				
Pay fixed and receive floating	**¥ 2,254**	**¥ (17)**	**$ 20,004**	**$ (151)**

Derivative transactions to which hedge accounting was applied as of March 31, 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	Contract amount	Fair value	Contract amount	Fair value
Currency swaps contracts				
Pay U.S. dollars and receive ringgit Malaysia	**¥ 3,606**	**¥ 233**	**$ 32,002**	**$ 2,068**

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	Contract amount	Fair value	Contract amount	Fair value
Interest rate swaps				
Pay floating and receive fixed	**¥ 500**	(*)	**$ 4,437**	(*)

Derivative transactions to which hedge accounting was not applied as of March 31, 2015 were as follows:

	Millions of yen	
	Contract amount	Fair value
Foreign exchange forward contracts		
Sell contract		
U.S. dollar	¥ 1,555	¥ (6)
Pound sterling	87	(1)
Currency swap contract		
Pay JPY and receive U.S. dollar	2,662	(65)

	Millions of yen	
	Contract amount	Fair value
Interest rate swaps		
Pay fixed and receive floating	¥ 2,403	¥ (27)

Derivative transactions to which hedge accounting was applied as of March 31, 2015 were as follows:

	Millions of yen	
	Contract amount	Fair value
Currency swaps		
Pay euro and receive ringgit Malaysia	¥ 940	¥ (46)
Pay U.S. dollars and receive ringgit Malaysia	3,845	2

	Millions of yen	
	Contract amount	Fair value
Interest rate swaps		
Pay floating and receive fixed	¥ 3,000	(*)
Pay fixed and receive floating	18	(*)

(*) Because interest rate swaps are processed with loans payable, the fair value is included in the fair value of the loans payable (Note 4).

7. INVENTORIES

Inventories at March 31, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	**2016**
Merchandise and finished goods	**¥ 51,746**	¥ 51,610	**$ 459,230**
Work-in-process	**10,126**	30,058	**89,865**
Raw materials and supplies	**31,829**	9,517	**282,472**
	¥ 93,701	¥ 91,185	**$ 831,567**

8. RETIREMENT BENEFIT EXPENSES

Since the number of employees exceeded 300 after the merger between consolidated subsidiaries, the newly formed consolidated subsidiary changed its calculation method for retirement benefit obligations to the principle method from the simplified method. The Companies recognized the difference resulting from the change in calculation method as retirement benefit expense for the year ended March 31, 2014.

9. RESTRUCTURING CHARGES

The Companies recognized restructuring charges in other expenses for the year ended March 31, 2014.

(1) ¥3,194 million of loss on valuation of inventories.

(2) ¥5,927 million of impairment loss on noncurrent assets.

Location	Use	Type
Toyooka, Hyogo	Business assets (production facility for thin-film silicon solar panel)	Machinery, equipment and vehicles, etc.

The Companies groups its assets mainly according to business units.

Because profitability worsened, the book value of the production facilities for thin-film silicon solar panel was written down to its recoverable value, and the Companies posted an impairment loss of ¥5,927 million. Of this amount, machinery, equipment and vehicles accounted for ¥5,690 million.

The recoverable value of the above asset groups were estimated by net sales values based mainly on appraisal values determined by real property appraisers.

10. IMPAIRMENT LOSS

The Companies recognized impairment loss in other expenses for the year ended March 31, 2016.

Location	Use	Type
SANVIC Inc. (Hamamatsu, Shizuoka)	Business assets (production facility for molding polyvinyl chloride)	Machinery, equipment and vehicles, etc.

The Companies groups its assets mainly according to business units. For the business run mainly by subsidiaries, the Companies group assets according to subsidiary units.

Because profitability worsened, the book value of the production facilities for molding polyvinyl chloride of SANVIC Inc. was written down to its recoverable value, and the Companies posted an impairment loss of ¥1,536 million ($13,632 thousand). Of this amount, machinery, equipment and vehicles accounted for ¥1,485 million ($13,179 thousand).

The recoverable value of the above asset groups were estimated by net sales values based mainly on appraisal values determined by real property appraisers.

11. INCOME TAXES

The Company and its consolidated domestic subsidiaries are subject to a number of taxes based on income, which, in the aggregate, indicate a statutory rate in Japan of approximately 33.02% for the year ended March 31, 2016, approximately 35.59% for the year ended March 31, 2015 and approximately 37.96% for the years ended March 31, 2014.

The significant differences between the statutory and effective tax rate for the years ended March 31, 2016, 2015 and 2014 were as follows:

	2016	2015	2014
Statutory tax rate	**33.02%**	This information is not required as the differences between the statutory tax rates and the Companies' effective tax rates are not more than 5% of the statutory tax rates.	37.96%
Change in valuation allowance	**1.59%**		(16.20%)
Permanently non-taxable income	**(5.06%)**		(12.16%)
Elimination of dividends on consolidation	**4.61%**		9.62%
Tax credits primarily for research and development expenses	**(2.74%)**		(15.11%)
Adjustment of deferred tax assets by the changes of tax rate	**1.33%**		2.87%
Other	**(1.41%)**		1.68%
Effective tax rate	**31.34%**		8.66%

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Deferred tax assets:			
Net defined benefit liability	¥ 11,092	¥ 5,559	$ 98,438
Tax loss carryforwards	3,921	5,029	34,798
Loss on valuation of investment securities	856	895	7,597
Excess bonuses accrued	1,666	1,645	14,785
Impairment loss on noncurrent assets	4,083	4,349	36,235
Unrealized gain	1,539	1,703	13,658
Other	5,620	7,067	49,876
Subtotal	28,777	26,247	255,387
Valuation allowance	(6,138)	(6,243)	(54,473)
Total deferred tax assets	22,639	20,004	200,914
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	7,456	8,758	66,170
Depreciation of overseas subsidiaries	4,186	4,273	37,149
Other	1,917	1,220	17,013
Total deferred tax liabilities	13,559	14,251	120,332
Net deferred tax assets (liabilities)	¥ 9,080	¥ 5,753	$ 80,582

"Valuation difference on available-for-sale securities" reported separately in the previous fiscal year is included in "Other" of deferred tax assets in the current fiscal year due to a decrease in materiality. In addition, "Unrealized gain" included in "Other" of deferred tax assets and "Depreciation of overseas subsidiaries" included in "Other" of deferred tax liabilities are reported separately in the current fiscal year in order to improve the clarity of the disclosure. To reflect this change in presentation, the amount for the previous fiscal year was reclassified. As a result, ¥213 million in "Valuation difference on available-for-sale securities" and ¥8,557 million in "Other" of deferred tax assets in the previous fiscal year were reclassified as ¥1,703 million in "Unrealized gain" and ¥7,067 million in "Other." In addition, ¥5,493 million in "Other" of deferred tax liabilities in the previous fiscal year was reclassified as ¥4,273 million in "Depreciation of overseas subsidiaries" and ¥1,220 million in "Other."

Adjustment of deferred tax assets and liabilities for enacted changes in tax laws and rates:
On March 31, 2014, amendments to the Japanese tax regulations were enacted. As a result of these amendments, the statutory income tax rate for the Company will be reduced from 37.96% to 35.59% for years beginning on or after April 1, 2014. Due to this change in the statutory income tax rate, net deferred tax assets decreased and deferred income tax expense increased by ¥448 million.

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 were changed for the fiscal year ended March 31, 2015 from 35.59% to 33.02% and 32.22%, respectively, as of March 31, 2015.

Due to these changes in statutory income tax rates, net deferred tax assets (after deducting deferred tax liabilities) increased by ¥21 million as of March 31, 2015, deferred income tax expense recognized for the fiscal year ended March 31, 2015 increased by ¥935 million, evaluation differences of other securities increased by ¥892 million and accumulated adjustments for employee retirement benefits increased by ¥64 million.

On March 29, 2016, amendments to the Japanese tax regulations were enacted in the Diet. 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 were changed for the fiscal year ended March 31, 2016 from 33.22% to 30.81% and 30.58%, respectively, as of March 31, 2016.

Due to these changes in statutory income tax rates, net deferred tax assets (after deducting the deferred tax liabilities) decreased by ¥271 million ($2,405 thousand) as of March 31, 2016 and accumulated adjustments for employee retirement benefits decreased by ¥255 million ($2,263 thousand), deferred income tax expense recognized for the fiscal year ended March 31, 2016 increased by ¥407 million ($3,612 thousand) and evaluation differences of other securities increased by ¥391 million ($3,470 thousand).

12. SHORT-TERM LOANS PAYABLE AND LONG-TERM DEBT

Short-term loans payable are generally unsecured notes for three months with average interest rates of 1.00% and 0.70% at March 31, 2016 and 2015, respectively. Such borrowings are generally renewable at maturity.

Long-term loans payable and bonds payable at March 31, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	**2016**
Secured:			
Loans principally from banks and insurance companies at interest rates from 0.00% to 5.42% in 2016 and 2015, maturing serially through 2024	**¥ 1,777**	¥ 2,278	**$ 15,770**
Unsecured:			
Loans from banks and insurance companies at interest rates from 0.00% to 4.75% in 2016 and 2015, maturing serially through 2033	**57,827**	54,682	**513,197**
Bonds at interest rate of 1.67%, due September 13, 2019	**10,000**	10,000	**88,747**
	69,604	66,960	**617,714**
Less amounts due within one year	**5,831**	9,685	**51,748**
	¥ 63,773	¥ 57,275	**$ 565,966**

At March 31, 2016, assets pledged as collateral for secured long-term loans payable, short-term loans payable and trade payables totaling ¥765 million ($6,789 thousand) were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Property, plant and equipment, net	**¥ 5,759**	**$ 51,109**
Land	**1,244**	**11,040**
Investment securities	**1,815**	**16,108**
Intangible assets	**16**	**142**
	¥ 8,834	**$ 78,399**

The aggregate annual maturities of long-term loans payable and bonds payable were as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars (Note 1)
2017	¥ 5,831	$ 51,748
2018	9,637	85,525
2019	9,246	82,055
2020	11,408	101,242
2021	6,797	60,321
2022 and thereafter	26,685	236,823
	¥ 69,604	$ 617,714

13. PROVISION FOR RETIREMENT BENEFITS

Defined benefit plans

(1) Movement in retirement benefit obligations, except plan applying simplified method

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	**2016**
Balance at beginning of year	**¥ 92,723**	¥ 85,343	**$ 822,888**
Cumulative effects of changes in accounting policies	**—**	5,144	**—**
Restated balance	**92,723**	90,487	**822,888**
Service cost	**2,974**	2,963	**26,393**
Interest cost	**1,526**	1,514	**13,543**
Actuarial loss (gain)	**16,544**	(573)	**146,823**
Increase from newly consolidated subsidiary	**3,118**	—	**27,671**
Benefits paid	**(3,100)**	(3,158)	**(27,512)**
Other	**(43)**	1,490	**(381)**
Balance at the end of year	**¥ 113,742**	¥ 92,723	**$ 1,009,425**

(2) Movements in plan assets, except plan applying simplified method

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Balance at beginning of year	¥ 78,171	¥ 68,875	$ 693,743
Expected return on plan asset	1,331	1,157	11,812
Actuarial loss (gain)	(1,267)	5,210	(11,244)
Contributions paid by the employer	1,622	5,217	14,395
Benefits paid	(2,387)	(2,288)	(21,184)
Increase from newly consolidated subsidiary	2,553	—	22,657
Balance at the end of year	¥ 80,023	¥ 78,171	$ 710,179

(3) Movement in liability for retirement benefits of defined benefit plan applying the simplified method

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Balance at beginning of year	¥ 2,654	¥ 3,945	$ 23,553
Retirement benefit cost	300	346	2,662
Benefits paid	(249)	(253)	(2,210)
Increase from newly consolidated subsidiary	244	—	2,166
Other	(0)	(1,384)	(0)
Balance at the end of year	¥ 2,949	¥ 2,654	$ 26,171

(4) Reconciliation from retirement benefit obligations and plan assets to liability and asset for retirement benefits

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Funded retirement benefit obligation	¥ 88,056	¥ 70,039	$ 781,469
Plan asset	(80,030)	(78,171)	(710,241)
	8,026	(8,132)	71,228
Unfunded retirement benefit obligations	28,642	25,338	254,189
Total net liability (asset) for retirement benefits	36,668	17,206	325,417
Liability for retirement benefits	36,668	25,338	325,417
Asset for retirement benefits	—	(8,132)	—
Total net liability (asset) for retirement benefits	¥ 36,668	¥ 17,206	$ 325,417

(5) Retirement benefit costs

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2016	2015	2014	2016
Service cost	¥ 2,974	¥ 2,963	¥ 2,885	$ 26,393
Interest cost	1,526	1,514	1,277	13,543
Expected return on plan assets	(1,331)	(1,157)	(919)	(11,812)
Net actuarial loss amortization	344	902	1,573	3,053
Other	300	344	942	2,662
	¥ 3,813	¥ 4,566	¥ 5,758	$ 33,839

(6) Remeasurements for retirement benefits

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2016	2015	2014	2016
Actuarial gains and losses	¥ (17,467)	¥ 6,685	¥ —	$ (155,014)

(7) Accumulated remeasurements for retirement benefits

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Actuarial gains and losses that are yet to be recognized	¥ 15,779	¥ (1,688)	$ 140,034

(8) Plan assets

1. Plan assets comprise:

	2016	2015
Bonds	56%	52%
Equity securities	25%	29%
General account	15%	15%
Other	4%	4%
	100%	100%

2. 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.

(9) Actuarial assumptions

The principal actuarial assumptions

	2016	2015	2014
Discount rate	0.7% – 3.83%	1.28% – 3.64%	1.5%
Long-term expected rate of return	1.68% – 2.5.%	1.68%	1.5%

Defined contribution plans

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2016	2015	2014	2016
The amount of contributions to the defined contribution plan	¥ 601	¥ 500	¥ 433	$ 5,334

14. CONTINGENT LIABILITIES

At March 31, 2016 and 2015, contingent liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Notes endorsed	¥ 3	¥ —	$ 27
Notes discounted	50	242	444
Guarantees	510	281	4,526
Letters of awareness	168	257	1,490
	¥ 731	¥ 780	$ 6,487

15. NET ASSETS

Under the Japanese Corporate Law ("the Law"), 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.

Under the Law, in cases in which a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of legal earnings reserve and additional paid-in capital must be set aside as legal earnings reserve or additional paid-in capital. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Legal earnings reserve and additional paid-in capital may not be distributed as dividends. By resolution of the shareholders' meeting, legal earnings reserve and additional paid-in capital may be transferred to other retained earnings and capital surplus, respectively, which are potentially available for dividends.

On May 12, 2016, the Board of Directors authorized cash dividends to shareholders of record at March 31, 2016 on the shares of stock then outstanding at the rate of ¥10.0 ($0.09) per share or a total of ¥3,331 million ($29,562 thousand). The appropriations have not been accrued in the consolidated financial statements as of March 31, 2016. Such appropriations are recognized in the period in which they are approved by the Board of Directors.

16. STOCK OPTIONS

(1) The Company

The Company has implemented a stock option plan by which subscription rights to shares were granted to directors of the Company.

The following table summarizes the Company's stock option plan.

	Stock options granted on August 11, 2015	Stock options granted on August 11, 2014	Stock options granted on August 9, 2013	Stock options granted on August 9, 2012	Stock options granted on August 10, 2011	Stock options granted on August 10, 2010	Stock options granted on August 11, 2009	Stock options granted on August 11, 2008	Stock options granted on September 10, 2007
Category and number of people granted stock options	Company directors, 10	Company directors, 10	Company directors, 10	Company directors, 12	Company directors, 12	Company directors, 13	Company directors, 12	Company directors, 13	Company directors, 13
Number of stock options granted by category of stock	74,000 shares of common stock	75,000 shares of common stock	65,000 shares of common stock	75,000 shares of common stock	75,000 shares of common stock	75,000 shares of common stock	75,000 shares of common stock	75,000 shares of common stock	57,000 shares of common stock
Vesting conditions	No provision	No provision	No provision	No provision	No provision	No provision	No provision	No provision	No provision
Exercise period	From August 12, 2015 through August 11, 2040 (*)	From August 12, 2014 through August 11, 2039 (*)	From August 10, 2013 through August 9, 2038 (*)	From August 10, 2012 through August 9, 2037 (*)	From August 11, 2011 through August 10, 2036 (*)	From August 11, 2010 through August 10, 2035 (*)	From August 12, 2009 through August 11, 2034 (*)	From August 12, 2008 through August 11, 2033 (*)	From September 11, 2007 through September 10, 2032 (*)

(*) If a holder of subscription rights to shares loses his/her position as Company director during the above stated exercise period, the holder may exercise those rights only within the 10-day period beginning the day after losing such position.

The following table summarizes the movements and prices of subscription rights to shares.

	Stock options granted on August 11, 2015	Stock options granted on August 11, 2014	Stock options granted on August 9, 2013	Stock options granted on August 9, 2012	Stock options granted on August 10, 2011	Stock options granted on August 10, 2010	Stock options granted on August 11, 2009	Stock options granted on August 11, 2008	Stock options granted on September 10, 2007
Unvested stock options									
Beginning of term	—	—	—	—	—	—	—	—	—
Granted	74,000	—	—	—	—	—	—	—	—
Expired or forfeited	—	—	—	—	—	—	—	—	—
Vested	74,000	—	—	—	—	—	—	—	—
Unvested balance	—	—	—	—	—	—	—	—	—
Vested stock options									
Beginning of term	—	75,000	50,000	39,000	37,000	29,000	22,000	20,000	3,000
Vested	74,000	—	—	—	—	—	—	—	—
Exercised	—	5,000	6,000	4,000	5,000	4,000	3,000	—	—
Expired or forfeited	—	—	—	—	—	—	—	—	—
Unexercised balance	74,000	70,000	44,000	35,000	32,000	25,000	19,000	20,000	3,000
Exercise price (yen)	1	1	1	1	1	1	1	1	1
Weighted average market value per stock at the dates exercised (yen)	—	890	890	890	890	890	890	—	—
Fair value per stock at the date granted (yen)	947	502	558	363	412	456	622	600	883
Exercise price (USD)	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Weighted average market value per stock at the dates exercised (USD)	—	7.90	7.90	7.90	7.90	7.90	7.90	—	—
Fair value per stock at the date granted (USD)	8.40	4.46	4.95	3.22	3.66	4.05	5.52	5.32	7.84

Expenses relating to stock options were included in selling, general and administrative expenses and amounted to ¥70 million ($621 thousand), ¥38 million and ¥36 million for the years ended March 31, 2016, 2015 and 2014, respectively.

The fair value of options granted was estimated using the Black-Scholes model with the following assumptions.

	Stock options granted on August 11, 2015	Stock options granted on August 11, 2014
Expected volatility	24.04%	29.71%
Expected holding period	6 years	6 years
Expected dividend	16 yen	16 yen
Risk free interest rate	0.121%	0.179%

(2) Cemedine Co., Ltd.

Cemedine Co., Ltd. has implemented a stock option plan by which subscription rights to shares were granted to directors of the company.

The following table summarizes the company's stock option plan.

	Stock options granted on July 9, 2015	Stock options granted on July 10, 2014	Stock options granted on July 9, 2013	Stock options granted on July 12, 2012	Stock options granted on July 14, 2011	Stock options granted on July 26, 2010	Stock options granted on August 11, 2009	Stock options granted on October 20, 2008
Category and number of people granted stock options	Company directors, 4	Company directors, 6	Company directors, 7	Company directors, 8	Company directors, 8	Company directors, 8	Company directors, 7	Company directors, 7
Number of stock options granted by category of stock	26,000 shares of common stock	38,000 shares of common stock	53,000 shares of common stock	58,000 shares of common stock	64,000 shares of common stock	67,000 shares of common stock	58,000 shares of common stock	58,000 shares of common stock
Date granted	August 10, 2010	August 10, 2010	August 10, 2010	August 10, 2010	August 10, 2010	August 11, 2009	August 11, 2008	September 10, 2007
Vesting conditions	After people granted stock option lose their position as Company director.	After people granted stock option lose their position as Company director.	After people granted stock option lose their position as Company director.	After people granted stock option lose their position as Company director.	After people granted stock option lose their position as Company director.	After people granted stock option lose their position as Company director.	After people granted stock option lose their position as Company director.	After people granted stock option lose their position as Company director.
Exercise period	From July 10, 2015 through July 9, 2035 (*)	From July 11, 2014 through July 10, 2034 (*)	From July 10, 2013 through July 9, 2033 (*)	From July 13, 2012 through July 12, 2032 (*)	From July 15, 2011 through July 14, 2031 (*)	From July 27, 2010 through July 26, 2030 (*)	From August 12, 2009 through August 11, 2029 (*)	From October 21, 2008 through October 20, 2028 (*)

(*) If a holder of subscription rights to shares loses his/her position as Company director during the above stated exercise period, the holder may exercise those rights only within the 10-day period beginning the day after losing such position.

The following table summarizes the movements and prices of subscription rights to shares.

	Stock options granted on July 9, 2015	Stock options granted on July 10, 2014	Stock options granted on July 9, 2013	Stock options granted on July 12, 2012	Stock options granted on July 14, 2011	Stock options granted on July 26, 2010	Stock options granted on August 11, 2009	Stock options granted on October 20, 2008
Unvested stock options								
Beginning of term	26,000	22,000	14,000	12,000	7,000	8,000	8,000	8,000
Granted	—	—	—	—	—	—	—	—
Expired or forfeited	—	—	—	—	—	—	—	—
Vested	—	—	—	—	—	—	—	—
Unvested balance	26,000	22,000	14,000	12,000	7,000	8,000	8,000	8,000
Vested stock options								
Beginning of term	—	—	—	—	—	—	—	—
Vested	—	—	—	—	—	—	—	—
Exercised	—	—	—	—	—	—	—	—
Expired or forfeited	—	—	—	—	—	—	—	—
Unexercised balance	—	—	—	—	—	—	—	—
Exercise price (yen)	1	1	1	1	1	1	1	1
Weighted average market value per stock at the dates exercised (yen)	—	—	—	—	—	—	—	—
Fair value per stock at the date granted (yen)	415	388	388	352	342	293	273	163
Exercise price (USD)	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Weighted average market value per stock at the dates exercised (USD)	—	—	—	—	—	—	—	—
Fair value per stock at the date granted (USD)	3.68	3.44	3.44	3.12	3.04	2.60	2.42	1.45

(*) Amounts in "Beginning of term" are due to the consolidation of Cemedine Co., Ltd. by the Company during fiscal year ended March 31, 2016.

Expenses relating to stock options were included in selling, general and administrative expenses and amounted to ¥2 million ($18 thousand) for the year ended March 31, 2016.

No stock option was granted for the period from the consolidation of the company to March 31, 2016.

17. BUSINESS COMBINATION DUE TO ACQUISITION

At a meeting held on December 8, 2015, the Company's Board of Directors resolved to consolidate equity method affiliate CEMEDINE CO., LTD. as a subsidiary by conducting a tender offer to acquire the affiliate's common shares in accordance with the Financial Instruments and Exchange Act of Japan. The tender offer, which began on the day following the resolution on December 9, was completed on January 13, 2016. The following is an overview.

1. Summary of business combination

(1) Name of acquired company and its business

Name of acquired company

CEMEDINE CO., LTD.

Business

Manufacture and sale of adhesives, sealer, special paints, adhesive tapes

(2) Reasons for executing business combination

Since first accepting a third-party allotment of shares for recapitalizing CEMEDINE CO., LTD. in April 1990, Kaneka had strengthened its capital relationship with the affiliate in stages, cooperating in a mutual effort to expand business. However, Kaneka's Board reached a unanimous agreement that making CEMEDINE into a consolidated subsidiary would be an extremely effective means of raising the Kaneka Group's corporate value by promoting the mutual provision and effective use of management resources in areas encompassing the assets, technologies, expertise and overseas networks of the two companies. As a result, the two companies each held a Board of Directors meeting on December 8, 2015, and resolved to conduct a tender offer for Kaneka to consolidate CEMEDINE as a subsidiary.

(3) Date of business combination

January 20, 2016

(4) Legal form of business combination

Share acquisition in exchange for cash

(5) Name of company after combination

There was no change in the company name.

(6) Share of voting rights acquired

Share of voting rights held immediately before the date of business combination

29.61%

Share of voting rights additionally acquired on the date of business combination

21.39%

Share of voting rights held after acquisition

51.00%

(Note) Kaneka's ratio of voting rights in CEMEDINE CO., LTD. was calculated based on a denominator of 150,129 individual voting rights attached to 15,012,901 shares of outstanding CEMEDINE stock adjusted for dilution. This figure was calculated by adjusting the 15,167,000 nominal shares of outstanding stock as of September 30, 2015, recorded in CEMEDINE's "Quarterly Financial Results for the Second Quarter, Ended September 30, 2015," by adding 105,000 shares of unissued stock underlying 105 stock acquisition rights that had remained unexercised as of September 30, 2015 and subtracting a balance of 259,099 shares of treasury stock that CEMEDINE had recorded as of September 30, 2015. CEMEDINE had recorded the issuance of 26 new stock issuance rights in its "Quarterly Financial Results for the Second Quarter, Ended September 30, 2015" and had reported a balance of 176 outstanding stock acquisition rights as of March 31, 2015 in the securities report it filed on June 19, 2015 for the year ended March 31, 2015. From this total of 202 stock acquisition rights, the exercise of 97 stock acquisition rights as of January 14, 2016 was subtracted to arrive at the net figure of 105 outstanding stock acquisition rights.

(7) Rational behind determining the company to be acquired

The Company acquired a majority of the voting rights and clearly has control over the decisionmaking body of the acquiree.

2. Period of results of the acquired company included in the consolidated financial statements

The acquired company's financial results from January 1, 2016 to March 31, 2016 are included in the consolidated statement of income for the year ended March 31, 2016 as the acquisition date is regarded as January 1, 2016.

FINANCIAL SECTION

3. Additional acquisition of shares in acquired company

Acquisition cost and consideration paid

	Millions of yen	Thousands of U.S. dollars (Note 1)
Consideration paid for the acquisition		
Fair value of common stock of CEMEDINE held before the business combination	¥ 2,560	$ 22,719
Cash paid by additional common stock acquired as of the business combination	1,850	16,418
Acquisition cost	¥ 4,410	$ 39,137

4. Main acquisition related costs

Advisory fees: ¥101 million ($896 thousand)

5. Difference between acquisition cost of the acquired company and the total acquisition cost of individual transactions until the business combination

Gain on step acquisition: ¥230 million ($2,041 thousand)

6. Amount of gain on negative goodwill recognized and reason for recognition

(1) Amount of gain on negative goodwill recognized

¥1,313 million ($11,652 thousand)

(2) Reason for recognition

The acquisition cost was more than the net asset value at the date of business combination.

7. Value of assets and liabilities assumed as of business combination

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 14,052	$ 124,707
Non-current assets	8,159	72,409
Total assets	¥ 22,211	$ 197,116
Current liabilities	¥ 8,770	$ 77,831
Non-current liabilities	1,836	16,294
Total liabilities	¥ 10,606	$ 94,125

8. Estimated effect on consolidated statement of operations assuming the business combination was concluded at the beginning of the fiscal year ended March 31, 2016 and methods for calculation

	Millions of yen	Thousands of U.S. dollars
Net sales	¥ 17,371	$ 154,162
Operating income	903	8,014
Income before income taxes and non-controlling interests	634	5,627
Net income attributable to owners of parent	30	266
	Yen	U.S. dollars
Net income per share	¥ 0.09	$ 0.00

(Methods for Calculating Estimated Amounts)

The difference between net sales and profit and loss accounts calculated assuming the business combination was concluded at the beginning of the fiscal year ended March 31, 2016 and the corresponding figures in the accompanying consolidated statement of operations were used.
The amounts shown above have not been audited.

18. SEGMENT INFORMATION

1. Overview of Reporting Segments

Kaneka's reporting segments aim to gather financial information from the Company's separate business units to facilitate decisions by the Board of Directors on the allocation of management resources and allow for the Board's regular review of business performance.

Technology is the common foundation of all the Company's operations. These operations are divided into segments by product and service type, application and market similarity. Each segment develops its operations in accordance with a global group strategy for the Company's products and services that has unified subsidiaries in Japan and overseas.

Accordingly, the Company has categorized its operations by products and services, based on its business divisions. The corresponding seven reporting segments are Chemicals, Functional Plastics, Expandable Plastics and Products, Foodstuffs Products, Life Science Products, Electronic Products, and Synthetic Fibers and Others. The Company establishes or abolishes business divisions as needed in order to facilitate a swift and flexible response to changes in the business environment. Accordingly, when determining reporting segments, the Company gives emphasis to continuity over a considerable period.

In the Chemicals segment, the Kaneka Group manufactures and sells products with a broad range of applications, from daily-use products to industrial materials, such as high-value-added specialty PVC resins and other PVC resins. In the Functional Plastics segment, the Group manufactures polymers that have been functionally modified for such qualities as superior heat resistance, weather resistance, flame resistance and elasticity. The resins it produces with these augmented functions are sold to the construction, automotive, home electronics and communication equipment industries. In the Expandable Plastics and Products segment, the Group manufactures and sells cushioning materials for electrical products, shock-absorbing materials for automotive and fishery applications, and expandable plastics and products used in housing insulation. In the Foodstuffs Products segment, the Group produces mainly bakery yeast and margarine for sale to commercial confectioneries, bakeries and others in the food products industry. In Life Science Products, the Group has leveraged its expertise in fermentation and high-polymer technologies into pharmaceutical intermediates (API and intermediate pharmaceuticals), functional foodstuffs, and catheters and other medical devices, which it manufactures and sells to medical product manufacturers and medical institutions. In the Electronic Products segment, the Group manufactures and sells highly functional films for electronic equipment manufacturers, as well as solar cells. In the Synthetic Fibers and Others segment, the Group is mainly involved in the production and sale of synthetic fibers used in wigs, apparel and other applications.

2. Basis of Calculation of Monetary Amounts for Net Sales, Profit or Loss, Assets, Liabilities, and Other Items by Reporting Segment

Accounting treatment and procedures for reported business segments are the same as those shown in the "Notes to the Consolidated Financial Statements." Intersegment sales and transfer prices are calculated based on market value.

From the beginning of the fiscal year ended March 31, 2016, the Company has changed the divisions of some subsidiaries and as a result, their reporting segment has been revised from Electronics Products to Expandable Plastics and Products.

Segment information for the fiscal year ended March 31, 2015 in this report has been prepared based on the revised classification method.

3. Segment Information by Business Category

Millions of yen

	Segment Information									
2016	Chemicals	Functional Plastics	Expandable Plastics and Products	Foodstuffs Products	Life Science Products	Electronic Products	Synthetic Fibers and Others	Total	Adjustments	Consolidated
Sales										
Customers	**¥ 103,430**	**¥ 98,386**	**¥ 65,148**	**¥ 144,960**	**¥ 58,922**	**¥ 39,123**	**¥ 45,258**	**¥ 555,227**	**¥ —**	**¥ 555,227**
Intersegment	**940**	**759**	**61**	**9**	**26**	**261**	**1,251**	**3,307**	**(3,307)**	**—**
Total	**104,370**	**99,145**	**65,209**	**144,969**	**58,948**	**39,384**	**46,509**	**558,534**	**(3,307)**	**555,227**
Segment profit/loss	**5,568**	**15,117**	**6,310**	**3,749**	**11,724**	**20**	**15,658**	**58,146**	**(19,926)**	**38,220**
Segment assets	**102,106**	**94,575**	**52,444**	**82,362**	**66,625**	**68,514**	**31,713**	**498,339**	**78,912**	**577,251**
Other Items										
Depreciation	**5,310**	**3,364**	**2,339**	**2,512**	**3,150**	**4,456**	**2,421**	**23,552**	**2,687**	**26,239**
Amortization of goodwill	**—**	**36**	**—**	**—**	**468**	**—**	**—**	**504**	**—**	**504**
Investment in equity method affiliates	**—**	**76**	**1,843**	**—**	**—**	**—**	**—**	**1,919**	**—**	**1,919**
Increase in assets	**4,855**	**15,760**	**4,469**	**3,178**	**3,085**	**4,710**	**9,097**	**45,154**	**2,177**	**47,331**

Note: Segment profit is reconciled with operating income in the consolidated financial statements.

Millions of yen

	Segment Information									
2015	Chemicals	Functional Plastics	Expandable Plastics and Products	Foodstuffs Products	Life Science Products	Electronic Products	Synthetic Fibers and Others	Total	Adjustments	Consolidated
Sales										
Customers	¥ 110,716	¥ 95,388	¥ 66,073	¥ 139,729	¥ 53,399	¥ 42,748	¥ 44,136	¥ 552,189	¥ —	¥ 552,189
Intersegment	1,267	626	106	1	62	332	1,212	3,606	(3,606)	—
Total	111,983	96,014	66,179	139,730	53,461	43,080	45,348	555,795	(3,606)	552,189
Segment profit/loss	2,927	11,293	4,420	1,807	9,342	(943)	12,131	40,977	(16,342)	24,635
Segment assets	108,198	74,369	50,489	79,991	67,692	73,229	28,906	482,874	75,089	557,963
Other Items										
Depreciation	4,421	2,939	2,065	2,302	2,912	4,359	2,420	21,418	2,091	23,509
Amortization of goodwill	—	37	—	—	473	—	—	510	—	510
Investment in equity method affiliates	—	2,247	1,702	—	—	—	—	3,949	—	3,949
Increase in assets	10,577	3,350	3,008	2,817	3,255	5,666	13,903	42,576	3,002	45,578

Note: Segment profit is reconciled with operating income in the consolidated financial statements.

Millions of yen

2014	Chemicals	Functional Plastics	Expandable Plastics and Products	Foodstuffs Products	Life Science Products	Electronic Products	Synthetic Fibers and Others	Total	Adjustments	Consolidated
	Segment Information									
Sales										
Customers	¥ 107,353	¥ 86,289	¥ 66,483	¥ 134,252	¥ 47,424	¥ 44,382	¥ 38,602	¥ 524,785	¥ —	¥ 524,785
Intersegment	1,801	749	243	1	3	569	1,881	5,247	(5,247)	—
Total	109,154	87,038	66,726	134,253	47,427	44,951	40,483	530,032	(5,247)	524,785
Segment profit/loss	2,582	9,269	4,251	5,026	7,780	938	8,463	38,309	(13,487)	24,822
Segment assets	98,066	70,482	49,641	73,202	65,254	70,737	22,570	449,952	70,171	520,123
Other Items										
Depreciation	3,528	2,659	1,740	1,989	2,585	4,457	2,070	19,028	1,401	20,429
Amortization of goodwill	—	36	—	—	428	—	—	464	—	464
Investment in equity method affiliates	—	2,211	1,547	—	—	—	—	3,758	—	3,758
Increase in assets	8,160	3,502	2,917	3,059	2,544	16,112	4,050	40,344	1,627	41,971

Note: Segment profit is reconciled with operating income in the consolidated financial statements.

Thousands of U.S. dollars (Note 1)

2016	Chemicals	Functional Plastics	Expandable Plastics and Products	Foodstuffs Products	Life Science Products	Electronic Products	Synthetic Fibers and Others	Total	Adjustments	Consolidated
	Segment Information									
Sales										
Customers	**$ 917,909**	**$ 873,145**	**$ 578,168**	**$1,286,475**	**$ 522,914**	**$ 347,205**	**$ 401,651**	**$4,927,467**	**$ —**	**$4,927,467**
Intersegment	**8,342**	**6,736**	**542**	**80**	**231**	**2,316**	**11,102**	**29,349**	**(29,349)**	**—**
Total	**926,251**	**879,881**	**578,710**	**1,286,555**	**523,145**	**349,521**	**412,753**	**4,956,816**	**(29,349)**	**4,927,467**
Segment profit/loss	**49,414**	**134,160**	**55,999**	**33,271**	**104,047**	**177**	**138,960**	**516,028**	**(176,837)**	**339,191**
Segment assets	**906,159**	**839,325**	**465,424**	**730,937**	**591,276**	**608,040**	**281,443**	**4,422,604**	**700,319**	**5,122,923**
Other Items										
Depreciation	**47,125**	**29,854**	**20,758**	**22,293**	**27,955**	**39,546**	**21,486**	**209,017**	**23,846**	**232,863**
Amortization of goodwill	**—**	**320**	**—**	**—**	**4,153**	**—**	**—**	**4,473**	**—**	**4,473**
Investment in equity method affiliates	**—**	**675**	**16,356**	**—**	**—**	**—**	**—**	**17,031**	**—**	**17,031**
Increase in assets	**43,087**	**139,865**	**39,661**	**28,204**	**27,378**	**41,800**	**80,733**	**400,728**	**19,320**	**420,048**

Note: Segment profit is reconciled with operating income in the consolidated financial statements.

4. Reconciliation Between Segment Total and Consolidated Statements of Income (Adjustments)

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2016	2015	2014	**2016**
Income				
Segment total	**¥ 58,146**	¥ 40,977	¥ 38,309	**$ 516,028**
Elimination of intersegment transactions	**12**	(1)	6	**106**
Companywide expenses (Note)	**(19,932)**	(16,336)	(13,559)	**(176,890)**
Other adjustments	**(6)**	(5)	66	**(53)**
Operating income in the quarterly consolidated statements of income	**¥ 38,220**	¥ 24,635	¥ 24,822	**$ 339,191**

Note: Companywide expenses are primarily expenses for basic R&D that are not allocable to any reporting segment.

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2016	2015	2014	**2016**
Assets				
Segment total	**¥ 498,339**	¥ 482,874	¥ 449,952	**$ 4,422,604**
Elimination of intersegment transactions	**(12,993)**	(12,367)	(10,301)	**(115,309)**
Companywide assets (Note)	**91,484**	87,306	79,584	**811,892**
Other adjustments	**421**	150	888	**3,736**
Total assets in the quarterly consolidated statements of income	**¥ 577,251**	¥ 557,963	¥ 520,123	**$ 5,122,923**

Note: Companywide assets are working capital, investment securities and land that are not allocable to any reporting segment.

	Segment total			Other			Adjustments			Consolidated (Millions of yen)		
	2016	2015	2014	2016	2015	2014	2016	2015	2014	2016	2015	2014
Other Items												
Depreciation	**¥ 23,552**	¥ 21,418	¥ 19,028	**¥ 2,687**	¥ 2,091	¥ 1,401	**¥ —**	¥ —	¥ —	**¥ 26,239**	¥ 23,509	¥ 20,429
Increase in assets	**45,154**	42,576	40,344	**2,177**	3,002	1,627	**—**	—	—	**47,331**	45,578	41,971

Note: Other is primarily expenses for basic R&D that are not allocable to any reporting segment.

	Segment total	Other	Adjustments	Consolidated (Thousands of U.S. dollars (Note 1))
	2016	2016	2016	2016
Other Items				
Depreciation	**$ 209,017**	**$ 23,846**	**$ —**	**$ 232,863**
Increase in assets	**400,728**	**19,320**	**—**	**420,048**

Note: Other is primarily expenses for basic R&D that are not allocable to any reporting segment.

(Related Information)

Related information at March 31, 2016, 2015 and 2014 consisted of the following.

1. Information by Product and Service

No information is reported because product and service classifications are the same as the reporting segment classifications.

2. Geographic Area

(1) Sales

2016 — Millions of yen

Japan	Asia	North America	Europe	Other areas	Total
¥ 337,814	**¥ 91,012**	**¥ 43,628**	**¥ 55,667**	**¥ 27,106**	**¥ 555,227**

2015 — Millions of yen

Japan	Asia	North America	Europe	Other areas	Total
¥ 341,124	¥ 87,822	¥ 43,478	¥ 54,628	¥ 25,137	¥ 552,189

2014 — Millions of yen

Japan	Asia	North America	Europe	Other areas	Total
¥ 335,554	¥ 83,744	¥ 35,939	¥ 48,346	¥ 21,202	¥ 524,785

2016 — Thousands of U.S. dollars (Note 1)

Japan	Asia	North America	Europe	Other areas	Total
$ 2,997,994	**$ 807,703**	**$ 387,185**	**$ 494,027**	**$ 240,558**	**$ 4,927,467**

Note: Sales are classified into countries or regions based on the geographic location of customers.

(2) Property, plant and equipment

2016 — Millions of yen

Japan	Malaysia	Asia-Other	North America	Europe	Total
¥ 156,035	**¥ 25,551**	**¥ 8,172**	**¥ 21,578**	**¥ 8,379**	**¥ 219,715**

2015 — Millions of yen

Japan	Malaysia	Asia-Other	North America	Europe	Total
¥ 147,415	¥ 22,148	¥ 8,873	¥ 21,572	¥ 7,581	¥ 207,589

2016 — Thousands of U.S. dollars (Note 1)

Japan	Malaysia	Asia-Other	North America	Europe	Total
$ 1,384,762	**$ 226,757**	**$ 72,524**	**$ 191,498**	**$ 74,361**	**$ 1,949,902**

3. Information on Major Customers

No information is reported because no sales to any external customer represented more than 10% of net sales on the consolidated statements of income.

(Information on Impairment Loss on Fixed Assets by Reporting Segment)

Information on impairment loss on fixed assets by reporting segment at March 31, 2016, 2015 and 2014 consisted of the following.

	Segment Information									Millions of yen
2016	Chemicals	Functional Plastics	Expandable Plastics and Products	Foodstuffs Products	Life Science Products	Electronic Products	Synthetic Fibers and Others	Total	Adjustments	Consolidated
(Impairment loss)	**¥ 1,536**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ 1,536**	**¥ —**	**¥ 1,536**

	Segment Information									Millions of yen
2015	Chemicals	Functional Plastics	Expandable Plastics and Products	Foodstuffs Products	Life Science Products	Electronic Products	Synthetic Fibers and Others	Total	Adjustments	Consolidated
(Impairment loss)	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —

	Segment Information									Millions of yen
2014	Chemicals	Functional Plastics	Expandable Plastics and Products	Foodstuffs Products	Life Science Products	Electronic Products	Synthetic Fibers and Others	Total	Adjustments	Consolidated
(Impairment loss)	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 5,927	¥ —	¥ 5,927	¥ —	¥ 5,927

	Segment Information									Thousands of U.S. dollars (Note 1)
2016	Chemicals	Functional Plastics	Expandable Plastics and Products	Foodstuffs Products	Life Science Products	Electronic Products	Synthetic Fibers and Others	Total	Adjustments	Consolidated
(Impairment loss)	**$ 13,632**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 13,632**	**$ —**	**$ 13,632**

(Information on Amortization of Goodwill and Unamortized Balances by Reporting Segment)

Information on amortization of goodwill and unamortized balances by reporting segment at March 31, 2016 and 2015 consisted of the following.

	Segment Information									Millions of yen
2016	Chemicals	Functional Plastics	Expandable Plastics and Products	Foodstuffs Products	Life Science Products	Electronic Products	Synthetic Fibers and Others	Total	Adjustments	Consolidated
(Goodwill)										
Amortization	**¥ —**	**¥ 36**	**¥ —**	**¥ —**	**¥ 468**	**¥ —**	**¥ —**	**¥ 504**	**¥ —**	**¥ 504**
Balance	**—**	**194**	**—**	**—**	**3,929**	**—**	**—**	**4,123**	**—**	**4,123**

	Segment Information									Millions of yen
2015	Chemicals	Functional Plastics	Expandable Plastics and Products	Foodstuffs Products	Life Science Products	Electronic Products	Synthetic Fibers and Others	Total	Adjustments	Consolidated
(Goodwill)										
Amortization	¥ —	¥ 37	¥ —	¥ —	¥ 473	¥ —	¥ —	¥ 510	¥ —	¥ 510
Balance	—	224	—	—	4,478	—	—	4,702	—	4,702

	Segment Information									Thousands of U.S. dollars (Note 1)
2016	Chemicals	Functional Plastics	Expandable Plastics and Products	Foodstuffs Products	Life Science Products	Electronic Products	Synthetic Fibers and Others	Total	Adjustments	Consolidated
(Goodwill)										
Amortization	**$ —**	**$ 320**	**$ —**	**$ —**	**$ 4,153**	**$ —**	**$ —**	**$ 4,473**	**$ —**	**$ 4,473**
Balance	**—**	**1,721**	**—**	**—**	**34,869**	**—**	**—**	**36,590**	**—**	**36,590**

(Information on Gain on Negative Goodwill by Reporting Segment)

In the Functional Plastics segment, the Company recorded gain on negative goodwill of ¥1,313 million ($11,652 thousand) in conjunction with the acquisition of additional shares of an equity method affiliate and its conversion into a consolidated subsidiary on March 31, 2016.