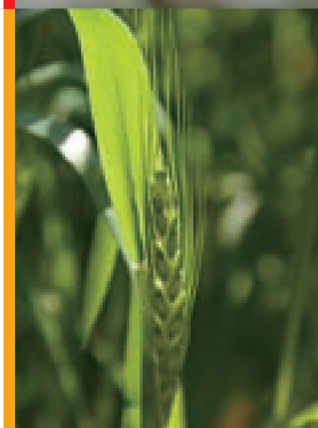
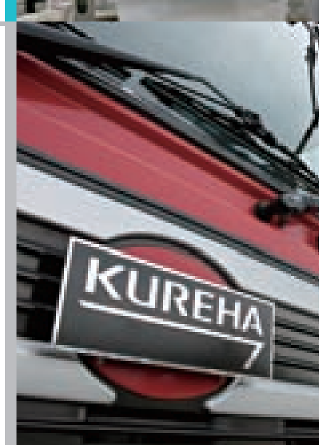
BUSINESS REPORT 2012

Year ended March 31, 2012

The pursuit of excellence





KUREHA CORPORATION

Profile

Kureha takes pride in its history of developing original, innovative technology

Kureha is a leading diversified chemical products manufacturer that has applied its technological development expertise to create original products in fields including advanced products, pharmaceuticals, agrochemicals, and packaging materials. Since its establishment in 1944, Kureha's growth and development has come exclusively from producing innovative products developed in-house rather than from using outside technology.

Since 2001, Kureha has undergone a major transformation to enable it to constantly develop products to meet the ever-changing needs of customers. As part of this transformation, it moved away from manufacturing commodity chemicals to focus on key strategic business areas–including advanced products, pharmaceuticals and agrochemicals, and high-barrier packaging materials–where the company can benefit from its original technology and marketing strengths to secure steady growth.

To support its transformation, Kureha developed a new mission, "**the pursuit of excellence**," with the aim of becoming a leading global specialty products company. Kureha also changed its name from Kureha Chemical Industry Co., Ltd., to Kureha Corporation on October 1, 2005.

These moves have already reaped rewards, with Kureha displaying significant development, production, and marketing abilities. Kureha's goal is to foster future growth by advancing a model that takes a global perspective and focuses on winnable markets in each of its business areas, including those that are still in the developmental phase.

Corporate Identity

Mission

The pursuit of excellence

Corporate philosophy

- We treasure people and the natural environment
- We constantly evolve through innovation
- We contribute to society by developing beneficial products

Employee code of conduct

We always act as global corporate citizens, recognizing our corporate social responsibilities.

- **In relation to our clients:** Customer satisfaction is our prime priority
- **In relation to our work:** We will always pursue progress and innovation
  We will maintain a global perspective as we respond to change
- **In relation to our colleagues:** Mutual respect and teamwork will always be fundamental to sound employee relationships

Contents

Forward-looking statements

This report contains forward-looking statements that are based on management's assumptions and beliefs in light of the information currently available to it. These statements are subject to risks and uncertainties that could cause actual results to differ materially from those discussed in this report. Such risks include but are not limited to market trends and economic conditions.

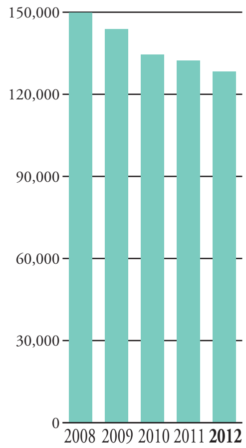
Consolidated Financial Highlights

Kureha Corporation and Consolidated Subsidiaries
Years ended March 31, 2012 and 2011

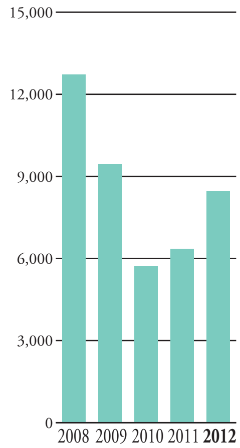
	Millions of yen		Percentage change	Thousands of U.S. dollars
	2012	2011	2012/2011	**2012**
For the year:				
Net sales	**¥128,358**	¥132,309	–3.0%	**$1,561,722**
Operating income	**8,472**	6,350	33.4%	**103,078**
Net income	**1,460**	692	111.0%	**17,763**
Capital expenditure	**14,360**	14,076	2.0%	**174,717**
Depreciation	**9,580**	10,266	–6.7%	**116,559**
R&D expenses	**5,080**	5,502	–7.7%	**61,808**
Year-end:				
Total assets	**¥186,223**	¥181,753	2.5%	**$2,265,762**
Net assets	**88,554**	89,500	–1.1%	**1,077,430**
Interest-bearing debt	**56,683**	54,885	3.3%	**689,658**
	Yen		Percentage change	U.S. dollars
Amounts per share:				
Net income – basic	**¥ 8.51**	¥ 3.97	114.4%	**$ 0.10**
Net assets	**510.37**	517.47	–1.4%	**6.20**
	Percent		Change	
Ratios:				
Net income to net sales	**1.1%**	0.5%		
Return on equity	**1.7%**	0.7%		
Return on assets	**4.3%**	3.1%		
Equity ratio	**47.0%**	48.9%		

Notes: 1. For convenience only, U.S. dollar amounts have been translated from Japanese yen at the rate of ¥82.19 to US$1, the rate of exchange prevailing on the Tokyo Foreign Exchange Market on March 30, 2012.
2. For amounts per share, see Note 23 of the Notes on Consolidated Financial Statements.
3. Return on equity = [Net income / (Average net assets - Average minority interests - Average stock subscription rights)] x 100.
4. Return on assets = (Recurring income / Average total assets) x 100.

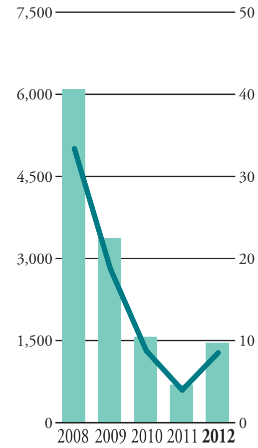
Net Sales
(Millions of yen)



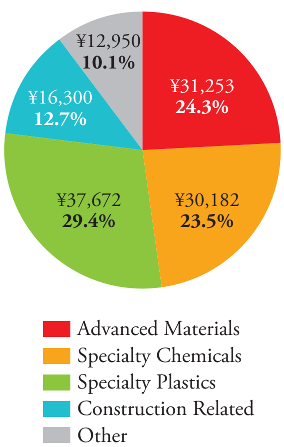
Operating Income
(Millions of yen)



Net Income
(Millions of yen) (Left scale)
Net Income per Share
(Yen) (Right scale)



Sales by Segment (2012)
(Millions of yen)



"Kureha is committed to moving forward - and thinking globally - to meet changing market needs"

Takao Iwasaki
President &
Chief Executive Officer

> Responding flexibly to changes in the economic and social environment, and striving to enhance corporate value, we will manage our business with consideration for the global environment

Meeting today's challenges

As I consider our progress during the past year, and look at the path forward, our corporate philosophy of "constant evolution through innovation" appears more apt than ever. Kureha remains a dynamic company, and one that is committed to moving forward – and thinking globally – to meet changing market needs.

Today's is a challenging business environment. During the past fiscal year we have been forced to contend with production disruptions at our core Iwaki Factory due to the Great East Japan Earthquake and subsequent nuclear power plant accident, the European debt crisis, financial tightening in China, floods in Thailand, and the yen reaching historically high levels. While these issues did have an impact on our earnings, I am pleased with the overall performance and proud to say that Kureha responded with great vigor, including rapidly resuming production at the Iwaki factory following damage caused by the earthquake and subsequent aftershocks.

For fiscal 2011 (ended March 2012), consolidated net sales amounted to ¥128,358 million, down 3.0% year-on-year. Operating income, however, increased by 33.4% year-on-year to ¥8,472 million, and recurring income was up 39.5% to ¥7,867 million. Net income more than doubled from the previous year to ¥1,460 million, despite recording ¥3,797 million of disaster-related losses from the earthquake.

The challenges we have faced have further strengthened our resolve to ensure that Kureha is a company capable of responding flexibly to the kind of turbulence seen of late in the economic and social landscape, as well as to sudden shifts in the market. This fundamental approach underpins the strategy of Kureha's Grow Globally business plan.

Recent progress

The initial Grow Globally mid-term business plan covered the period up to fiscal 2012. Under this plan, our strategy was to concentrate specifically on key growth areas, including promoting global growth for existing products such as PPS (polyphenylene sulfide), PVDF (polyvinylidene fluoride), carbon fiber products, *Krehalon* food packaging films, the agricultural fungicide *Metconazole*, *Kremezin* (a therapeutic agent for chronic kidney disease), as well as steady growth of *Krewrap* household wrapping film.

Although financially our performance diverged significantly from the original plan, we made significant progress with new businesses and in the way that our business is structured to respond to today's global market. I believe that the fundamental premise of the Grow Globally plan, as well as the basic direction for corporate management under that plan, was correct.

Grow Globally II

Building on these foundations, the Grow Globally II mid-term business plan was formulated this year and launched in April 2012. The plan's core objective remains consistent, namely to accelerate global growth and, while recovering investments, steadily cultivate and expand new businesses. In addition, the plan underscores Kureha's commitment to retaining and developing the human resources that are the foundation of the company's global ambitions and provide the basis of our technical expertise. While responding flexibly to changes in the economic and social environment, and striving to enhance corporate value, we will also undertake to manage our business with consideration for the global environment.

Under Grow Globally II, Kureha is targeting operating profits of ¥20 billion on sales of ¥200 billion by the fiscal year ending March 2016, with the contribution of overseas sales to expand to 33% from the current 20%. We will further strengthen existing businesses in which we hold a competitive advantage, such as PVDF, PPS, *Krehalon* food packaging films and *Kremezin*, while also steadily cultivating and expanding new businesses such as PGA (polyglycolic acid) resin and the lithium-ion battery anode material *Carbotron P*.

We have continued to seed and cultivate new businesses – an area of activity that will remain crucial during the course of Grow Globally II - and now at a stage where we aim to reap the benefits of these efforts. This involves new products being accepted by the market and adopted in use. Since support is necessary to develop and bolster applications, we have put in place a research structure specific to each product.

For example, Kureha's *Carbotron P* lithium-ion battery anode material offers exceptional durability and charge-discharge properties, and is highly evaluated among users. We anticipate that it will be even more widely used in electric vehicles, hybrids, and plug-in hybrid electric vehicles, a growing field in which Japanese companies and technologies are playing a central role.

The ability to respond to fast-evolving market needs and supply *Carbotron P* at volumes that meet rapidly growing demand for lithium-ion battery materials will require considerable capital investment. As a result, we have taken the decision to partner with Itochu Corporation, a major Japanese trading company, for this business. We have put in place a structure, centered on our affiliate, Kureha Battery Materials Japan Co., Ltd., that will allow us to quickly respond to new developments in lithium-ion batteries and expand our business through tie-ups with more business partners worldwide.

Another key component of our new business development strategy is PGA (polyglycolic acid) resin, a one-of-a-kind material that Kureha became the first company in the world to mass produce by leveraging its unique polymerization technologies. We are currently developing a wide range of applications that take advantage of the material's biodegradability, high mechanical strength and gas barrier properties. PGA has developed a strong reputation for its application in shale gas and oil extraction. Our new plant in West Virginia in the United States, which will produce 4,000 tonnes annually, will soon begin full-scale commercial operations.

The strength of unique technologies

Kureha's strengths are in our ability to utilize the company's unique technologies and harness the depth of expertise across our global team to secure future growth. This will remain central to the company's approach as it continues its evolution into new businesses and markets under Grow Globally II. Leveraging

“Kureha’s strengths are in our ability to utilize the company’s unique technologies and harness the depth of expertise across our global team to secure future growth”

these strengths, and with a commitment to nurturing the development of new advanced materials and applications, the seeds of next generation businesses are already being sown.

We continue to further expand and enhance our laboratory complex, positioning it as the catalyst and driving force behind our R&D activities, while the Iwaki Factory continues to function as our main plant and as a control tower for operations, working together with the community to pursue manufacturing that is of value to society. Together, this base of core operations and know-how will remain in Japan, and serve as the driver from which we will continue to develop and grow our operations.

With our roots firmly in Iwaki, we remain committed to the revitalization of the local community, Fukushima, and the Tohoku region more broadly. We will cultivate materials technologies - one of the remaining beacons of Japanese industrial growth - and develop our business internationally. This is the essence of Kureha’s “Grow Globally” concept.

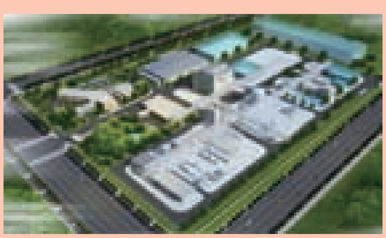
We look forward to your continued support.

July 2012

Construction Begins on a PVDF Resin Factory in China

To meet the growing demand for PVDF (polyvinylidene fluoride) resin used as a binder material in lithium-ion batteries as well as an engineering plastic for general industry use, Kureha established Kureha (Changshu) Fluoropolymers Co., Ltd. in January 2012 in Changshu, Jiangsu Province, China. A groundbreaking ceremony for the subsidiary's new plant was held on June 7, 2012, attended by more than 100 guests, including a Chinese government delegation, Changshu Mayor Wang Yang, and officials involved with the construction.

Kureha began commercial production of PVDF in 1970, the first company in Japan to do so, building on its own technology in high-molecular-weight polymers. Since then, PVDF has been adopted in a wide range of applications.



Constant demand growth is forecasted for PVDF resin as binder material for lithium-ion batteries, not only due to increased production of small format lithium-ion batteries for consumer products such as mobile phones, tablets and notebook computers, but also from a sharp increase in demand from large format lithium-ion batteries, utilized in hybrid and battery electric vehicles and stationary power storage. In addition, we also expect greater demand for general industrial applications, such as PV back sheets for solar cells and water treatment membranes.

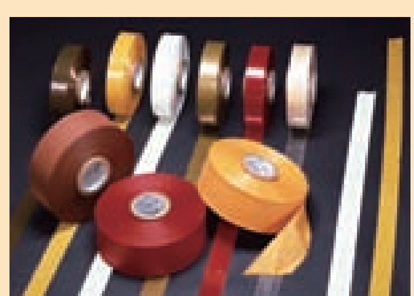
Kureha expanded the PVDF production facilities at its Iwaki Factory in July 2011, increasing capacity from 2,700 to 4,000 tonnes annually. Together with the Kureha (Changshu) Fluoropolymer's plant now under construction, Kureha will establish a stable supply base to meet the growth in demand in Asia and global markets.

Krehalon Food Packaging Film Factory in Vietnam Begins Full-Scale Operations

Kureha manufactures *Krehalon* food packaging films which have exceptional oxygen and moisture barrier properties and allow foods to be stored for longer time. *Krehalon* is widely used by manufacturers of retort-sausage, fresh red meat, processed meat, and cheese.

In 2009, Kureha established Kureha Vietnam Co., Ltd., located in Bien Hoa city, Dong Nai Province, Vietnam, as a manufacturing and sales company for *Krehalon*. Kureha made the decision by taking consideration of maturity of the Japanese market and the growth prospects presented by rising living standards in Southeast Asia, India and Oceania. The mission of Kureha Vietnam is to meet the growing demand in the region and to be competitive in the markets.

Since then, Kureha has successively transferred film manufacturing facilities from Japan to Kureha Vietnam. In addition, in November 2011, a new manufacturing plant of compounds used as raw materials for films was established at Kureha Vietnam to enable an integrated manufacturing process. We are moving forward to full-scale operations at the new plant, and strengthening the competitiveness by offering high quality and performance products to the markets. Kureha will further expand the Krehalon businesses in new markets and continue to develop operations globally.



Good Design Award 2011

NEW Krewrap Receives Good Design Award for Sixth Consecutive Year, Seventh in Total

Kureha's *NEW Krewrap* household wrapping film received the Good Design Award during the fiscal 2011 awards program sponsored by the Japan Institute of Design Promotion (JDP). *NEW Krewrap* has received the award a total of seven times beginning in 2004, with this year's award the sixth consecutive honor since 2006. (No application was made in 2005.)

The Good Design Awards ("G" Mark program) was established in 1957 by the Ministry of International Trade and Industry as Japan's only comprehensive program for design evaluation and advocacy. For more than five decades the program has helped chart a course for improved lifestyle and good business, with the aim of creating culture and standards of living for a new era. The "G" Mark that signifies a Good Design Award recipient is popularly recognized by the general public as a symbol of superior design.

The packaging for *NEW Krewrap* has been redesigned annually for the last eight consecutive years, with the basic aim of making it the most convenient design for enjoyable use among all users globally. Improvements in 2011 provided greater ease of usability, a stronger and more durable carton, and updated labeling. Evaluators stated that, "At first glance the wrapping film seems to be a perfect product, but we were able to sense the manufacturer's zeal for further modifications to make it easier to use."

Kureha will continue to draw on its corporate DNA of "customer-oriented craftsmanship" to further improve *NEW Krewrap*.

GOOD DESIGN AWARD 2011

Advanced Technology for Proper and Safe Processing of Industrial Waste

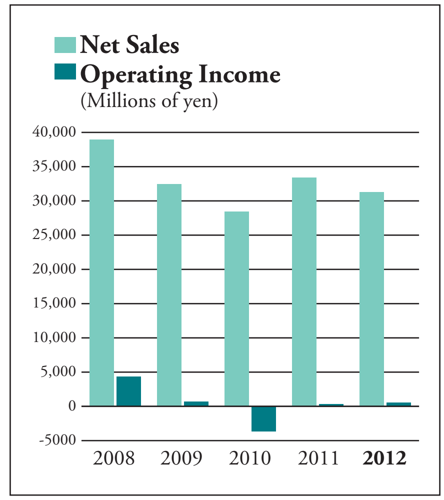
Kureha Ecology Management Co., Ltd.

Kureha Ecology Management Co., Ltd., which designs and builds waste incineration facilities using proprietary technologies, is a wholly-owned subsidiary of Kureha, headquartered in Iwaki, Fukushima Prefecture. The company has the ability to accept difficult-to-process industrial waste from throughout Japan, processing it effectively and safely in compliance with laws and regulations. The Waste-Tech Park facility in the city of Iwaki has two large incinerators, and the Kanagawa site in Kawasaki City three incinerators. With those facilities, the company is now able to incinerate around 600 tonnes of industrial waste daily.

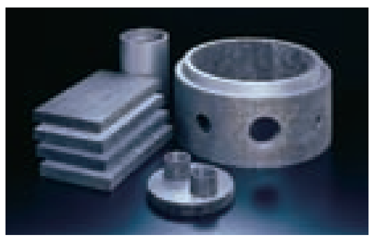
The processing facilities at Kureha Ecology Management incorporating highly efficient combustion and exhaust gas treatment systems, and have achieved the highest standards for management and control. Making full use of these strengths, the company handles incineration of industrial waste that is particularly difficult to process, such as halogen compounds, chemical waste, waste oil, and medical waste.

In 2011, Kureha Ecology Management received certification from Japan's Minister of the Environment for processing to render harmless waste electronics and other materials containing trace amounts of polychlorinated biphenyl (PCB), becoming only the third such certificate to be conferred in Japan, The company also began incinerating insulating oil containing trace amounts of PCB. The use of PCB is strictly regulated on account of its toxicity, and the government has taken the initiative on treatment of PCB waste to make it harmless. Kureha Ecology Management is one of a handful of firms that has begun treatment of waste contaminated with trace amounts of PCB.

Kureha Ecology Management continues to improve its processing technologies through ongoing research and development, and as one of the leading companies in the waste treatment industry will strive to ensure safety and security in a recycling-oriented society.



ADVANCED MATERIALS DIVISION



Heat-resistance materials for heat-treatment furnaces

Major product areas:
advanced plastics (PPS resin, PVDF resin), carbon fiber and PGA

Advanced materials division sales were down 6% year-on-year to ¥31.3 billion, with the division reporting an operating profit of ¥0.5 billion. Demand for advanced plastics continued to expand while carbon products have been impacted by the emergence of significant inventory adjustments.

Demand growth for advanced plastics

Sales of advanced plastics were up 2% from ¥14.3 billion to ¥14.7 billion. PPS resin recorded growth in profits as a result of strong demand for use in the automotive sector, with the recent growth in popularity of hybrid cars in particular having a positive influence. Business at the U.S. PPS joint venture has also demonstrated improved performance. In addition, PVDF resin also recorded stronger sales and operating profits in comparison to the previous year, mainly due to growing demand for use in electrode binders for lithium-ion batteries. On this basis, PVDF production has continued running at full capacity even after the capacity expansion completed last summer.

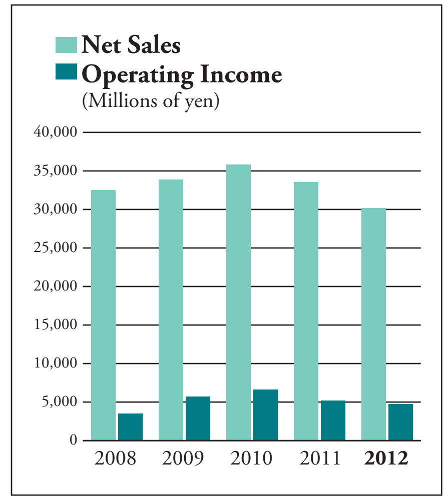
PGA factory construction completed

Construction of Kureha's PGA plant in the U.S. was completed in September 2012, although it is still in a trial production phase and as a result the company had to accrue operating costs as non-operating losses. As has previously been reported, the focus for development of applications has been shifting from the beverage to energy sector. For example, Kureha is now working with several companies operating in the shale gas industry to utilize PGA to improve the recovery ratio of residuals.

Outlook: FY2012 divisional sales are forecast to increase 12% to ¥35.0 billion, while operating income is to deteriorate to ¥100 million. Kureha anticipates that PPS resin for use in the auto sector will continue to demonstrate steady growth. PPS resin production at the Iwaki factory will continue at full capacity, while operating capacity at the U.S. plant is expected to further contribute to earnings. PVDF resin sales are also expected to grow for use in lithium-ion battery binders. In contrast, however, demand for carbon products for use in lithium-ion battery anode is expected to grow, but use in silicon-based manufacturing equipment for solar equipment to continue to worsen and is expected to place pressure on operating profits. For PGA, evaluation for use in shale gas and applications supporting oil extraction activities is expected to be completed in the second half of the fiscal year.

Major Product Areas

- PPS resin
- PVDF resin
- Carbon fiber
- Bead-shaped activated carbon
- Specialty carbon material
- PGA (Polyglycolic Acid) resin



SPECIALTY CHEMICALS DIVISION

Therapeutic agent for chronic renal failure (*KREMEZIN*)

Agricultural fungicide (*Metconazole*)

Major product areas:
industrial chemicals, agrochemicals, pharmaceuticals

Specialty chemicals division sales were down 10% year-on-year to ¥30.2 billion from ¥33.6 billion while operating profit declined 9% to ¥4.7 billion. This was in part due to decreased shipments of industrial chemicals and pharmaceutical products, which were negatively impacted by earthquake.

Pharmaceuticals revenue weakens

Sales of pharmaceutical products declined from ¥10.2 billion to ¥8.0 billion, as a result of the accelerated shipments of *Kremezin* during the previous year to secure inventory immediately after the earthquake, which led to a comparative decline in shipments during FY2011.

Industrial chemicals to see delay in recovery

Sales of industrial chemicals declined 9% to ¥9.0 billion. Although sales of organic chemicals remained flat, inorganic chemicals were negatively impacted by demand-side delays in recovery following the March 2011 earthquake.

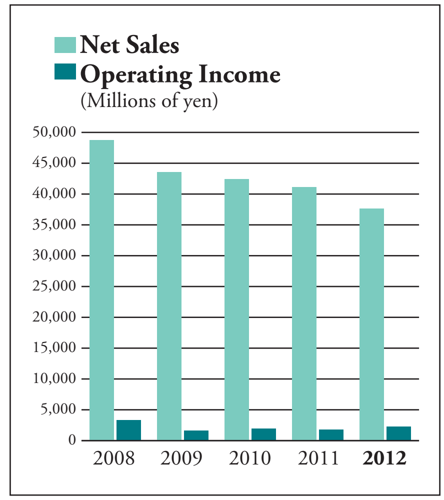
Agrochemicals profits to expand

Sales of agrochemical products were up 5% year-on-year to ¥7.6 billion. *Metconazole*, an agricultural fungicide, recorded an expansion of profits following an increase in sales volume that offset the negative impact of the weakened Euro. Kureha's success in securing growth of agrochemical sales was also significant for having come at a time when the company withdrew from the agrochemical materials (fertilized granulated soils) business, which resulted in the removal of some ¥700 million of sales revenue.

Outlook: Fiscal 2012 divisional sales are expected to increase to ¥33.5 billion, with operating income also projected to increase slightly. Kureha expects export sales of *Metconazole* to expand, but also to be hit by the adverse impact of currency fluctuation. For *Kremezin*, official prices have been revised down by 7%, although the company is anticipating an expansion of sales volumes, and the company is also due to receive proceeds from the settlement of a patent infringement case.

Major Product Areas

- Caustic soda
- Hydrochloric acid
- Sodium hypochlorite
- Monochlorobenzene
- para-Dichlorobenzene
- ortho-Dichlorobenzene
- Anti cancer agent
- Therapeutic agent for chronic kidney disease
- Agricultural and horticulture fungicide



SPECIALTY PLASTICS DIVISION


Food packaging film *Krehalon* application example


NEW Krewrap

Major product areas:
food packaging materials for commercial use, household packaging products

Specialty plastics division sales declined 8% to ¥37.7 billion from ¥41.1 billion. Operating income improved 25% to ¥2.2 billion, thanks to improved utilization of Kureha's Vietnamese plant for Food packaging films and successful efforts to improve the price performance of *Krewrap* household packaging goods.

Improved utilization of Vietnam plant

Sales of food packaging materials for commercial use were down 13% to ¥9.6 billion, while profits improved due to an increased utilization ratio of production facilities in Vietnam. In Europe, hikes in raw material prices led to cost increases at the multi-layer shrinkable film business.

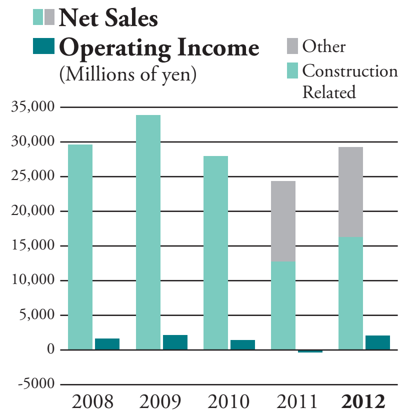
NEW Krewrap records improved profitability

Sales of household products were down 20% to ¥14.0 billion from ¥17.5 billion. Despite an initial delay in the recovery of shipments of *New Krewrap*, profitability improved due to cost-cutting efforts and sales began to recover during the second half of the fiscal year.

Outlook: Fiscal 2012 divisional sales are forecast to recover significantly by 17% to ¥44.0 billion. Operating income is also projected to see an even more marked, 93% increase to ¥4.3 billion due to further improvement utilization and profitability at the Vietnam plant, increased shipments of PVDC compounds to China having recovered from the impact of the earthquake, and continued sales increase of household packaging products.

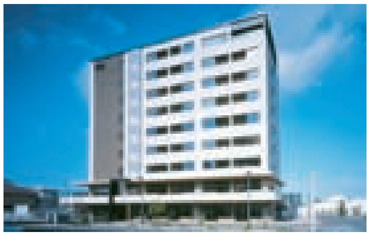
Major Product Areas

- PVDC film
- PVDC compound
- Multilayer shrinkable film
- Multilayer non-shrinkable film
- Multilayer bottle
- Household wrapping film
- Kitchen sink use garbage bags
- Plastic containers
- PVDF fishing lines
- Machinery for auto-seal food packaging



Note: Construction related business is separated from other business segment from fiscal 2011.

CONSTRUCTION AND OTHER OPERATIONS DIVISION



Construction related businesses

Industrial waste treatment-related businesses

Major product areas:
construction, environmental engineering, transport/warehousing, and trading related businesses

Construction sales were up 22% year-on-year to ¥16.3 billion from ¥12.8 billion, with an operating profit of ¥1.1 billion representing a significant improvement from the previous deficit of ¥0.4 billion. Sales of other operations collectively also increased 12% to ¥13.0 billion from ¥11.5 billion, with an operating profit of ¥0.9 billion.

Expansion of construction operations

Construction related businesses continued to expand as a result of earthquake related reconstruction works. In addition, Kureha conducted cost-cutting efforts that led to improved profitability.

Environmental engineering profitability improves

Environmental engineering sales were up 23% to ¥7.5 billion from ¥5.8 billion. Demand for industrial waste processing operations increased in response to earthquake recovery efforts, while the Kanagawa plant also saw increased utilization rates and contributed to an improvement in earnings.

Logistics and warehousing businesses largely unchanged

Logistics and warehousing business sales were down 3% to ¥10.6 billion, and trading related business sales were also down 5% to ¥1.8 billion.

Outlook: Fiscal 2012 divisional sales for construction are projected to decline by 20% to ¥13.0 billion, with operating income also expected to decline, due to the gradual reduction in earthquake related reconstruction operations. Divisional sales for other operations are estimated to increase by 12% to ¥14.5 billion, with operating income to stay flat at ¥0.9 billion. Growth in industrial waste related operations is anticipated, specifically micro-PCB (Polychlorinated Biphenyls) processing work.

Major Product Areas

- Environmental engineering and industrial waste treatment businesses
- Industrial facility design, construction and management businesses
- Civil engineering and construction contracting businesses
- Transport and warehousing businesses

Research & Development

Kureha Corporation conducts research and development (R&D) for the Kureha Group. The R&D Division, with the aim of providing solutions that benefit the global environment and people's lives, designates priority research areas by identifying fields with a high degree of social value such as the environment, energy and health, and in which the Kureha Group is able to leverage its technological strengths.

In April 2011, to commercialize research outcomes as quickly as possible, we reorganized the functions of the R&D Division into three areas—Laboratories, Technology centers, and Advanced Research Department —and clarified the research domains of each. This established an R&D structure with even deeper ties to business and manufacturing departments.

Kureha currently has a structure comprising five R&D laboratories—Research Center, Agrochemical Research Laboratories, Advanced Materials Research Laboratories, PGA Research Laboratories, Biomedical Research Laboratories and Polymer processing Technologies Center. The approximately 300 R&D staff members in these facilities strive to maintain and increase the competitive advantage of existing businesses, with a focus on efficiency, speed and maximizing business profitability, and aimed at achieving global growth and steadily producing results from new businesses.

Kureha's R&D spending amounted to ¥5,080 million in the fiscal year ended March 2012. An overview of spending is as follows.

1. ADVANCED MATERIALS DIVISION

In engineering plastics, for *Fortron KPS* (PPS resin), which is widely used in automobiles and electronic devices, Kureha is developing new grades of the material and studying ways to achieve further production yields improvements. For *KF Polymer*® (polyvinylidene fluoride resin), we are developing and improving the protective sheets used for solar panels, and providing support for production technologies.

For *Kuredux*® (Polyglycolic Acid (PGA) resin), we are working proactively in conjunction with the PGA Division to develop new applications. Currently, we are making steady progress in the development of applications for *Kuredux*® in oil drilling and extraction, which make use of the material's degradability. We are also exploring new applications that take advantage of the resin's various unique properties, and are working toward technology developments relating to its modification.

In battery-related materials, to secure our competitive advantage in anode materials for the large-scale lithium-ion batteries used in hybrid and electric vehicles, Kureha is optimizing its production processes and providing development support in line with business strategies. We are also developing high-performance grades of binders to help maintain and grow market share.

R&D spending in this division amounted to ¥1,933 million.

2. SPECIALTY CHEMICALS DIVISION

For *Kremezin*®, a therapeutic agent for chronic kidney disease (CKD), Kureha is actively pursuing business development in Europe and North America through collaboration with other companies. To expand sales in Japan, we are working to collect evidence of the drug's efficacy for disorders related to CKD.

In agrochemicals, Kureha is working to expand markets and applications, both in Japan and overseas, for the agricultural fungicide *Metconazole* and the seed treatment fungicide *Ipconazole*. To meet robust demand for *Metconazole*, we are working to enhance productivity, and are providing support for the expansion of production facilities.

R&D spending in this division amounted to ¥2,293 million.

3. SPECIALTY PLASTICS DIVISION

For *Krehalon* (polyvinylidene chloride resin), Kureha is providing technological support at its production subsidiary in Vietnam to ensure stable supply and improve quality. In addition, to further global business development we are actively providing technical assistance to customers in Japan and overseas.

R&D spending in this division amounted to ¥853 million.

Research Center

Advanced Materials Research Laboratories

PGA Research Laboratories
Polymer Processing Technology Center

Responsible Care

Kureha was an inaugural member of the Japan Responsible Care Council and stated its commitment to implementing Responsible Care in April, 1995. As a global corporate citizen, Kureha takes its commitments to society very seriously, for example including in areas such as the environment and health and safety.

Responsible Care implementation

Together, all Kureha group companies have established the All Kureha Responsible Care Committee. Through this committee, the company is working to enhance its efforts in various fields, including environmental protection, security and disaster response, labor safety and hygiene, product safety and quality assurance, logistics safety, energy conservation, and community relations.

Kureha has obtained ISO 14001, the international standard for environmental management, as well as ISO 9001 for product quality management and OHSAS 18001 for labor safety and hygiene management. The Company is further enhancing efforts aimed at improving responsible care activities through a "*plan, do, check, act*" activity cycle.

Reducing the burden on the environment

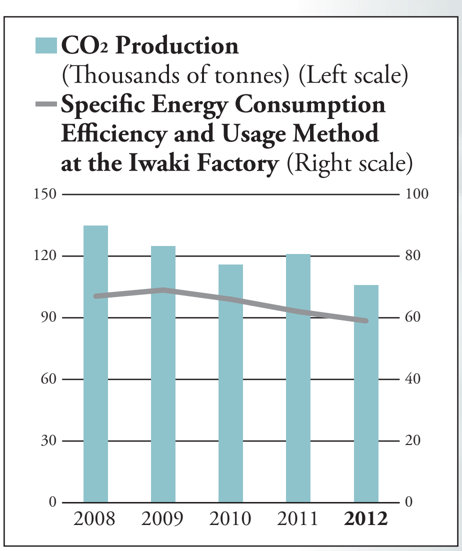
Since its establishment, Kureha has developed technologies and products with a view to reducing the burden on the environment. In the case of the Iwaki Factory, Kureha seeks to create a manufacturing facility that minimizes stress on the environment by implementing measures such as air and water pollution prevention, reduction of chemical material and industrial waste, odor control, and adoption of the Energy Consumption Index.

Disaster prevention

Safety and disaster prevention are among the most important responsibilities of a manufacturing factory. In order to respond to the trust the community places in the company, Kureha manages its facilities and operations in strict compliance with the relevant laws. In addition, the company implements a safety and disaster prevention program which includes its own voluntary control criteria, activities and training.

Contributing to the community

In addition to Kureha General Hospital being used as a community medical facility in the southern part of Iwaki City, Kureha contributes to the local community in a variety of different ways. These include opening company sports facilities for public use, volunteering for clean up activities, offering science classes at elementary schools and holding community meetings to initiate dialogue with local neighborhood associations.



Disaster drill

Wastewater treatment system

Kureha General Hospital

Corporate Governance

Maximizing the corporate value of all group companies is a fundamental policy of Kureha. In order to achieve this goal, Kureha is working to enhance governance and other internal control functions, guarantee business transparency and fair disclosure of information, and to implement Responsible Care policies.

Compliance program framework

Kureha has in place a compliance program framework, based on the Kureha Group Ethical Charter and its Compliance Rules. Kureha's compliance objective is to ensure that all executives and employees act in a manner that is consistent with legal compliance and that also meets the standards of our society. This framework is constantly being improved and reinforced so as to cultivate a compliance-focused corporate culture.

The Compliance Committee, led by the President & Chief Executive Officer (CEO), keeps employees informed of compliance issues through training programs and other activities based on the Compliance Handbook and the Compliance Standards. In addition, direct access to internal and external (lawyers) advisers for inquiries and reporting on compliance issues is maintained so that legal violations, confirmed or suspected, can be detected and deterred at an early stage.

Management, execution and decision-making framework

1. Supervisory and executive responsibilities are clearly distinguished to strengthen corporate governance and accelerate managerial decision-making and execution.

   The Board of Directors is limited to a maximum of 10 directors (including 2 external directors). The Board, presided over by the President & CEO, meets once a month in principle, to make decisions on important administrative matters and pursue supervision.

   The Executive Committee, chaired by the President & CEO and comprised of executive officers appointed by the President & CEO, meets twice a month in principle. The committee considers mid- and long-term management strategy and basic policies that cover all aspects of general management, and passes resolutions and implements these policies.

   To clarify responsibilities for fiscal year results, a one-year term was established for directors and executive officers.

   The Consolidated Executive Committee, chaired by the President & CEO, serves as a forum to exchange views on basic management policies and other matters relating to the Kureha Group, thereby reinforcing the efforts of the consolidated management team.

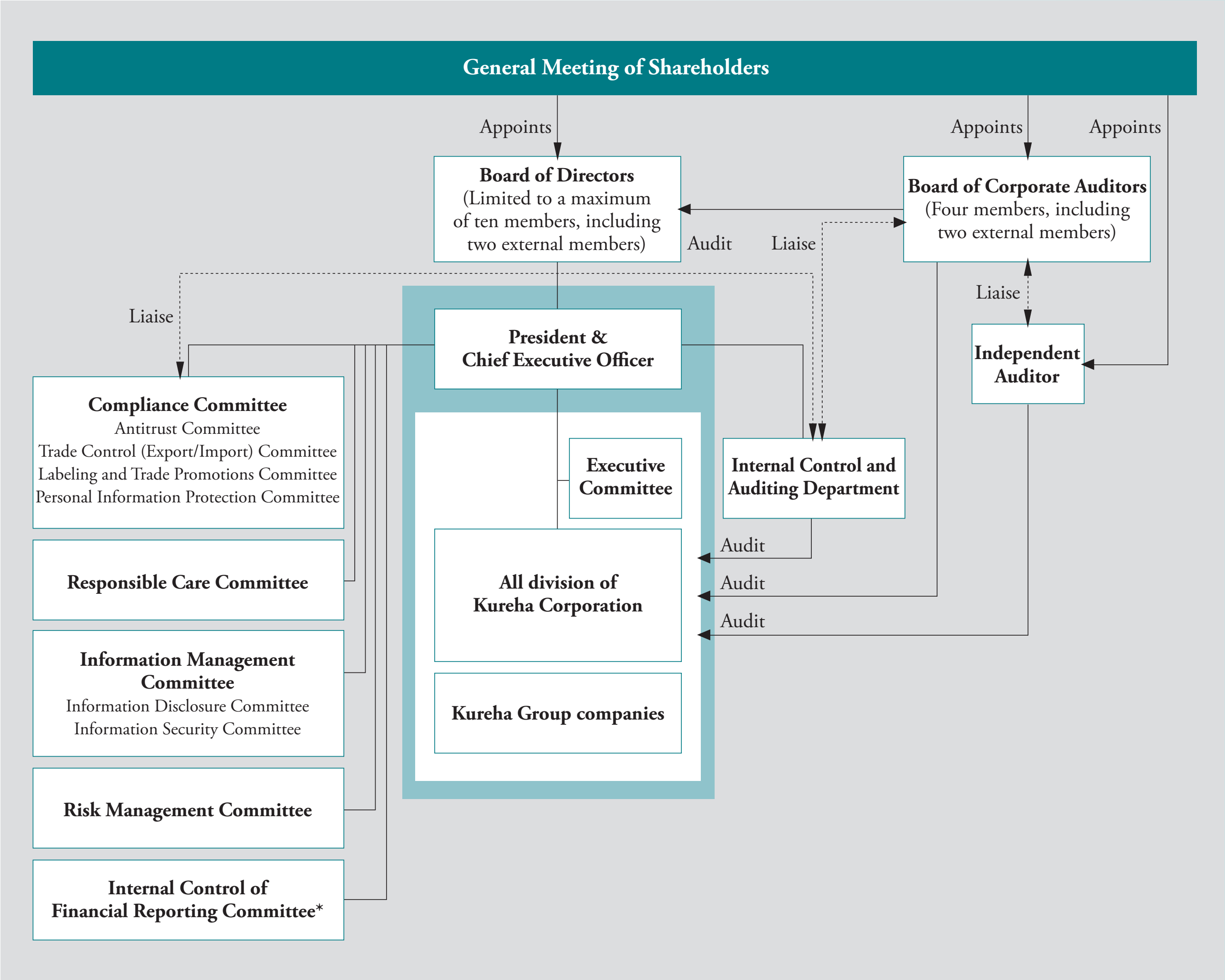
2. A total of four corporate four auditors (including two external auditors) undertake auditing activities. This group works within a framework that allows them to monitor the deliberation processes of board resolutions and reports, as well as have a representative corporate auditor attend and monitor meetings of the Executive Committee. In addition, auditors are able to access documentation including all documents requiring senior approval, results of internal audits, and documentation on the status of customer inquiries.

   In addition, an Internal Control and Auditing Department acts independently of other departments and under direct management and supervision of the President & CEO. Based on an annual internal audit plan approved by the Board of Directors, this department assesses the suitability and effectiveness of internal management control systems including compliance and risk management. It then proposes necessary or desired changes and improvements, so as to enhance both management efficiency and public trust in Kureha.

Internal control system

To further strengthen its internal control system, Kureha has established a set of basic policies, committees and internal rules to ensure that it observes laws and regulations and conducts its business operations in an appropriate and fair manner.

Diagram of Internal Control Systems (As of June 30, 2012)



Under this system, Kureha publishes Internal Control Reports under the responsibility of the President & CEO. In addition, Kureha has also established a set of Basic Rules for Internal Control of Financial Reports to ensure the reliability of the financial reports and to guarantee implementation of management's assessment and certified public accountant's auditing of the effectiveness of internal control of financial reports, as stipulated in the Financial Instruments and Exchange Law.

Risk management system

To enable the Company to recognize and minimize the risks it is exposed to during business activities, Kureha has established a Risk Management Committee. The committee proposes concrete measures to the President & CEO aimed at reducing and avoiding risk and manages the implementation of such measures. In addition, to respond to unforeseen circumstances, a system is in place for the establishment of an emergency response task force, with the objective of prioritizing the safety of personnel, minimizing economic damage, and ensuring the continuation of corporate activities.

Kureha has also established an Information Management Committee to identify a clear set of information management rules and promote procedures for the appropriate control of Company information. Suitable measures are also being taken for the management of information security and disclosure.

To address environmental and safety risks, management procedures for the environment, quality, and labor safety have been established that comply with ISO 14001, ISO 9001, and OHSAS 18001 standards. In addition, Kureha is continuing with ongoing efforts to improve environmental conservation, quality assurance, and occupational health and safety.

Consolidated Five-Year Summary

Kureha Corporation and Consolidated Subsidiaries
Years ended March 31, 2012, 2011, 2010, 2009 and 2008

	Millions of yen					Thousands of U.S. dollars (Note 2)
	2012	2011	2010	2009	2008	**2012**
For the year:						
Net sales:	**¥128,358**	¥132,309	¥134,606	¥143,741	¥149,776	**$1,561,722**
Domestic	**97,461**	101,696	107,740	116,182	116,666	**1,185,801**
Overseas	**30,896**	30,613	26,866	27,559	33,110	**375,909**
Net sales by segment:						
Advanced materials	**31,253**	33,391	28,423	32,424	38,915	**380,253**
Specialty chemicals	**30,182**	33,552	35,831	33,898	32,522	**367,222**
Specialty plastics	**37,672**	41,092	42,430	43,538	48,765	**458,352**
Other operations	**29,250**	24,274	27,921	33,881	29,574	**355,882**
Construction Related	**16,300**	12,760	—	—	—	**198,320**
Other	**12,950**	11,514	—	—	—	**157,561**
Operating income	**8,472**	6,350	5,706	9,456	12,722	**103,078**
Advanced materials	**534**	363	(3,645)	678	4,378	**6,497**
Specialty chemicals	**4,715**	5,203	6,619	5,732	3,482	**57,367**
Specialty plastics	**2,226**	1,790	1,948	1,655	3,358	**27,083**
Other operations	**2,046**	(348)	1,379	2,104	1,620	**24,893**
Construction Related	**1,114**	(387)	—	—	—	**13,553**
Other	**932**	39	—	—	—	**11,339**
Elimination or corporate	**(1,051)**	(658)	(595)	(713)	(116)	**(12,787)**
Net income	**1,460**	692	1,571	3,373	6,097	**17,763**
Capital expenditure	**14,360**	14,076	16,943	17,829	10,085	**174,717**
Depreciation	**9,580**	10,266	11,126	10,304	10,148	**116,559**
R&D expenses	**5,080**	5,502	6,240	6,085	6,543	**61,808**
Advanced materials	**1,933**	1,741	1,787	1,960	1,578	**23,518**
Specialty chemicals	**2,293**	2,765	3,372	2,956	3,288	**27,898**
Specialty plastics	**853**	996	1,080	1,125	1,658	**10,378**
Other operations	**—**	—	—	45	20	**—**
Cash flows from operating activities	**12,144**	12,509	15,847	11,420	14,996	**147,755**
Cash flows from investing activities	**(14,169)**	(11,432)	(17,682)	(20,518)	(8,584)	**(172,393)**
Cash flows from financing activities	**370**	2,720	1,999	10,705	(4,758)	**4,501**
Year-end:						
Total assets	**¥186,223**	¥181,753	¥184,623	¥182,224	¥187,349	**$2,265,762**
Net assets	**88,554**	89,500	96,822	97,075	104,582	**1,077,430**
Interest-bearing debt	**56,683**	54,885	47,969	44,033	32,040	**689,658**
	Yen					U.S. dollars
Amounts per share:						
Net income – basic	**¥ 8.51**	¥ 3.97	¥ 8.77	¥ 18.75	¥ 33.39	**$ 0.10**
Net assets	**510.37**	517.47	538.1	533.45	572.24	**6.20**
Cash dividends	**10**	10	10	10	10	**0.12**
	Percent					
Ratios:						
Operating income to net sales	**6.6%**	4.8%	4.2%	6.6%	8.5%	
Net income to net sales	**1.1**	0.5	1.2	2.3	4.1	
Return on equity	**1.7**	0.7	1.6	3.4	5.8	
Return on assets	**4.3**	3.1	3.0	4.7	6.6	
Equity ratio	**47.0**	48.9	52.2	52.4	55.2	

Notes: 1. For convenience only, U.S. dollar amounts have been translated from Japanese yen at the rate of ¥82.19 to US$1, the rate of exchange prevailing on the Tokyo Foreign Exchange Market on March 30, 2012.
2. For amounts per share, see Note 23 of the Notes to Consolidated Financial Statements.

Business Environment

During the fiscal year ended March 2012, the Japanese economy benefited from major rebuilding initiatives following the Great East Japan Earthquake, with signs of economic recovery being seen towards the end of the fiscal period. At the same time, however, the negative impact of the Fukushima nuclear power plant accident lingered, while the widening European debt crisis, financial tightening in emerging economies, sluggish exports due to the flooding in Thailand, and the historically high level of the yen were all factors.

Analysis of business results

Sales in the subject fiscal year declined ¥3,950 million year-on-year to ¥128,358 million. This was due mainly to revenue declines in the mainstay business divisions of Advanced Materials, Specialty Plastics, and Specialty Chemicals, offsetting considerable gains in Construction and Other Operations divisions. Gross profit, however, rose ¥1,355 million to ¥34,990 million, with the gross profit margin improving from 25.4% in the previous fiscal year to 27.3%.

Sales and general administrative expenses declined ¥766 million from the previous fiscal year to ¥26,518 million. Operating profit increased ¥2,122 million year-on-year to ¥8,472 million, while the operating income ratio rose from 4.8% in the previous fiscal year to 6.6%.

Non-operating profit/loss amounted to a non-operating loss of ¥605 million, with losses shrinking by ¥106 million from the previous fiscal year, due mainly to a decrease in foreign exchange losses. In extraordinary gain/loss, the Company recorded an extraordinary loss on disposal of property and equipment stemming from damage during the Great East Japan Earthquake. As a result, income before taxes increased ¥1,431 million to ¥3,188 million.

The total of corporate, residence and business taxes amounted to ¥1,501 million. Minority interests in income decreased ¥42 million to ¥226 million. As a result, net income increased ¥768 million from previous fiscal year to ¥1,460 million.

Cash flow

The balance of cash and cash equivalents at the end of the subject fiscal year (March 31, 2012) amounted to ¥8,857 million, a decrease of ¥1,888 million from the end of the previous fiscal year (March 31, 2011). An outline of individual cash flows and the main factors affecting each is as follows:

Cash flow from operating activities

Net cash provided by operating activities amounted to ¥12,144 million, a decrease of ¥364 million from the previous fiscal year. This was due mainly to an increase in expenditure from the reversal of the allowance for disaster losses, offsetting the increase in income before income taxes.

Cash flow from investment activities

Net cash used in investment activities amounted to ¥14,169 million, an increase of ¥2,737 million from the previous fiscal year. This was due mainly to an increase in expenditure for the acquisition of tangible and intangible assets.

Cash flow from financing activities

Net cash provided by financing activities amounted to ¥370 million, a decrease of ¥2,349 million from the previous fiscal year. This was due mainly to a decrease in proceeds from long-term borrowings compared to the previous fiscal year, and redemption of commercial paper.

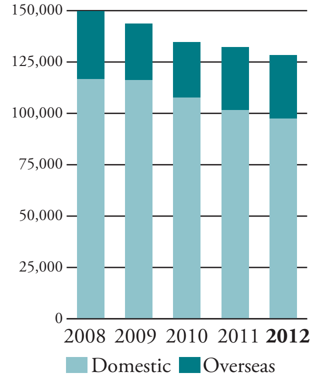
Financial policy

The Kureha Group's basic policy is to maximize operating cash flow by securing earnings in line with its business plan and by enhancing asset efficiency, and to allocate cash with priority given to capital expenditure for new businesses and expansion of existing businesses, investments and loans, research and development, and dividend payments to investors. In line with this policy, Kureha procures required capital with priority given to securing long-term funding, and in consideration of the balance between long- and short-term borrowings.

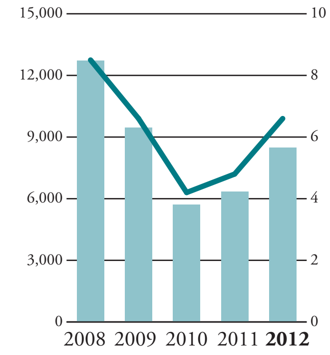
Balance sheet analysis

As of March 31, 2012, total assets amounted to ¥186,223 million, an increase of ¥4,470 million from the end of the previous fiscal year (March 31, 2011). Current assets totaled ¥66,821 million, an increase of ¥2,660 million from a year earlier. This was mainly due to an increase in receivables and inventories resulting from a falloff in sales and production

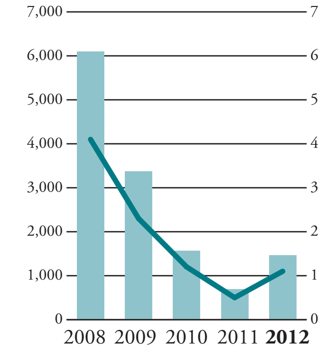
Net Sales
(Millions of yen)



Operating Income
(Millions of yen) (Left scale)
Operating Income to Net Sales
(%) (Right scale)



Net Income
(Millions of yen) (Left scale)
Net Income to Net Sales
(%) (Right scale)

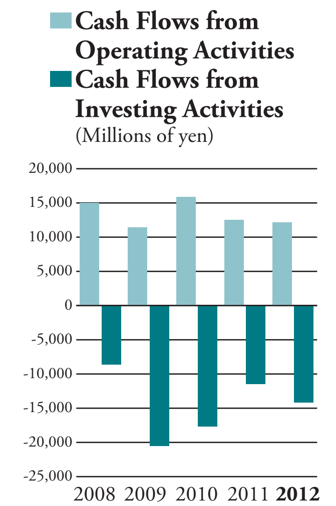


following the Great East Japan Earthquake, offset by a decrease in cash and time deposits stemming from the dissolution of emergency liquidity secured at the end of the previous fiscal year. Property and equipment totaled ¥87,118 million, up ¥32 million from a year earlier, due mainly to a high level of capital expenditure, including in overseas production facilities, which exceeded depreciation expenses. Investment and other assets totaled ¥31,443 million, a decrease of ¥1,361 million, due mainly to a falloff in the market value of investment securities from the end of the previous fiscal year.

Total liabilities at the end of the subject fiscal year amounted to ¥97,669 million, an increase of ¥5,416 million from the end of the previous fiscal year. This was due mainly to a ¥1,799 million increase in interest-bearing debt to ¥56,683 million following an increase in corporate bonds and decline in borrowings; an increase in trade payables with the operational recovery; and a decrease in the allowance for losses due to disaster, as a result of the progress with post-disaster restoration work.

Total net assets for the subject fiscal year amounted to ¥88,554 million, a decline of ¥946 million from the previous fiscal year. This was due mainly to the balance of net income of ¥1,460 million; a ¥1,760 million dividend payout from retained earnings; a decrease in valuation and translation adjustments on investment securities and currency exchange; and an increase in minority interests.

The changes in total assets were due mainly to business development measures, including the procurement of additional financing for capital expenditure in overseas operations and elsewhere, and the startup of certain equipment; and excluding such external factors as fluctuations in receivables and payables due to the earthquake disaster, and stock prices.



Overview of capital expenditure

The Kureha Group has designated advanced materials, pharmaceuticals and agrochemicals, and environment-related businesses as core businesses that drive earnings, and as such actively invests in these areas. Total capital expenditure during the fiscal year ended March 31, 2012, amounted to ¥14,360 million.

Capital expenditure by business division:

The Advanced Materials Division invested ¥8,711 million, mainly for PVDF (polyvinylidene fluoride) resin production facilities (Kureha), carbon product manufacturing facilities (Kureha and Kureha Battery Materials Japan Co., Ltd. Group), and PGA (polyglycolic acid) resin production facilities (Kureha PGA LLC).

The Specialty Chemicals Division invested ¥1,285 million, primarily on production facilities for chlorine / caustic soda (Kureha).

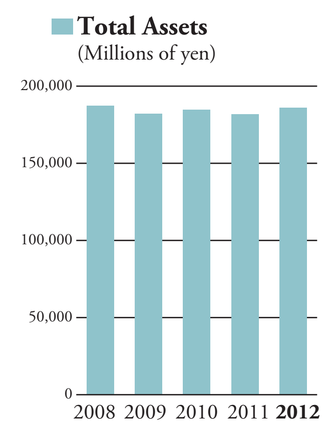
The Specialty Plastics Division invested ¥1,817 million, primarily for manufacturing facilities for food packaging materials (Kureha and Kureha Vietnam Co., Ltd.).

The Construction Division invested ¥112 million, mainly for the renovation of buildings.

The Other Operations Division invested ¥1,072 million, mainly on industrial waste processing facilities (Kureha Ecology Management Co., Ltd.).

In addition, as a joint initiative, the Advanced Materials, Specialty Chemicals, and Specialty Plastics divisions invested ¥1,359 million in such areas as environmental conservation projects (Kureha), and private power plant facilities (Kureha).

Capital required for these investments was procured from cash-at-hand, corporate bonds, and borrowings.

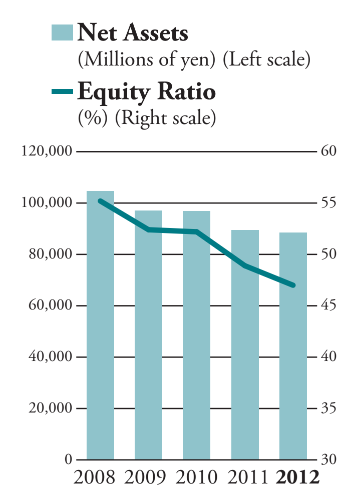


Business and other risks

The Kureha Group's business operations are diverse, comprising the Advanced Materials Division focused on PPS resin, PVDF resin and carbon products; the Specialty Chemicals Division focused on industrial chemicals, pharmaceuticals and agrochemicals; the Specialty Plastics Division focused on food packaging and household products; the Construction Division focused on construction and engineering; and the Other Operations Division including environmental businesses and logistics. By region, the Group conducts business in Japan as well as Europe, North America, and Asia.

The main factors that could affect the operating results, stock price, financial position and other aspects of the Kureha Group are as follows.

Forward-looking statements in this text are based on evaluations made at the time of the Company's securities report filing (June 26, 2012).



(1) Changes in the business environment in Japan and overseas; changes in the market price of products

The Kureha Group's business is exposed to external factors such as changes in markets or customers, and intensification of competition with competing companies. Accordingly, changes such as a decrease in demand for the Group's principle products, customers shifting production overseas, and an increase in production capacity by competing firms, could therefore influence the Group's operating results and financial position.

(2) Changes in fuel and raw material prices

Raw materials such as naphtha and coal used by the Kureha Group, as well as fuel, are susceptible to changes in market conditions. As a result, changes such as an increase in the price of these raw materials, or the inability to shift the additional cost to product prices in a timely and appropriate manner, could have a negative effect on the Group's operating results and financial position.

(3) Product liability

The Kureha Group's core business is chemical manufacturing. The Group is acutely aware of the risks connected with its products and the manufacturing process, and is careful to continually exercise Responsible Care (autonomous management for environmental conservation, disaster safety and other measures). However, should a significant, unforeseen quality issue arise, there could be a negative effect on the Group's operating results and financial position.

(4) The Specialty Chemicals Division's pharmaceutical business

One of the Kureha Group's core businesses is the manufacture and sale of pharmaceuticals. Accordingly, revisions to drug prices under Japan's medical insurance system could have a negative effect on the Group's operating results.

(5) Country risks for overseas businesses

The Kureha Group conducts business in Europe, North America and Asia. Accordingly, changes such as deterioration in the political or economic situation in these regions, the enactment or abolishment of laws and regulations, international tax practice risks such as transfer price taxation, and deterioration in public safety, as well as unforeseen circumstances such as terrorism, armed conflict or natural disaster, could have a negative effect on the Group's operating results and financial position.

(6) Currency fluctuations

The items in Kureha Group's financial statements not denominated in yen are susceptible to fluctuations in exchange rates when converted into yen. The Group concludes exchange contracts and takes other steps to minimize the effects of fluctuations in exchange rates. However, fluctuations in exchange rates beyond those predicted could have a negative effect on the Group's operating results and financial position.

(7) Investment securities

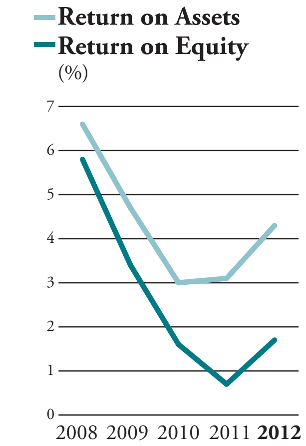
The Kureha Group held a total of ¥16,882 million in investment securities and other instruments (9.1% of total assets on a consolidated basis) as of the end of the subject fiscal year, for the purpose of long-term holdings. Significant changes in market prices, or in the financial position of the issuing companies, could have a negative effect on the Group's operating results and financial position.

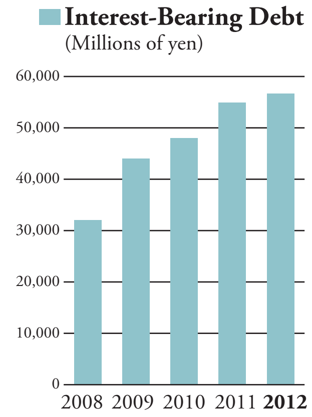
(8) Occurrence of natural disasters or accidents

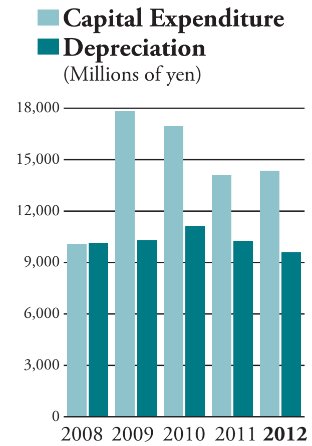
Manufacturing for the Kureha Group's principal products is concentrated in the production division of the Iwaki Factory (Iwaki, Fukushima Prefecture), and as such the Company makes continual efforts focused on this facility for environmental conservation and to ensure safety. However, damage to production facilities as a result of natural disasters such as major earthquakes or typhoons, or due to accidents, could have a negative effect on the Group's operating results and financial position.

(9) Litigation

The Kureha Group has established the "Kureha Group Ethical Charter," "Compliance Rules" and "Compliance Standards," and strives to ensure that the Group strictly complies with all laws, regulations and societal norms. However, there is a risk that the Group's domestic or overseas businesses could be the target of lawsuits, administrative measures or other action. A major lawsuit or other action be taken filed against Kureha could have a negative effect on the Group's operating results and financial position.







Consolidated Balance Sheets

Kureha Corporation and its Consolidated Subsidiaries
As of March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2012	2011	**2012**
ASSETS			
Current assets:			
Cash and time deposits (Note 5)	**¥ 8,857**	¥ 10,746	**$ 107,762**
Trade notes and accounts receivable	**29,586**	27,295	**359,970**
Inventories (Note 7)	**22,151**	19,196	**269,509**
Deferred tax assets (Note 14)	**2,630**	3,375	**31,999**
Others	**3,665**	3,648	**44,591**
Less: Allowance for doubtful accounts	**(69)**	(99)	**(839)**
Total current assets	**66,821**	64,161	**813,006**
Property and equipment, net (Note 11)**:**			
Buildings and structures	**29,897**	28,519	**363,754**
Machinery, equipment and vehicles	**33,387**	22,711	**406,217**
Land	**13,454**	13,026	**163,693**
Construction in progress	**8,537**	17,886	**103,869**
Others	**1,841**	1,775	**22,399**
Total property and equipment, net	**87,118**	83,917	**1,059,958**
Investments and other assets:			
Investments in securities (Notes 9 & 11)	**23,720**	24,607	**288,599**
Long-term receivables	**2,209**	1,977	**26,876**
Deferred tax assets (Note 14)	**839**	1,021	**10,208**
Others	**5,836**	6,186	**71,006**
Less: Allowance for doubtful accounts	**(322)**	(116)	**(3,917)**
Total investments and other assets	**32,283**	33,675	**392,785**
Total assets	**¥186,223**	¥181,753	**$2,265,762**

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2012	2011	**2012**
LIABILITIES AND NET ASSETS			
Current liabilities:			
Trade notes and accounts payable (Note 11)	**¥ 19,262**	¥ 14,156	**$ 234,359**
Short-term loans including current portion of long-term debt (Notes 10 & 11)	**16,049**	13,455	**195,267**
Other payables	**6,123**	6,378	**74,498**
Accrued income taxes (Note 14)	**576**	674	**7,008**
Accrued expenses	**4,665**	4,536	**56,758**
Accrued bonuses	**2,126**	2,005	**25,866**
Allowance for loss due to disaster	**579**	1,823	**7,044**
Others	**7,933**	6,025	**96,520**
Total current liabilities	**57,316**	49,052	**697,359**
Long-term liabilities:			
Long-term debt (Notes 10 & 11)	**35,634**	37,429	**433,556**
Deferred tax liabilities (Note 14)	**1,827**	2,843	**22,228**
Reserve for employees' retirement benefits (Note 13)	**650**	769	**7,908**
Retirement allowance for directors and corporate auditors	**336**	365	**4,088**
Asset retirement obligations	**785**	775	**9,551**
Reserve for environmental measures	**163**	164	**1,983**
Others	**953**	856	**11,595**
Total long-term liabilities	**40,352**	43,201	**490,959**
Total liabilities	**97,669**	92,253	**1,188,331**
Commitments and contingent liabilities (Note 15)			
Net assets:			
Shareholders' equity (Note 16)**:**			
Capital, non par value			
Authorized: 2012 and 2011 – 600,000,000 shares Issued: 181,683,909 shares in 2012 and 2011	**12,460**	12,460	**151,599**
Capital surplus	**9,149**	9,457	**111,315**
Earned surplus	**71,988**	71,935	**875,872**
Less: Treasury stock, at cost	**(4,546)**	(4,542)	**(55,310)**
Total shareholders' equity	**89,051**	89,310	**1,083,477**
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities (Note 9)	**3,609**	3,723	**43,910**
Deferred loss on hedges	**(5)**	(37)	**(60)**
Translation adjustments	**(5,048)**	(4,164)	**(61,418)**
Total accumulated other comprehensive income	**(1,444)**	(478)	**(17,569)**
Stock subscription rights	**82**	64	**997**
Minority interests	**864**	604	**10,512**
Total net assets	**88,554**	89,500	**1,077,430**
Total liabilities and net assets	**¥186,223**	¥181,753	**$2,265,762**

Consolidated Statements of Income

Kureha Corporation and its Consolidated Subsidiaries
For the years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2012	2011	2012
Net sales	¥128,358	¥132,309	$1,561,722
Cost of sales	93,368	98,674	1,136,001
Gross profit	34,990	33,635	425,720
Selling, general and administrative expenses (Note 19)	26,518	27,285	322,642
Operating income	8,472	6,350	103,078
Other income (expenses):			
Interest and dividend income	683	651	8,310
Interest expenses	(787)	(690)	(9,575)
Gain on business transfer	700	—	8,516
Gain on sale of property and equipment (Note 20)	132	4	1,606
Gain on sale of investments in securities (Note 9)	80	210	973
Gain on insurance claim	24	236	292
Reversal of allowance for doubtful accounts	—	242	—
Loss due to disaster (Note 25)	(3,797)	(3,373)	(46,197)
Loss on disposal and sale of property and equipment (Note 20)	(1,529)	(334)	(18,603)
Impact of application of accounting standard for asset retirement obligations	—	(184)	—
Other, net	(790)	(1,355)	(9,611)
Other expenses, net	(5,284)	(4,593)	(64,290)
Income before income taxes and minority interests	3,188	1,757	38,788
Income taxes (Note 14)**:**			
Current	1,018	1,290	12,385
Deferred	483	(494)	5,876
Total income taxes	1,501	796	18,262
Net income before minority interests	1,686	961	20,513
Minority interests	226	269	2,749
Net income	¥ 1,460	¥ 692	$ 17,763

The accompanying notes are an integral part of these statements.

Consolidated Statements of Comprehensive Income

Kureha Corporation and its Consolidated Subsidiaries
For the years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2012	2011	2012
Income before minority interests (Note 22)	¥1,686	¥ 961	$ 20,513
Other comprehensive income			
Unrealized loss on available-for-sale securities	(116)	(1,272)	(1,411)
Deferred loss on hedges	30	(37)	365
Translation adjustments	(890)	(1,952)	(10,828)
Share of other comprehensive income in affiliates	6	—	73
Total other comprehensive income	(969)	(3,261)	(11,789)
Comprehensive income	716	(2,299)	8,711
Comprehensive income attributable to (Note 22)**:**			
Owners of the parent	493	(2,550)	5,998
Minority interests	¥ 223	¥ 251	$ 2,713

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

Kureha Corporation and its Consolidated Subsidiaries
For the year ended March 31, 2012

Millions of yen

	Number of common stock	Shareholders' equity: Capital	Capital surplus	Earned surplus	Treasury stock, at cost	Total shareholders' equity
BALANCE-MARCH 31, 2011	¥181,683,909	¥12,460	¥9,456	¥71,935	¥(4,542)	¥89,310
Dividends from surplus		—	—	(1,716)	—	(1,716)
Net income		—	—	1,460	—	1,460
Acquisition of treasury stock		—	—	—	(7)	(7)
Disposal of treasury stock		—	(0)	—	2	2
Decrease resulting from the change in scope of consolidation		—	—	(0)	—	(0)
Offset against deficit		—	(306)	306	—	—
Others		—	—	3	—	3
Net changes of items other than shareholders' equity		—	—	—	—	—
BALANCE-MARCH 31, 2012	¥181,683,909	¥12,460	¥9,149	¥71,988	¥(4,546)	¥89,051

	Accumulated other comprehensive income: Unrealized gain (loss) on available-for-sale securities	Deferred loss on hedges	Translation adjustments	Total accumulated other comprehensive income	Stock subscription rights	Minority interests	Total net assets
BALANCE-MARCH 31, 2011	¥3,723	¥(36)	¥(4,164)	¥ (477)	¥64	¥603	¥89,500
Dividends from surplus	—	—	—	—	—	—	(1,716)
Net income	—	—	—	—	—	—	1,460
Acquisition of treasury stock	—	—	—	—	—	—	(7)
Disposal of treasury stock	—	—	—	—	—	—	2
Decrease resulting from the change in scope of consolidation	—	—	—	—	—	—	(0)
Offset against deficit	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	3
Net changes of items other than shareholders' equity	(113)	30	(884)	(967)	18	260	(687)
BALANCE-MARCH 31, 2012	¥3,609	¥ (5)	¥(5,048)	¥(1,444)	¥82	¥864	¥88,554

Millions of dollars

	Shareholders' equity: Capital	Capital surplus	Earned surplus	Treasury stock, at cost	Total shareholders' equity
BALANCE-MARCH 31, 2011	$151,599	$115,050	$875,228	$(55,262)	$1,086,628
Dividends from surplus	—	—	(20,878)	—	(20,878)
Net income	—	—	17,763	—	17,763
Acquisition of treasury stock	—	—	—	(85)	(85)
Disposal of treasury stock	—	(1)	—	24	24
Decrease resulting from the change in scope of consolidation	—	—	(1)	—	(1)
Offset against deficit	—	(3,723)	3,723	—	—
Others	—	—	36	—	36
Net changes of items other than shareholders' equity	—	—	—	—	—
BALANCE-MARCH 31, 2012	$151,599	$111,315	$875,872	$(55,310)	$1,083,477

	Accumulated other comprehensive income: Unrealized gain (loss) on available-for-sale securities	Deferred loss on hedges	Translation adjustments	Total accumulated other comprehensive income	Stock subscription rights	Minority interests	Total net assets
BALANCE-MARCH 31, 2011	$45,297	$(438)	$(50,663)	$ (5,803)	$778	$ 7,336	$1,088,940
Dividends from surplus	—	—	—	—	—	—	(20,878)
Net income	—	—	—	—	—	—	17,763
Acquisition of treasury stock	—	—	—	—	—	—	(85)
Disposal of treasury stock	—	—	—	—	—	—	24
Decrease resulting from the change in scope of consolidation	—	—	—	—	—	—	(1)
Offset against deficit	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	36
Net changes of items other than shareholders' equity	(1,374)	365	(10,755)	(11,765)	219	3,163	(8,358)
BALANCE-MARCH 31, 2012	$43,910	$ (60)	$(61,418)	$(17,569)	$997	$10,512	$1,077,430

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

Kureha Corporation and its Consolidated Subsidiaries
For the years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2012	2011	**2012**
Cash flows from operating activities:			
Income before income taxes and minority interests	**¥ 3,188**	¥ 1,757	**$ 38,788**
Adjustments for:			
Depreciation	**9,580**	10,266	**116,559**
Amortization of negative goodwill	**98**	76	**1,192**
Increase (decrease) in allowance for doubtful accounts	**186**	(206)	**2,263**
Decrease in prepaid pension expense	**85**	167	**1,034**
Decrease in reserve for employees' retirement benefits	**(113)**	(444)	**(1,374)**
(Decrease) increase in retirement allowance for directors and corporate auditors	**(28)**	4	**(340)**
(Decrease) increase in allowance for loss due to disaster	**(1,242)**	1,822	**(15,111)**
Interest and dividend income	**(684)**	(651)	**(8,322)**
Interest expenses	**787**	690	**9,575**
Loss on disposal and sale of fixed assets	**1,396**	330	**16,985**
Unrealized loss on securities and investments in securities	**88**	49	**1,070**
Gain on sale of marketable securities	**(79)**	(210)	**(961)**
(Increase) decrease in trade notes and accounts receivable	**(2,481)**	6,339	**(30,186)**
(Increase) decrease in other inventories	**(3,133)**	1,161	**(38,118)**
(Increase) decrease in other current assets	**(88)**	44	**(1,070)**
Increase (decrease) in trade notes and accounts payable	**5,237**	(4,579)	**63,718**
Increase (decrease) in other liabilities	**1,217**	(1,975)	**14,807**
Other, net	**(1,162)**	(23)	**(14,137)**
Subtotal	**12,854**	14,617	**156,393**
Dividends and interest received	**968**	898	**11,777**
Interest paid	**(773)**	(697)	**(9,405)**
Income taxes paid	**(903)**	(2,309)	**(10,986)**
Net cash provided by operating activities	**12,144**	12,509	**147,755**
Cash flows from investing activities:			
Payments for purchases of fixed assets	**(14,454)**	(12,058)	**(175,860)**
Proceeds from sale of fixed assets	**214**	54	**2,603**
Payments for removal of property and equipment	**(906)**	(245)	**(11,023)**
Purchase of investments in securities	**(18)**	(18)	**(219)**
Proceeds from sale of investments in securities	**581**	1,059	**7,068**
Increase in loans receivable	**(426)**	(60)	**(5,183)**
Collection of loans receivable	**144**	91	**1,752**
Purchase of shares in subsidiaries	**—**	(50)	**—**
Payment for business transfer	**—**	(14)	**—**
Other, net	**694**	(191)	**8,443**
Net cash used in investing activities	**(14,169)**	(11,432)	**(172,393)**
Cash flows from financing activities:			
Net (decrease) increase in commercial paper	**(4,000)**	4,000	**(48,667)**
Net increase (decrease) in short-term loans	**2,962**	(1,017)	**36,038**
Proceeds from long-term debt	**3,399**	4,794	**41,355**
Repayments of long-term debt	**(5,179)**	(4,883)	**(63,012)**
Payments for purchases of treasury stock	**(7)**	(3,302)	**(85)**
Dividends paid	**(1,716)**	(1,754)	**(20,878)**
Dividends paid to minority shareholders	**(13)**	(8)	**(158)**
Proceeds from issuance of bonds	**4,966**	4,965	**60,420**
Proceeds from stock issuance to minority shareholders	**50**	—	**608**
Other, net	**(91)**	(76)	**(1,107)**
Net cash provided by financing activities	**370**	2,720	**4,501**
Effect of exchange rate changes on cash and cash equivalents	**(285)**	(264)	**(3,467)**
Net (decrease) increase in cash and cash equivalents	**(1,938)**	3,533	**(23,579)**
Cash and cash equivalents at beginning of year	**10,746**	7,213	**130,745**
Increase in cash and cash equivalents resulting from inclusion of consolidated subsidiaries	**50**	—	**608**
Cash and cash equivalents at end of year (Note 5)	**¥ 8,857**	¥10,746	**$107,762**

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

Kureha Corporation and its Consolidated Subsidiaries
Years ended March 31, 2012 and 2011

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared based on the accounts maintained by Kureha Corporation (the "Company") and its consolidated subsidiaries (collectively the "Group") in accordance with the provisions set forth in the Companies Act and the Financial Instruments and Exchange Act of Japan, and in conformity with accounting principles generally accepted in Japan, which are different, in certain respects, from the application and disclosure requirements of International Financial Reporting Standards.

As permitted by the Financial Instruments and Exchange Act, for the fiscal year ended March 31, 2012, amounts of less than one million yen have been omitted. Consequently, totals shown in the accompanying consolidated financial statements for the fiscal year ended March 31, 2012 do not necessarily agree with the sums of the individual amounts.

For the fiscal year ended March 31, 2011, amounts of less than one million yen have been rounded to the closest million. Additionally, totals shown for the fiscal year ended March 31, 2011 will agree with the sums of the individual amounts.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the Company's consolidated financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan.

2. U.S. Dollar Amounts

The accounts of consolidated financial statements presented herein are originally expressed in Japanese yen. The U.S. dollar amounts shown in the accompanying consolidated financial statements and notes thereto have been translated from Japanese yen into U.S. dollars on the basis of ¥82.19 to U.S. $1, the rate of exchange prevailing as of March 30, 2012. And, for translation of millions of Japanese yen to thousands of U.S. dollars, amounts of less than one thousand dollar have been omitted. These U.S. dollar amounts are not intended to imply that the Japanese yen amounts have been or could be converted, realized or settled in U.S. dollars at this or any other rate.

3. Principles of Consolidation

(1) Scope of consolidation

The Company has consolidated 38 (32 in 2011) subsidiaries by the full consolidation method and one affiliate (one in 2011) by the equity method as of March 31, 2012 (and 2011). The accounts of three subsidiaries (four in 2011) and three affiliates (three in 2011) were not consolidated and not applied to equity method as of March 31, 2012 (and 2011), as they would not have a material effect on the accompanying consolidated financial statements.

(2) Fiscal terms of consolidated subsidiaries

The fiscal terms of 14 consolidated subsidiaries close their accounts at December 31. In preparing the consolidated financial statements, those accounts at December 31, 2011 are used, but major transactions which were executed during the three months between December 31 and March 31 are adjusted as necessary for consolidation.

(3) Valuation of assets and liabilities of consolidated subsidiaries

The Company adopted the "full fair value method" so that the full portion of the assets and liabilities of the consolidated subsidiaries was measured at their fair value at the time of acquisition of the control.

(4) Goodwill on consolidation

In preparing the consolidated financial statements, positive or negative difference between the cost of investment and the amount of the underlying equity in net assets of the consolidated subsidiary was deferred and amortized over an estimated useful period or 5 years on a straight-line basis.

4. Summary of Significant Accounting Policies

(1) Securities

Securities included in marketable securities and investments in securities consisted of investments in unconsolidated subsidiaries and affiliate and available-for-sale securities and are stated as follows:

Investments in unconsolidated subsidiaries and affiliates are stated at acquisition cost.

Available-for-sale securities with market quotations are stated at the average market price during the month before the balance sheet date.

Valuation difference on these securities is reported at net of taxes as a separate component of net assets.

The cost of securities sold is determined based on the moving average cost at the time of sale.

Available-for-sale securities without market quotations are stated at cost by the moving average method.

(2) Inventories

Inventories are stated at cost in principle determined by the gross average method. Inventories held for sale in the ordinary course of business are measured at the lower of cost or net selling value, which is defined as the selling price less incremental estimated manufacturing costs and estimated direct selling expenses.

(3) Depreciation and amortization of fixed assets

Property and equipment except for leased assets

Property and equipment are principally stated at cost. Depreciation except for buildings is computed in accordance with the declining balance method based on the useful lives and residual value prescribed by the Japanese tax laws. The depreciation of buildings is computed on the straight-line method. Accumulated depreciation which were directly deducted from property and equipment as of March 31, 2012 and 2011 was ¥162,961 million ($1,982,735 thousand) and ¥163,339 million, respectively.

The useful lives of major property and equipment are summarized as follows:

Buildings and structures	10 to 50 years
Machinery, equipment and vehicles	7 to 15 years
Other (tools, furniture and fixtures)	4 to 10 years

Maintenance and repairs, including minor renewals and improvements, are charged to income as incurred.

Intangible fixed assets except for leased assets

Intangible fixed assets except for software are amortized by the straight-line method based on the useful lives prescribed by the Japanese tax laws.

Software for in-house use is amortized by the straight-line method based on the estimated useful lives (5 years).

Leased assets

Leased assets under finance lease arrangements which do not transfer ownership of the leased assets to the lessee are depreciated by the straight-line method over respective lease periods without salvage value.

(4) Accounting for impairment of fixed assets

In accordance with the accounting standard for impairment of fixed assets, the Company and its consolidated subsidiaries periodically review their fixed assets for impairment by grouping the assets in income generating units whenever there is any indication of a significant decline in the fair value against its carrying amount based on an independent appraisal, and when the existence of any impairment for the group of the assets is identified, an impairment loss will be recognized and such amount is directly deducted from the related assets.

(5) Allowance for doubtful accounts

Allowance for doubtful accounts of general receivables was established to provide for future losses, which are estimated based on the past credit loss experience.

In addition, uncollectible amount is estimated individually for doubtful receivables.

(6) Reserve for employees' retirement benefits

The reserve for employees' retirement benefits is recorded based on the estimated present value of projected benefit obligations in excess of the fair value of the plan assets at the end of the fiscal year. However, certain domestic consolidated subsidiaries calculate their retirement benefit obligations using the liability which would be paid if all the employees voluntarily retired at each consolidated balance sheet date or liability reserve for pension financing calculation purpose.

The unrecognized transition amount which arose from adopting a new standard has been fully amortized when incurred. Past service cost is fully amortized when incurred. Actuarial gain or loss is amortized in the year following the year in which the gain or loss is recognized, on a straight-line basis over certain periods within the employees' average remaining service years.

(7) Retirement allowance for directors and corporate auditors

The retirement allowance for directors and statutory auditors is recorded based on the amount that would be required in accordance with the internal rule at the balance sheet date to provide for the payment for the retirement benefits.

(8) Treasury stock

Treasury stocks owned by the Group are recorded at acquisition cost as a component under the shareholders' equity. The numbers of treasury stocks held by the Group as of March 31, 2012 and 2011 were 10,031,300 and 10,017,010 common shares, respectively.

(9) Appropriations of retained earnings

Appropriations of retained earnings are accounted for and reflected in the accompanying consolidated financial statements when approved by the shareholders.

(10) Cash and cash equivalents
Cash and cash equivalents in the consolidated statements of cash flows consist of cash on hand, bank deposits payable on demand and short-term investments due within three months from acquisition with minor value fluctuation risk.

(11) Income taxes
The Group is generally subject to national corporate income tax, local inhabitant tax and enterprise tax which are principally based on income.

Deferred income taxes are determined using the asset and liability approach, whereby deferred tax assets and liabilities are recognized in respect of temporary differences between the tax basis of assets and liabilities and those as reported in the financial statements.

(12) Allowance for loss due to disaster
The Company's facilities were damaged by Great East Japan earthquake. Thus, to provide for the expected expenses for recovery effort in the next fiscal year, the Company has estimated the amount of losses in question.

(13) Changes in presentation
Loss on business withdrawal (¥29 million ($352 thousand) for the year ended March 31, 2012) separately presented for the year ended March 31, 2011 is included in "other, net" under other income (expenses) from the year ended March 31, 2012 as it became immaterial in amount. To reflect the change in presentation, the consolidated statements for the year ended March 31, 2011 are reclassified.

As a result, loss on business withdrawal of ¥422 million under the consolidated statements of income for the year ended March 31, 2011 is reclassified as "other, net" under other income (expenses).

(14) Accounting changes and error corrections
The Company is applying the "Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Statement No. 24, December 4, 2009) and "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24, December 4, 2009) for the accounting changes and corrections of prior period errors which are made on and after the beginning of the fiscal year ended March 31, 2012.

5. Cash and Cash Equivalents

The following table represents a reconciliation of cash and cash equivalents as of March 31, 2012 and 2011:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Cash and time deposits	¥8,857	¥10,746	$107,762
Cash and cash equivalents	¥8,857	¥10,746	$107,762

6. Trade Notes

Trade notes due at the end of the fiscal year are settled on the date of clearing.

As the end of the year ended March 31, 2012 fell on a bank holiday, the following trade notes due at the end of the fiscal year are included in the balance at the end of the year.

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Trade notes receivable	¥399	¥—	$4,854
Trade notes payable	¥519	¥—	$6,314

7. Inventories

Inventories as of March 31, 2012 and 2011, respectively, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Finished products	¥15,540	¥12,801	$189,074
Work-in-process	1,118	1,382	13,602
Raw materials and supplies	5,493	5,013	66,832
Total	¥22,151	¥19,196	$269,509

8. Financial Instruments and Related Disclosures

(1) Group policy for financial instruments

The Group uses financial instruments, mainly bank loans and bonds for the purpose of raising its necessary fund for equipment investment plan. Cash surpluses, if any, are invested only in short-term deposits, etc. Working capital for short-term ongoing operations is procured from short-term bank loans. Derivatives are used, not for speculative purposes, but to manage exposure to financial risks as described below.

(2) Nature and extent of risks arising from financial instruments

Receivables such as trade notes and trade accounts are exposed to customer credit risk. Although receivables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, the position, net of payables in foreign currencies, is hedged by using forward foreign currency contracts. Investments in securities, equity instruments of customers and suppliers of the Group, are exposed to the risk of market price fluctuations. And long-term receivables are made to the employees.

Payment terms of payables, such as trade notes and trade accounts, are less than one year. Although payables in foreign currencies, partly accompanied by the export of materials, are exposed to the market risk of fluctuation in foreign currency exchange rates, those risks are almost netted against the balance of receivables denominated in the same foreign currency as noted above. And, the payables in Euro are always within the balance of receivables in Euro.

Although a part of such bank loans, bonds and lease obligation, which are mainly for the purpose of equipment investment, are exposed to market risks from changes in variable interest rates; those risks are mitigated by using mostly derivatives of interest-rate swaps.

Derivatives mainly include forward foreign currency contracts and interest-rate swaps, which are used to manage exposure to market risks from changes in foreign currency exchange rates of receivables and payables, and from changes in interest rates of bank loans. Please see Note 21 for more detail about derivatives.

(3) Risk management for financial instruments

Credit risk management (risk of counterparty's failure to repay)

Credit risk is the risk of economic loss arising from counterparty's failure to repay or service debt according to the contractual terms. The Group manages its credit risk from receivables on the basis of internal guidelines, which include setting up an individual credit limit and monitoring of payment terms and balances of major customers by each business administration department to identify the default risk of customers at an early stage. A credit limit is changed, if necessary, based on a periodic monitoring of customers' financial positions. And the Group manages to mitigate the risk of receivable collection due to deteriorating financial position by utilizing such facilities as credit insurance or factoring. In using derivatives, the Group chooses highly creditworthy financial institutions to avoid counterparty risk.

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

The Company and certain consolidated subsidiaries manage market risk resulting from fluctuations in foreign currency exchange rates of foreign currency trade receivables and payables, which are to be identified through management per month and per currency. Such foreign exchange risk is hedged principally by forward foreign currency contracts. Interest-rate swaps are used to manage exposure to market risks from changes in interest rates of bank loans.

Investments in securities are managed by monitoring market values and financial position of issuers on a regular basis.

Basic principles of derivative transactions have been based on the internal guidelines which prescribe the authority and the limit for each transaction. The same principles are applicable to the consolidated subsidiaries.

Liquidity risk management (risk of the Group's failure to pay at maturity)

Liquidity risk comprises the risk that the Group cannot meet its contractual obligations in full on maturity dates. The Group manages its liquidity risk by controlling a monthly cash flow plan, and the Company manages it by using commitment line.

(4) Fair values of financial instruments
Fair values of financial instruments are based on quoted prices in active markets. If quoted prices are not available, other rational valuation techniques are used instead. The fair values hereof may vary upon applying various procedures, as the valuation techniques include variable factors. Also please note that the contract amounts themselves shown in Note 21 Derivatives and Hedging Activities do not imply the market risk exposure regarding derivative transactions.

(a) Fair value of financial instruments
Carrying amount, fair value and the differences as of March 31, 2012 and 2011 are as follows:
(This information excludes financial instruments whose fair value cannot be reliably determined)

			Millions of yen
March 31, 2012	Carrying amount	Fair value	Unrealized gain/loss
Cash and time deposits	**¥ 8,857**	**¥ 8,857**	**¥ —**
Trade notes and accounts receivable	**29,586**		
Allowance for doubtful accounts	**(69)**		
Sub-total	**29,517**	**29,517**	**—**
Investments in securities			
Available-for-sale securities	**16,103**	**16,103**	**—**
Long-term receivables including current portion	**2,262**	**2,379**	**117**
Total assets	**¥56,741**	**¥56,858**	**¥ 117**
Trade notes and accounts payable	**19,262**	**19,262**	**—**
Short-term loans	**11,234**	**11,234**	**—**
Other payables	**6,123**	**6,123**	**—**
Bonds including current portion	**25,000**	**25,699**	**(699)**
Long-term debt including current portion	**20,449**	**20,823**	**(373)**
Total liabilities	**¥82,069**	**¥83,143**	**¥(1,073)**
Derivatives			
Not qualifying for hedge accounting	**(24)**	**(24)**	**—**
Qualifying for hedge accounting	**(6)**	**(6)**	**—**

			Thousands of U.S. dollars
March 31, 2012	Carrying amount	Fair value	Unrealized gain/loss
Cash and time deposits	**$107,762**	**$ 107,762**	**$ —**
Trade notes and accounts receivable	**359,970**		
Allowance for doubtful accounts	**(839)**		
Sub-total	**359,131**	**359,131**	**—**
Investments in securities			
Available-for-sale securities	**195,924**	**195,924**	**—**
Long-term receivables including current portion	**27,521**	**28,945**	**1,423**
Total assets	**$690,363**	**$ 691,787**	**$ 1,423**
Trade notes and accounts payable	**234,359**	**234,359**	**—**
Short-term loans	**136,683**	**136,683**	**—**
Other payables	**74,498**	**74,498**	**—**
Bonds including current portion	**304,173**	**312,677**	**(8,504)**
Long-term debt including current portion	**248,801**	**253,351**	**(4,538)**
Total liabilities	**$998,527**	**$1,011,595**	**$(13,055)**
Derivatives			
Not qualifying for hedge accounting	**(292)**	**(292)**	**—**
Qualifying for hedge accounting	**(73)**	**(73)**	**—**

March 31, 2011	Carrying amount	Fair value	Unrealized gain/loss
			Millions of yen
Cash and time deposits	¥10,746	¥10,746	¥ —
Trade notes and accounts receivable	27,295		
Allowance for doubtful accounts	(99)		
Sub-total	27,196	27,196	—
Investments in securities			
Available-for-sale securities	17,347	17,347	—
Long-term receivables including current portion	2,035	2,101	66
Total assets	¥57,324	¥57,390	¥ 66
Trade notes and accounts payable	14,156	14,156	—
Short-term loans	8,363	8,363	—
Other payables	6,378	6,378	—
Bonds	20,000	20,641	(641)
Long-term debt including current portion	22,522	22,772	(250)
Total liabilities	¥71,419	¥72,310	¥(891)
Derivatives			
Not qualifying for hedge accounting	(25)	(25)	—
Qualifying for hedge accounting	(59)	(59)	—

Asset

Cash and time deposits, and trade notes and accounts receivable

The carrying amounts of these accounts approximate fair value because of their short maturities.

Investments in securities

The fair values of investments in securities are measured at the quoted market price of the stock exchange for the equity instruments.

Long-term receivables

The fair values of long-term receivables are measured at the present value of the future cash flows discounted by a rate of return, an appropriate rate such as government bond rate added to a credit spread, with respect to each credit risk segment of credit control.

Liability

Trade notes and accounts payable, short-term loans, and accrued expenses

The carrying amounts of these accounts approximate fair value because of their short maturities.

Bonds

The fair values of the bonds issued by the Company are measured based on the market price.

Long-term debt

The fair values of long-term debt are measured by discounting the principal and interest discounted by an assumed new borrowing rate. As a part of long-term debt with floating interest rates are subject to deferral method of interest rate swaps, the fair values of the said interest rate swaps are included in the long-term debt.

Derivatives

The information of the fair value for derivatives is included in Note 21.

(b) Carrying amount of financial instruments whose fair value cannot be reliably determined as of March 31, 2012 and 2011

	Carrying amount		
	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Investments in equity instruments that do not have a quoted market price in an active market	**¥117**	¥126	**$1,423**

(5) The aggregate annual maturities of financial assets as of March 31, 2012 and 2011

				Millions of yen
March 31, 2012	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and time deposits	**¥ 8,857**	**¥ —**	**¥ —**	**¥ —**
Trade notes and accounts receivable	**29,586**	**—**	**—**	**—**
Long-term receivables	**53**	**632**	**709**	**867**
Total	**¥38,497**	**¥632**	**¥709**	**¥867**

				Thousands of U.S. dollars
March 31, 2012	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and time deposits	**$107,762**	**$ —**	**$ —**	**$ —**
Trade notes and accounts receivable	**359,970**	**—**	**—**	**—**
Long-term receivables	**644**	**7,689**	**8,626**	**10,548**
Total	**$468,390**	**$7,689**	**$8,626**	**$10,548**

				Millions of yen
March 31, 2011	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and time deposits	¥10,746	¥ —	¥ —	¥ —
Trade notes and accounts receivable	27,295	—	—	—
Long-term receivables	57	494	601	882
Total	¥38,098	¥494	¥601	¥882

(6) The aggregate annual maturities of bonds and long-term debt as of March 31, 2012 and 2011

						Millions of yen
March 31, 2012	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Bonds	**¥5,000**	**¥ —**	**¥ —**	**¥10,000**	**¥ —**	**¥10,000**
Long-term debt	**4,814**	**5,364**	**3,365**	**2,875**	**2,178**	**1,849**
Total	**¥9,814**	**¥5,364**	**¥3,365**	**¥12,875**	**¥2,178**	**¥11,849**

						Thousands of U.S. dollars
March 31, 2012	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Bonds	**$ 60,834**	**$ —**	**$ —**	**$121,669**	**$ —**	**$121,669**
Long-term debt	**58,571**	**65,263**	**40,941**	**34,979**	**26,499**	**22,496**
Total	**$119,406**	**$65,263**	**$40,941**	**$156,649**	**$26,499**	**$144,165**

						Millions of yen
March 31, 2011	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Bonds	¥ —	¥5,000	¥ —	¥ —	¥10,000	¥5,000
Long-term debt	5,092	4,870	4,934	2,805	2,369	2,452
Total	¥5,092	¥9,870	¥4,934	¥2,805	¥12,369	¥7,452

9. Securities

Investments in unconsolidated subsidiaries and affiliates amount to ¥2,712 million ($32,996 thousand) and ¥2,827 million as of March 31, 2012 and 2011, respectively.

The acquisition cost and carrying amount of available-for-sale securities whose fair value were available as of March 31, 2012 and 2011 were as follows:

	Millions of yen		
March 31, 2012	Acquisition cost	Carrying amount	Unrealized gain (loss)
Securities with unrealized gain:			
Equity securities	**¥ 6,355**	**¥13,101**	**¥6,745**
Sub-total	**6,355**	**13,101**	**6,745**
Securities with unrealized loss:			
Equity securities	**4,028**	**3,002**	**(1,026)**
Sub-total	**4,028**	**3,002**	**(1,026)**
Total	**¥10,384**	**¥16,103**	**¥5,718**

	Thousands of U.S. dollars		
March 31, 2012	Acquisition cost	Carrying amount	Unrealized gain (loss)
Securities with unrealized gain:			
Equity securities	**$ 77,320**	**$159,398**	**$82,065**
Sub-total	**77,320**	**159,398**	**82,065**
Securities with unrealized loss:			
Equity securities	**49,008**	**36,525**	**(12,483)**
Sub-total	**49,008**	**36,525**	**(12,483)**
Total	**$126,341**	**$195,924**	**$69,570**

	Millions of yen		
March 31, 2011	Acquisition cost	Carrying amount	Unrealized gain (loss)
Securities with unrealized gain:			
Equity securities	¥ 6,773	¥14,298	¥7,525
Sub-total	6,773	14,298	7,525
Securities with unrealized loss:			
Equity securities	4,176	3,049	(1,127)
Sub-total	4,176	3,049	(1,127)
Total	¥10,949	¥17,347	¥6,398

Proceeds from sales of available-for-sale securities and related gross realized gain and loss on those sales for the years ended March 31, 2012 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Proceeds from sales	**¥582**	¥0	**$7,081**
Gross realized gain	**80**	0	**973**
Gross realized loss	**0**	—	**0**

10. Short-term Loans, Long-term Debt and Lease Obligations

Short-term loans and long-term debt as of March 31, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Short-term loans with average interest rate of 0.85%	¥11,234	¥ 8,363	$136,683
Current portion of long-term debt with average interest rate of 1.59%	4,814	5,092	58,571
Sub-total	16,048	13,455	195,254
Unsecured bonds maturing on March 8, 2013 with the interest rate of 1.60%	5,000	5,000	60,834
Unsecured bonds maturing on June 17, 2015 with the Interest rate of 2.06%	10,000	10,000	121,669
Unsecured bonds maturing on September 15, 2017 with the Interest rate of 0.95%	5,000	5,000	60,834
Long-term debt maturing in 2013 through 2028 with average interest rate of 1.59%	15,634	17,430	190,217
Total	¥51,682	¥50,885	$628,811

The aggregate annual maturities of long-term debt as of March 31, 2012 were as follows:

Year ending March 31	Millions of Yen	Thousands of U.S. Dollars
2014	¥5,364	$65,263
2015	3,365	40,941
2016	2,875	34,979
2017	2,178	26,499

The aggregate annual maturities of lease obligations as of March 31, 2012 were as follows:

Year ending March 31	Millions of Yen	Thousands of U.S. Dollars
2013	¥151	$1,837
2014	131	1,593
2015	88	1,070
2016	61	742
2017 and thereafter	29	352

Average interest rate on lease obligations is omitted since above lease obligations recorded in the consolidated balance sheets as of March 31, 2012 include interest equivalent amounts.

11. Assets Pledged as Collateral

The following assets of the Group are pledged as collateral for trade notes and accounts payable, short-term loans and long-term debt in the amount of ¥1,795 million ($21,839 thousand) and ¥2,511 million as of March 31, 2012 and 2011, respectively:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Buildings and structures	¥16,702	¥13,330	$203,212
Machinery, equipment and vehicles	13,229	9,729	160,956
Land	3,897	4,257	47,414
Investments in securities	4,434	4,698	53,948
Total	¥38,264	¥32,014	$465,555

12. Loan Commitment Agreements

The Company and its consolidated subsidiaries entered into loan commitment agreements and overdraft agreements with the financial institutions. The outstanding balance as of March 31, 2012 and 2011 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Total commitment available	**¥11,237**	¥11,388	**$136,719**
Amount utilized	**390**	1,167	**4,745**
Balance available	**¥10,846**	¥10,221	**$131,962**

13. Reserve for Employees' Retirement Benefits

The Company and certain consolidated subsidiaries have principally tax qualified pension plans and lump-sum retirement benefit plans. In addition, in some cases, merit allowances which are not included in the actuarial calculation of projected benefit obligations may be paid upon the retirement of certain employees.

The reserve for employees' retirement benefits as of March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Projected benefit obligations	**¥(21,337)**	¥(22,206)	**$(259,605)**
Plan assets	**17,402**	17,959	**211,728**
Funded status	**(3,935)**	(4,247)	**(47,876)**
Unrecognized actuarial differences	**5,342**	5,620	**64,995**
Sub-total	**1,406**	1,373	**17,106**
Prepaid pension cost	**2,057**	2,142	**25,027**
Reserve for employees' retirement benefits	**¥ (650)**	¥ (769)	**$ (7,908)**

Net pension expenses related to the retirement benefits for the years ended March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Service cost	**¥ 925**	¥ 937	**$11,254**
Interest cost	**386**	396	**4,696**
Expected return on plan assets	**(311)**	(327)	**(3,783)**
Amortization of actuarial differences	**620**	597	**7,543**
Amortization of past service liabilities	**—**	(347)	**—**
Net pension expenses	**¥1,620**	¥1,256	**$19,710**

Note: In addition to above expenses, the Company and its domestic consolidated subsidiaries recorded merit allowances amounting to ¥15 million ($182 thousand) and ¥25 million for the years ended March 31, 2012 and 2011, respectively.

Assumptions used in calculation of the above information for the years ended March 31, 2012 and 2011 were as follows:

	2012	2011
Discount rate	1.736%	1.736%
Expected rate of return on plan assets	1.736%	1.736%
Method of attributing the projected benefits to periods of services	Straight-line basis	Straight-line basis
Amortization period of past service liabilities	Fully amortized when incurred	Fully amortized when incurred
Amortization period of actuarial differences	*	*
Amortization period of transitional differences resulting from a change in accounting standards	Fully amortized when incurred	Fully amortized when incurred

* The actuarial differences are amortized on a straight-line method over certain years within the employees' average remaining service years when incurred and charged to income from the subsequent year.

14. Income Taxes

The Group is subject to certain different income taxes in Japan, which in the aggregate resulted in a normal statutory income tax rate of approximately 40.44%.

The significant components of deferred tax assets and liabilities as of March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Deferred tax assets:			
Tax loss carried forward	¥ 812	¥ 1,403	$ 9,879
Unrealized gain on fixed assets	981	944	11,935
Casualty loss	215	886	2,615
Accrued bonuses	781	795	9,502
Accrued expenses	417	524	5,073
Loss on impairment	349	519	4,246
Write-down of inventories	249	461	3,029
Loss on disposal and sale of fixed assets	530	316	6,448
Asset retirement obligations	251	314	3,053
Reserve for employees' retirement benefits	194	287	2,360
Research and development costs	379	269	4,611
Loss on business withdrawal	114	171	1,387
Retirement allowance for directors and corporate auditors	122	147	1,484
Tax credit for research and development costs	410	—	4,988
Settlement package	377	—	4,586
Allowance for doubtful accounts	109	30	1,326
Others	1,324	880	16,109
Sub-total	7,623	7,946	92,748
Valuation allowance	(1,646)	(1,397)	(20,026)
Total deferred tax assets	5,976	6,549	72,709
Deferred tax liabilities:			
Net unrealized gain on available-for-sale securities	(2,018)	(2,583)	(24,552)
Shortfall in depreciation	(961)	(856)	(11,692)
Prepaid pension expenses	(719)	(850)	(8,748)
Retained earnings of subsidiaries	(356)	(310)	(4,331)
Asset retirement obligations	(175)	(218)	(2,129)
Others	(117)	(179)	(1,423)
Total deferred tax liabilities	(4,348)	(4,996)	(52,901)
Net deferred tax assets	¥ 1,627	¥ 1,553	$ 19,795

Reconciliations of the difference between the statutory income tax rate and the effective income tax rate for the years ended March 31, 2012 and 2011 were as follows:

	2012	2011
Statutory income tax rate:	**40.44%**	40.44%
Expense not deductible for tax purpose	**4.26**	7.74
Non-taxable revenue	**(4.08)**	(7.63)
Tax credit for research and development costs	**(3.98)**	(8.34)
Retained earnings of overseas subsidiaries	**1.44**	6.89
Valuation allowance	**(4.96)**	(11.14)
Amounts recognized unrealized gain tax effect	**3.04**	15.29
Decrease in deferred tax assets at the end of the year due to changes in tax rate	**8.14**	—
Others	**2.80**	2.04
Effective income tax rate	**47.10%**	45.29%

Following the promulgation of the "Act for Partial Amendment of the Income Tax Act, etc. for the Purpose of Creating a Taxation System Responding to Changes in Economic and Social Structures" (Act No. 114, 2011) and the "Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake" (Act No. 117, 2011) on December 2, 2011, the corporate income tax rate will be lowered and special restoration corporation tax will be imposed from the fiscal years beginning on and after April 1, 2012. In conjunction with these changes, the effective statutory tax rate used to measure deferred tax assets and deferred tax liabilities will change for the temporary differences expected to be resolved from the fiscal year beginning on April 1, 2012 to the fiscal year beginning on April 1, 2014, and for the temporary differences expected to be resolved from the fiscal year beginning on April 1, 2015, from the former 40.44% to 37.75% and 35.38%, respectively.

As a result of this change, the amounts of deferred tax assets and deferred tax liabilities have decreased by ¥329 million ($4,002 thousand) and ¥424 million ($5,158 thousand), respectively, and the amounts of income taxes-deferred and unrealized gain on available-for-sale securities have increased by ¥193 million ($2,348 thousand) and ¥288 million ($3,504 thousand), respectively.

15. Commitments and Guarantee Liabilities

The Group guarantees employees' bank loans to the amounts of ¥189 million ($2,299 thousand) and ¥244 million as of March 31, 2012 and 2011, respectively.

16. Shareholders' Equity

The Companies Act of Japan provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and earned surplus (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and legal reserve equals 25% of the stated capital. Such distributions can be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met. The above mentioned legal reserve is included in earned surplus in the accompanying consolidated balance sheets.

17. Stock Option Plan

The Company issued stock subscription rights (stock options) in accordance with the provisions of the Companies Act based on the resolution of the general shareholders' meeting and the Board of Directors' meeting held on June 27, 2007 as follows:

(1) Accounting for stock option related expenses for the years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Share-based compensation included in selling, general and administrative expenses:	**¥20**	¥24	**$243**

(2) Details of stock options, volume and activity

a. Detail of stock options

	1st Stock Option Plan
Persons granted	8 directors of the Company
Number of stock options by type of shares	Common stock 47,500 shares
Grant date	July 18, 2007
Vesting conditions	a. The eligible director shall exercise options collectively during the period from the following day after he or she retired from the position as a director of the Company and through the 10th day. b. If the eligible director resigned from its position due to certain reasons, the number of stock options may be reduced depending on the service period. c. If the eligible director gives up the subscription rights, he or she cannot exercise the stock options given up.
Eligible service period	From June 27, 2007 to June 26, 2008
Exercise period	From July 18, 2007 to July 17, 2037

	2nd Stock Option Plan
Persons granted	8 directors of the Company
Number of stock options by type of shares	Common stock 49,400 shares
Grant date	July 23, 2008
Vesting conditions	a. The eligible director shall exercise options collectively during the period from the following day after he or she retired from the position as a director of the Company and through the 10th day. b. If the eligible director resigned from its position due to certain reasons, the number of stock options may be reduced depending on the service period. c. If the eligible director gives up the subscription rights, he or she cannot exercise the stock options given up.
Eligible service period	From June 26, 2008 to June 25, 2009
Exercise period	From July 23, 2008 to July 22, 2038

	3rd Stock Option Plan
Persons granted	8 directors of the Company
Number of stock options by type of shares	Common stock 55,500 shares
Grant date	July 22, 2009
Vesting conditions	a. The eligible director shall exercise options collectively during the period from the following day after he or she retired from the position as a director of the Company and through the 10th day. b. If the eligible director resigned from its position due to certain reasons, the number of stock options may be reduced depending on the service period. c. If the eligible director gives up the subscription rights, he or she cannot exercise the stock options given up.
Eligible service period	From June 25, 2009 to June 24, 2010
Exercise period	From July 22, 2009 to July 21, 2039

	4th Stock Option Plan
Persons granted	8 directors of the Company
Number of stock options by type of shares	Common stock 55,300 shares
Grant date	July 21, 2010
Vesting conditions	a. The eligible director shall exercise options collectively during the period from the following day after he or she retired from the position as a director of the Company and through the 10th day. b. If the eligible director resigned from its position due to certain reasons, the number of stock options may be reduced depending on the service period. c. If the eligible director gives up the subscription rights, he or she cannot exercise the stock options given up.
Eligible service period	From June 25, 2010 to June 24, 2011
Exercise period	From July 21, 2010 to July 20, 2040

	5th Stock Option Plan
Persons granted	7 directors of the Company
Number of stock options by type of shares	Common stock 56,600 shares
Grant date	July 20, 2011
Vesting conditions	a. The eligible director shall exercise options collectively during the period from the following day after he or she retired from the position as a director of the Company and through the 10th day. b. If the eligible director resigned from its position due to certain reasons, the number of stock options may be reduced depending on the service period. c. If the eligible director gives up the subscription rights, he or she cannot exercise the stock options given up.
Eligible service period	From June 24, 2011 to June 23, 2012
Exercise period	From July 20, 2011 to July 19, 2041

b. Volume and activity of stock options for the year ended March 31, 2012:

Volume of stock options:

Before vesting:	
As of March 31, 2011	146,200
Granted	56,600
Forfeited	—
Vested	5,800
Outstanding	197,000
After vesting;	
As of March 31, 2011	—
Vested	5,800
Exercised	5,800
Forfeited	—
Outstanding	—

Price information:

	Yen		U.S. dollars	
	Exercised	Outstanding	Exercised	Outstanding
Exercise price	¥ 1	¥ 1	$0.01	$0.01
Average stock price at the time of exercise	374	—	4.55	—
Fair value at the date of grant	—	446	—	5.42

c. Valuation method for fair value of stock options:

The valuation method for fair value of 2011 stock options granted during the year ended March 31, 2012 is as follows:

Valuation method: Black-Scholes formula

Major basic numerical values and valuation method:

	5th Stock Option Plan
Stock price volatility	38.9%
Expected years to expiration	3.0 years
Expected dividends	¥10 ($0.12) per share
Risk-free interest rate	0.21%

d. Estimation method for the vested number of stock options

Since it is difficult to make a reasonable estimate on future forfeited stock options, the actual number of forfeited stock options is reflected in the estimation.

18. Leases

Finance leases which commenced prior to April 1, 2008 and do not transfer ownership of the leased assets to the lessee are accounted for as operating lease transactions as permitted by the revised accounting standard.

Information on finance leases other than those deemed to transfer ownership of the leased assets to the lessee for the years ended March 31, 2012 and 2011 is not included herein, as it would have no material effect on the accompanying consolidated financial statements.

19. Selling, General and Administrative Expenses

Major components of selling, general and administrative expenses for the years ended March 31, 2012 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Salaries, wages and bonuses	**¥7,712**	¥7,277	**$93,831**
Provision for bonuses	**721**	692	**8,772**
Employees' retirement benefit expenses	**645**	644	**7,847**
Research and development expenses	**5,080**	5,502	**61,808**

20. Gain or Loss on Property and Equipment

Gain on sale of property and equipment and loss on disposal and sale of property and equipment for the years ended March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Gain on sale of property and equipment:			
Land	**¥ 126**	¥ —	**$ 1,533**
Machinery, equipment and vehicles	**6**	4	**73**
Total	**¥ 132**	¥ 4	**$ 1,606**
Loss on disposal of property and equipment:			
Buildings and structures	**¥ 975**	¥165	**$11,862**
Machinery, equipment and vehicles	**453**	130	**5,511**
Others (tools, furniture and fixtures)	**91**	38	**1,107**
Total	**¥1,520**	¥333	**$18,493**
Loss on sale of property and equipment:			
Machinery, equipment and vehicles	**¥ 8**	¥ 0	**$ 97**
Total	**¥ 8**	¥ 0	**$ 97**

21. Derivatives and Hedging Activities

The Company and its consolidated subsidiaries utilize foreign exchange forward contracts to avoid the risk from future exchange rate fluctuations in connection with the foreign currency denominated receivables and payables and also interest rate swaps to reduce the financing costs related to long-term debt and short-term borrowings as a means to manage the interest rate risk. Certain foreign exchange forward contracts utilized by the Company and certain consolidated subsidiaries are exposed to an exchange rate fluctuation risk and interest rate risk from the movement of the interest rates is mitigated by converting floating interest rates to fixed interest rates using interest rate swap agreements. Interest rate swaps are accounted for in principle by the deferral method, under which the revaluation gain or loss on the hedging instruments are deferred as assets or liabilities until the gain or loss on hedged items will be recognized. However, certain interest swap agreements which qualify for hedge accounting and meet specific matching criteria are not revaluated at market value, but the differential paid or received under the swap agreements are recognized and included in interest expenses or income.

Counterparties which the Company and its consolidated subsidiaries enter into derivative financial instruments with are limited to highly creditworthy financial institutions that have normal banking transactions in the normal course of business and therefore, the Company does not expect any losses to be incurred due to the defaults by these counterparties.

The Company and its consolidated subsidiaries have established internal rules regarding the authorization limits and the execution and control of the derivative transactions are done by the Finance Division. The execution of derivative transactions are exclusively authorized by the Finance Director and the status of outstanding position balances and revaluation profit and loss are periodically reported to the Finance Director.

Derivative contracts to which hedge accounting is not applied as of March 31, 2012 and 2011 are as follows:

	Millions of yen					
	2012			2011		
	Contract amount	Fair value	Unrealized gain (loss)	Contract amount	Fair value	Unrealized gain (loss)
Foreign exchange forward contracts:						
Selling:						
U.S. dollars	¥835	¥ (8)	¥ (8)	¥507	¥ (6)	¥ (6)
Euro	346	(14)	(14)	547	(20)	(20)
Buying:						
U.S. dollars	77	0	0	47	1	1
Euro	118	(2)	(2)	82	0	0
Total	¥ —	¥(26)	¥(26)	¥ —	¥(25)	¥(25)

	Thousands of U.S. dollars		
	2012		
	Contract amount	Fair value	Unrealized gain (loss)
Foreign exchange forward contracts:			
Selling:			
U.S. dollars	$10,159	$ (97)	$ (97)
Euro	4,209	(170)	(170)
Buying:			
U.S. dollars	936	0	0
Euro	1,435	(24)	(24)
Total	$ —	$(316)	$(316)

Notes: 1. Fair value is calculated using the forward rates.
2. For foreign exchange forward contracts, unrealized gain (loss) is presented as fair value.

Derivative contracts to which hedge accounting is applied as of March 31, 2011 and 2012 are as follows:
(1) Currency related

As of March 31, 2012 — Millions of yen

Hedge accounting method	Classification of derivative contracts	Major hedged items	Contract amount	Contract amount over one year	Fair value
Principle processing method	Foreign exchange contract (selling) in Euro	Accounts receivable	¥873	¥—	¥34

As of March 31, 2012 — Thousands of U.S. dollars

Hedge accounting method	Classification of derivative contracts	Major hedged items	Contract amount	Contract amount over one year	Fair value
Principle processing method	Foreign exchange contract (selling) in Euro	Accounts receivable	$10,621	$—	$413

As of March 31, 2011					Millions of yen
Hedge accounting method	Classification of derivative contracts	Major hedged items	Contract amount	Contract amount over one year	Fair value
Principle processing method	Foreign exchange contract (selling) in Euro	Accounts receivable	¥725	¥—	¥(27)

Notes: 1. Fair value is calculated using the forward rates.
2. Contract amount is presented in full amount, and unrealized gain (loss) calculated using investment ratio is presented as fair value.

(2) Interest rate related

As of March 31, 2012					Millions of yen
Hedge accounting method	Classification of derivative contracts	Major hedged items	Contract amount	Contract amount over one year	Fair value
Principle processing method	Interest rate swaps: (fixed rate payment, floating rate receipt)	Long-term debt	**¥ 777**	**¥ 777**	**¥(40)**
Interest rate swaps meeting certain conditions	Interest rate swaps: (fixed rate payment, floating rate receipt)	Long-term debt	**2,003**	**1,899**	**(Note 2)**
	Total		**¥2,780**	**¥2,676**	**¥(40)**

As of March 31, 2012					Thousands of U.S. dollars
Hedge accounting method	Classification of derivative contracts	Major hedged items	Contract amount	Contract amount over one year	Fair value
Principle processing method	Interest rate swaps: (fixed rate payment, floating rate receipt)	Long-term debt	**$ 9,453**	**$ 9,453**	**$(486)**
Interest rate swaps meeting certain conditions	Interest rate swaps: (fixed rate payment, floating rate receipt)	Long-term debt	**24,370**	**23,105**	**(Note 2)**
	Total		**$33,824**	**$32,558**	**$(486)**

As of March 31, 2011					Millions of yen
Hedge accounting method	Classification of derivative contracts	Major hedged items	Contract amount	Contract amount over one year	Fair value
Principle processing method	Interest rate swaps: (fixed rate payment, floating rate receipt)	Long-term debt	¥ 815	¥ 815	¥(32)
Interest rate swaps meeting certain conditions	Interest rate swaps: (fixed rate payment, floating rate receipt)	Long-term debt	3,443	2,003	(Note 2)
	Total		¥4,258	¥2,818	¥(32)

Notes: 1. Fair value is calculated using prices quoted by financial institutions.

2. With respect to interest rate swap contracts which meet certain conditions, fair values of the interest rate swap contracts are included in the fair values of the relevant long-term debt, since they are used for recording long-term debt as hedged items.

22. Comprehensive Income

Reclassification adjustments and tax effect amounts of other comprehensive income for the year ended March 31, 2012 were as follows:

	Millions of yen	Thousands of U.S. dollars
	2012	
Unrealized gain on available-for-sale securities		
Amount for the year	**¥(682)**	**$ (8,297)**
Reclassification adjustment	**2**	**24**
Amount before tax effect	**(680)**	**(8,273)**
Tax effect amount	**546**	**6,643**
Unrealized gain on available-for-sale securities	**(116)**	**(1,411)**
Deferred loss on hedges		
Amount for the year	**95**	**1,155**
Reclassification adjustment	**(45)**	**(547)**
Amount before tax effect	**49**	**596**
Tax effect amount	**(18)**	**(219)**
Deferred loss on hedges	**30**	**365**
Translation adjustments		
Amount for the year	**(890)**	**(10,828)**
Share of other comprehensive income in affiliates		
Amount for the year	**6**	**73**
Total other comprehensive income	**¥(969)**	**$(11,789)**

23. Per Share Information

Net assets per share as of March 31, 2012 and 2011 and net income per share for the years then ended were as follows:

	Yen		U.S. dollars
	2012	2011	**2012**
Net assets per share	**¥510.37**	¥517.47	**$6.20**
Basic net income per share	**8.51**	3.97	**0.10**
Diluted net income per share	**8.50**	3.97	**0.10**

Above per share information was computed using the following data:

	Millions of yen or shares		Thousands of U.S. dollars
	2012	2011	**2012**
Net assets per share:			
Total net assets per consolidated balance sheets	**¥ 88,554**	¥ 89,501	**$1,077,430**
Net assets attributed to common stock	**87,608**	88,832	**1,065,920**
Differences – Minority interests	**864**	604	**10,512**
– Stock subscription rights	**82**	64	**997**
Number of outstanding shares of common stock	**181,683,909**	181,683,909	—
Number of treasury stock	**10,031,300**	10,017,010	—
Number of common stock used in computing net assets per share	**171,652,609**	171,666,899	—
Basic net income per share:			
Net income per consolidated income statements	**¥ 1,460**	¥ 692	**$ 17,763**
Net income attributed to common stock	**1,460**	692	**17,763**
Weighted average number of common stock during the period	**171,664,943**	174,390,413	—
Diluted net income per share:			
Number of increased common stock used in computing diluted net income per share (stock subscription rights)	**170,971**	135,442	—

24. Segment Information

(1) Overview of the reportable segments

The Company's reportable segments are determined on the basis that separate financial information of such segments are available and examined periodically by the Board of Directors to make decisions regarding the allocation of management resources and assess the business performances of such segments within the Group. The Company has separate divisions by product, and each division formulates a comprehensive strategy for business activities in domestic and overseas markets. Major products and services for each segment are as follows:

Segment	Products and services
Advanced materials	PPS resin, PVDF resin, antistatic resin Carbon fiber, bead-shaped activated carbon, anode materials for lithium ion batteries, PGA (polyglycolic acid) resin
Specialty chemicals	Therapeutic agent for chronic renal failure, anti cancer agent, agricultural and horticultural fungicide, Caustic soda, hydrochloric acid, liquid chlorine, sodium hypochlorite Monochlorobenzene, para-dichlorobenzene, ortho-dichlorobenzene
Specialty plastics	Household plastic wrap, garbage bags for kitchen sink, cooking sheet, plastic containers, PVDF fishing line, PVDC film, PVDC compound Multilayer shrinkable film, multilayer bottle, Machinery for auto-seal food packaging
Construction related	Civil engineering and construction contracting business, industrial facility design, construction and management service
Other operations	Environmental engineering and industrial waste treatment business, transport and warehousing business, laboratory tests, analysis, measurement, and inspection service

(2) Valuation method for reportable segment profit (loss) and asset amounts

The accounting method for reportable business segments is presented in accordance with "Summary of Significant Accounting Policies." The reportable segment profit figures are based on operating profit. Inter-segment internal rates of return and the amounts transferred are presented based on the current market prices at the time of this report.

(3) Segment information by type of business

	Millions of yen							
	2012							
	Reportable segment							
	Advanced materials	Specialty chemicals	Specialty plastics	Construction related	Other	Total	Adjustment (Note 1)	Consolidated (Note 2)
Net sales:								
Outside customers	¥31,253	¥30,182	¥37,672	¥16,300	¥12,950	¥128,358	¥ —	¥128,358
Inter-segment	1,516	347	957	10,781	6,878	20,481	(20,481)	—
Total	32,769	30,530	38,630	27,081	19,828	148,840	(20,481)	128,358
Operating income (loss)	534	4,715	2,226	1,114	932	9,523	(1,051)	8,472
Assets	¥60,884	¥21,629	¥27,214	¥11,815	¥12,548	¥134,093	¥52,130	¥186,223
Depreciation	2,943	1,735	1,775	113	912	7,480	2,099	9,580
Adjustment for increase in fixed assets	8,711	1,285	1,817	112	1,072	13,000	1,359	14,360

	Thousands of U.S. dollars							
	2012							
	Reportable segment							
	Advanced materials	Specialty chemicals	Specialty plastics	Construction related	Other	Total	Adjustment (Note 1)	Consolidated (Note 2)
Net sales:								
Outside customers	$ 380,253	$367,222	$458,352	$198,320	$157,561	$1,561,722	$ —	$1,561,722
Inter-segment	18,445	4,221	11,643	131,171	83,684	249,190	(249,190)	—
Total	398,698	371,456	470,008	329,492	241,245	1,810,925	(249,190)	1,561,722
Operating income (loss)	6,497	57,367	27,083	13,553	11,339	115,865	(12,787)	103,078
Assets	$740,771	$263,158	$331,110	$143,752	$152,670	$1,631,500	$634,262	$2,265,762
Depreciation	35,807	21,109	21,596	1,374	11,096	91,008	25,538	116,559
Adjustment for increase in fixed assets	105,986	15,634	22,107	1,362	13,042	158,170	16,534	174,717

	Millions of yen							
	2011							
	Reportable segment							
	Advanced materials	Specialty chemicals	Specialty plastics	Construction related	Other	Total	Adjustment (Note 1)	Consolidated (Note 2)
Net sales:								
Outside customers	¥33,391	¥33,552	¥41,092	¥12,760	¥11,514	¥132,309	¥ —	¥132,309
Inter-segment	881	343	1,018	6,951	7,507	16,700	(16,700)	—
Total	34,272	33,895	42,110	19,711	19,021	149,009	(16,700)	132,309
Operating income (loss)	363	5,203	1,790	(387)	39	7,008	(658)	6,350
Assets	¥54,394	¥21,884	¥27,648	¥ 9,747	¥12,068	¥125,741	¥56,012	¥181,753
Depreciation	3,382	1,897	1,876	121	845	8,121	2,145	10,266
Adjustment for increase in fixed assets	7,815	1,442	1,986	25	1,268	12,537	1,539	14,076

Notes: 1. Adjustment for segment operating income (loss) is due to inter-segment elimination.
Adjustment for segment assets includes corporate assets such as cash and cash equivalents, investments in securities, and other corporate shared facilities that are not allocated to each reportable segment.
2. Segment operating income (loss) is adjusted with operating income on the consolidated statements of income.

Geographical segment information of the Company for the year ended March 31, 2012 and 2011 is summarized as follows:

	Millions of yen				
	2012				
	Japan	Europe	Asia	Other	Total
Sales	**¥97,461**	**¥12,311**	**¥12,411**	**¥6,174**	**¥128,358**

	Thousands of U.S. dollars				
	2012				
	Japan	Europe	Asia	Other	Total
Sales	**$1,185,801**	**$149,787**	**$151,003**	**$75,118**	**$1,561,722**

	Millions of yen				
	2011				
	Japan	Europe	Asia	Other	Total
Sales	¥101,696	¥12,028	¥13,036	¥5,549	¥132,309

Notes: Sales is categorized by country and regions based on customer's location.

	Millions of yen			
	2012			
	Japan	United States	Other	Total
Property and equipment	**¥66,641**	**¥15,554**	**¥4,922**	**¥87,118**

	Thousands of U.S. dollars			
	2012			
	Japan	United States	Other	Total
Property and equipment	**$810,816**	**$189,244**	**$59,885**	**$1,059,958**

	Millions of yen			
	2011			
	Japan	United States	Other	Total
Property and equipment	¥65,358	¥13,697	¥4,862	¥83,917

Major customers segment information
Major customers segment information is not shown since there is no customer accounting for more than 10% of the sales to customers in the consolidated statements of income.

Information on impairment of fixed assets for each reportable segment
There is no information to be reported on impairment of fixed assets for each reportable segment.

Information on amortization of goodwill and its remaining balance for each reportable segment
There is no information to be reported on amortization of goodwill and its remaining balance.

Information on gain in negative goodwill for each reportable segment
There is no information to be reported on gain in negative goodwill.

25. Loss Due to Disaster

Loss recorded due to the Great East Japan Earthquake for the year ended March 31, 2012 and 2011 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Estimated cost for facility restoration	**¥1,565**	¥1,821	**$19,041**
Fixed costs of operation during suspension	**1,842**	1,330	**22,411**
Disposal of inventories	**389**	222	**4,732**
Total	**¥3,797**	¥3,373	**$46,197**

26. Subsequent Events

The following appropriation of retained earnings has been approved by the general meeting of shareholders held on April 17, 2012.

	Millions of yen	Thousands of U.S. dollars
Cash dividends at ¥5.00 ($0.06) per share	¥858	$10,439

Main Group Companies by Segment

(As of March 31, 2012)

The Kureha Group consists of Kureha Corporation, 41 subsidiaries (of which 38 are consolidated), and 4 affiliates (of which 1 applies the equity method). The group is engaged in the manufacture and sales of products in three main business segments: Advanced Materials, Specialty Chemicals, and Specialty Plastics. In addition, it undertakes construction and maintenance operations associated with each main business segment, transport operations, environmental management services, and other service operations.

Advanced Materials

Kureha Corporation
Manufactures and sells advanced plastics and carbon products.

Resinous Kasei Co., Ltd.
A subsidiary of Kureha Trading Co., Ltd., the company manufactures and sells advanced materials.

Kureha Extech Co., Ltd.
Manufactures and sells advanced materials. Sells some products to Kureha.

Nihon Extron Co., Ltd.
Manufactures and sells advanced materials. Sells some products to Kureha.

Kureha Battery Materials Japan Co., Ltd.
Sells anode material and binder for lithium-ion batteries.

Kureha GmbH
Sells Kureha's advanced materials and other products in Europe.

Kureha America, Inc.
Holds controlling stakes in Kureha America LLC, Kureha PGA LLC, Kureha Advanced Materials, Inc., and Fortron Industries LLC, which manufactures and sells PPS resin in the United States.

Kureha PGA LLC
Established to manufacture and sell PGA (polyglycolic acid) resin. Construction of the US manufacturing facility has been completed.

Kureha Advanced Materials, Inc.
Manufactures and sells carbon products in the U.S.

Kureha Chemicals Shanghai Co., Ltd.
Manufactures and sells carbon products. Purchases raw materials from and sells products to Kureha.

Specialty Chemicals

Kureha Corporation
Manufactures and sells inorganic chemicals, organic chemicals, pharmaceuticals, pharmaceuticals for animals, and agrochemicals.

Specialty Plastics

Kureha Corporation
Manufactures and sells food packaging materials, household products, and synthetic fiber products and sells the raw materials used to make these products.

Kureha Gosen Co., Ltd.
Manufactures and sells synthetic fibers. Purchases raw materials from and sells some products to Kureha.

Kureha Europe B.V.
Holds controlling stakes in Krehalon Industrie B.V. and three subsidiaries engaged in making food packaging materials.

Krehalon Industrie B.V.
Manufactures and sells food packaging materials in the Netherlands. Receives raw materials from Kureha.

Kureha Vietnam Co., Ltd.
Manufactures and sells food packaging materials. Purchases raw materials from and sells produces to Kureha.

Nantong SKT New Material Co., Ltd.
Manufactures and sells food packaging materials. Receives technology under license from Kureha.

Construction Related & Others

Kurehanishiki Construction Group
(Kurehanishiki Construction Co., Ltd., and three subsidiaries)
Undertakes engineering and construction work.

Kureha Engineering Co., Ltd.
Undertakes plant engineering and management operations, safety-related operations, and environmental protection services.

Kureha Trading Co., Ltd.
Sells and supplies advanced materials, specialty chemicals, specialty plastics, and other products.

Kureha Unyu Group
(Kureha Unyu Co., Ltd., and six subsidiaries)
Undertakes transportation and storage operations.

Kureha Service Co., Ltd.
Conducts real estate transactions, leasing and management, and other services. Performs certain operations for Kureha.

Kureha Ecology Management Co., Ltd.
Undertakes industrial waste and medical waste processing.

Kureha Special Laboratory Co., Ltd.
Analyzes, measures, and performs environmental assessments for various substances. Performs tests for some Kureha products.

Kureha Staff Service Co., Ltd.
Undertakes temporary support operations and contracting services for manufacturing and logistics businesses. Kureha outsources part of its business to Kureha Staff Service.

Executives

(As of June 26, 2012)

Board Of Directors

Takao IWASAKI	President & CEO
Yutaka KOBAYASHI	Senior Executive Vice President
Naoya SUZUKI	Executive Vice President
Keikichi MUNAKATA	Executive Vice President & CFO
Norikazu SUNOU	Executive Vice President
Tadashi SAGAWA	Senior Vice President
Shusuke MATSUO	Senior Vice President
Kunihiko SAITO	Independent Outside Director
Takeshi TAKAHASHI	Independent Outside Director

Board Of Corporate Auditors

Youichi KIYOSUKE	Corporate Auditor
Haruki YAMAGUCHI	Corporate Auditor
Mitsuo SATOH	Corporate Auditor
Masaru KITAMURA	Corporate Auditor

Executive Officers

Takao IWASAKI	President & CEO
Yutaka KOBAYASHI	Senior Executive Vice President
Naoya SUZUKI	Executive Vice President
Keikichi MUNAKATA	Executive Vice President & CFO
Norikazu SUNOU	Executive Vice President
Koji HAGINO	Executive Vice President
Hideo NAKATANI	Executive Vice President
Tadashi SAGAWA	Senior Vice President
Shusuke MATSUO	Senior Vice President
Yoshiki SHIGAKI	Senior Vice President
Naoki FUKUZAWA	Senior Vice President
Takashi YAMAMOTO	Senior Vice President
Yoshiharu OGUCHI	Vice President
Yoshio NODA	Vice President
Toru YOSHIDA	Vice President
Hiroshi SAKABE	Vice President
Futoshi SAITO	Vice President

Investor Information

(As of March 31, 2012)

Corporate Data

Corporate Name	KUREHA CORPORATION
Headquarters	3-3-2, Nihonbashi-Hamacho, Chuo-ku, Tokyo 103-8552, Japan Tel: 81-3-3249-4666 Fax: 81-3-3249-4744
Date of Establishment	June 21, 1944
Paid-in Capital	¥12,460 million
Number of Employees	4,032 (consolidated) 1,628 (non-consolidated)
Independent Auditor	Nihombashi Corporation

Stock Information

Number of Shares of Common Stock Issued	181,683,909 shares
Number of Shareholders	15,533
Number of Shares Held by Foreign Shareholders	35,876 (19.8% of total)
Stock Exchange Listings	Tokyo Stock Exchange
Transfer Agent	Mizuho Trust & Banking Co., Ltd.

Major Stockholders

Meiji Yasuda Life Insurance Company
Tokio Marine & Nichido Fire Insurance Co., Ltd.
The Master Trust Bank of Japan, Ltd.
Japan Trustee Service Bank, Ltd.(trust account)
Daiichi Sankyo Co., Ltd.
The Nomura Trust and Banking Co., Ltd.(trust account)
Mizuho Corporate Bank, Ltd.
Juniper
The Chase Manhattan Bank, N.A. London S.L. Omnibus Account
Mizuho Trust & Banking Co., Ltd.

http://www.kureha.co.jp/

KUREHA CORPORATION

VEGETABLE OIL INK