KUREHA

KUREHA CORPORATION
Business Report 2016
Year ended March 31, 2016

The Pursuit of Excellence

Building on Core Strengths

Kureha Corporation is a manufacturer of highly originative specialty chemicals and plastics that leverages proprietary technologies to develop products in advanced materials, agrochemicals, pharmaceuticals, and packaging materials. Since its establishment in 1944, Kureha has utilized its strengths in technology and innovation to provide a wide range of solutions suited to the market needs of each era.

Today, this corporate DNA drives Kureha to always pursue originality and excellence in harmony with the environment, and consistently create products that bring value to customers and society.

Corporate Philosophy

To be a company supporting an ever-changing society.
To be a company that changes society for the better.
We formulated our Corporate Identity to reflect our vision for Kureha.

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

Contents

The Pursuit of Excellence

R&D Innovation:
The Source of Our Competitiveness

We pride ourselves on our expertise in polymer engineering and processing as well as organic synthesis and carbon materials development. These technologies provide the base for the development of our original innovative materials and products. We are constantly adding and fusing new ideas to these accumulated technologies, and in the spirit of "if it doesn't exist, let's create it," each day we pursue technology solutions that only Kureha can provide to meet unmet needs.

Originality and Quality to Answer Global Needs:
The Growth Potential in Global Markets

Kureha's overseas sales had reached 33% of total revenue as of March 2016. Along with exports from Japan, we have production, processing and sales locations in the United States, Germany, the Netherlands, France, the U.K., China, Vietnam and Australia, enabling an effective response to needs in overseas markets. With continued growth expected in newly emerging countries and many other regions, we are taking active and strategic steps to expand sales of highly competitive products in line with the needs of overseas markets, whether for advanced materials, chemicals, or plastic products.

Maximizing Earnings & Diversifying Risks:
The Path to Sustainable Growth

Our innovative products and services are broadly based but highly specialized, supporting a wide range of industries, including electrical and electronic-appliances, automotive, agriculture, medicine and energy. We maximize earnings and diversify risk through broad-based business development in promising growth fields such as the environment, energy, health and lifestyle. We continuously optimize our portfolio to align with shifting market needs while securing our earnings path.

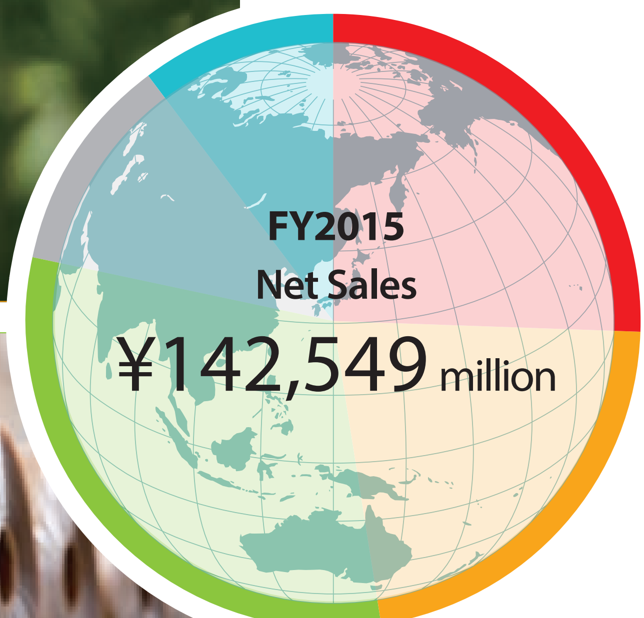
At a Glance

Net Sales/Net Sales Composition

Advanced Materials

¥36,536 million

25.6%



Specialty Chemicals

¥31,182 million

21.9%

Specialty Plastics

¥44,210 million

31.0%

Construction and Other Operations

¥16,201 million

11.4%

(Construction)

¥14,418 million

10.1%

(Other Operations)

Consolidated Financial Highlights

Kureha Corporation and Consolidated Subsidiaries
Years ended March 31, 2016 (FY2015) and 2015 (FY2014)

Business Areas

Advanced Plastics
Carbon Fibers & Products
Battery Materials

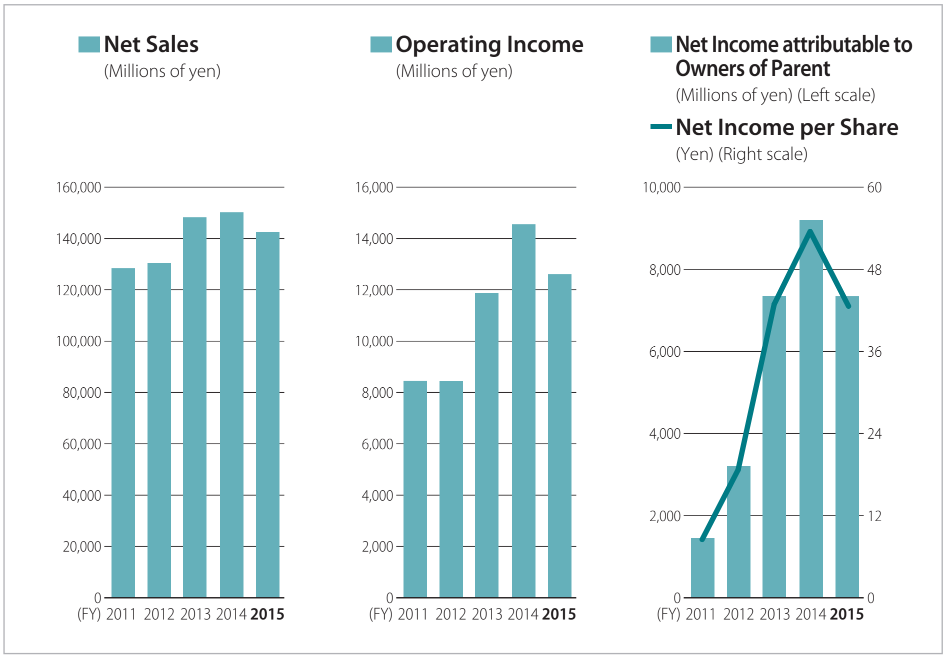
Agrochemicals
Pharmaceuticals
Industrial Chemicals

Household Products
Packaging Materials
Synthetic Fiber Products

Engineering & Construction
Environment Management
Logistics

	Millions of yen		Thousands of U.S. dollars
	FY2015	FY2014	**FY2015**
For the year:			
Net sales	**¥142,549**	¥150,182	**$1,265,078**
Operating income	**12,600**	14,551	**111,821**
Net income attributable to owners of parent	**7,342**	9,195	**65,157**
Capital expenditure	**12,139**	17,557	**136,782**
Depreciation	**9,877**	8,261	**87,655**
R&D expenses	**4,885**	4,978	**55,044**
Year-end:			
Total assets	**¥236,633**	¥249,697	**$2,100,044**
Net assets	**119,274**	120,624	**1,058,519**
Interest-bearing debt	**79,685**	86,636	
	Yen		U.S. dollars
Amounts per share:			
Net income – basic	**¥ 42.73**	¥ 53.53	**$ 0.37**
Net assets	**686.06**	687.80	**6.08**
	Percent		
Ratios:			
Net income to net sales	**5.2%**	6.1%	
Return on equity	**6.2**	8.3	
Return on assets	**4.9**	6.5	
Equity ratio	**49.8**	47.3	

Notes: 1. For convenience only, U.S. dollar amounts have been translated from Japanese yen at the rate of ¥112.68 to US$1, the rate of exchange prevailing on the Tokyo Foreign Exchange Market on March 31, 2016.
2. For amounts per share, see Note 21 of the Notes on Consolidated Financial Statements.
3. Return on equity = [Net income / (Average net assets - Average minority interests - Average stock acquisition rights)] x 100.
4. Return on assets = (Recurring income / Average total assets) x 100.



Laying the Groundwork for Lasting Future Growth

Dear Shareholders,

In FY2015 (ended March 31, 2016), market conditions continued to be challenging for the Kureha Group. Consolidated sales decreased 5.1% year on year to 142.5 billion yen, with operating income declining 13.4% to 12.6 billion yen, and recurring income down 22.5% to 12.0 billion yen. These results were mostly driven by a lack of one-time income in the pharmaceuticals business, which led to a sharp earnings decline for the Specialty Chemicals segment. Earnings per share were 42.73 yen, with which we maintained our annual dividend at the previous year's level of 11 yen per share, not including the commemorative dividend paid in FY2014.

However, it should be noted that, excluding this one-time income in the pharmaceuticals business, we have increased earnings each year since FY2012. This means that our foundation for generating earnings has gradually but steadily improved, an achievement that represents the concerted efforts of all Kureha Group employees.

I am also pleased to say that in FY2015, the Advanced Materials segment recorded a further earnings increase since regaining profitability in the previous year. Advanced materials, such as PVDF, PPS and PGA, are expected to be our core businesses to drive future growth, and therefore we are determined to ensure that this positive trajectory continues.

Another achievement is that Kureha recorded an additional 1.5 billion yen in profit gains from our Reform Project, which we launched in FY2013 to reduce costs and improve efficiency. Through FY2014, together with the efforts of group companies, we generated 3.5 billion yen in profit gains, meaning that in the three years since the project started, we have achieved a cumulative total benefit of 5.0 billion yen. Partly due to this effort, Kureha has managed to establish a structure capable of maintaining a stable operating income base of 10 billion yen.

When I became President in September 2012, I declared that we would establish a solid business foundation that would allow us to remain an "excellent company" by the time we mark our 100th anniversary in 2044. I have focused tirelessly on reforming Kureha to realize that vision. To link this reform mindset to action, I have continually stressed the watchwords: Passion, Speed and Commitment. It is my belief that we can overcome any obstacle, no matter how big, as long as we work together and remain committed. To nurture the strength of employees, and allow each and every one of them to grow, it is vital that we instill this mindset and behavior throughout the company, and that the President leads by example.

In April 2016, we launched "Kureha's Challenge 2018," a new mid-term management plan for the period from FY2016 through FY2018. This is the first mid-term management plan formulated under my direction, and fully reflects my thoughts based on the internal discussions we have had on how to make Kureha a company of lasting prosperity.

In formulating the new mid-term management plan, we began with a thorough review of the results of "Grow Globally II," the previous plan covering the period from FY2012 through FY2015. Under this plan, we steadily strengthened our business foundation, restored profitability in the Advanced Materials segment, and significantly reduced costs through the Reform Project.

Regretfully, we were unable to achieve both the initial operating income target of 20 billion yen and the revised target of 15 billion yen adopted in the fall of FY2013. While changes in the business environment were partly to blame, we recognized that the main reason was due to our own business shortcomings. To cite a few examples, we did not devise multifaceted and precise business scenarios, we were not sufficiently sensitive to changes in the business climate to be able to take swift action, and we failed to invest appropriately in resources for the future. Reflecting on these inadequacies, we launched the new mid-term plan strongly determined to establish a robust management foundation capable of withstanding competition for the long-term future, and achieve our quantitative target of 16.0 billion yen in operating income (14.0 billion yen under IFRS standards*) by FY2018.

The action measures set forth in Kureha's Challenge 2018 are guided by our corporate philosophy, The Pursuit of Excellence, and in line with the overall strategic direction that, "As a company built on technology, Kureha will develop differentiated products in the field of specialty chemicals and become a high value-added enterprise that continually contributes to global society."

The new plan is also positioned as a period to lay the foundation for Kureha's future expansion. While we anticipate a profitability decline in the Specialty Chemicals segment (pharmaceuticals and agrochemicals), which up to now has been a source of stable earnings, we will enhance the competitiveness and earnings capacity of other existing businesses, in particular developing the PGA business into a new earnings pillar. Furthermore, in the next three years we will intensify our efforts to explore and create new businesses, and identify promising new themes for the future.

Exploring new business themes is vital to a company that professes to be built on technology. In April 2016, we launched the New Business Creation Project, led by myself, to accelerate the search for new technologies and business themes. We are exploring fields in the areas of environment, energy, and quality of life that have promising potential markets, and in which Kureha can apply its technological strengths. We are also making use of outside resources wherever necessary, such as M&A and joint research with other companies or universities, in an effort to develop more high value-added downstream fields. While maintaining our dedication to being a "company built on technology," we aim to react to external stimuli and incorporate new discoveries, pursuing projects with the spirit of "if it doesn't exist, let's create it."

In addition, Kureha will strengthen its governance structures to ensure we remain a company that continually contributes to society. Last year, we formulated a set of Corporate Governance Guidelines that clearly state our management philosophy and approach to corporate governance, and we are acting in accordance with these tenets to enhance the effectiveness of our governance structure. Furthermore, while promoting activities related to environmental protection and operational safety, Kureha is pursuing dialogue with various stakeholders to promote CSR management and reinforce efforts to contribute to and coexist with society.

As a company, we have a particularly important social role to play in Iwaki in Japan's Fukushima Prefecture, the location of our main production and R&D facility. Kureha General Hospital, one of our group companies, is a key medical center in southern Iwaki City. We intend to continue to support its operations in order to provide for the health and wellness of local people. We are also supporting independence and social participation for the disabled through Sunshine Kureha, a special subsidiary established in 2014 to employ disabled persons.

In May 2016, Kureha launched the Employees Shine-Up Project, aimed at encouraging the active participation of all employees. This project is founded in the conviction that sustainable growth for the company requires creating an environment that encourages and cultivates personal and professional growth among employees. At the same time, we are working to develop human resources who can play an active role on the global stage, and to expand systems that provide opportunities for a diverse range of employees to actively participate in our company's growth.

For FY2016, although we are forecasting year-on-year increases in both revenue and earnings under IFRS, our business segments will be in a preparatory stage for future growth. During this initial year of our new mid-term plan, we will orient ourselves toward the future we want to realize, with all employees acting together in steady progress toward the plan's management goals and quantitative targets.

Through efforts to resolve various social issues by using highly original technology, Kureha will contribute to the advancement of society, achieve sustainable growth in enterprise value, and further enhance the relationship of trust we have with our stakeholders.

We thank you for your investment and your confidence in us, and look forward to your continued support.

Yutaka Kobayashi

Yutaka Kobayashi
President & Chief Executive Officer
June 2016

* Starting from FY2016, ending March 2017, Kureha will be reporting its financial performance based on International Financial Reporting Standards (IFRS) instead of the Japanese Generally Accepted Accounting Principles.

The Mid-Term Management Plan

"Kureha's Challenge 2018"

For fiscal years 2016 through 2018, the Kureha Group is operating its business based on the mid-term management plan, "Kureha's Challenge 2018".

Under this plan, Kureha strives to develop differentiated products in the specialty chemicals field, with a goal at becoming a high value-added company that continually contributes to society. These three years are also strategically positioned as a period to lay the foundation for Kureha's future expansion, where we take on varied challenges to strengthen existing businesses, develop original and innovative technologies and products, and explore new businesses.

Concept:

"Achieve product differentiation" and "Create new businesses"

Management Goals:

Business strategies

- Enhance competitiveness and earnings capacity of existing businesses that support the management foundation of the Kureha Group
- Expand the PGA business that is currently driving the Kureha Group's growth
- Explore new business themes that will carry the Kureha Group's future

Promote CSR-based management

Strengthen the management foundation

▶ Quantitative Targets
(JPN GAAP)

	FY2015	FY2018 Targets
Net sales	¥142.5 billion	**¥170.0 billion**
Operating income	12.6 billion	**16.0 billion**
Net income attributable to owners of parent	7.3 billion	**9.0 billion**
DE ratio	0.7	**0.5**
ROE	6.2%	**6.0%**

Presumptions
- Currency exchange rates: ¥120/US$1, ¥130/ €1, ¥18/CNY1
- Crude oil price: US$40/bbl
- Number of shares of common stock issued in FY2018: 206 million shares, including conversion of convertible bonds

▶ Expanding Overseas Sales

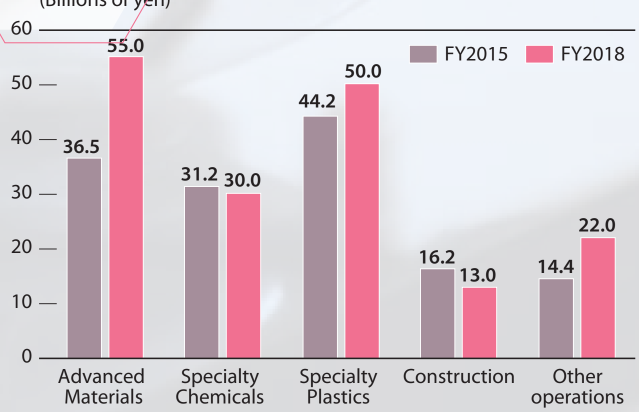
FY2015
33%
▼
FY2018
37%

Strategic Direction:

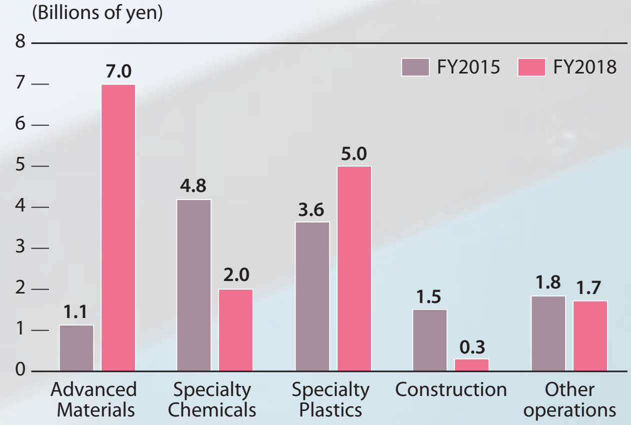
As a company built on technology, Kureha will develop differentiated products in the field of specialty chemicals and become a high value-added enterprise that continually contributes to global society.

▶ Sales and Operating Income Targets by Segment
(JPN GAAP)

Sales
(Billions of yen)



Operating income
(Billions of yen)



Action Measures:

Action 01 Enhance Competitiveness and Earnings Capacity of Existing Businesses

Advanced Materials

- Expand business by actively investing resources and pursuing differentiation strategies with PVDF and PPS
- Secure earnings in the carbon fiber business by improving the profitability

Specialty Chemicals

- Promote new product development in the pharmaceutical and agrochemical fields

Specialty Plastics

- Increase earnings capacity for household products by strengthening brand power and global business development
- Expand global sales of packaging materials
- Increase cost competitiveness for synthetic fibers

Construction

- Strengthen sales activities and reduce costs in anticipation of decreased demand for the post-quake reconstruction project in the Iwaki, Japan area

Other Operations

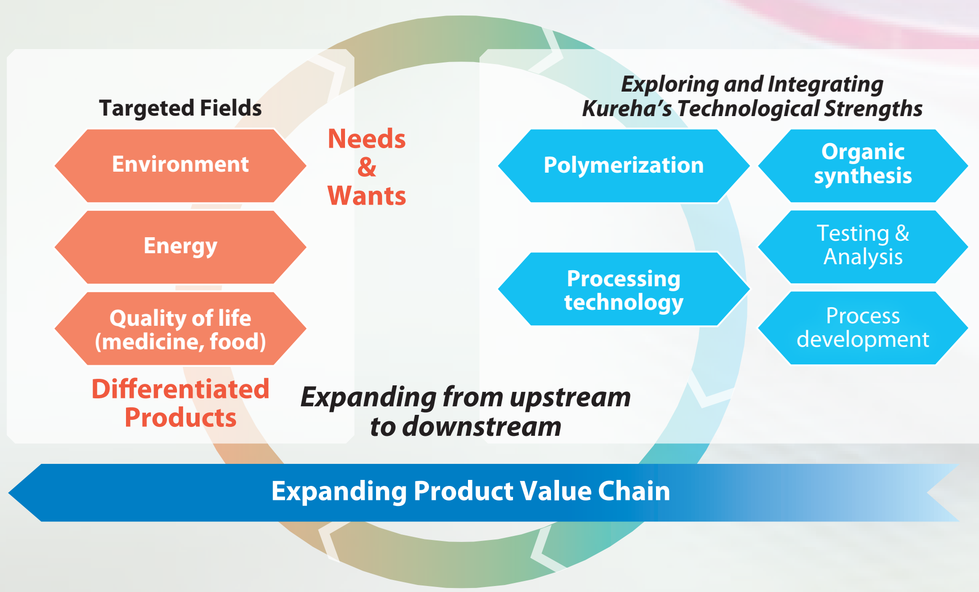
- Expand the industrial waste treatment business, including the processing services of micro-PCB wastes

R&D and Production

- Develop improved grades and new applications
- Expand downstream business by strengthening polymer processing technologies
- Promote the development of innovative production processes

Action 03 Explore New Business Themes

- Accelerate exploration of new technologies and business themes to support the Kureha Group's future through the "New Business Creation Project," initiated in April 2016 and led by the president
- Explore potential business themes in the environment, energy and life science fields, which will utilize Kureha's specialty technologies
- Make use of other companies' resources through M&A and collaboration, conduct joint R&D with universities, and develop business in high value-added downstream sectors



Action 02

Expand the PGA Business

- Achieve growth by extending the value chain in the shale oil and gas sector:
  - Developing improved frac plugs and other products
  - Enhancing sales network in North America
  - Expanding to regions other than North America

Action 04

Promote CSR Management

- Conduct business operations in strict accordance with Kureha's compliance regulations and Corporate Governance Guidelines, and enhance the effectiveness of corporate governance (e.g., increase the number of outside directors, improve the effectiveness of the Board of Directors through appropriate evaluation)
- In line with the current emphasis on ESG (environmental, social and governance) measures, enhance initiatives related to community support, environment and safety through a newly established CSR Promotion Division

Action 05

Strengthen the Management Foundation

- Enhance technological capabilities by strengthening links between Research, Production, Engineering, and CSR Promotion divisions
- Invest to increase production capacity by incorporating technological innovation and to ensure stable production with proper facility maintenance and upgrades, and enhance asset efficiency
- Prioritize personnel placements in growth and strategic fields, and secure and develop global talents
- Through the "Shine-Up Project" initiated in May 2016 and led by the president, promote personnel development to foster active participation by all employees, and create a work environment in which women can play an active role
- Continue the "Reform Project" to further reduce ¥3.5 billion in costs by FY2018

Action 06

Capital Investment and R&D Expenditure

Kureha is planning a total of ¥50 billion in capital expenditures for fiscal years 2016-2018. The main expenditures are:

- Investment in increased production capacity that incorporates technological innovation

  PVDF (polyvinylidene fluoride): New capacity to begin operating in FY2018

  PPS (polyphenylene sulfide): New capacity provisionally planned to begin operating in fiscal 2019
- Investment in maintenance and upgrades to ensure stable earnings
- Construction of a new facility for testing and developing new manufacturing processes

Kureha is also planning a total of ¥20 billion in R&D expenditures for fiscal years 2016-2018. This includes expenditures related to strengthening processing technologies for downstream business development and exploration of new business themes

Business Enhancement

PVDF: Rapid Growth for Lithium-ion Battery Binder Applications

Kureha began producing polyvinylidene fluoride (PVDF) in 1970 as Japan's first manufacturer. The business is currently undergoing remarkable growth with the use of PVDF as a binder in lithium-ion batteries (LiB), along with firm demand in other fields where it is used as a material for such applications as membranes for water purification, industrial pipes and bulbs, and fishing line.

PVDF was first used as a battery binder material in 1991, in video cameras sold by Sony. It has since become an indispensable material in the manufacture of secondary batteries, and is now widely used by battery manufacturers in Japan and overseas. Kureha's share of the global market currently surpasses 50%, a result of proven technical development capabilities accumulated over many years and our ability to consistently deliver products that meet customer needs.

With the widespread use of mobile devices, and growing use of automobiles powered by electricity (EV, HEV, and PHEV), demand is expected to grow for LiBs and vitally important binder material.

In spring 2015, a Kureha Group company in Jiangsu, China began operations of a new PVDF manufacturing plant. The launch established a production structure that, together with the Iwaki Factory in Japan, allows Kureha to meet the growing demand. In anticipation of further demand increases, we also plan to expand PVDF production facilities at the Iwaki Factory by fiscal 2018.

Kureha will continue to increase sales of PVDF for existing uses, while exploring possibilities to develop new applications.

PVDF manufacturing plant in China

New Products

Continually Enhancing Products' Ease of Use

Kureha continually improves its kitchen products for easier use and greater convenience.

The *Kichinto-San* Series includes a broad lineup of products to assist with kitchen work, such as microwave and freezer-safe storage containers and bags, as well as cooking sheets and foil.

The latest new and renewed products include:

- Frying pan foil sheets with a silicone resin coating to allow for cooking without oil. Along with the previous product, Kureha has launched a line 40% thicker that tears less easily.
- New designs for oven fan filters. The filters are also offered in a new, easy-to-use size.
- Improved designs for freezer and refrigerator storage bags that make zippers easier to grip with wet hands.

In addition, in January 2016, Kureha introduced new packaging for our food wrap film *NEW Krewrap* with further improvements for easier cutting as well as simplified cautions and usage instructions. Kureha has continually updated and improved the packaging for *NEW Krewrap* for 13 consecutive years.

Kichinto-San Food Storage Bags

Kichinto-San Foil Sheet

NEW Krewrap

Research & Development
Fostering Industry-Academia Collaboration in R&D

In April 2016, Kureha and Yamagata University signed an agreement on comprehensive support for industry-academia collaboration.

Yamagata University conducts advanced basic research on polymers, as well as applied research that incorporates industry needs and considers practical applications. The collaboration with Yamagata University will help to refine Kureha's own technical strengths as an R&D-oriented company, and foster open innovation through the utilization of external resources. It will also accelerate the development of differentiated products.

Kureha already has a comprehensive joint research contract with Yamagata University for the development of plastics processing technologies. We are currently conducting joint research on functional polymeric materials and processing technologies, centered on Kureha's Polymer Processing Research Laboratories and Yamagata University's Research Center for Green Materials and Advanced Processing.

This latest agreement will enable Kureha and Yamagata University to mutually utilize intellectual, human, and physical resources, as well as collaborate for business development.

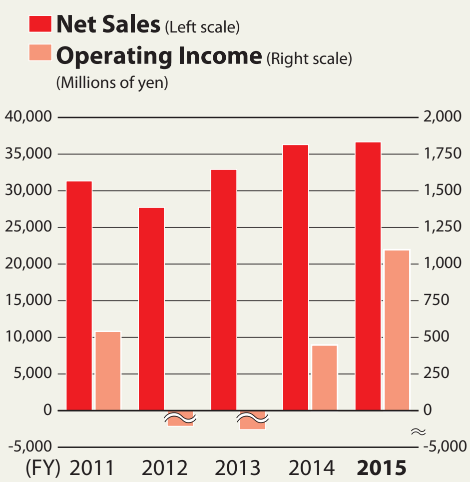
Employee Empowerment
Creating a Dynamic Workplace for All Employees

Kureha believes that employees with diverse values, who have a positive work-life balance and are able to continually utilize their abilities, will generate sustainable growth for the company. In May 2016, Kureha launched the "Employees Shine-Up Project," led by the President, to explore various measures to realize this ideal and strengthen the company's support and consultation system for shaping the work environment and adapting to diversity.

In addition to ongoing discussions begun last year on ways to support career development for female employees, the project is strengthening the following measures to support and mobilize all Kureha employees.

- Foster a corporate culture that actively supports career development
- Enhance the employee development capabilities of managers, and promote dialogue with employees
- Empower female employees
- Increase inter-departmental communication
- Support work-life balance for employees

Advanced Materials



Key products

- Polyphenylene sulfide (PPS)
- Polyvinylidene fluoride (PVDF)
- Polyglycolic acid (PGA)
- Carbon fibers
- Bead-shaped activated carbon
- Specialty carbon materials

Major Product Areas:
Advanced plastics (PPS, PVDF, PGA), carbon materials

Advanced Materials segment sales rose 1% year-on-year to 36.5 billion yen. The segment also saw operating income rising further to 1.1 billion yen, a development driven by demand growth for polyglycolic acid (PGA) and polyvinylidene fluoride (PVDF) in the advanced plastics business, price adjustments, and effective cost reductions in carbon fiber products.

Advanced plastics: Continued growth for PGA and PVDF

Kureha continued to see robust performance for PGA for use in shale oil and gas extraction applications, as well as for PVDF resin for use in lithium-ion battery binders. These businesses outweighed falling sales of PPS resin, leading to a 6% net sales increase for advanced plastics as a whole. However, cost increases related to facility reinforcements had a negative impact on operating income.

Carbon materials: Cost reductions reduce operating loss

Sales volumes decreased for both carbon fiber and special carbon materials, a key factor being fluctuating demand for insulation material used in silicon ingot production for solar power applications. However, the sales decrease was partly offset by Kureha's continued drive for group-wide cost reductions, which narrowed the operating loss in this business.

Outlook (IFRS)*: FY2016 segment sales are forecast to increase by 13% to 40.0 billion yen, with operating income continuing to rise to 3.0 billion yen, an increase of 120%. Kureha expects this growth to be primarily driven by continued solid demand for PVDF lithium-ion battery binder materials for automotive applications. Additional positive factors include improved PPS performance and improved profits for carbon products driven by operational restructuring and price adjustments. We also expect to see positive shale oil and gas development in the US and continued strong demand for our PGA solutions in this market.

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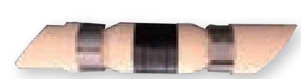
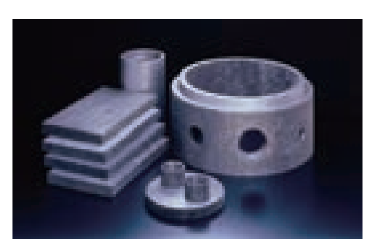


Kuredux (polyglycolic acid) used to make downhole tools in shale oil and gas extraction

KF Polymer (polyvinylidene fluoride) binds electrodes in lithium-ion batteries



Carbon-based *Kreca FR* is a thermal insulation material suitable for high-temperature furnaces

Specialty Chemicals

Major Product Areas: Industrial chemicals, agrochemicals, pharmaceuticals

Specialty Chemicals sales fell by 12.0% year-on-year to 31.2 billion yen from 35.5 billion yen. Operating income decreased by 40% to 4.8 billion yen, a key reason being the lack of one-time income related to a pharmaceutical sales contract.

Pharmaceuticals / agrochemicals: Slowing demand and fall in income

Sales and operating income decreased due to lower sales volumes for agrochemicals, which demand weakened in North America. The pharmaceutical business was affected by the lack of one-time income related to a pharmaceutical sales contract.

Industrial chemicals: Decreased sales and income

Sales and operating income decreased due to lower market prices for organic and inorganic chemicals.

Outlook (IFRS)*: Specialty Chemicals segment sales are projected to decrease by 13% in FY2016 to 26.5 billion yen, while operating income is forecast to fall 47.0% to 2.5 billion yen. All three business areas are forecast to be affected by challenging conditions. The industrial chemicals business will likely be affected by lower raw material prices, which will necessitate lower pricing points. Agrichemicals and horticultural fungicides will continue to be affected by weak demand and inventory adjustments, while performance in the pharmaceutical business will be slower due to the effects of national drug price revisions mandated by the Japanese government as well as growing competition from government-promoted generic drugs.

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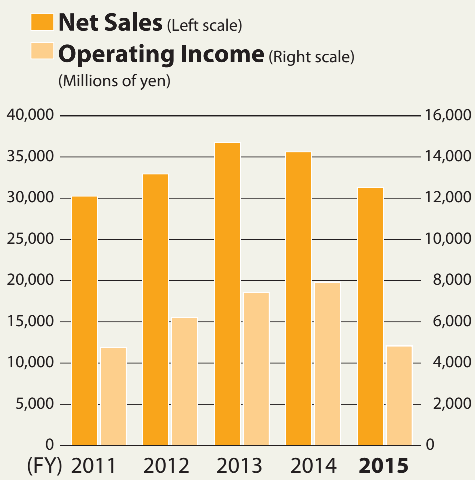

Key products

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

Agricultural and horticulture fungicide (*Metconazole*)

Therapeutic agent for chronic renal failure (*KREMEZIN*)

Specialty Plastics

Major Product Areas:
Household packaging products, food packaging materials

Specialty Plastics segment sales decreased by 5% from 46.5 billion yen to 44.2 billion yen, while operating income decreased slightly by 1% to 3.6 billion yen, mainly due to slower performance in the food packaging machinery business.

Consumer products: Robust performance for both *NEW Krewrap* and *Seaguar*

In consumer products, both *NEW Krewrap* and *Seaguar* fishing lines saw steady growth in demand, leading to increases in both sales and income for this business. The robust performance, particularly for *NEW Krewrap* more than offset the impact on operating income of depreciation costs related to a new PVDC production facility in Japan.

Food packaging materials: Absence of large machinery orders affects sales

Sales of heat-shrinkable multilayer film grew, and Kureha also continued efforts to exercise cost control. However, the absence of a large order for packaging machinery negatively affected sales for this business.

Outlook (IFRS)*: FY2016 performance for the Specialty Plastics segment is expected to improve slightly over FY2015, with sales forecast to rise by 4% to 44.0 billion yen and operating income climbing by 10% to 3.6 billion yen. In consumer products, we expect continued growth for both *NEW Krewrap* and *Seaguar*, although increased marketing costs will impact income. In food packaging materials, we will continue our efforts to reduce costs while also expanding global sales of high-performance films.

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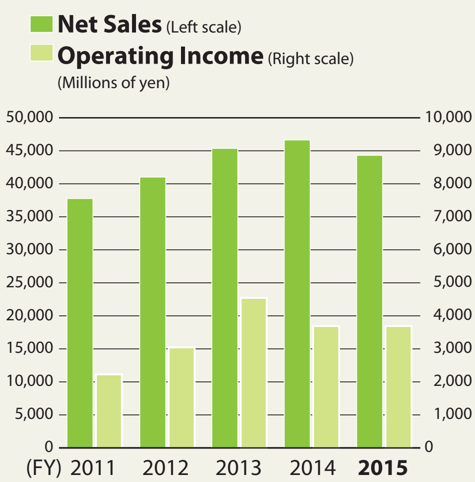
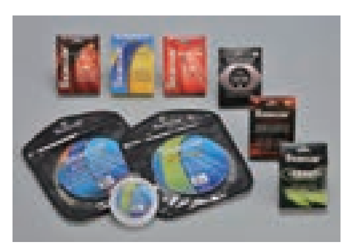


Home-use wrap film, *NEW Krewrap*



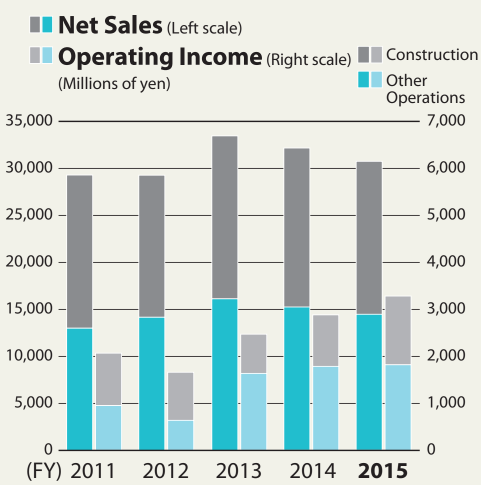
Seaguar fluorocarbon fishing lines

Krehalon food packaging film

Key products

- Household wrap film
- Plastic containers
- PVDF fishing lines
- Polyvinylidene chloride (PVDC) film
- PVDC compound
- Multilayer shrinkable film
- Multilayer non-shrinkable film
- Multilayer bottles
- Machinery for auto-seal food packaging

Construction and Other Operations



Key products and services

- Civil engineering and construction
- Plant engineering and maintenance
- Environmental engineering and industrial waste treatment
- Environmental and physiochemical testing and analysis
- Transport and warehousing

Major Product Areas:
Construction, environmental engineering, transport/warehousing, and trading-related businesses

Construction: Continued strong trend in earthquake reconstruction

Despite a continued firm trend in official reconstruction projects connected to the Great East Japan Earthquake of March 2011, a slowdown in private construction projects led sales to fall slightly by 3% to 16.2 billion yen in FY2015. However, successful cost reductions contributed to a sharp 36% increase in operating income to 1.5 billion yen.

Other Operations: Cost reductions generate profit increases

In the environment business, while lower industrial waste treatment volumes resulting from incinerator maintenance led sales to decrease, operating income remained stable year-on-year due to volume growth in the highly profitable micro-PCB (polychlorinated biphenyls) waste treatment business as well as successful cost reductions. Similarly, in the transportation business, slower sales were offset by cost reductions, leading operating income to increase. As a result, while sales decreased 5% from 15.2 billion yen to 14.4 billion yen, operating income increased slightly by 1% to 1.8 billion yen.

Outlook (IFRS)*: FY2016 sales for the Construction business are projected to decline to 14.0 billion yen, while operating income is expected to fall to 0.5 billion yen. The slowdown is expected to result from a decline in post-earthquake reconstruction demand, as well as higher labor and material costs.

Sales for Other Operations are estimated to increase to 17.5 billion yen, while operating income is projected to be 1.4 billion yen. Although sales will grow on the back of further volume growth in the industrial waste treatment business, higher R&D costs will likely depress profit.

* Starting from FY2016, ending March 2017, Kureha will be reporting financial performance based on International Financial Reporting Standards (IFRS) instead of the Japanese Generally Accepted Accounting Principles (J-GAAP). Outlook figures for FY2016 given in this section are therefore calculated based on IFRS.

Facility to detoxify low-concentration PCB wastes
[Kureha Ecology Management Co.]

Construction of 'Sendai Nursery School'
[Kurehanishiki Construction Co.]

Research & Development

Ever since our company's founding, Kureha's growth has rested on technological capabilities built through creativity and passion. Our goal is to utilize these strengths to steadily generate solutions that will help to enrich people's lives and conserve the global environment.

Kureha's founding technologies have all been developed and refined in Japan, from where they are brought to the world. Our current R&D structure comprises four research hubs: The Research Center, which conducts basic research and improvements for existing businesses; the Agrochemical Research Laboratories; the Process Innovation Research Laboratories; and the Polymer Processing Research Laboratories. Our products are constantly evolving to ensure that they meet shifting market needs and wants. Here, Kureha's R&D program has a key role to play as we strive to meet the anticipated needs of tomorrow through new businesses and products based on the further evolution and fusion of our proprietary technologies.


Research Center & Process Innovation Research Laboratories


Polymer Processing Research Laboratories



R&D Expenditure in Fiscal 2015: ¥4,885 million

Advanced Materials Division

For *Fortron KPS* (PPS) which is widely used in automobiles and electronic devices and *KF Polymer* (PVDF), Kureha is developing new improved grades, exploring ways to further raise productivity, and expanding applications. For *Kuredux* (PGA), while working to improve resin manufacturing technologies, we are actively developing applications particularly in the area of shale oil and gas extraction, where PGA's easy-to-degrade attribute has proved useful. We are also developing technologies that allow extended application of PGA and its various unique properties in other fields.

Among battery-related materials, our development effort has centered on binder materials for the large lithium-ion batteries used in hybrid and electric vehicles. We are accelerating the development of advanced binder grades and improved solutions for customers, which will enable us to secure and expand our market share.

FY2015 R&D spending in this division amounted to ¥1,863 million.

Specialty Chemicals Division

In the agrochemicals business, we are working to expand markets, both in Japan and overseas, for agricultural and horticultural fungicides. We are further improving productivity, while promoting the development of new agrichemical products.

In pharmaceuticals, we are providing supporting research to enhance the earnings of *Kremezin*, a therapeutic agent for chronic renal failure.

FY2015 R&D spending in this division amounted to ¥1,866 million.

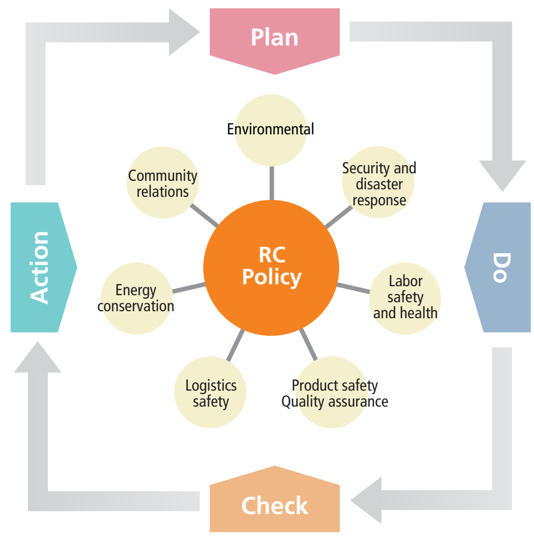
Specialty Plastics Division

For household wrap film and commercial food packaging film, Kureha is pursuing technology development to ensure stable supply and improve quality. In addition, to further expand global sales of food packaging film, we are actively providing technical support to customers in Japan and overseas.

FY2015 R&D spending in this division amounted to ¥1,155 million.

Responsible Care

Kureha, an inaugural member of the Japan Responsible Care Council founded in 1995, continues to pursue Responsible Care initiatives to improve health, safety and environmental performance throughout its operations. We regard our commitment to Responsible Care as an integral part of our corporate responsibility.

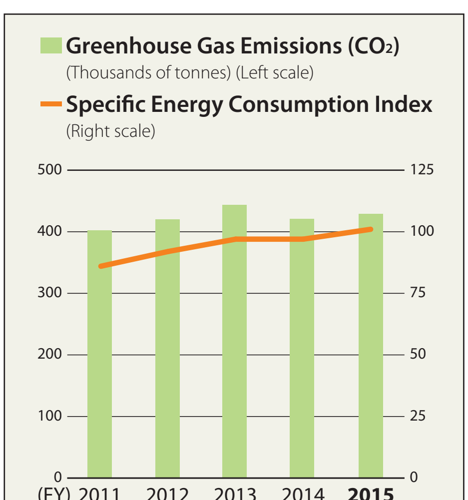


Responsible Care Implementation

Kureha is continually enhancing its responsible care initiatives under the direction of the Corporate Social Responsibility Committee and the Kureha Group Responsible Care Committee. We take proactive actions to protect the environment, improve labor safety and health and ensure product safety and quality, while being responsive and sensitive to community concerns. Our actions are in line with ISO14001, the international standards for environmental management, ISO9001 for product quality management as well as OHSAS18001 for labor safety and hygiene management, and are constantly improving through the Plan-Do-Check-Act 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 our manufacturing facilities, we strive to minimize environmental impact by implementing strict measures to prevent air and water pollution, reduce chemical material and industrial wastes, and make effective use of energy.



*The above data were obtained from Kureha Corporation and its facilities in Japan.

Safety and Disaster Prevention

Safety and disaster prevention are among the most important responsibilities of a chemical manufacturing company. Kureha manages its facilities and operations in strict compliance with the relevant laws and regulations as well as voluntary safety standards set to best protect its employees and community. Comprehensive safety and emergency drills and training have been also conduced regularly at our manufacturing sites in order to enhance our preparedness for emergency situations, including a large-scale earthquake.

Contributing to the Community

In addition to Kureha General Hospital serving 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, teaching science classes at elementary schools and holding community meetings to initiate dialogue with local neighborhood associations.

Disaster prevention and safety drill at the Iwaki Factory (November 2015)

Kureha General Hospital

Corporate Governance

Kureha's Corporate Philosophy, Corporate Mission, and Employee Code of Conduct together constitute our company's identity. All executives and employees share these ideals, and constantly strive to achieve ambitious goals. Corporate governance is a critical element in maintaining and acting in accordance with this identity, and we have outlined our basic policies and stance in Kureha's Corporate Governance Guidelines. Kureha follows these guidelines to ensure compliance and enhance internal control functions, provide for fair and transparent management, and ensure a high standard of corporate governance.

Corporate Philosophy

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

Corporate Mission

Kureha will continually strive in the pursuit of excellence.

Employee Code of Conduct

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

In relation to our clients:	We will act with sincerity and with customer satisfaction as our priority.
In relation to our work:	We will consistently pursue progress and innovation. We will consistently respond to change and act with a global perspective.
In relation to our colleagues:	We will maintain mutual respect and exhibit teamwork.

Decision-Making, Execution and Management Framework

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

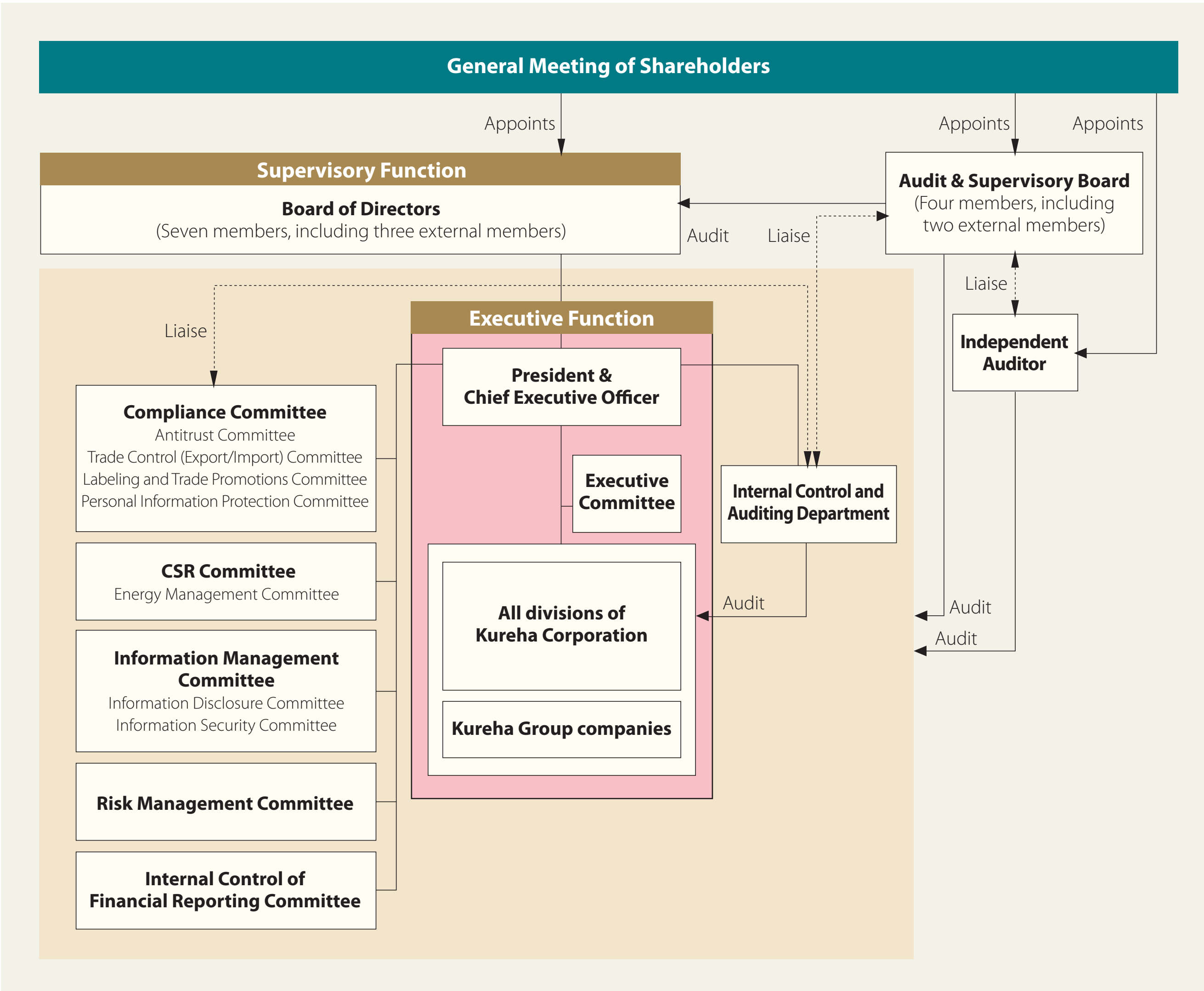
   The Board of Directors, which is limited in size to a maximum of 10 directors, of whom at least 2 should be outside directors, consists of 4 directors and 3 outside directors as of June 2016. The Board, presided over by the President & Representative Director, meets once a month in principle, to make decisions on important management issues and supervise execution.

   The Executive Committee, chaired by the President & CEO and comprised of executive officers meets twice a month in principle. The committee considers basic authoritative policies and mid- and long-term management strategy that cover all aspects of general management. The committee members pass resolutions on issues as authorized in official company regulations and take steps to ensure speedy implementation.

   To clarify responsibilities for fiscal year results, a one-year term is given to all directors and executive officers.
2. The consolidated Executive Committee, set up to unify the Kureha Group's internal policies and long-term management vision, is chaired by the President & CEO. It serves as a forum to exchange views on basic management policies and business strategies with representatives from each group company, with the aim of strengthening consolidated management. Meanwhile, the operations of group companies are supervised and managed in accordance with the Group Company Management Rules, in which the obligations of group companies are clearly specified, while giving autonomy, in terms of certain business and management issues required for reporting and consultation prior to making decisions within their companies.
3. A total of four corporate auditors (including two independent outside auditors) forms the Audit & Supervisory Board. This body 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 and the Consolidated 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.

   Corporate auditors interact with accounting and internal control functions, for example to exchange opinions on audit planning and progress. They also regularly exchange opinions

Diagram of Internal Control Systems (As of June 24, 2016)



with the President & Representative Director and outside directors on management matters including corporate governance, business conditions and issues that the Company should address.

In addition, the 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.

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.

Appointment of Independent Directors and Auditors

Kureha has appointed three outside directors and two outside auditors. Outside directors utilize their extensive experience and insight as former managers to provide independent and fair supervision of the Company's management decisions. Outside auditors provide auditing from an independent perspective based on their extensive experience and expertise regarding corporate law, corporate finance, and accounting.

The outside directors and outside auditors currently serving Kureha fulfill the requirements for independent executives as prescribed by the Tokyo Stock Exchange, as well as the "Criteria for Determining the Independence of Outside Executives" established by the Company. The Company has determined that there is no conflict of interest with general shareholders.

Outside Directors

1. Tsuneharu Takeda

Mr. Takeda brings extensive experience and insight related to overseas business operations, having served as operating officer at ITOCHU Corporation during his 30 years with that company, and later leading business operations as President and CEO of Central Engineering & Construction Co., Ltd. He has been an outside director for Kureha since June 2013, and concurrently holds the positions as Advisor of Seiko Holdings Corporation, Outside Director, KCJ GROUP INC., Advisor of CAPLAN Corporation, Outside Director, Mandarin Oriental, Tokyo, and Advisor of Jardine Matheson Holdings Ltd.

2. Shigeto Umatani

Mr. Umatani has over 30 years of experience in operations of financial institutions, having served as operating officer for Fuji Bank (currently Mizuho Bank) and managing executive officer for Mizuho Securities. He has also managed business enterprises as managing executive officer and served as a full-time company auditor for Nippon Sanso Corporation (currently Taiyo Nippon Sanso Corporation). He has been an outside director for Kureha since June 2013, and concurrently holds the position as Outside Audit & Supervisory Board Member of the Michinoku Bank Ltd..

3. Osamu Tosaka

Dr. Tosaka worked at Ajinomoto Co., Inc. for over 40 years, accumulating extensive experience in business operations through overseas postings and by serving in the company's research and production divisions. He has particular experience in company management from the perspective of technology and research, having served as Representative Board Director and Corporate Executive Deputy President for Ajinomoto from 2007 to 2011. He was appointed as outside director for Kureha in June 2016.

Outside Auditors

1. Haruki Yamaguchi

Mr. Yamaguchi has served as president of domestic and overseas affiliates of Yasuda Life Insurance Company (currently Meiji Yasuda Life Insurance Company), and brings extensive insight and experience regarding global management. He has been an outside auditor for Kureha since June 2012.

2. Masaru Kitamura

Mr. Kitamura has served as a lawyer with Japan's Ministry of Foreign Affairs, and in 1992 established the Kitamura Law Office (currently Kitamura & Makiyama). He has been an outside auditor for Kureha since June 2011, and concurrently holds the positions as Corporate Auditor of Japan Pacific Century Group, Corporate Auditor of Pacific Century Hotel, and Outside Corporate Auditor of Kowabo Company, Ltd.

Executive Remuneration

Executive remuneration reflects corporate performance. It is determined with consideration to enhancing medium- to long-term enterprise value, and in accordance with the compensation structure and levels appropriate to the roles and responsibilities required of each executive.

Total remuneration paid to directors and auditors in fiscal 2015 (ended March 31, 2016) was as follows.

Board directors (for total of 8 directors)	**¥261.5 mil** (of which ¥22 mil was paid to 2 outside directors)
Auditors (for total of 5 auditors)	**¥85.7 mil** (of which ¥33.6 mil was paid to 2 outside auditors)

Note: • The remuneration above includes amounts paid to 2 directors and 1 auditor who retired in June 2015.
• The remuneration for board directors includes stock acquisition rights at a total value equivalent to 14.5 million yen, issued as reward-type stock options to 4 directors, not including outside directors.

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 (legal) 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.

Disclosure and Transparency

Impartial and continuous information disclosure ensures management transparency and builds trust with stakeholders. Kureha provides timely and appropriate disclosure in accordance with all applicable laws and regulations, as well as the Timely Disclosure Rules prescribed by the Tokyo Stock Exchange. Kureha also proactively releases information deemed to be valuable to shareholders.

Kureha's General Meeting of Shareholders is held annually in June. To ensure that shareholders have sufficient time to review the proposals, the proxy statement for the shareholders' meeting is posted on the Company's website at the end of May, and mailed in early June. Shareholders are able to exercise their voting rights by post or via the Internet.

During the shareholders' meeting, Kureha uses video to clearly explain its business content and results, and makes every effort to respond directly and fully to shareholders' questions.

Kureha also holds regular briefings for institutional investors and analysts regarding its medium-term business strategies and results, and regularly provides individual hearings for investors in Japan and overseas.

Risk Management System

In response to various types of risk accompanying business activities, Kureha has established a risk management structure consisting of a Risk Management Committee, a CSR Committee and an Information Management Committee. Each committee is tasked with recognizing related risks, and proposes concrete measures to the President & Representative Director aimed at reducing and avoiding risk and manages implementation.

In addition, to respond to unforeseen circumstances, a Business Continuity Plan 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.

In terms of information management, Kureha works rigorously to ensure appropriate security and disclosure based on its regulations for information control, security and disclosure, with individual committees set up to oversee each of these areas.

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 also continuing with ongoing efforts to improve environmental conservation, quality assurance, and occupational health and safety.

Compliance with the Corporate Governance Code

The Corporate Governance Code is a compilation of various regulations aimed at ensuring substantive corporate governance at listed companies. It was formulated in March 2015 in response to revisions made to the Japanese government's growth strategy, the Japan Revitalization Strategy, in 2014.

Kureha considers thorough corporate governance to be of vital importance for strengthening the management base to achieve medium- to long-term corporate growth. In November 2015, the Company formulated its own Corporate Governance Guidelines to comply with the government code.

Management Team

Board of Directors

Yutaka Kobayashi
President &
Chief Executive Officer

Tadashi Sagawa
Executive Vice President
General Manager of CSR Division
General Manager of
Manufacturing Sector

Yoshio Noda
Senior Vice President
General Manager of
Corporate Planning,
Finance & Accounting Division

Michihiro Sato
Senior Vice President
General Manager of R&D Division

Tsuneharu Takeda
Outside Director

Shigeto Umatani
Outside Director

Osamu Tosaka
Outside Director

Audit & Supervisory Board

Haruki Yamaguchi

Koichi Niimura

Toru Yoshida

Masaru Kitamura

Executive Officers

Naoki Fukuzawa
Executive Vice President, General
Manager of Krehalon Division

Yoshiki Shigaki
Senior Vice President, General
Manager of Engineering Division

Fumihiko Yamada
Vice President, General Manager of
Administration Division

Yoshinori Shiojiri
Vice President, General Manager of
Iwaki Factory

Naomitsu Nishihata
Vice president, General Manager of
PGA Division and KF Products Division

Satoshi Yonezawa
Vice President, General Manager of
Performance Materials Division

Masahiro Namikawa
Vice President, General Manager of
Pharmaceuticals & Agrochemicals Division

Koji Suyama
Vice President, General Manager of
Home Products Division

Consolidated Five-Year Summary

Kureha Corporation and Consolidated Subsidiaries
Years ended March 31, 2016 (FY2015), 2015 (FY2014), 2014 (FY2013), 2013 (FY2012) and 2012 (FY2011)

	Millions of yen					Thousands of U.S. dollars (Note 2)
	FY2015	FY2014	FY2013	FY2012	FY2011	**FY2015**
For the year:						
Net sales:	**¥142,549**	¥150,182	¥148,124	¥130,550	¥128,358	**$1,265,078**
Domestic	**96,025**	103,943	105,588	98,269	97,461	**852,192**
Overseas	**46,524**	46,237	42,534	32,278	30,896	**412,886**
Net sales by segment:						
Advanced materials	**36,536**	36,187	32,815	27,650	31,253	**324,245**
Specialty chemicals	**31,182**	35,535	36,615	32,833	30,182	**276,730**
Specialty plastics	**44,210**	46,519	45,291	40,900	37,672	**392,350**
Other operations	**30,619**	31,939	33,401	29,164	29,250	**271,734**
Construction Related	**16,201**	16,721	17,238	14,967	16,300	**143,778**
Other	**14,418**	15,218	16,163	14,197	12,950	**127,955**
Operating income	**12,600**	14,551	11,902	8,458	8,472	**111,821**
Advanced materials	**1,091**	438	(2,625)	(2,131)	534	**9,682**
Specialty chemicals	**4,783**	7,941	7,341	6,136	4,715	**42,447**
Specialty plastics	**3,613**	3,660	4,519	2,988	2,226	**32,064**
Other operations	**3,268**	2,870	2,454	1,651	2,046	**29,002**
Construction Related	**1,467**	1,081	833	1,038	1,114	**13,019**
Other	**1,801**	1,789	1,621	613	932	**15,983**
Elimination or corporate	**(156)**	(360)	212	(186)	(1,051)	**(1,384)**
Net income attributable to owners of parent	**7,342**	9,195	7,365	3,212	1,460	**65,157**
Capital expenditure	**12,139**	17,557	16,468	19,984	14,360	**136,782**
Depreciation	**9,877**	8,261	9,096	8,882	9,580	**87,655**
R&D expenses	**4,885**	4,978	4,586	4,389	5,080	**55,044**
Advanced materials	**1,863**	1,864	1,727	1,756	1,933	**16,533**
Specialty chemicals	**1,866**	1,947	1,846	1,731	2,293	**16,560**
Specialty plastics	**1,155**	1,167	1,012	900	853	**10,250**
Other operations	**—**	—	—	—	—	**—**
Cash flows from operating activities	**14,045**	12,533	14,058	10,246	12,144	**124,645**
Cash flows from investing activities	**(6,026)**	(18,766)	(20,444)	(19,595)	(14,169)	**(53,478)**
Cash flows from financing activities	**(9,328)**	5,042	4,673	10,264	370	**(82,783)**
Year-end:						
Total assets	**¥236,633**	¥249,697	¥224,459	¥205,284	¥186,223	**$2,100,044**
Net assets	**119,274**	120,624	106,190	96,211	88,554	**1,058,519**
Interest-bearing debt	**79,685**	86,636	77,225	68,448	56,683	**707,179**
	Yen					U.S. dollars
Amounts per share:						
Net income – basic	**¥ 42.73**	¥ 53.53	¥ 42.87	¥ 18.71	¥ 8.51	**$ 0.37**
Net assets	**686.06**	687.80	604.00	546.69	510.37	**6.08**
Cash dividends	**11**	12	11	10	10	**0.09**
	Percent					
Ratios:						
Operating income to net sales	**8.8%**	9.7%	8.0%	6.5%	6.6%	
Net income to net sales	**5.2**	6.1	5.0	2.5	1.1	
Return on equity	**6.2**	8.3	7.5	3.5	1.7	
Return on assets	**4.9**	6.5	5.7	3.4	4.3	
Equity ratio	**49.8**	47.3	46.2	45.7	47.0	

Notes: 1. For convenience only, U.S. dollar amounts have been translated from Japanese yen at the rate of ¥112.68 to US$1, the rate of exchange prevailing on the Tokyo Foreign Exchange Market on March 31, 2016.
2. For amounts per share, see Note 21 of the Notes to Consolidated Financial Statements.

Management Discussion and Analysis

Business environment

During the fiscal year ended March 31, 2016, although there was a moderate recovery trend going overall due to continuing low oil prices and improvements in the employment environment, there were concerns about the future outlook of the Japanese economy due to factors such as the rapid appreciation of the yen since the beginning of the year. On the other hand, with regard to the world economy, the deceleration of the economies of emerging countries starting with China, as well as high geopolitical risks, contributed to the increasing opaqueness of its future outlook.

Analysis of business results

Net sales in the subject fiscal year decreased by ¥7,632 million year-on-year to ¥142,549 million. Gross profit decreased by ¥2,187 million to ¥40,280 million, and the gross profit margin stayed at the same level as the previous fiscal year, at 28.3%. On the other hand, selling, general and administrative expenses decreased by ¥235 million from the previous fiscal year to ¥27,680 million, and as a result, operating income decreased by ¥1,951 million to ¥12,600 million. The operating income ratio decreased from 9.7% in the previous fiscal year to 8.8%.

Other expenses (net of other income) for the fiscal year ended March 31, 2016 amounted to a loss of ¥637 million, a decrease of ¥1,512 million from the previous fiscal year. As a result of the above, ordinary income decreased by ¥3,463 million to ¥11,962 million. The ordinary income ratio decreased from 10.3% in the previous fiscal year to 8.4%.

Extraordinary loss (income) decreased by ¥481 million year-on-year to a loss of ¥1,352 million. As a result, income before income taxes and minority interests decreased by ¥2,982 million to ¥10,610 million.

Total income taxes amounted to ¥3,293 million, and net income decreased by ¥1,846 million to ¥7,317 million. Loss attributable to non-controlling interests amounted to ¥25 million, and profit attributable to owners of parent amounted to ¥7,342 million, a decrease of ¥1,853 million.

Cash flow analysis

The balance of cash and cash equivalents at the end of the subject fiscal year (March 31, 2016) amounted to ¥6,621 million, a decrease of ¥1,151 million from the end of the previous fiscal year (March 31, 2015). 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 ¥14,045 million, an increase of ¥1,511 million from the previous fiscal year. This was mainly due to an increase in depreciation and trade notes and accounts payable, as well as an increase in dividends received, while income before income taxes and minority interests decreased and trade notes and accounts receivable increased.

Cash flow from investment activities

Net cash used in investment activities amounted to ¥6,026 million, a decrease of ¥12,740 million from the previous fiscal year. This was mainly due to a decrease in payments for purchases of property, plant and equipment and intangible fixed assets, as well as an increase in proceeds from sales of investments in securities.

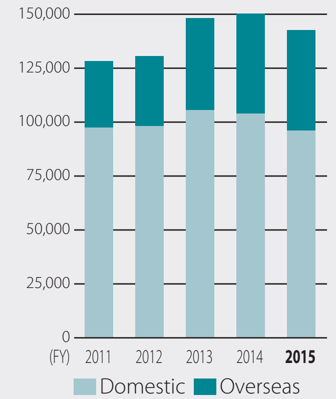
Cash flows from financing activities

Net cash used in financing activities amounted to ¥9,328 million, compared to net cash provided amounting to ¥5,042 million in the previous fiscal year. This was mainly due to redemption of bonds.

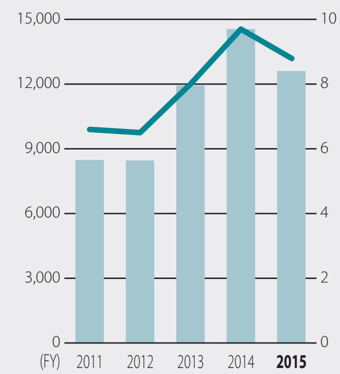
Financial policy

The Kureha Group's basic policy is to maximize cash flows from operating activities 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.

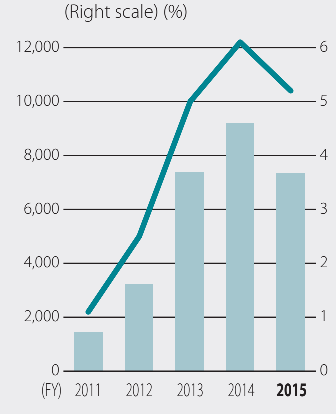
Net Sales
(Millions of yen)



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



Net Income attributable to owners of the parent
(Left scale) (Millions of yen)
Net Income to Net Sales
(Right scale) (%)



Balance sheet analysis

As of March 31, 2016, total assets amounted to ¥236,633 million, a decrease of ¥13,064 million from the end of the previous fiscal year (March 31, 2015). Current assets totaled ¥75,357 million, a decrease of ¥591 million from the end of the previous fiscal year. This was mainly due to a decrease in cash and deposits, etc. Property, plant and equipment amounted to ¥117,808 million, a decrease of ¥5,377 million from a year earlier, due mainly to the completion of a cycle in investments in large-scale facilities, as well as impairment loss associated with the restructuring of the Advanced Materials Division. Investment securities decreased by ¥5,976 million year-to-year to ¥20,984 million due to sales. As a result, non-current assets went down by ¥12,472 million from the end of the previous fiscal year to ¥161,275 million.

Total liabilities at the end of the subject fiscal year amounted to ¥117,358 million, a decrease of ¥11,714 million from the end of the previous fiscal year. This was mainly because of a decrease in interest-bearing debt of ¥6,950 million to ¥79,685 million as a result of redemption of debts, a decrease in accounts payable – other due to the payment for capital expenditure, and a decrease in deferred tax liabilities related to the unrealized gain on available-for-sale securities.

Total net assets for the subject fiscal year amounted to ¥119,274 million, a decrease of ¥1,350 million from the end of the previous fiscal year. This mainly resulted from profit attributable to owners of parent of ¥7,342 million, dividends paid of ¥2,061 million, and a decrease in unrealized gain on available-for-sale securities and translation adjustments.

Overview of capital expenditure

The Kureha Group has designated advanced materials business as a core business that drives earnings, and as such actively invests in this area. Total capital expenditure during the fiscal year ended March 31, 2016 amounted to ¥12,139 million.

Capital expenditure by business division:

The Advanced Materials Division invested ¥3,550 million, mainly in manufacturing facilities for PPS resin (Kureha).

The Specialty Chemicals Division invested ¥1,597 million, primarily in production facilities for inorganic chemicals (Kureha).

The Specialty Plastics Division invested ¥1,944 million, primarily in manufacturing facilities for polyvinylidene chloride resin (Kureha).

The Construction Division invested ¥65 million.

The Other Operations Division invested ¥1,284 million, mainly in 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 ¥3,698 million in such areas as private power plant facilities (Kureha), and common factory facilities (Kureha).

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

Business and other risks

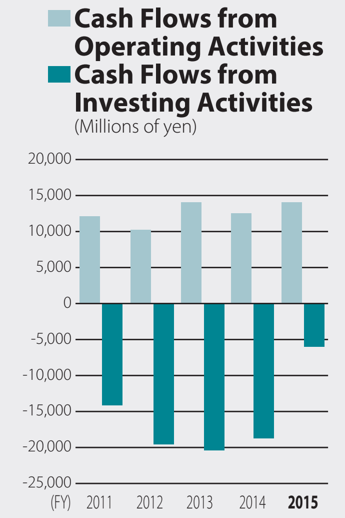
The Kureha Group's business operations are diverse, comprising the Advanced Materials Division focused on PPS resin, PVDF resin, PGA resin and carbon products; the Specialty Chemicals Division focused on pharmaceuticals, agrochemicals and industrial chemicals; the Specialty Plastics Division focused on household products and food packaging; 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.

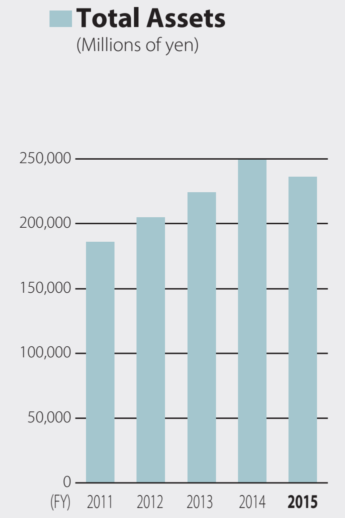
The main factors that could affect the operating results, stock price, financial position and other aspects of the Kureha Group are as follows.

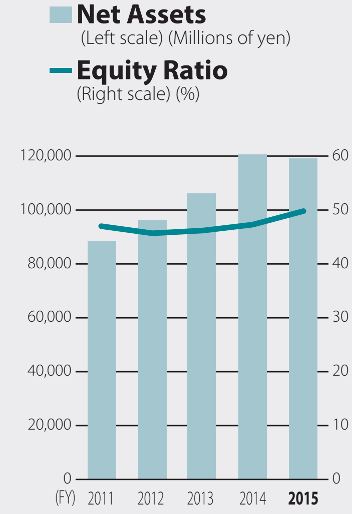
Forward-looking statements in this text are based on evaluations made at the time of the Company's securities report filing (June 24, 2016).

(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 main businesses is the manufacture and sale of pharmaceuticals. Accordingly, revisions to drug prices under Japan's medical insurance system, as well as the rise of the usage of generic drugs, 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 the 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

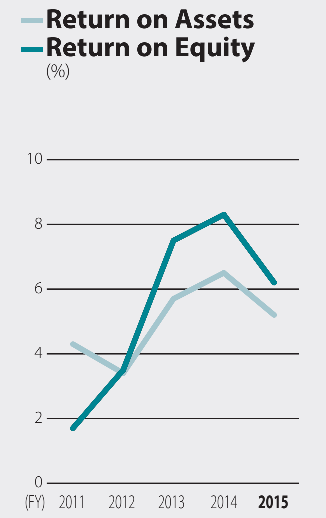
Of the ¥33,730 million in investment in securities, the Kureha Group held a total of ¥20,984 million for the purpose of long-term holdings (8.9% of total assets on a consolidated basis) as of the end of the subject fiscal year. Significant changes in market prices, or in the financial position of the issuing companies, could have a negative effect on the Group's operating results and financial position.

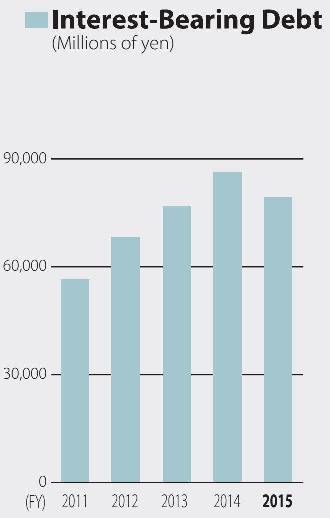
(8) Occurrence of natural disasters or accidents

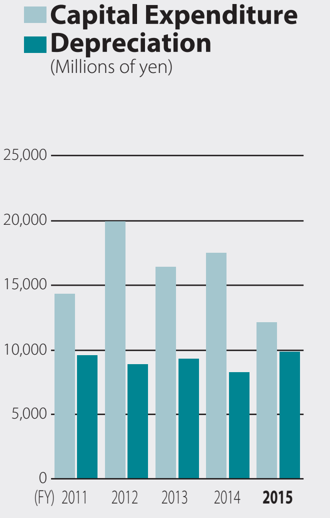
Manufacturing for the Kureha Group's principal products is concentrated in the production division of the Iwaki Factory (Iwaki, Fukushima Prefecture), and as such the Company makes continual efforts focused on this facility for environmental conservation and to ensure safety. However, damage to production 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, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 2)
	FY2015	FY2014	FY2015
ASSETS			
Current assets:			
Cash and time deposits (Notes 5 & 7)	¥ 6,621	¥ 7,772	$ 58,759
Trade notes and accounts receivable (Note 7)	30,222	28,984	268,210
Inventories (Note 6)	33,183	32,775	294,488
Deferred tax assets (Note 13)	2,347	2,506	20,828
Others (Note 7 and 18)	3,192	4,102	28,328
Less: Allowance for doubtful accounts (Note 7)	(210)	(192)	(1,863)
Total current assets	75,357	75,949	668,769
Property, plant and equipment, net:			
Buildings and structures (Note 10)	41,592	39,198	369,116
Machinery, equipment and vehicles (Note 10)	52,009	49,514	461,563
Land (Note 10)	13,523	13,264	120,012
Construction in progress	6,924	18,123	61,448
Others	3,758	3,085	33,351
Total property, plant and equipment, net	117,808	123,185	1,045,509
Investments and other assets:			
Investments in securities (Notes 7, 8 & 10)	33,730	40,138	299,343
Long-term loans (Note 7)	1,808	1,975	16,045
Net defined benefit asset (Note 12)	2,345	2,415	20,811
Deferred tax assets (Note 13)	1,651	1,787	14,652
Others (Notes 7 and 19)	4,030	4,375	35,764
Less: Allowance for doubtful accounts	(99)	(129)	(878)
Total investments and other assets	43,466	50,562	385,747
Total assets (Note 23)	¥236,633	¥249,697	$2,100,044

The accompanying notes are an integral part of these statements.
FY2015 and FY2014 refer to the fiscal years ended March 31, 2016 and 2015, respectively.

	Millions of yen		Thousands of U.S. dollars (Note 2)
	FY2015	FY2014	**FY2015**
LIABILITIES AND NET ASSETS			
Current liabilities:			
Trade notes and accounts payable (Notes 7 & 10)	**¥ 13,870**	¥ 13,766	**$ 123,091**
Short-term loans payable including current portion of long-term debt (Notes 7, 9 & 10)	**29,716**	34,866	**263,720**
Other payables (Note 7)	**6,562**	7,247	**58,235**
Accrued income taxes (Note 13)	**1,417**	2,430	**12,575**
Accrued expenses	**4,978**	5,734	**44,178**
Accrued bonuses	**2,633**	2,909	**23,367**
Reserve for environmental measures	**—**	21	**—**
Others (Notes 7, 13 & 19)	**6,737**	3,285	**59,788**
Total current liabilities	**65,917**	70,262	**584,992**
Long-term liabilities:			
Long-term debt (Notes 7, 9, 10 & 19)	**45,968**	51,770	**407,951**
Deferred tax liabilities (Note 13)	**2,183**	4,125	**19,373**
Retirement allowance for directors and corporate auditors	**236**	229	**2,094**
Reserve for environmental measures	**253**	374	**2,245**
Net defined benefit liability (Note 12)	**430**	550	**3,816**
Asset retirement obligations	**816**	804	**7,241**
Others (Note 9)	**1,552**	955	**13,773**
Total long-term liabilities	**51,440**	58,810	**456,514**
Total liabilities	**117,358**	129,072	**1,041,515**
Net assets:			
Shareholders' equity (Note 22 and 24):			
Capital, non par value			
Authorized: March 31, 2016 and 2015 – 600,000,000 shares Issued: March 31, 2016 and 2015 – 181,683,909 shares	**12,460**	12,460	**110,578**
Capital surplus	**9,982**	10,013	**88,587**
Retained earnings	**89,416**	84,163	**793,539**
Less: Treasury stock, at cost	**(4,450)**	(4,487)	**(39,492)**
Total shareholders' equity	**107,408**	102,150	**953,212**
Accumulated other comprehensive income (loss):			
Unrealized gain on available-for-sale securities (Note 8)	**7,104**	9,352	**63,045**
Deferred loss on hedges (Note 19)	**(0)**	(5)	**(0)**
Translation adjustments	**4,768**	7,272	**42,314**
Remeasurements of defined benefit plans (Note 12)	**(1,371)**	(615)	**(12,167)**
Total accumulated other comprehensive income	**10,500**	16,002	**93,184**
Stock acquisition rights (Note 14)	**49**	68	**434**
Non-controlling interests	**1,315**	2,403	**11,670**
Total net assets	**119,274**	120,624	**1,058,519**
Total liabilities and net assets	**¥236,633**	¥249,697	**$2,100,044**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Income

Kureha Corporation and its Consolidated Subsidiaries
For the fiscal years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 2)
	FY2015	FY2014	FY2015
Net sales (Note 23)	¥ 142,549	¥ 150,182	$ 1,265,078
Cost of sales	102,269	107,714	907,605
Gross profit	40,280	42,467	357,472
Selling, general and administrative expenses (Note 15)	27,680	27,916	245,651
Operating income (Note 23)	12,600	14,551	111,821
Other income (expenses):			
Interest and dividend income	820	678	7,277
Interest expense	(596)	(701)	(5,289)
Foreign exchange (losses) gains	(809)	912	(7,179)
Gain on sales of investments in securities (Note 8)	4,577	70	40,619
Compensation income	218	314	1,934
Gain on sales of property, plant and equipment (Note 16)	11	37	97
Business restructuring costs (Notes 17 and 18)	(4,486)	—	(39,811)
Loss on disposal and sales of property, plant and equipment (Note 16)	(1,128)	(1,063)	(10,010)
Impairment loss (Note 17)	(464)	—	(4,117)
Loss on liquidation of subsidiaries (Note 17)	—	(751)	—
Loss on valuation of investments in capital	—	(399)	—
Other, net	(132)	(56)	(1,171)
Other expenses, net	(1,989)	(958)	(17,651)
Income before income taxes	10,610	13,593	94,160
Income taxes (Note 13):			
Current	3,347	4,061	29,703
Deferred	(53)	367	(470)
Total income taxes	3,293	4,429	29,224
Net income	7,317	9,163	64,936
Net loss attributable to non-controlling interests	(25)	(32)	(221)
Net income attributable to owners of parent	¥ 7,342	¥ 9,195	$ 65,157

The accompanying notes are an integral part of these statements.

Consolidated Statements of Comprehensive Income

Kureha Corporation and its Consolidated Subsidiaries
For the fiscal years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 2)
	FY2015	FY2014	FY2015
Net income	¥ 7,317	¥ 9,163	$ 64,936
Other comprehensive income:			
Unrealized (loss) gain on available-for-sale securities	(2,272)	3,761	(20,163)
Deferred gain on hedges	5	8	44
Translation adjustments	(2,386)	4,223	(21,175)
Remeasurements of defined benefit plans (Note 12)	(760)	1,166	(6,744)
Share of other comprehensive income in affiliates	(146)	285	(1,295)
Total other comprehensive income (Note 20)	(5,561)	9,444	(49,352)
Comprehensive income	¥ 1,756	¥18,608	$ 15,583
Comprehensive income attributable to:			
Owners of parent	¥ 1,840	¥18,529	$ 16,329
Non-controlling interests	(83)	78	(736)

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 fiscal year ended March 31, 2016

Millions of yen

		Shareholders' equity				
	Number of common stock	Capital	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
BALANCE-APRIL 1, 2015	181,683,909	¥12,460	¥10,013	¥84,163	¥(4,487)	¥102,150
Dividends paid		—	—	(2,061)	—	(2,061)
Net income attributable to owners of parent		—	—	7,342	—	7,342
Acquisition of treasury stock		—	—	—	(3)	(3)
Disposal of tresury stock		—	—	(6)	40	34
Purchase of shares of consolidated subsidiaries		—	(31)	—	—	(31)
Others		—	—	(21)	—	(21)
Net changes of items other than shareholders' equity		—	—	—	—	—
BALANCE-MARCH 31, 2016	181,683,909	¥12,460	¥9,982	¥89,416	¥(4,450)	¥107,408

	Accumulated other comprehensive income							
	Unrealized gain on available-for-sale securities	Deferred loss on hedges	Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Stock acquisition rights	Non-controlling interests	Total net assets
BALANCE-APRIL 1, 2015	¥ 9,352	¥(5)	¥ 7,272	¥ (615)	¥16,002	¥ 68	¥ 2,403	¥120,624
Dividends paid	—	—	—	—	—	—	—	(2,061)
Net income attributable to owners of parent	—	—	—	—	—	—	—	7,342
Acquisition of treasury stock	—	—	—	—	—	—	—	(3)
Disposal of tresury stock	—	—	—	—	—	—	—	34
Purchase of shares of consolidated subsidiaries	—	—	—	—	—	—	—	(31)
Others	—	—	—	—	—	—	—	(21)
Net changes of items other than shareholders' equity	(2,248)	5	(2,503)	(755)	(5,502)	(18)	(1,087)	(6,608)
BALANCE-MARCH 31, 2016	¥ 7,104	¥(0)	¥ 4,768	¥(1,371)	¥10,500	¥ 49	¥ 1,315	¥119,274

Thousands of U.S. dollars (Note 2)

	Shareholders' equity				
	Capital	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
BALANCE-APRIL 1, 2015	$110,578	$88,862	$746,920	$(39,820)	$906,549
Dividends paid	—	—	(18,290)	—	(18,290)
Net income attributable to owners of parent	—	—	65,157	—	65,157
Acquisition of treasury stock	—	—	—	(26)	(26)
Disposal of tresury stock	—	—	(53)	354	301
Purchase of shares of consolidated subsidiaries	—	(275)	—	—	(275)
Others	—	—	(186)	—	(186)
Net changes of items other than shareholders' equity	—	—	—	—	—
BALANCE-MARCH 31, 2016	$110,578	$88,587	$793,539	$(39,492)	$953,212

	Accumulated other comprehensive income							
	Unrealized gain on available-for-sale securities	Deferred loss on hedges	Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Stock acquisition rights	Non-controlling interests	Total net assets
BALANCE-APRIL 1, 2015	$ 82,996	$(44)	$64,536	$ (5,457)	$142,012	$603	$21,325	$1,070,500
Dividends paid	—	—	—	—	—	—	—	(18,290)
Net income attributable to owners of parent	—	—	—	—	—	—	—	65,157
Acquisition of treasury stock	—	—	—	—	—	—	—	(26)
Disposal of tresury stock	—	—	—	—	—	—	—	301
Purchase of shares of consolidated subsidiaries	—	—	—	—	—	—	—	(275)
Others	—	—	—	—	—	—	—	(186)
Net changes of items other than shareholders' equity	(19,950)	44	(22,213)	(6,700)	(48,828)	(159)	(9,646)	(58,643)
BALANCE-MARCH 31, 2016	$ 63,045	$ (0)	$42,314	$(12,167)	$ 93,184	$434	$11,670	$1,058,519

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

Kureha Corporation and its Consolidated Subsidiaries
For the fiscal years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 2)
	FY2015	FY2014	**FY2015**
Cash flows from operating activities:			
Income before income taxes	**¥ 10,610**	¥ 13,593	**$ 94,160**
Adjustments for:			
Business restructruing charges	**3,988**	—	**35,392**
Impairment loss	**464**	—	**4,117**
Loss on liquidation of subsidiaries	**—**	660	**—**
Depreciation	**9,877**	8,261	**87,655**
Amortization of goodwill	**2**	3	**17**
Increase in allowance for doubtful accounts	**17**	36	**150**
Increase in net defined benefit asset	**(1,060)**	(805)	**(9,407)**
Decrease in net defined benefit liability	**(101)**	(26)	**(896)**
Increase (decrease) in retirement allowance for directors and corporate auditors	**6**	(55)	**53**
Decrease in provision for environmental measures	**(142)**	(62)	**(1,260)**
Interest and dividend income	**(821)**	(678)	**(7,286)**
Interest expense	**596**	701	**5,289**
Loss on disposal and sales of property, plant and equipment	**1,116**	1,025	**9,904**
Loss on valuation of investments in capital	**—**	399	**—**
Gain on sales of investments in securities	**(4,477)**	(70)	**(39,731)**
(Increase) decrease in trade notes and accounts receivable	**(1,410)**	739	**(12,513)**
Increase in inventories	**(745)**	(4,350)	**(6,611)**
Decrease (increase) in other assets	**717**	(1,132)	**6,363**
Increase (decrease) in trade notes and accounts payable	**149**	(2,437)	**1,322**
(Decrease) increase in other liabilities	**(917)**	904	**(8,138)**
Other, net	**(998)**	(1,077)	**(8,856)**
Subtotal	**16,874**	15,629	**149,751**
Dividends and interest received	**2,178**	1,677	**19,329**
Interest paid	**(670)**	(690)	**(5,946)**
Income taxes paid	**(4,336)**	(4,082)	**(38,480)**
Net cash provided by operating activities	**14,045**	12,533	**124,645**
Cash flows from investing activities:			
Payments for purchases of property, plant and equipment	**(12,704)**	(16,051)	**(112,744)**
Proceeds from sales of property, plant and equipment	**387**	127	**3,434**
Payments for disposal of property, plant and equipment	**(924)**	(698)	**(8,200)**
Purchase of investments in securities	**(117)**	(377)	**(1,038)**
Proceeds from sales of investments in securities	**7,054**	215	**62,602**
Payments of loans receivable	**(20)**	(20)	**(177)**
Proceeds from collection of loans receivable	**728**	117	**6,460**
Purchase of shares in subsidiaries	**(64)**	(10)	**(567)**
Payments for investments in capital	**(300)**	(2,168)	**(2,662)**
Other, net	**(65)**	100	**(576)**
Net cash used in investing activities	**(6,026)**	(18,766)	**(53,478)**
Cash flows from financing activities:			
Net increase (decrease) in commercial paper	**4,000**	(2,000)	**35,498**
Net (decrease) increase in short-term loans payable	**(1,417)**	2,463	**(12,575)**
Proceeds from long-term loans payable	**8,059**	5,236	**71,521**
Repayments of long-term loans payable	**(6,649)**	(5,441)	**(59,007)**
Proceeds from issuance of bonds	**—**	6,959	**—**
Redemption of bonds	**(10,000)**	—	**(88,746)**
Dividends paid	**(2,061)**	(1,975)	**(18,290)**
Dividends paid to non-controlling interests	**(30)**	(37)	**(266)**
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	**(1,026)**	—	**(9,105)**
Other, net	**(201)**	(163)	**(1,783)**
Net cash (used in) provided by financing activities	**(9,328)**	5,042	**(82,783)**
Effect of exchange rate changes on cash and cash equivalents	**158**	375	**1,402**
Net decrease in cash and cash equivalents	**(1,151)**	(815)	**(10,214)**
Cash and cash equivalents at beginning of fiscal year	**7,772**	8,726	**68,974**
Decrease in cash and cash equivalents resulting from fiscal year change of consolidated subsidiaries	**—**	(166)	**—**
Increase in cash and cash equivalents resulting from consolidated subsidiaries' merger with unconsolidated subsidiaries	**—**	28	**—**
Cash and cash equivalents at end of fiscal year (Note 5)	**¥ 6,621**	¥ 7,772	**$ 58,759**

The accompanying notes are an integral part of these statements.

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 years ended March 31, 2016 and 2015, amounts of less than one million yen have been omitted. Consequently, totals shown in the accompanying consolidated financial statements for the fiscal years ended March 31, 2016 and 2015 do not necessarily 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 ¥112.68 to U.S. $1, the rate of exchange prevailing as of March 31, 2016. And, for translation of millions of Japanese yen to thousands of U.S. dollars, amounts of less than one thousand dollars 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

I. Scope of consolidation

The Company has consolidated 38 subsidiaries (37 in 2015) and one affiliate (one in 2015) as of March 31, 2016. The accounts of one subsidiary (one in 2015) and six affiliates (four in 2015) were not consolidated and not applied to equity method for the fiscal year ended March 31, 2016, as they would not have a material effect on the accompanying consolidated financial statements.

II. Fiscal years of consolidated subsidiaries

Four consolidated subsidiaries, including KUREHA (CHINA) INVESTMENT CO., LTD., have fiscal years ending on December 31. The Company uses the financial statements of those subsidiaries based on a tentative settlement as of the consolidated fiscal year end to prepare the consolidated financial statements.

4. Summary of Significant Accounting Policies

I. Securities

Securities included in marketable securities and investments in securities are designated as available-for-sale securities and are stated as follows:

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.

II. Derivatives and hedge accounting

Derivative financial instruments are stated at fair value and any changes in the fair value are recognized as gain or loss.

Interest rate swaps qualified for hedge accounting are measured at fair value, and unrealized gains or losses are deferred until maturity. Interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not re-measured at market value, but the differential paid or received under the swap agreements are recognized and included in the interest expense or income.

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. The Company and its consolidated subsidiaries use derivatives to hedge risks in accordance with internal rules.

III. 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.

IV. Depreciation and amortization of fixed assets
Property, plant and equipment
Property, plant and equipment are principally stated at cost. Depreciation is computed by the straight-line method based on their estimated useful lives and residual value. Accumulated depreciation which was directly deducted from property, plant and equipment as of March 31, 2016 and 2015 were ¥178,067 million ($1,580,289 thousand) and ¥172,971 million, respectively.

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

Buildings and structures	10 to 50 years
Machinery, equipment and vehicles	7 to 20 years
Other (tools, furniture and fixtures)	4 to 10 years

Intangible fixed assets
Intangible fixed assets except for software are amortized by the straight-line method based on the estimated useful lives.
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.

V. 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.

VI. 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.

VII. Reserve for environmental measures
Reserve for environmental measures is recorded for disposal of PCB (polychlorinated biphenyl) that would be required by the Waste Disposal Law.

VIII. Accounting treatment for retirement benefits
(a) Method of attributing the projected benefits to periods of services
In calculating the retirement benefit obligations, the projected benefit obligations attributable up to the end of the fiscal year are accounted for by benefit formula basis.
(b) Actuarial gain or loss and past service cost
Past service cost is fully amortized when incurred.
Actuarial gain or loss is amortized in the fiscal year following the fiscal year in which the gain or loss is recognized, on a straight-line basis over certain periods within the employees' average remaining service years.
(c) Adopting the simplified method for small companies
Certain 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.

IX. Foreign currency transactions
Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the current exchange rates at the balance sheet date. The foreign exchange gains and losses arising from such translations are recognized in the consolidated statement of income.
Assets and liabilities as well as revenue and expenses of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate at the balance sheet date. Foreign exchange gains and losses arising from such translations are disclosed as "translation adjustments" or included in "non-controlling interests" under net assets.

X. 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.

XI. Changes in accounting policies

The Group has adopted the "Revised Accounting Standard for Business Combinations" (the Accounting Standards Board of Japan (ASBJ) Statement No. 21, September 13, 2013, hereinafter "Business Combinations Standard"), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013, hereinafter "Consolidated Financial Statements Standard"), and "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013, hereinafter "Business Divestitures Standard") from the current fiscal year. Accordingly, differences arising from changes in the Company's ownership interests in subsidiaries over which the Company retains control are recognized as capital surplus, and acquisition-related costs are recognized as expenses in the fiscal year of incurrence. Regarding business combinations to be performed on or after the beginning of the fiscal year ended March 31, 2016, changes have been made whereby adjustments to the provisional amount arising from the finalization of the tentative accounting treatment relating to the allocation of acquisition cost are recognized in the consolidated financial statements for the year in which the business combination occurred. In addition, the Group has changed the presentation of net income and other related items, and the presentation of "minority interests" to "non-controlling interests." To reflect these changes in presentation, the consolidated financial statements for the fiscal year ended March 31, 2015 have been reclassified.

The Group has adopted these accounting standards prospectively from the beginning of the fiscal year ended March 31, 2016, in accordance with the transitional accounting treatments set forth in Paragraph 58-2, Item 4 of Business Combinations Standard, Paragraph 44-5, Item 4 of Consolidated Financial Statements Standard, and Paragraph 57-4, Item4 of Business Divestitures Standard.

In the consolidated statement of cash flows for the current fiscal year, cash flows from purchase or sales of shares in subsidiaries that do not result in change in scope of consolidation are recognized under "cash flows from financing activities," whereas cash flows concerning any costs associated with purchase of shares in subsidiaries that result in change in scope of consolidation or any costs incurred associated with purchase or sales of shares in subsidiaries that do not result in change in scope of consolidation are recognized under "cash flows from operating activities."

As a result, the effect on consolidated financial statements and per share information for the current fiscal year is immaterial.

5. Cash and Cash Equivalents

The following table represents a reconciliation of cash and cash equivalents as of March 31, 2016 and 2015:

	Millions of yen		Thousands of U.S. dollars
	FY2015	FY2014	FY2015
Cash and time deposits	¥6,621	¥7,772	$58,759
Cash and cash equivalents	6,621	7,772	58,759

6. Inventories

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

	Millions of yen		Thousands of U.S. dollars
	FY2015	FY2014	FY2015
Finished products and merchandise	¥27,157	¥26,303	$241,009
Work-in-process	1,080	1,144	9,584
Raw materials and supplies	4,946	5,327	43,894
Total	¥33,183	¥32,775	$294,488

7. Financial Instruments and Related Disclosures

I. Status of financial instruments

A) 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.

B) 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 principally 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 import 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 Chinese yuan are hedged by forward foreign currency contracts.

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. See Note 19 for more detail about derivatives.

C) 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 commercial paper and commitment line.

D) Fair value 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 note that the contract amounts themselves shown in Note 19 Derivatives and Hedging Activities do not imply the market risk exposure regarding derivative transactions.

II. Fair value of financial instruments

Carrying amount, fair value and the differences as of March 31, 2016 and 2015 were as follows:
(This information excludes financial instruments whose fair value cannot be reliably determined)

			Millions of yen
March 31, 2016	Carrying amount	Fair value	Unrealized gain/loss
Cash and time deposits	¥ 6,621	¥ 6,621	¥ —
Trade notes and accounts receivable	30,222		
Allowance for doubtful accounts	(210)		
Sub-total	30,011	30,011	—
Investments in securities			
Available-for-sale securities	19,985	19,985	—
Long-term loans including current portion	1,973	2,135	162
Total assets	¥58,591	¥58,754	¥ 162
Trade notes and accounts payable	13,870	13,870	—
Short-term loans payable	16,162	16,162	—
Other payables	6,562	6,562	—
Bonds including current portion	17,000	17,205	(205)
Bonds with stock acquisition rights	15,000	15,562	(562)
Long-term loans payable including current portion	27,522	27,630	(107)
Total liabilities	¥96,118	¥96,993	¥(874)
Derivatives			
Not qualifying for hedge accounting	¥ 43	¥ 43	¥ —
Qualifying for hedge accounting	(1)	(1)	—

			Thousands of U.S. dollars
March 31, 2016	Carrying amount	Fair value	Unrealized gain/loss
Cash and time deposits	$ 58,759	$ 58,759	$ —
Trade notes and accounts receivable	268,210		
Allowance for doubtful accounts	(1,863)		
Sub-total	266,338	266,338	—
Investments in securities			
Available-for-sale securities	177,360	177,360	—
Long-term loans including current portion	17,509	18,947	1,437
Total assets	$519,976	$521,423	$ 1,437
Trade notes and accounts payable	123,091	123,091	—
Short-term loans payable	143,432	143,432	—
Other payables	58,235	58,235	—
Bonds including current portion	150,869	152,689	(1,819)
Bonds with stock acquisition rights	133,120	138,107	(4,987)
Long-term loans payable including current portion	244,249	245,207	(949)
Total liabilities	$853,017	$860,782	$(7,756)
Derivatives			
Not qualifying for hedge accounting	$ 381	$ 381	$ —
Qualifying for hedge accounting	(8)	(8)	—

March 31, 2015	Carrying amount	Fair value	Unrealized gain/loss
			Millions of yen
Cash and time deposits	¥ 7,772	¥ 7,772	¥ —
Trade notes and accounts receivable	28,984		
Allowance for doubtful accounts	(192)		
Sub-total	28,791	28,791	—
Investments in securities			
Available-for-sale securities	26,026	26,026	—
Long-term loans including current portion	2,070	2,216	146
Total assets	¥ 64,661	¥ 64,808	¥ 146
Trade notes and accounts payable	13,766	13,766	—
Short-term loans payable	18,094	18,094	—
Other payables	7,247	7,247	—
Bonds including current portion	27,000	27,222	(222)
Bonds with stock acquisition rights	15,000	18,544	(3,544)
Long-term loans payable including current portion	26,542	26,588	(46)
Total liabilities	¥107,650	¥111,463	¥(3,812)
Derivatives			
Not qualifying for hedge accounting	¥ (0)	¥ (0)	¥ —
Qualifying for hedge accounting	(9)	(9)	—

A) Method of fair value measurement of financial instruments

1. 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 loans including current portion

The fair values of long-term loans 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.

2. Liability

Trade notes and accounts payable, short-term loans payable, and other payables

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

Bonds including current portion

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

Bonds with stock acquisition rights

The fair values of bonds with stock acquisition rights are measured based on the prices obtained from the financial institutions with which they are transacted.

Long-term loans payable including current portion

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

B) Carrying amount of financial instruments whose fair value cannot be reliably determined as of March 31, 2016 and 2015

	Carrying amount		
	Millions of yen		Thousands of U.S. dollars
	FY2015	FY2014	**FY2015**
Investments in equity instruments that do not have a quoted market price in an active market	**¥315**	¥315	**$2,795**

C) The aggregate annual maturities of monetary receivables as of March 31, 2016 and 2015

	Millions of yen			
March 31, 2016	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	**¥ 6,621**	**¥ —**	**¥ —**	**¥ —**
Trade notes and accounts receivable	**30,222**	**—**	**—**	**—**
Long-term loans	**164**	**726**	**938**	**143**
Total	**¥37,008**	**¥726**	**¥938**	**¥143**

	Thousands of U.S. dollars			
March 31, 2016	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	**$ 58,759**	**$ —**	**$ —**	**$ —**
Trade notes and accounts receivable	**268,210**	**—**	**—**	**—**
Long-term loans	**1,455**	**6,443**	**8,324**	**1,269**
Total	**$328,434**	**$6,443**	**$8,324**	**$1,269**

	Millions of yen			
March 31, 2015	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	¥ 7,772	¥ —	¥ —	¥ —
Trade notes and accounts receivable	28,984	—	—	—
Long-term loans	95	669	983	322
Total	¥36,852	¥669	¥983	¥322

D) The aggregate annual maturities of bonds and long-term loans payable as of March 31, 2016 and 2015

	Millions of yen					
March 31, 2016	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**	**¥5,000**	**¥7,000**	**¥ —**	**¥ —**
Bonds with stock acquisition rights	**—**	**15,000**	**—**	**—**	**—**	**—**
Long-term loans payable	**13,554**	**6,021**	**3,813**	**2,894**	**1,087**	**150**
Total	**¥13,554**	**¥26,021**	**¥8,813**	**¥9,894**	**¥1,087**	**¥150**

	Thousands of U.S. dollars					
March 31, 2016	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	**$ —**	**$ 44,373**	**$44,373**	**$62,122**	**$ —**	**$ —**
Bonds with stock acquisition rights	**—**	**133,120**	**—**	**—**	**—**	**—**
Long-term loans payable	**120,287**	**53,434**	**33,839**	**25,683**	**9,646**	**1,331**
Total	**$120,287**	**$230,928**	**$78,212**	**$87,806**	**$9,646**	**$1,331**

March 31, 2015	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
						Millions of yen
Bonds	¥10,000	¥ —	¥ 5,000	¥5,000	¥7,000	¥ —
Bonds with stock acquisition rights	—	—	15,000	—	—	—
Long-term loans payable	6,772	6,465	5,907	3,621	2,694	1,081
Total	¥16,772	¥6,465	¥25,907	¥8,621	¥9,694	¥1,081

8. Securities

Investments in unconsolidated subsidiaries and affiliates amount to ¥5,532 million ($49,094 thousand) and ¥5,857 million as of March 31, 2016 and 2015, respectively.

The acquisition cost and carrying amount of available-for-sale securities whose fair value were available as of March 31, 2016 and 2015 were as follows:

March 31, 2016	Acquisition cost	Carrying amount	Unrealized gain (loss)
			Millions of yen
Securities with unrealized gain:			
Equity securities	**¥7,711**	**¥18,424**	**¥10,713**
Sub-total	**7,711**	**18,424**	**10,713**
Securities with unrealized loss:			
Equity securities	**1,864**	**1,560**	**(303)**
Sub-total	**1,864**	**1,560**	**(303)**
Total	**¥9,575**	**¥19,985**	**¥10,409**

March 31, 2016	Acquisition cost	Carrying amount	Unrealized gain (loss)
			Thousands of U.S. dollars
Securities with unrealized gain:			
Equity securities	**$68,432**	**$163,507**	**$95,074**
Sub-total	**68,432**	**163,507**	**95,074**
Securities with unrealized loss:			
Equity securities	**16,542**	**13,844**	**(2,689)**
Sub-total	**16,542**	**13,844**	**(2,689)**
Total	**$84,975**	**$177,360**	**$92,376**

March 31, 2015	Acquisition cost	Carrying amount	Unrealized gain (loss)
			Millions of yen
Securities with unrealized gain:			
Equity securities	**¥10,179**	**¥24,271**	**¥14,092**
Sub-total	**10,179**	**24,271**	**14,092**
Securities with unrealized loss:			
Equity securities	**1,878**	**1,754**	**(123)**
Sub-total	**1,878**	**1,754**	**(123)**
Total	**¥12,057**	**¥26,026**	**¥13,968**

Proceeds from sales of available-for-sale securities and related gross realized gain and loss on those sales for the fiscal years ended March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2015	FY2014	**FY2015**
Proceeds from sales	**¥7,054**	¥215	**$62,602**
Gross realized gain	**4,577**	70	**40,619**
Gross realized loss	**99**	—	**878**

9. Short-term Loans Payable, Long-term Debt and Lease Obligations

Short-term loans payable, long-term debt and lease obligations as of March 31, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	FY2015	FY2014	**FY2015**
Short-term loans payable with average interest rate of 1.09% in 2016 and 0.88% in 2015	**¥16,162**	¥18,094	**$143,432**
Current portion of long-term loans payable with average interest rate of 0.88% in 2016 and 0.92% in 2015	**13,554**	6,772	**120,287**
Current portion of lease obligation	**176**	162	**1,561**
Unsecured bonds maturing on June 17, 2015 with the interest rate of 2.06%	**—**	10,000	**—**
Unsecured bonds maturing on September 15, 2017 with the interest rate of 0.95%	**5,000**	5,000	**44,373**
Unsecured bonds maturing on October 19, 2018 with the interest rate of 0.82%	**5,000**	5,000	**44,373**
Unsecured bonds maturing on March 6, 2020 with the interest rate of 0.30%	**7,000**	7,000	**62,122**
Zero coupon convertible bonds due 2018 (bonds with stock acquisition rights) maturing on March 14, 2018 (Note 1)	**15,000**	15,000	**133,120**
Long-term loans payable maturing in 2017 through 2033 with average interest rate of 0.88% in 2016 and 0.92% in 2015	**13,968**	19,770	**123,961**
Lease obligation	**292**	282	**2,591**
Total	**¥76,154**	¥87,081	**$675,843**

(Note 1) Summary of zero coupon convertible bonds due 2018 (bonds with stock acquisition rights)

Type of stock should be issued	Common stock
Issue price of stock acquisition rights	Zero (no consideration)
Initial conversion price	433 yen per share ($3.84)
Aggregate amount of bond	¥ 15,000 million ($133,120 thousand)
Aggregate amount of stock issued by exercising stock acquisition rights	—
Ratio of stock acquisition rights granted	100%
Exercise period	From March 28, 2013 to February 28, 2018 (at the place where the stock acquisition rights are to be exercised)

Note: When the bondholder claims for exercising stock acquisition rights, the amount should be paid for the stocks acquired were fulfilled by substitution of the redemption amount of the bonds. Further, when the stock acquisition rights were exercised, the Company considers as the bondholder has claimed for exercise.

The aggregate annual maturities of long-term loans payable as of March 31, 2016 were as follows:

Fiscal year ending March 31	Millions of yen	Thousands of U.S. dollars
2017	¥13,554	$120,287
2018	6,021	53,434
2019	3,813	33,839
2020	2,894	25,683
2021	1,087	9,646

The aggregate annual maturities of lease obligations as of March 31, 2016 were as follows:

Fiscal year ending March 31	Millions of yen	Thousands of U.S. dollars
2017	¥176	$1,561
2018	139	1,233
2019	79	701
2020	50	443
2021	18	159

Note: Average interest rate on lease obligations is omitted since above lease obligations recorded in the consolidated balance sheet as of March 31, 2016 include interest equivalent amounts.

10. Assets Pledged as Collateral

The following assets of the Group were pledged as collateral for trade notes and accounts payable, short-term loans payable, long-term loans payable and others in the amount of ¥982 million ($8,714 thousand) and ¥1,191 million as of March 31, 2016 and 2015, respectively:

	Millions of yen		Thousands of U.S. dollars
	FY2015	FY2014	**FY2015**
Buildings and structures	**¥16,346**	¥16,567	**$145,065**
Machinery, equipment and vehicles	**13,776**	13,386	**122,257**
Land	**3,942**	3,897	**34,984**
Investments in securities	**6,469**	5,105	**57,410**
Total	**¥40,535**	¥38,956	**$359,735**

11. 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, 2016 and 2015 was as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2015	FY2014	**FY2015**
Total commitment available	**¥7,896**	¥10,973	**$70,074**
Amount utilized	**—**	26	**—**
Balance available	**¥7,896**	¥10,947	**$70,074**

12. Net Defined Benefit Asset and Liability

The Company and certain consolidated subsidiaries have adopted funded and unfunded retirement benefit plans to prepare for employees' retirement benefits. And certain consolidated subsidiaries have adopted defined contribution retirement plans.

Under the defined benefit plans, cash balance plan is introduced. Each participant has a hypothetical individual account with the amount equivalent to the reserve for each participant and resource of pension. In hypothetical individual accounts, interest credits based on trends in market interest rates and pay credits based on salary level, etc. are accumulated. Also, in certain consolidated subsidiaries, employees receive lump-sum payments or payments of pension plans based on salaries and service period.

Under lump-sum retirement benefit plans, employees receive lump-sum payments based on salaries and service period as retirement benefits. In addition, certain consolidated subsidiaries that have defined benefit plans and lump-sum retirement benefit plans calculate net defined benefit liability and net pension expenses using the simplified method.

A. Defined benefit plans
(i) Change in retirement benefit obligations

	Millions of yen		Thousands of U.S. dollars
	FY2015	FY2014	**FY2015**
Balance at beginning of fiscal year	**¥20,749**	¥20,345	**$184,140**
Cumulative effects of changes in accounting policies	**—**	425	**—**
Restated balance	**20,749**	20,770	**184,140**
Service cost	**1,075**	1,092	**9,540**
Interest cost	**234**	238	**2,076**
Actuarial gain or loss	**1,243**	(186)	**11,031**
Benefits paid	**(1,448)**	(1,185)	**(12,850)**
Others	**(2)**	20	**(17)**
Balance at end of fiscal year	**¥21,853**	¥20,749	**$193,938**

(ii) Change in plan assets

	Millions of yen		Thousands of U.S. dollars
	FY2015	FY2014	**FY2015**
Balance at beginning of fiscal year	**¥22,614**	¥19,939	**$200,692**
Expected return on plan assets	**526**	462	**4,668**
Actuarial gain or loss	**(178)**	1,166	**(1,579)**
Employer contributions	**2,168**	2,181	**19,240**
Benefits paid	**(1,357)**	(1,148)	**(12,042)**
Others	**(5)**	12	**(44)**
Balance at end of fiscal year	**¥23,768**	¥22,614	**$210,933**

(iii) Retirement benefit obligations and plan assets at end of fiscal year and reconciliation of net defined benefit liability and net defined benefit asset recognized in the consolidated balance sheet

	Millions of yen		Thousands of U.S. dollars
	FY2015	FY2014	**FY2015**
Funded retirement benefit obligations	**¥ 21,582**	¥ 20,467	**$ 191,533**
Plan assets	**(23,768)**	(22,614)	**(210,933)**
	(2,185)	(2,147)	**(19,391)**
Unfunded retirement benefit obligations	**270**	282	**2,396**
Net amount of liability and asset recognized in the consolidated balance sheet	**(1,914)**	(1,864)	**(16,986)**
Net defined benefit liability	**430**	550	**3,816**
Net defined benefit asset	**(2,345)**	(2,415)	**(20,811)**
Net amount of liability and asset recognized in the consolidated balance sheet	**¥ (1,914)**	¥ (1,864)	**$ (16,986)**

(iv) Net pension expenses and their breakdown

	Millions of yen		Thousands of U.S. dollars
	FY2015	FY2014	**FY2015**
Service cost	**¥1,075**	¥1,092	**$9,540**
Interest cost	**234**	238	**2,076**
Expected return on plan assets	**(526)**	(462)	**(4,668)**
Amortization of actuarial gain or loss	**313**	537	**2,777**
Net pension expenses	**¥1,097**	¥1,405	**$9,735**

(v) Remeasurements of defined benefit plans on other comprehensive income
The components of items recognized in remeasurements of defined benefit plans (pre-tax) on other comprehensive income for the fiscal years ended March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2015	FY2014	**FY2015**
Actuarial gain or loss	**¥(1,114)**	¥1,889	**$(9,886)**
Total	**¥(1,114)**	¥1,889	**$(9,886)**

(vi) Remeasurements of defined benefit plans on accumulated other comprehensive income
The components of items recognized in remeasurements of defined benefit plans (pre-tax) on accumulated other comprehensive income as of March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2015	FY2014	**FY2015**
Unrecognized actuarial gain or loss	**¥2,007**	¥893	**$17,811**
Total	**¥2,007**	¥893	**$17,811**

(vii) Plan assets
(a) Percentage by major category of plans assets as of March 31, 2016 and 2015 were as follows:

	FY2015	FY2014
Bonds	63%	62%
Equities	21%	24%
General account	14%	13%
Others	2%	1%
Total	100%	100%

(b) Determination procedure of long-term expected rate of return on plan assets
In determining long-term expected rate of return on plan assets, the Company and certain consolidated subsidiaries consider the current and projected asset allocations, as well as the current and future long-term rate of returns for various categories of the plan assets.

(viii) Basis for calculation of actuarial assumptions
Basis for calculation of actuarial assumptions for the fiscal years ended March 31, 2016 and 2015 were as follows (weighted average):

	FY2015	FY2014
Discount rate	0.5%	1.1%
Long-term expected rate of return on plan assets	2.3%	2.3%

B. Defined contribution pension plans
The amount to be paid by consolidated subsidiaries to the defined contribution pension plans was ¥24 million ($212 thousand) and ¥21 million for the fiscal years ended March 31, 2016 and 2015, respectively.

13. Income Taxes

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

	Millions of yen		Thousands of U.S. dollars
	FY2015	FY2014	**FY2015**
Deferred tax assets:			
Tax loss carried forward	**¥ 7,587**	¥ 7,460	**$ 67,332**
Unrealized gain on fixed assets	**1,429**	1,392	**12,681**
Impairment loss	**1,336**	—	**11,856**
Accrued bonuses	**758**	892	**6,727**
Accumulated depreciation	**562**	616	**4,987**
Loss on valuation of inventories	**540**	522	**4,792**
Others	**3,120**	4,034	**27,689**
Sub-total	**15,335**	14,917	**136,093**
Valuation allowance	**(2,812)**	(2,315)	**(24,955)**
Total deferred tax assets	**12,523**	12,602	**111,137**
Deferred tax liabilities:			
Shortfall in depreciation	**(6,368)**	(6,720)	**(56,514)**
Net unrealized gain on available-for-sale securities	**(3,161)**	(4,456)	**(28,052)**
Others	**(1,190)**	(1,260)	**(10,560)**
Total deferred tax liabilities	**(10,720)**	(12,437)	**(95,136)**
Net deferred tax assets	**¥ 1,802**	¥ 164	**$ 15,992**

Deferred tax assets and liabilities as of March 31, 2016 and 2015 were presented as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2015	FY2014	**FY2015**
Current assets			
Deferred tax assets	**¥ 2,347**	¥ 2,506	**$ 20,828**
Investments and other assets			
Deferred tax assets	**1,651**	1,787	**14,652**
Current liabilities			
Others	**(12)**	(3)	**(106)**
Long-term liabilities			
Deferred tax liabilities	**(2,183)**	(4,125)	**(19,373)**

Reconciliations of the difference between the statutory income tax rate and the effective income tax rate for the fiscal years ended March 31, 2016 and 2015 were as follows:

	FY2015	FY2014
Statutory income tax rate:	**32.83%**	35.38%
Expense not deductible for tax purpose	**7.44**	0.77
Non-taxable revenue	**(0.41)**	(0.80)
Tax credit for research and development costs	**(9.16)**	(6.71)
Valuation allowance	**4.68**	5.87
Decrease in deferred tax assets at the end of the fiscal year due to changes in tax rate	**1.05**	1.51
Others	**(5.39)**	(3.43)
Effective income tax rate	**31.04%**	32.59%

(Revisions to amounts of deferred tax assets and deferred tax liabilities due to change in rate of income taxes)
"Partial Amendment of the Income Tax Act" and "Partial Amendment of the Local Tax Act" were enacted in the Diet session on March 29, 2016. Accordingly, for temporary differences expected to be reversed on and after April 1, 2016, the effective tax rate applied to the calculation of deferred tax assets and liabilities for the current fiscal year has been lowered from 32.07% in the prior fiscal year to 30.69% for those expected to be collected or paid during the period from April 1, 2016 to March 31, 2018, and to 30.46% for those expected to be collected or paid on and after April 1, 2018, respectively.

As a result, the amount of deferred tax liabilities (after deducting deferred tax assets) decreased by ¥22 million ($195 thousand), while income taxes – deferred, unrealized gain on available-for-sale securities, and remeasurements of defined benefit plans for the current fiscal year increased by ¥111 million ($985 thousand), ¥165 million ($1,464 thousand), and ¥(30) million ($(266) thousand), respectively.

14. Stock Option Plan

The Company issued stock acquisition rights (stock options) in accordance with the provisions of the Companies Act as follows:

I. Accounting for stock option related expenses for the fiscal years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars
	FY2015	FY2014	**FY2015**
Share-based compensation included in selling, general and administrative expenses:	**¥15**	¥16	**$133**

II. Details of stock options, volume and activity
A) Detail of stock options

	1st Stock Option Plan (Note)
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 acquisition 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 (Note)
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 acquisition 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 acquisition 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 acquisition 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 acquisition 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

	6th Stock Option Plan
Persons granted	7 directors of the Company
Number of stock options by type of shares	Common stock 76,500 shares
Grant date	July 18, 2012
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 acquisition rights, he or she cannot exercise the stock options given up.
Eligible service period	From June 26, 2012 to June 25, 2013
Exercise period	From July 18, 2012 to July 17, 2042

	7th Stock Option Plan
Persons granted	4 directors of the Company
Number of stock options by type of shares	Common stock 56,700 shares
Grant date	July 17, 2013
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 acquisition rights, he or she cannot exercise the stock options given up.
Eligible service period	From June 25, 2013 to June 24, 2014
Exercise period	From July 17, 2013 to July 16, 2043

	8th Stock Option Plan
Persons granted	4 directors of the Company
Number of stock options by type of shares	Common stock 33,900 shares
Grant date	July 16, 2014
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 acquisition rights, he or she cannot exercise the stock options given up.
Eligible service period	From June 25, 2014 to June 24, 2015
Exercise period	From July 16, 2014 to July 15, 2044

	9th Stock Option Plan
Persons granted	4 directors of the Company
Number of stock options by type of shares	Common stock 34,100 shares
Grant date	July 22, 2015
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 acquisition rights, he or she cannot exercise the stock options given up.
Eligible service period	From June 24, 2015 to June 23, 2016
Exercise period	From July 22, 2015 to July 21, 2045

Note: All stock options in 1st Stock Option Plan and 2nd Stock Option Plan had been exercised by the end of the current fiscal year.

B) Volume and activity of stock options for the fiscal year ended March 31, 2016:

Volume of stock options:

Before vesting:	
As of March 31, 2015	196,100
Granted	34,100
Forfeited	—
Vested	90,000
Outstanding	140,200
After vesting:	
As of March 31, 2015	—
Vested	90,000
Exercised	90,000
Forfeited	—
Outstanding	—

Price information:

	Yen		U.S. dollars	
	Exercised	Outstanding	Exercised	Outstanding
Exercise price	¥ 1	¥ 1	$0.00	$0.00
Average stock price at the time of exercise	493	—	4.37	—
Fair value at the date of grant	—	380	—	3.37

C) Valuation method for fair value of stock options granted during the fiscal year ended March 31, 2016:

Valuation method: Black-Scholes formula

Major basic numerical values and valuation method:

Stock price volatility	29.1%
Expected years to expiration	4.0 years
Expected dividends	¥12 ($0.10) per share
Risk-free interest rate	0.05%

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.

15. Selling, General and Administrative Expenses

Major components of selling, general and administrative expenses for the fiscal years ended March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2015	FY2014	FY2015
Salaries, wages and bonuses	¥8,474	¥8,473	$75,204
Provision for bonuses	734	849	6,514
Employees' retirement benefit expenses	535	650	4,747
Research and development expenses	4,830	4,842	42,864

16. Gain or Loss on Property, Plant and Equipment

Gain on sales of property, plant and equipment and loss on disposal and sales of property, plant and equipment for the fiscal years ended March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2015	FY2014	FY2015
Gain on sales of property, plant and equipment:			
Machinery, equipment and vehicles	¥ 11	¥ 10	$ 97
Land	0	26	0
Total	¥ 11	¥ 37	$ 97
Loss on disposal of property, plant and equipment:			
Machinery, equipment and vehicles	¥ 540	¥ 424	$4,792
Buildings and structures	468	597	4,153
Others (tools, furniture and fixtures)	117	33	1,038
Total	¥1,126	¥1,055	$9,992
Loss on sales of property, plant and equipment:			
Machinery, equipment and vehicles	¥ 1	¥ 8	$ 8
Total	¥ 1	¥ 8	$ 8

17. Impairment Loss

For the fiscal year ended March 31, 2016

The Group has recognized impairment loss for the following asset group for the fiscal year ended March 31, 2016.

Purpose of use	Locations	Type of assets	Millions of yen	Thousands of U.S. dollars
Manufacturing facility	Iwaki City, Fukushima Prefecture	Buildings	¥ 363	$ 3,221
		Structures	283	2,511
		Machinery and equipment	1,873	16,622
		Others	116	1,029
Leased assets	Iwaki City, Fukushima Prefecture	Land	464	4,117
Idle assets	Iwaki City, Fukushima Prefecture	Machinery and equipment	122	1,082
		Others	32	283
	Kasumigaura City, Ibaraki Prefecture	Machinery and equipment	686	6,088
		Others	121	1,073
	Shanghai, China	Machinery and equipment	389	3,452

In principle, the Group has grouped the operating assets by business units, and leased assets and idle assets by individual properties.

For manufacturing facility, under carbon products business in the Advanced materials segment which was affected by the weak demand and increasingly fierce competition, the Group conducted a thorough review and assessment of business, including its future operating environment and projected earnings. Consequently, for the above mentioned manufacturing facility, the Group wrote down the carrying amount of fixed assets associated with carbon products business to their recoverable value and recognized the reduction of ¥2,635 million ($23,384 million) as business restructuring costs under other expenses.

For leased assets, due to the decline in rents, the Group wrote down the carrying amount of the fixed assets to the recoverable value and recognized the reduction of ¥464 million ($4,117 million) as impairment loss under other expenses.

For idle assets, since these assets are not expected to be used in the future, the Group wrote down the carrying amount of the fixed assets to their recoverable value and recognized the reduction of ¥1,352 million ($11,998 million) as business restructuring costs under other expenses.

In addition, the recoverable value is determined as the higher of either net sales price or the value in use. Net sales price of land is reasonably calculated based on assessed value of fixed assets for property tax, while others are taken as zero because sales cannot be expected. The value in use is taken as zero because the future cash flows cannot be expected.

For the fiscal year ended March 31, 2015

The Group has recognized impairment loss for the following asset group for the fiscal year ended March 31, 2015.

Purpose of use	Location	Type of assets	Millions of yen
Manufacturing facility	Pennsylvania, the United States	Buildings	¥255
		Machinery and equipment	397
		Others	8

In principle, the Group has grouped the operating assets by business units and idle assets by individual properties.

For the above mentioned manufacturing facility, the Group wrote down the carrying amount of fixed assets owned by KUREHA ADVANCED MATERIALS LLC, a wholly-owned subsidiary of KUREHA AMERICA INC., to their recoverable value and recognized the reduction as loss on liquidation of subsidiaries of ¥660 million under other income (expenses), following the decision to dissolve the company.

The recoverable value is determined as the higher of either net sales price or the value in use. Net sales price of buildings is reasonably estimated based on appraisals by real estate appraisers. Net sales price of machinery, equipment and others is reasonably estimated based on expected net realizable sales proceeds. The value in use is taken as zero because the future cash flows cannot be expected.

18. Business Restructuring Costs

The Group implemented a business restructuring in the Advanced materials segment after reviewing the business including its future operating environment and projected earnings in response to weak demand and increasingly fierce competition. Major components of business restructuring costs for the fiscal years ended March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2015	FY2014	**FY2015**
Impairment loss	**¥3,988**	¥—	**$35,392**
Loss on valuation of inventories	**431**	—	**3,824**
Other	**66**	—	**585**
Total	**¥4,486**	¥—	**$39,811**

19. Derivatives and Hedging Activities

I. Derivative contracts to which hedge accounting is not applied as of March 31, 2016 and 2015 were as follows:

Currency related

	Millions of yen							
	FY2015				FY2014			
	Contract amount	Contract amount over one year	Fair value	Unrealized gain (loss)	Contract amount	Contract amount over one year	Fair value	Unrealized gain (loss)
Foreign exchange forward contracts:								
Selling:								
Euro	¥1,378	¥ —	¥(20)	¥(20)	¥ 906	¥—	¥25	¥25
U.S. dollars	1,184	—	29	29	1,127	—	(24)	(24)
Buying:								
Euro	50	—	(0)	(0)	—	—	—	—
British pounds	—	—	—	—	92	—	(2)	(2)
Chinese yuan	173	—	0	0	77	—	0	0
Yen	569	158	43	43	—	—	—	—
U.S. dollars	1,287	—	(8)	(8)	458	—	(0)	(0)
Total	¥4,643	¥158	¥ 43	¥ 43	¥2,662	¥—	¥ (0)	¥ (0)

	Thousands of U.S. dollars			
	FY2015			
	Contract amount	Contract amount over one year	Fair value	Unrealized gain (loss)
Foreign exchange forward contracts:				
Selling:				
U.S. dollars	$12,229	$ —	$(177)	$(177)
Euro	10,507	—	257	257
Buying:				
Euro	443	—	(0)	(0)
British pounds	—	—	—	—
Chinese yuan	1,535	—	0	0
Yen	5,049	1,402	381	381
U.S. dollars	11,421	—	(70)	(70)
Total	$41,205	$1,402	$ 381	$ 381

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

II. Derivative contracts to which hedge accounting is applied as of March 31, 2016 and 2015 were as follows:

Interest rate related

As of March 31, 2016					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 loans payable	**¥198**	**¥—**	**¥(1)**
Interest rate swaps meeting certain conditions	Interest rate swaps: (fixed rate payment, floating rate receipt)	Long-term loans payable	**144**	**94**	**(Note 2)**
	Total		**¥343**	**¥94**	**¥(1)**

As of March 31, 2016					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 loans payable	**$1,757**	**$ —**	**$(8)**
Interest rate swaps meeting certain conditions	Interest rate swaps: (fixed rate payment, floating rate receipt)	Long-term loans payable	**1,277**	**834**	**(Note 2)**
	Total		**$3,044**	**$834**	**$(8)**

As of March 31, 2015					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 loans payable	¥636	¥212	¥(9)

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 loans payable, since they are used for recording long-term loans payable as hedged items.

20. Other comprehensive Income

Reclassification adjustments and tax effect amounts of other comprehensive income for the fiscal years ended March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2015	FY2014	FY2015
Unrealized (loss) gain on available-for-sale securities			
Amount for the fiscal year	¥ 1,070	¥ 5,174	$ 9,495
Reclassification adjustment	(4,638)	(69)	(41,160)
Amount before tax effect	(3,567)	5,105	(31,656)
Tax effect amount	1,294	(1,344)	11,483
Unrealized (loss) gain on available-for-sale securities	(2,272)	3,761	(20,163)
Deferred gain on hedges			
Amount for the fiscal year	0	(6)	0
Reclassification adjustment	8	20	70
Amount before tax effect	8	13	70
Tax effect amount	(3)	(4)	(26)
Deferred gain on hedges	5	8	44
Translation adjustments			
Amount for the fiscal year	(2,386)	4,223	(21,175)
Remeasurements of defined benefit plans			
Amount for the fiscal year	(1,427)	1,352	(12,664)
Reclassification adjustment	313	537	2,777
Amount before tax effect	(1,114)	1,889	(9,886)
Tax effect amount	353	(723)	3,132
Remeasurements of defined benefit plans	(760)	1,166	(6,744)
Share of other comprehensive income in affiliates			
Amount for the fiscal year	(146)	285	(1,295)
Total other comprehensive income	¥ (5,561)	¥ 9,444	$(49,352)

21. Per Share Information

Net assets per share as of March 31, 2016 and 2015 and net income per share for the fiscal years then ended were as follows:

	Yen		U.S. dollars
	FY2015	FY2014	FY2015
Net assets per share	¥686.06	¥687.80	$6.08
Basic net income per share	42.73	53.53	0.37
Diluted net income per share	35.53	44.51	0.31

Net income per share and diluted net income per share were calculated based on the following data:

	Millions of yen or shares		Thousands of U.S. dollars
	FY2015	FY2014	**FY2015**
Basic net income per share:			
Net income attributable to owners of parent	**¥7,342**	¥9,195	**$65,157**
Net income attributable to common shareholders of the parent	**7,342**	9,195	**65,157**
Weighted average number of common stock during the period	**171,853,636**	171,786,895	**—**
Diluted earnings per share:			
Number of increased common stock used in computing diluted net income per share:	**34,789,602**	34,823,223	**—**
Bonds with stock acquisition rights	**34,642,032**	34,642,032	**—**
Stock acquisition rights	**147,570**	181,191	**—**

22. Shareholders' Equity

For the fiscal year ended March 31, 2016

I. Issued stock

Type of share	Share at beginning of fiscal year	Increase	Decrease	Share at end of fiscal year
Common stock	**181,683,909**	—	—	**181,683,909**

II. Treasury stock

Type of share	Share at beginning of fiscal year	Increase	Decrease	Share at end of fiscal year
Common stock	**9,900,843**	8,472	90,000	**9,819,315**

III. Dividends

A) Dividends paid

Date of approval	Type of share	Amount (millions of yen)	Amount per share (yen)	Measurement date	Effective Date
April 21, 2015 Board of Directors	Common stock	**1,116**	**6.50**	March 31, 2015	June 2, 2015
October 20, 2015 Board of Directors	Common stock	**945**	**5.50**	September 30, 2015	December 2, 2015

Date of approval	Type of share	Amount (thousands of U.S. dollars)	Amount per share (U.S. dollars)	Measurement date	Effective Date
April 21, 2015 Board of Directors	Common stock	**9,904**	**0.05**	March 31, 2015	June 2, 2015
October 20, 2015 Board of Directors	Common stock	**8,386**	**0.04**	September 30, 2015	December 2, 2015

B) Dividends declared

Date of approval	Type of share	Source of dividend	Amount (millions of yen)	Amount per share (yen)	Measurement date	Effective Date
April 19, 2016 Board of Directors	Common stock	Retained Earnings	**945**	**5.50**	March 31, 2016	June 2, 2016

Date of approval	Type of share	Source of dividend	Amount (thousands of U.S. dollars)	Amount per share (U.S. dollars)	Measurement date	Effective Date
April 19, 2016 Board of Directors	Common stock	Retained Earnings	**8,386**	**0.04**	March 31, 2016	June 2, 2016

For the fiscal year ended March 31, 2015

I. Issued stock

Type of share	Share at beginning of fiscal year	Increase	Decrease	Share at end of fiscal year
Common stock	**181,683,909**	—	—	**181,683,909**

II. Treasury stock

Type of share	Share at beginning of fiscal year	Increase	Decrease	Share at end of fiscal year
Common stock	**9,893,004**	7,839	—	**9,900,843**

III. Dividends

A) Dividends paid

Date of approval	Type of share	Amount (millions of yen)	Amount per share (yen)	Measurement date	Effective Date
April 15, 2014 Board of Directors	Common stock	**1,030**	**6.00**	March 31, 2014	June 3, 2014
October 21, 2014 Board of Directors	Common stock	**944**	**5.50**	September 30, 2014	December 2, 2014

B) Dividends declared

Date of approval	Type of share	Source of dividend	Amount (millions of yen)	Amount per share (yen)	Measurement date	Effective Date
April 21, 2015 Board of Directors	Common stock	Retained Earnings	**1,116**	**6.50**	March 31, 2015	June 2, 2015

23. Segment Information

I. 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.

Thus, the Company consists of segments by product and service on the basis of the business divisions, and the "Advanced materials," "Specialty chemicals," "Specialty plastics," "Construction related," and "Other operations" are 5 reportable segments.

Major products and services for each segment are as follows:

Segment	Products and services
Advanced materials	polyphenylene sulfide (PPS), polyvinylidene fluoride (PVDF), polyglycolic acid (PGA), carbon fiber, activated carbon, materials for lithium-ion battery
Specialty chemicals	therapeutic agent for chronic renal failure, anti-cancer agent, agricultural and horticultural fungicides, caustic soda, hydrochloric acid, sodium hypochlorite, monochlorobenzene, para-dichlorobenzene, ortho-dichlorobenzene
Specialty plastics	household plastic wrap, plastic bags and containers, fishing lines, packaging film and compounds, auto-pack machinery
Construction	civil engineering and construction contracting business, construction and management service
Other operations	environmental engineering, industrial waste management, transport and warehousing, physiochemical and biochemical testing, analysis and measurement

II. 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.

III. Information on amount of net sales, income (loss), assets, liabilities and other items by reportable segment

	Millions of yen							
	FY2015							
	Reportable segment							
	Advanced materials	Specialty chemicals	Specialty plastics	Construction	Other operations	Total	Adjustment (Note 1)	Consolidated (Note 2)
Net sales:								
Outside customers	**¥36,536**	**¥31,182**	**¥44,210**	**¥16,201**	**¥14,418**	**¥142,549**	**¥ —**	**¥142,549**
Inter-segment	**820**	**399**	**383**	**6,270**	**6,245**	**14,119**	**(14,119)**	**—**
Total	**37,357**	**31,581**	**44,593**	**22,472**	**20,664**	**156,669**	**(14,119)**	**142,549**
Operating income	**¥ 1,091**	**¥ 4,783**	**¥ 3,613**	**¥ 1,467**	**¥ 1,801**	**¥ 12,757**	**¥ (156)**	**¥ 12,600**
Assets	**¥80,056**	**¥25,553**	**¥45,529**	**¥10,082**	**¥14,447**	**¥175,669**	**¥ 60,963**	**¥236,633**
Depreciation	**3,666**	**931**	**2,344**	**110**	**902**	**7,955**	**1,922**	**9,877**
Adjustment for increase in fixed assets	**3,550**	**1,597**	**1,944**	**65**	**1,284**	**8,441**	**3,698**	**12,139**

	Thousands of U.S. dollars							
	FY2015							
	Reportable segment							
	Advanced materials	Specialty chemicals	Specialty plastics	Construction	Other operations	Total	Adjustment (Note 1)	Consolidated (Note 2)
Net sales:								
Outside customers	**$324,245**	**$276,730**	**$392,350**	**$143,778**	**$127,955**	**$1,265,078**	**$ —**	**$1,265,078**
Inter-segment	**7,277**	**3,541**	**3,399**	**55,644**	**55,422**	**125,301**	**(125,301)**	**—**
Total	**331,531**	**280,271**	**395,749**	**199,432**	**183,386**	**1,390,388**	**(125,301)**	**1,265,078**
Operating income	**$ 9,682**	**$ 42,447**	**$ 32,064**	**$ 13,019**	**$ 15,983**	**$ 113,214**	**$ (1,384)**	**$ 111,821**
Assets	**$710,472**	**$226,774**	**$404,055**	**$ 89,474**	**$128,212**	**$1,559,007**	**$541,027**	**$2,100,044**
Depreciation	**32,534**	**8,262**	**20,802**	**976**	**8,004**	**70,598**	**17,057**	**87,655**
Adjustment for increase in fixed assets	**31,505**	**14,172**	**17,252**	**576**	**11,395**	**74,911**	**32,818**	**107,729**

	Millions of yen							
	FY2014							
	Reportable segment							
	Advanced materials	Specialty chemicals	Specialty plastics	Construction	Other operations	Total	Adjustment (Note 1)	Consolidated (Note 2)
Net sales:								
Outside customers	¥36,187	¥35,535	¥46,519	¥16,721	¥15,218	¥150,182	¥ —	¥150,182
Inter-segment	929	331	421	6,478	6,885	15,046	(15,046)	—
Total	37,116	35,866	46,941	23,200	22,104	165,228	(15,046)	150,182
Operating income	¥ 438	¥ 7,941	¥ 3,660	¥ 1,081	¥ 1,789	¥ 14,912	¥ (360)	¥ 14,551
Assets	¥88,251	¥25,405	¥46,502	¥10,404	¥13,493	¥184,059	¥65,638	¥249,697
Depreciation	3,217	867	1,634	106	786	6,611	1,650	8,261
Adjustment for increase in fixed assets	3,596	1,713	5,205	31	1,217	11,765	5,791	17,557

Notes: 1. Adjustment for segment operating income 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 is adjusted with operating income on the consolidated statements of income.

Information by geographical area of the Company for the fiscal years ended March 31, 2016 and 2015 was summarized as follows:

	Millions of yen				
	FY2015				
	Japan	Europe	Asia	Other	Total
Sales	**¥96,025**	**¥15,803**	**¥18,410**	**¥12,311**	**¥142,549**

	Thousands of U.S. dollars				
	FY2015				
	Japan	Europe	Asia	Other	Total
Sales	**$852,192**	**$140,246**	**$163,383**	**$109,256**	**$1,265,078**

	Millions of yen				
	FY2014				
	Japan	Europe	Asia	Other	Total
Sales	¥103,943	¥13,335	¥19,915	¥12,987	¥150,182

Note: Sales are categorized by country and regions based on customer's location.

	Millions of yen			
	FY2015			
	Japan	United States	Other	Total
Property, plant and equipment	**¥86,804**	**¥17,264**	**¥13,739**	**¥117,808**

	Thousands of U.S. dollars			
	FY2015			
	Japan	United States	Other	Total
Property, plant and equipment	**$770,358**	**$153,212**	**$121,929**	**$1,045,509**

	Millions of yen			
	FY2014			
	Japan	United States	Other	Total
Property, plant and equipment	¥86,980	¥19,832	¥16,372	¥123,185

Information on impairment loss of fixed assets by reportable segment for the fiscal years ended March 31, 2016 and 2015 was summarized as follows:

	Millions of yen							
	FY2015							
	Reportable segment							
	Advanced materials	Specialty chemicals	Specialty plastics	Construction	Other operations	Total	Adjustment	Consolidated
Impairment loss	**¥3,988**	**¥—**	**¥—**	**¥—**	**¥464**	**¥4,452**	**¥—**	**¥4,452**

	Thousands of U.S. dollars							
	FY2015							
	Reportable segment							
	Advanced materials	Specialty chemicals	Specialty plastics	Construction	Other operations	Total	Adjustment	Consolidated
Impairment loss	**$35,392**	**$—**	**$—**	**$—**	**$4,117**	**$39,510**	**$—**	**$39,510**

	Millions of yen							
	FY2014							
	Reportable segment							
	Advanced materials	Specialty chemicals	Specialty plastics	Construction	Other operations	Total	Adjustment	Consolidated
Impairment loss	¥660	¥—	¥—	¥—	¥—	¥660	¥—	¥660

24. Subsequent Events

I. Changes in the number of shares constituting one trading unit and the share consolidation

At the meeting of the Board of Directors held on May 12, 2016, the Company resolved to make a change to the number of shares constituting one trading unit. In addition, it resolved to submit a proposal concerning share consolidation at the 103rd Annual General Meeting of Shareholders (hereinafter, "General Meetings of Shareholders") held on June 24, 2016, and the said proposal was then approved at the General Meetings of Shareholders. The details are as follows.

A) Change in the number of shares constituting one trading unit

a. Reason of change

This is to respond to the "Action Plan for Consolidating Trading Units" announced by the Japanese stock exchanges, which aims to consolidate all trading units of common stock (number of shares constituting one trading unit) of Japanese listed companies to 100 shares by October 1, 2018.

b. Details of change

The number of shares constituting one trading unit will be changed from 1,000 shares to 100 shares effective October 1, 2016.

B) Share consolidation

a. Purpose of the share consolidation

As described in "A) Change in the number of shares constituting one trading unit," in changing the number of shares constituting one trading unit from 1,000 shares to 100 shares, the Company will execute a share consolidation (consolidating 10 shares to 1 share) for the purpose of maintaining the standard investment unit considered optimal by the stock exchanges (50 thousand yen or more, less than 500 thousand yen) even after the change. In addition, effective October 1, 2016, the Company will change the total number of shares authorized to be issued from the current 600,000,000 shares to 60,000,000 shares in proportion to the ratio of the share consolidation.

b. Details of the share consolidation

1. Type of shares subject to the share consolidation

   Common stock

2. Method and ratio of the share consolidation

   Effective October 1, 2016, a consolidation of 10 shares to 1 share will be executed for those shares owned by shareholders who are registered in the latest shareholder register as of September 30, 2016.

3. Reduction in shares resulting from the share consolidation

Total number of outstanding shares before consolidation (as of March 31, 2016)	181,683,909 shares
Number of shares to decrease due to consolidation	163,515,519 shares
Total number of outstanding shares after consolidation	18,168,390 shares

Note: "Number of shares to decrease due to consolidation" and "Total number of outstanding shares after consolidation" are theoretical values calculated based on the total number of outstanding shares before the consolidation and the ratio of share consolidation.

c. Treatment of fractional shares less than one share

In case where any fractional shares less than one share arise due to the share consolidation, such shares will be sold in a lump or purchased as treasury stock in accordance with the provisions of the Companies Act. The proceeds from said transactions will be then distributed to the shareholders who hold fractional shares in proportion to their fractional ownership.

d. Total number of shares authorized to be issued as of the effective date

In order to adjust the total number of shares authorized to be issued to an appropriate level in line with the decrease in the total number of outstanding shares due to the share consolidation, the Company will decrease the total number of shares authorized to be issued in proportion to the ratio (10 to 1) of the share consolidation, effective October 1, 2016.

Total number of shares authorized to be issued prior to the change	600,000,000 shares
Total number of shares authorized to be issued after the change	60,000,000 shares

C) Effect of the share consolidation on per share information

Per share information for the current and previous fiscal years assuming the share consolidation was executed at the beginning of the previous fiscal year, is as follows.

	Yen		U.S. dollars
	FY2015	FY2014	**FY2015**
Net assets per share	**¥6,860.58**	¥6,878.03	**$60.88**
Basic net income per share	**¥ 427.27**	¥ 535.31	**$ 3.79**
Diluted net income per share	**¥ 355.34**	¥ 445.09	**$ 3.15**

II. The following appropriation of retained earnings has been approved by the meeting of the Board of Directors held on April 19, 2016.

	Millions of yen	Thousands of U.S. dollars
Cash dividends at ¥5.50 ($0.04) per share	¥945	$8,386

Major Subsidiaries and Affiliates

Country	Company Name	Major Business
Japan	Kureha Trading Co., Ltd.	Trading of chemical and plastic products
	Resinous Kasei Co., Ltd.	Manufacture/sale of advanced materials
	Kureha Extech Co., Ltd.	Manufacture/sale of plastic film and products
	Kureha Extron Co., Ltd.	Manufacture/sale of plastic products
	Kureha Gohsen Co., Ltd.	Manufacture/sale of plastic fiber and products
	Kurehanishiki Construction Co., Ltd.	Construction
	Kureha Engineering Co., Ltd.	Plant engineering and maintenance
	Kureha Ecology Management Co., Ltd.	Waste treatment and management
	Kureha Special Laboratory Co., Ltd.	Environmental/physiochemical evaluation and analysis
	Kureha Unyu Co., Ltd.	Transportation and storage services
	Kureha Service Co., Ltd.	Real estate, travel and welfare services for Kureha Group
	Kureha Staff Service Co., Ltd.	Recruiting and staffing services
	Kureha-kai Medical Corporation	Hospital operations (Kureha General Hospital)
USA	Kureha America Inc.	Holding company and finance
	Kureha America LLC	Sale of advanced products and packaging materials
	Kureha PGA LLC	Manufacture/sale of PGA resins
	Fortron Industries LLC	Manufacture/sale of PPS resins and compounds
Germany	Kureha GmbH	Sale of advanced products
Netherlands	Kureha Europe B.V.	Holding company and finance
	Krehalon Industrie B.V.	Manufacture/sale of food packaging products
France	Krehalon France & Benelux S.A.S.	Sale of food packaging products
UK	Krehalon UK Ltd.	Manufacture/sale of food packaging products
Australia	Krehalon Australia Pty. Ltd.	Sale of food packaging products
China	Kureha (China) Investment Co., Ltd.	Holding company and finance
	Kureha (Shanghai) Carbon Fiber Materials Co., Ltd.	Manufacture/sale of carbon fiber products
	Kureha (Changshu) Fluoropolymers Co., Ltd.	Manufacture/sale of PVDF resins and compounds
	Nantong SKT New Material Co., Ltd.*	Manufacture/sale of PVDC resins and compounds
Vietnam	Kureha Vietnam Co., Ltd.	Manufacture/sale of food packaging films

Investor Information

(As of March 31, 2016)

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	4,087 (As of March 2016)
Independent Auditor	Ernst & Young ShinNihon LLC

Stock Information

Number of Shares of Common Stock Issued	181,683,909 shares
Number of Shareholders	15,653
Number of Shares Held by Foreign Shareholders	38,003,995 (20.9% 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.
Japan Trustee Services Bank, Ltd. (Trust account)
The Master Trust Bank of Japan Ltd. (Trust account)
CBNY–GOVERNMENT OF NORWAY (USA)
Daiichi Sankyo Company, Ltd.
Mizuho Bank, Ltd.
JP MORGAN CHASE BANK 385166 (UK)
Japan Trustee Services Bank, Ltd. (9 trust accounts)
The Nomura Trust and Banking Co., Ltd. (Investment trust account)

Kureha Corporation Headquarters

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

KUREHA CORPORATION

Printed in Japan

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