

# KUREHA CORPORATION

## Business Report 2015

Year ended March 31, 2015



**The Pursuit of Excellence**



## Building on Core Strengths

### Kureha Corporation

is a manufacturer of highly originitive 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.

### 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.

## Contents

Profile .....	1	Directors, Executive Officers and Corporate Auditors .....	19	Consolidated Statements of Changes in Net Assets .....	27
At a Glance .....	4	Consolidated Five-Year Summary .....	20	Consolidated Statements of Cash Flows .....	28
Consolidated Financial Highlights .....	5	Management Discussion and Analysis .....	21	Notes to Consolidated Financial Statements .....	29
President's Message .....	6	Consolidated Balance Sheets .....	24	Major Subsidiaries and Affiliates .....	54
The Year's Highlights .....	8	Consolidated Statements of Income .....	26	Investor Information .....	55
Review of Operations .....	10	Consolidated Statements of Comprehensive Income .....	26		
Research & Development .....	14				
Responsible Care .....	16				
Corporate Governance .....	17				

# The Pursuit of Excellence

## Originality and Quality to Answer Global Needs:

### The Growth Potential in Global Markets



Kureha's overseas sales had reached 31% of total revenue as of March 2015. Along with exports from Japan, we have production, processing and sales locations in the United States, Germany, the Netherlands, France, the U.K., China and Vietnam, 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.

# Celebrating Our Seventy

## A Proud History of Kureha's Original Technologies

Since its foundation in 1944, Kureha's growth and development has come exclusively from producing innovative products developed in-house, rather than using outside technology. As an entrepreneur looking to the future, we have continually taken on the challenges of developing new technology, and cultivated a culture within the company that promotes the creation of next-generation products.

### Milestones & Product Launch

**1944** Kureha Chemical Industry Company is established

**1960** "Krewrap" household plastic wrap

**1953** Polyvinylidene chloride (PVDC) "Krehalon"

**1970** Polyvinylidene fluoride (PVDF) "KF Polymer"

**1977** Anti-cancer agent "Krestin"

**1969** Development of original crude oil cracking technology  
 Carbon fiber "Kreca"

1950 1951 1952 1953 1954 1955 1956 1957 1958 1959 1960 1961 1962 1963 1964 1965 1966 1967 1968 1969 1970 1971 1972 1973 1974 1975 1976 1977 1978 1979 1980 1981 1982 1983

#### 1944 Founding of Kureha Chemical Industry Company

Kureha Chemical Industry was established when the Chemicals Division of Kureha Spinning Company was split off to form an independent firm. Its main products were caustic soda and hydrochloric acid, based on the electrolysis of brine. Kureha also supported Japan's post-war agriculture with fertilizer to improve crop yields.



#### 1950s – 1960s Business Expansion Built on Advanced Application of Chlorine

Kureha focused on advanced application of chlorine, a co-product of the caustic soda manufacturing process, and began producing polyvinylidene chloride (PVDC) and polyvinyl chloride (PVC) resins. In 1960, we launched the first home-use food wrapping film using PVDC in Japan.

#### 1970s Strengthening the Structure of Highly Originative Specialty Businesses

Kureha's bold efforts to develop an original oil cracking process led to a series of new high value-added products, including carbon fiber and activated carbon. We also

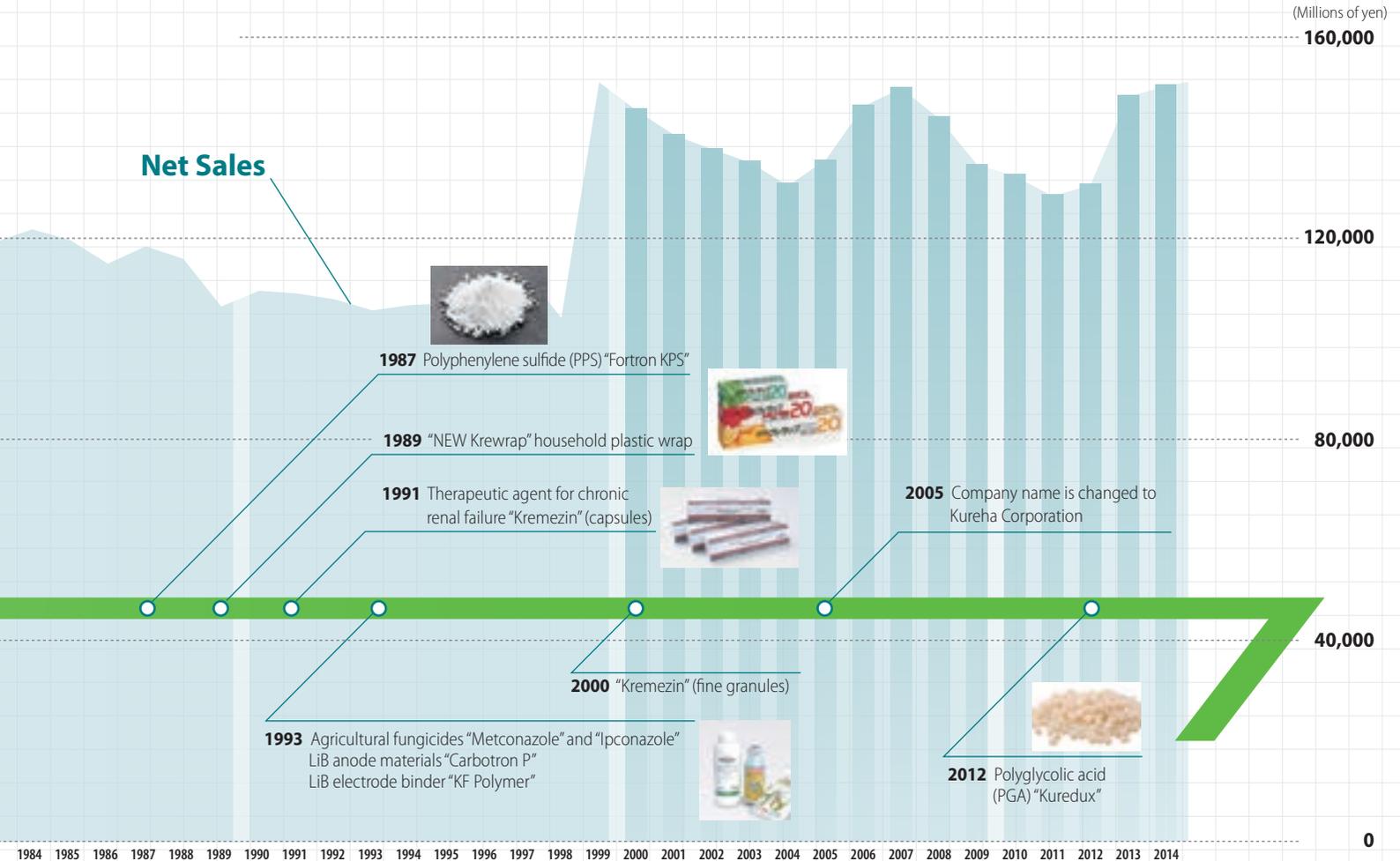
successfully entered the pharmaceutical sector by introducing an anti-cancer immunologic agent.

#### 1980s Expansion of High Value-Added Specialty Businesses

Kureha made proactive capital investments into high value-added products, and expanded the scope of business operations while leveraging its proprietary manufacturing technologies. A new specialty high-performance plastic, polyphenylene sulfide (PPS) resin, was born through this effort.



# Years of Innovation



1990s

## Entry into the Energy and Environmental Field with Innovative Technologies

Kureha's materials contributed to the creation of the world's first lithium-ion battery in 1991. New fungicide products were also launched to enhance agricultural productivity. It is also when our exploratory research into environmentally-sound, biodegradable polymers began.



2000s

## "Selection and Concentration" and Global Business Expansion

Kureha withdrew from the commodities business as part of a global strategy focusing on specialty products for the growth fields of advanced materials, pharmaceuticals, agrochemicals, and packaging materials. In 2005, the company was renamed Kureha Corporation and a new corporate mission was adopted: "The pursuit of excellence."

# KUREHA

2010 to present

## Sustainable Growth as a Global Corporation

Kureha is building a business structure in which core businesses contribute to earnings in a constantly growing, balanced manner. We are drawing on our proprietary technologies and strengths in innovation to enhance our global competitiveness.



Net Sales/Net Sales Composition



**Advanced Materials**

¥36,187 million

**24.1%**



**Specialty Chemicals**

¥35,535 million

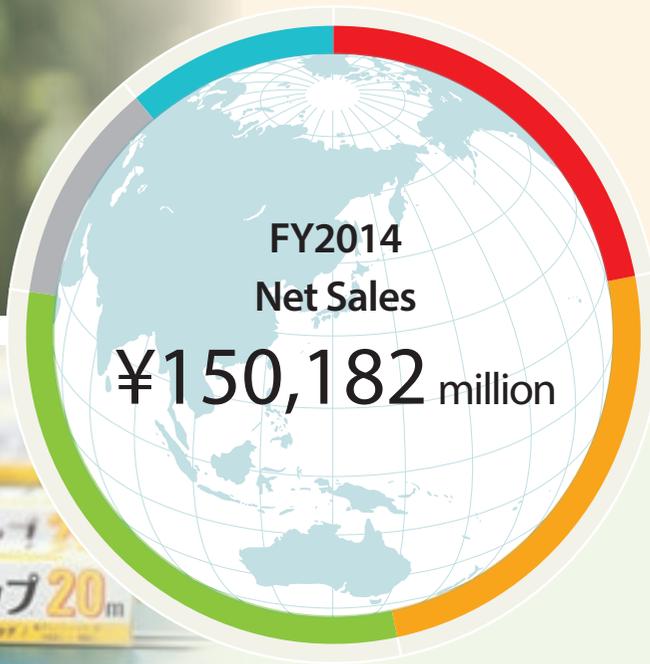
**23.6%**



**Specialty Plastics**

¥46,519 million

**31.0%**



**Construction and Other Operations**

¥16,721 million

**11.1%**

(Construction)

¥15,218 million

**10.2%**

(Other Operations)



# Consolidated Financial Highlights

Kureha Corporation and Consolidated Subsidiaries  
Years ended March 31, 2015 (FY2014) and 2014 (FY2013)

## Business Areas

Advanced Plastics  
Carbon Fibers & Products  
Battery Materials

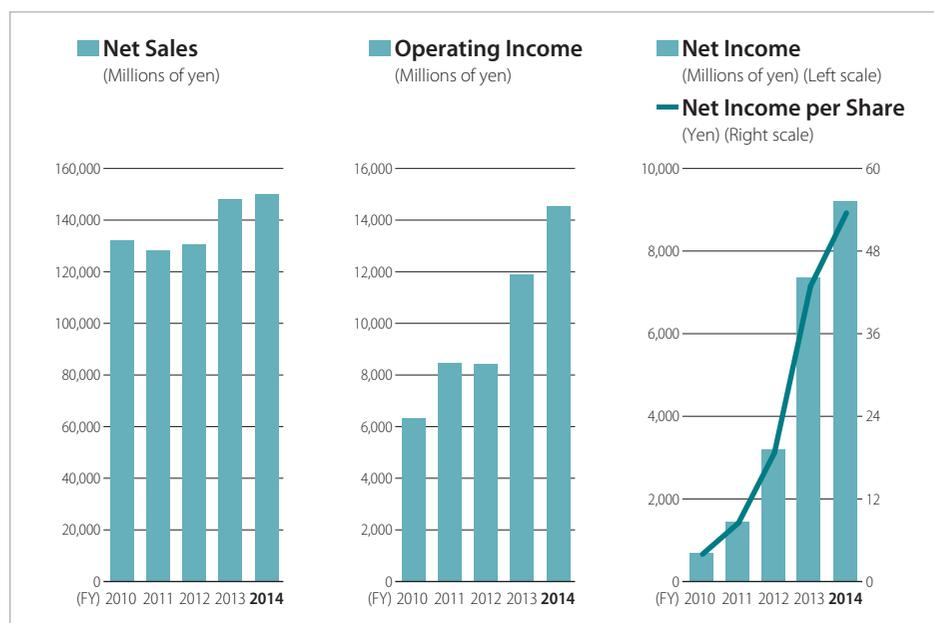
Agrochemicals  
Pharmaceuticals  
Industrial Chemicals

Household Products  
Packaging Materials  
Synthetic Fiber Products

Engineering & Construction  
Environment Management  
Logistics

	Millions of yen		Thousands of U.S. dollars
	FY2014	FY2013	FY2014
<b>For the year:</b>			
Net sales	¥150,182	¥148,124	\$1,249,746
Operating income	14,551	11,902	124,090
Net income	9,195	7,365	76,516
Capital expenditure	17,557	16,468	146,101
Depreciation	8,261	9,096	68,744
R&D expenses	4,978	4,586	41,424
<b>Year-end:</b>			
Total assets	¥249,697	¥224,459	\$2,077,864
Net assets	120,624	106,190	1,003,777
Interest-bearing debt	86,636	77,225	720,945
		Yen	U.S. dollars
<b>Amounts per share:</b>			
Net income – basic	¥ 53.53	¥ 42.87	\$ 0.44
Net assets	687.80	604.00	5.72
		Percent	
<b>Ratios:</b>			
Net income to net sales	6.1%	5.0%	
Return on equity	8.3	7.5	
Return on assets	6.5	5.7	
Equity ratio	47.3	46.2	

- Notes: 1. For convenience only, U.S. dollar amounts have been translated from Japanese yen at the rate of ¥120.17 to US\$1, the rate of exchange prevailing on the Tokyo Foreign Exchange Market on March 31, 2015.  
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.



# Reforming Kureha through Passion, Speed and Commitment

## Dear Shareholders,

In FY2014 Kureha continued on its solid growth trend. Despite continued challenging market conditions, operating income, recurring income and net income all exceeded their targets, reaching the highest levels since we began reporting consolidated results in 1990.

- Consolidated sales increased by 1.4% year-on-year to ¥150.2 billion, while operating income rose 22.3% to ¥14.6 billion. Moreover, recurring income grew by 26.4% to ¥15.4 billion, and net income climbed 24.9% to ¥9.2 billion. We are also delighted to bring our shareholders a rise in earnings per share to 53.53 yen.

- We returned the Advanced Materials Division to operating profit, finally reaping the reward of our long-standing, focused investment into this business.
- We are clearly seeing the benefits of our group-wide efforts to pursue cost and productivity improvements. These activities have achieved an accumulated total of ¥1.6 billion in savings since FY2013.

Since I became President & CEO in September 2012, I have consistently worked to reform Kureha and realize its full potential. Not only are we making excellent progress; I also see significant untapped potential for growth and profitability.

At every level of our company, we are continuously working to be more cost-efficient, make better use of ideas, and add value to our product offering. This year, we added the word Commitment to the two watchwords, Passion and Speed, which guide our drive for change. This new watchword is about having the mindset to keep challenging the obstacles that come in our way. If we continue to apply that mindset, we can achieve a very high level of profitability, even in times when sales fall below expected levels. I'm proud to report that our drive for efficiency has contributed to the ¥1.6 billion rise in operating income seen since FY2013, and that we expect to add another ¥1.2 billion in savings to what we've already achieved in FY2015.

That said, we cannot rest on our laurels. At this point, it's likely that we will be unable to achieve the FY2015 targets of our medium-term management plan, Grow Globally II. We can of course point to external reasons, such as the impact of generic drugs on the pharmaceutical business; lower-than-expected sales of solar power equipment; the slow rise of electric vehicles and limited lithium-ion battery sales; and an unforeseen fall in market prices for agricultural produce in North America that left farmers less inclined to buy high-performance but high-price agrichemicals.

However, we must also accept that in some areas, such as solar power equipment and lithium-ion batteries, we could have moved faster to revise our strategies. We will implement these lessons from now on, and also look more critically at businesses that are not as profitable as they should be.



We must also become better at leveraging our strengths in innovation. Going forward, we will continue to develop new, groundbreaking materials with focus on the environment, life science and energy fields. To build strength in this area, we expanded our Iwaki R&D center in April with a new research facility dedicated to exploratory research. However, it should be noted that such innovation is long-term; it can take up to 20 years to turn a seed planted today into something we can commercialize.

For that reason, we must also bolster our competitiveness by strengthening existing businesses, and think carefully about how to expand applications for our innovations. We will focus particularly on processing, both to drive down costs and to develop specialized, high-value-added secondary products that enable high profitability even at lower sales volumes. In connection, we will also further refine our business model for the downstream of the supply chain.

Strengthening Kureha's processing capabilities will therefore be a cornerstone of our management strategy from 2015 and onwards. We will invest in people and equipment, and explore options for acquiring companies with processing technologies that we do not yet have. To accelerate the implementation of this strategy, we have enhanced the R&D structure with a task team specialized in the development of processing technologies and capabilities.

Several of our group companies also possess unique and compelling technologies, and we intend to make full use of their capabilities. Kureha Extech, for instance, has taken the step into processing by manufacturing back sheets for solar modules; Kureha Gohsen utilizes extensive accumulated know-how to produce superior fiber products, including fishing lines; and Kureha Extron produces molded PGA bars through a unique so-called 'solid-state extrusion' processing technology. These bars form the basic structures for "frac plugs" used in shale oil and gas extraction.

These frac plugs, which are made of degradable PGA resin, can drastically lower field operators' costs since, unlike metal plugs, they do not need to be salvaged from well bores after use. This also means field operators can extend the depth and horizontal reach of their drilling, yielding more gas and oil per well bore.

The PGA business, where we no longer sell only resin due to low market prices, illustrates the wisdom of focusing on downstream businesses with high margins. Even though the overall rig count is falling in North America after the decline in crude oil prices, demand for PGA frac plugs remains extremely

## ***"The keys to our future lie in improving our culture, our profitability and our level of globalization"***

high and we are aiming to expand production fivefold from a year-ago level by this fall.

At the same time, we must also focus on developing our people. Solid business growth comes from solid business relationships – an adage that holds particularly true in our globalized era. We see significant room to expand our current overseas sales ratio of 31%. To truly compete on the global stage and to improve group-wide internal communication, we are since 2014 implementing programs to give our employees the skills they need to function internationally, including one-year overseas assignments and setting measurable, high-bar targets for English skills, especially for our executives.

Furthermore, to communicate more directly with our foreign shareholders, we also began last year to hold investor meetings in Europe. We are learning much from these direct interactions that we can reflect in our operations.

Having celebrated 70 years of innovation in 2014, we now look forward to reaching a full century. The keys to our future lie in improving our culture, our profitability and our level of globalization. I look forward to driving change throughout our organization and taking our products and people to the next level. Our company will never cease to evolve.

One thing, however, will remain the same: The founding can-do spirit that permeates our company. We have always been, and will always be, pioneers.

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



**Yutaka Kobayashi**

President & Chief Executive Officer

June 3, 2015

**August 2014, United Kingdom:  
Krehalon UK Opens New Factory**

Krehalon UK, a Kureha subsidiary for specialty plastics, opened a new office and factory on a 30,000 sq. ft. site in Kingston-upon-Hull. Krehalon UK manufactures and sells food packaging bags, processing raw film purchased from Dutch group company Krehalon Industrie B.V. The move to Kingston-upon-Hull will shorten the transport route for the raw film from the Netherlands, while the introduction of the latest equipment will greatly improve operational efficiency. Krehalon UK's sales have doubled in the last five years, and this operational enhancement will support the growth trajectory and expansion of the Krehalon food packaging business in Europe.



**January 2015, Japan:  
PVDC Production Doubled in Iwaki Factory**

Production of polyvinylidene chloride (PVDC) at the Iwaki Factory in Japan has been increased by 30,000 tonnes in response to meet growth in food packaging demand. This expansion raises Kureha's total production capacity to 60,000 tonnes annually. PVDC is a specialty plastic that is stable under high temperatures and has excellent oxygen and moisture barrier properties. It is used as the raw material for sausage casing film as well as for the household-use food plastic wrap NEW Krewrap.



**August 2014, Netherlands:  
Packaging Film Capacity Enhanced at Krehalon Industrie**

Deventer-based Krehalon Industrie B.V. added a seventh multilayer film extrusion machine, enhancing manufacturing capacity by 20%. The Krehalon brand ML Film is a heat-shrinkable multilayer film that not only inhibits food oxidation to extend shelf life but also enables attractive presentation of food contents, and it is one of the strategic products underpinning Kureha's global expansion. The new cutting-edge extruder is able to make wider films, broadening our product portfolio in line with market needs. Krehalon Industrie, established in 1973, was Kureha's first overseas film factory, and is currently the group's largest producer of multilayer films. Kureha will continue to supply the world with high-quality, highly functional packaging products from the Netherlands.



**April 2015, Japan:  
New R&D Facility Opens in Iwaki**

A new research facility has been established at Kureha's main R&D center in Iwaki. This facility, with 4,349m<sup>2</sup> of floor space, is located next to the Research Center and houses equipment focused on organic synthesis and analytical assessment. The new center will conduct technical development to enhance the competitiveness of existing businesses, as well as exploratory research to generate new businesses. Many "communication spaces" have also been created within the facility to enable researchers to freely congregate to exchange ideas and opinions—making it a place to inspire technological innovation for Kureha's future.



## “Smiling Together” — The East Japan Support Project

The Great East Japan Earthquake that struck Japan’s northern Tohoku region in March 2011 claimed many lives and devastated the local industry. To aid recovery efforts in the affected areas, Kureha has since October 2011 donated a portion of the sales of its flagship product, NEW Krewrap, to support regional activities aimed at restoring agriculture and the revival of a healthy and enjoyable food life. As of the end of March 2015, we had donated a total of ¥104,800,180, exceeding our target of ¥100 million.



### Donations from Kureha were used for the following restoration projects:

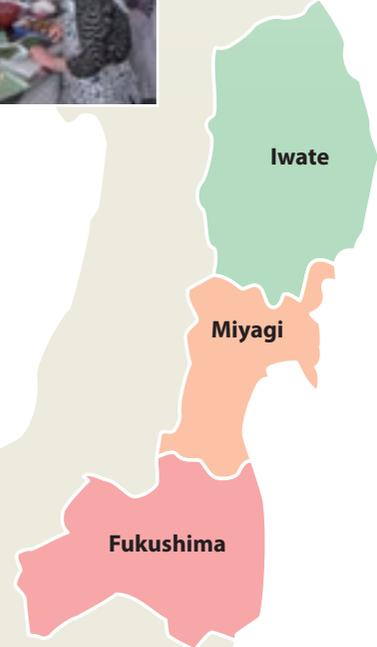
A project to promote the health of disaster victims through cooking classes, and to revitalize communication among families and communities through meals.



A project to cultivate rapeseed blossoms to desalinate agricultural land flooded with seawater by the tsunami. The harvested blossoms are used to make cooking or fuel oil, and the seed pomace is used as feed for pig farms.



A project to promote safe agricultural production in Fukushima, the area most strongly affected by the nuclear plant accident. Activities included guidance on radiation monitoring, along with support for measures to reduce radioactive substances in soil and eliminate radioactivity.



## Advanced Materials



### Major Product Areas: Advanced plastics, carbon materials

Advanced Materials division sales rose 10% year-on-year to ¥36.2 billion. The division also returned to operating profit, a development driven by across-the-board demand growth in the advanced plastics business and a slight demand recovery in carbon materials for solar applications.

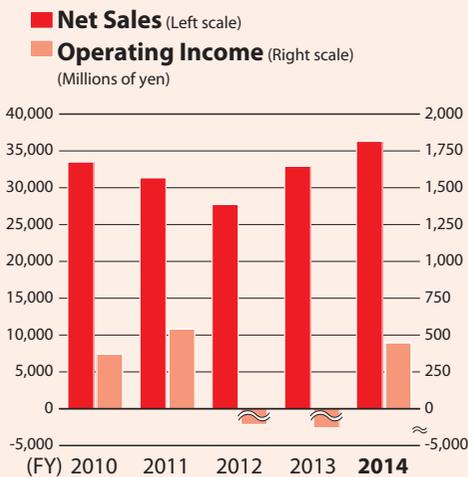
#### Advanced plastics: Demand growth across all product areas, recovery from loss

Advanced plastics saw increased demand in all of the key product areas including PPS resin, particularly for use in the automotive sector; PVDF resin for use in lithium-ion battery binders and for industrial use; and PGA for use in shale oil and gas extraction applications. As a result, the advanced plastics business was able to recover from the operating loss recorded in the previous year.

#### Carbon materials: Slight recovery in demand in solar applications

In carbon materials, demand recovered slightly for insulation material used in silicon ingot production for solar power applications and there was also an increase in sales of carbon fiber. However, due to increased costs related to the production of hard carbon anode materials used in lithium-ion batteries, the operating loss for this business remained at the same level as in the previous year.

**Outlook:** FY2015 division sales are forecast to increase by 20% to ¥43.5 billion, with operating income making a drastic leap to ¥2.1 billion from ¥0.4 billion in FY2014, an increase of 378%. A key factor behind this growth will be the continued positive development of the shale market in the US, where Kureha will work with its partner Magnum Oil Tools International to refine its business strategy for PGA for use in shale gas extraction, in turn generating significant increases in sales and profit. Meanwhile, sales of PPS for use in automotive applications will remain firm. In carbon materials, Kureha foresees continued profitability improvements for heat insulation materials used in the manufacturing of solar power equipment, while sales of hard carbon anode materials used in lithium-ion batteries will remain stable.



#### Key products

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



Polyglycolic acid (*Kuredux*) resins are used to make downhole tools in shale oil and gas extraction

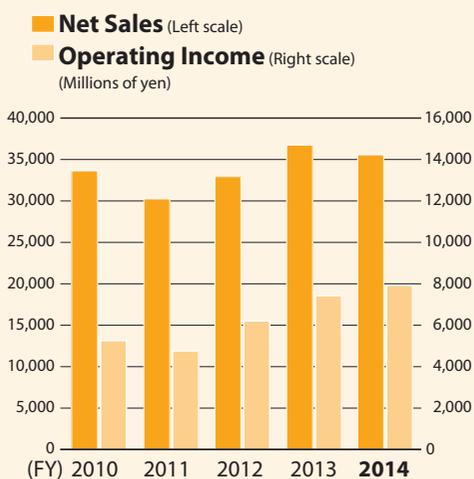
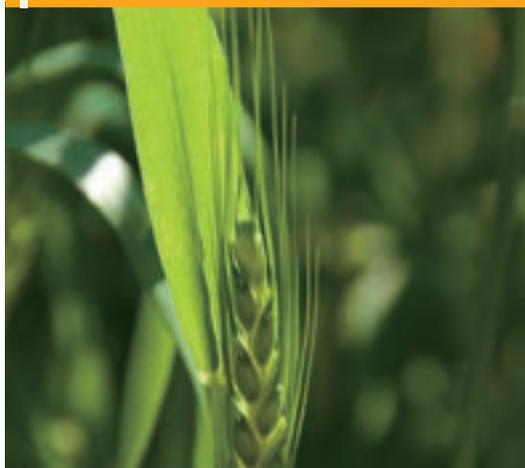


Automotive parts made of polyphenylene sulfide (*Fortron KPS*)



Hard carbon anode materials (*CARBOTRON*) for lithium-ion batteries

## Specialty Chemicals



### Key products

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

### Major Product Areas:

#### Industrial chemicals, agrochemicals, pharmaceuticals

Specialty Chemicals division sales fell slightly by 3% year-on-year to ¥35.5 billion from ¥36.6 billion. However, the division continued to see healthy profit growth, with operating income rising 8% to ¥7.9 billion primarily due to one-time income related to a pharmaceutical sales contract.

#### Pharmaceuticals / agrochemicals: Extraordinary income balances fall in demand

Demand for the agricultural fungicide *Metconazole* fell in the North America region, while government-mandated price revisions and growing use of generic drugs impacted on sales of *Kremezin*, a therapeutic agent for chronic renal failure. However, despite a slight sales decrease in this business, one-time income associated with a sales contract resulted in an increase in operating income.

#### Industrial chemicals: Continued sales and income increases across the board

Increases in sales and operating income were recorded for both organic and inorganic chemicals.

**Outlook:** Specialty Chemicals division sales are projected to decrease slightly by 6% in FY2015 to ¥33.5 billion, while operating income is forecast to fall 46% to ¥4.3 billion. The main factors behind this downturn are found in the pharmaceuticals business. In addition to the absence of sales contract one-time income, Kureha also foresees continued negative influence from generics on the sales of *Kremezin*. However, in industrial chemicals, Kureha expects to be able to maintain profitability by responding flexibly and accurately to raw material price fluctuations and market movements. Kureha will also be focusing on expanding sales volumes of *Metconazole*.

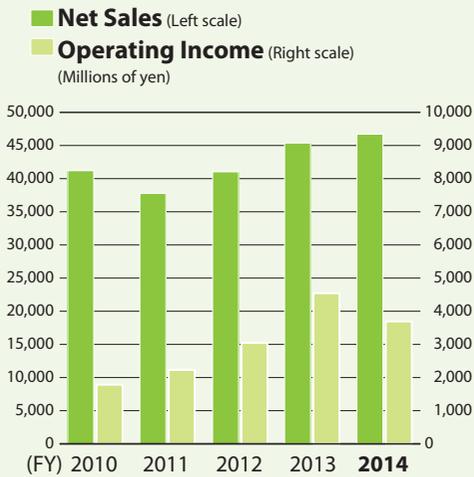


Therapeutic agent for chronic renal failure (*KREMEZIN*)



Agricultural and horticulture fungicide (*Metconazole*)

## Specialty Plastics



### Key products

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

### Major Product Areas: Food packaging materials, household packaging products

Specialty Plastics division sales increased by 3% from ¥45.3 billion to ¥46.5 billion, while operating income decreased by 19% to ¥3.7 billion, mainly due to slower performance in the consumer products business.

#### Consumer products: *NEW Krewrap* demand falls back after pre-tax hike spike

In consumer products, while sales of *Seaguar* fishing lines increased on steady demand, sales of *NEW Krewrap* household wrapping film fell compared with the previous period, when demand rose sharply prior to the consumption tax increase on April 1, 2014. Cost increases also affected performance, ultimately leading to a decrease in both sales and operating income for this business.

#### Food packaging materials: Cost control and packaging machine sales generate solid performance

Although sales of high-performance heat-shrinkable multilayer film declined, the business as a whole saw increases in both sales and operating income. Key factors behind this performance include continued cost control and increased sales of packaging machines.

**Outlook:** FY2015 division sales are forecast to increase by 1% to ¥47.0 billion, while operating income is projected to rebound by 26% to ¥4.6 billion. In food packaging materials, while Kureha forecasts a slight sales decrease with anticipated fewer orders for packaging machines, the company expects to continue to improve income by expanding global sales of high-performance heat-shrinkable multilayer films. In household products, while there will be an increase in depreciation costs related to the new PVDC plant, Kureha foresees an increase in income due to factors including a rebound in sales for *NEW Krewrap* and continued efforts to promote the product's added value to customers.



Household wrap film (*New Krewrap*)

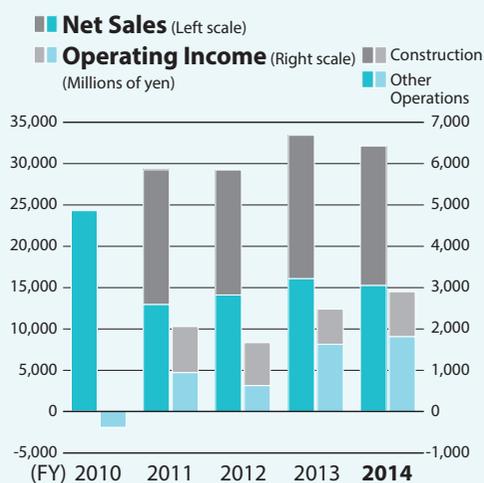


High-barrier food packaging film (*Krehalon*)



Fishing lines (*Seaguar*)

## Construction and Other Operations



Note: Construction business was separated from other business segment from fiscal 2011.

### Key products and services

- Industrial facility design, construction and management
- Civil engineering and construction
- 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: Performance driven by earthquake-related reconstruction

Construction businesses saw a substantial increase in operating income due to an increasing number of earthquake-related reconstruction projects, although this performance was partially offset by a decrease in both sales and operating income in the engineering business. Sales fell slightly by 3% to ¥16.7 billion, and operating income rose by 30% to ¥1.1 billion

#### Other Operations: Continued demand for industrial waste disposal

In the environmental engineering business, while sales decreased, operational improvements as well as increasing demand for industrial waste treatment resulted in a rise in operating income. The transportation/warehousing business saw a fall in both sales and operating income. As a result, the overall division sales decreased 6% from ¥16.2 billion to ¥15.2 billion, while operating income reached ¥1.8 billion, a 10% increase.

**Outlook:** FY2015 division sales for Construction business are projected to decline by 10% to ¥15 billion, while operating income is expected to fall by 45% to ¥0.6 billion. In addition to a decline in post-earthquake reconstruction demand, higher labor and material costs will negatively impact operating income.

Division sales for Other Operations are estimated to increase by 5% to ¥16 billion, however operating income is projected to decrease by 22% to ¥1.4 billion due largely to increased facility renovation costs. Kureha continues to focus on enhancing profitability in industrial waste disposal businesses, including micro-PCB (polychlorinated biphenyls) treatment work.



Public housing for earthquake victims in Iwaki City



Industrial waste treatment facility

## 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 at existing businesses; the Agrochemical Research Laboratories; the Advanced Materials Research Laboratories; and the Emerging Research Laboratories, which conducts exploratory research for next-generation products.

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



Advanced Materials Research Laboratories



**In the fiscal year ended March 2015, Kureha's R&D spending amounted to ¥4,978 million. An overview of spending is as follows.**

### **Advanced Materials Division**

In advanced plastics, for *Fortron KPS* (PPS), which is widely used in automobiles and electronic devices, Kureha is developing new grades of the material and exploring ways to further raise productivity. For *KF Polymer* (PVDF), we are developing and improving the backsheets used for solar panels.

For *Kuredux* (PGA), Kureha is proactively working to develop new applications. We are making steady progress in the development of applications for shale gas oil drilling and extraction, utilizing PGA's strength and degradability. We are also conducting technical development to expand the range of new applications that take advantage of the resin's various unique properties.

In battery-related materials, to secure our competitive advantage in anode materials for the large-scale lithium-ion batteries used in hybrid and electric vehicles, Kureha is optimizing its production processes, and pursuing R&D aimed at achieving its business plan. We are also developing high-performance grade binders to help maintain and grow market share.

R&D spending in this division amounted to ¥1,864 million.

### **Specialty Chemicals Division**

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

In pharmaceuticals, we are providing supporting research at Adsorptive Medicine Technology Center incorporated into the Pharmaceuticals Division to enhance the earnings of *Kremezin*.

R&D spending in this division amounted to ¥1,947 million.

### **Specialty Plastics Division**

For *Krehalon* (PVDC), Kureha is pursuing technology development to ensure stable supply and improve quality. In addition, to further global business development we are actively providing technical assistance to customers in Japan and overseas.

R&D spending in this division amounted to ¥1,167 million.





**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

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

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

### Reducing the Burden on the Environment

Since its establishment, Kureha has developed technologies and products with a view to reducing the burden on the environment. In the case of the Iwaki Factory, Kureha seeks to create a manufacturing facility that minimizes stress on the environment by implementing measures such as air and water pollution prevention,

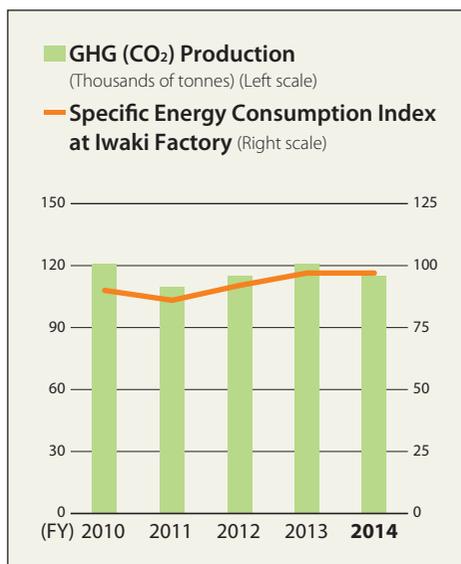
reduction of chemical material and industrial waste, odor control, and adoption of the Energy Consumption Index.

### Disaster Prevention

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

### Contributing to the Community

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



Disaster drill



Wastewater treatment system



Kureha General Hospital

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

## Management, Execution and Decision-Making Framework

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

The Board of Directors, which includes 2 outside directors who are independent from executive duties and is limited to a maximum of 10 directors in total, currently consists of 6 directors. 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 appointed by the President & CEO, 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.

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.

2. A total of four corporate auditors (including two external auditors) undertake auditing activities. This group works within a framework that allows them to monitor the deliberation processes of board resolutions and reports, as well as have a representative corporate auditor attend and monitor meetings of the Executive Committee 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 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

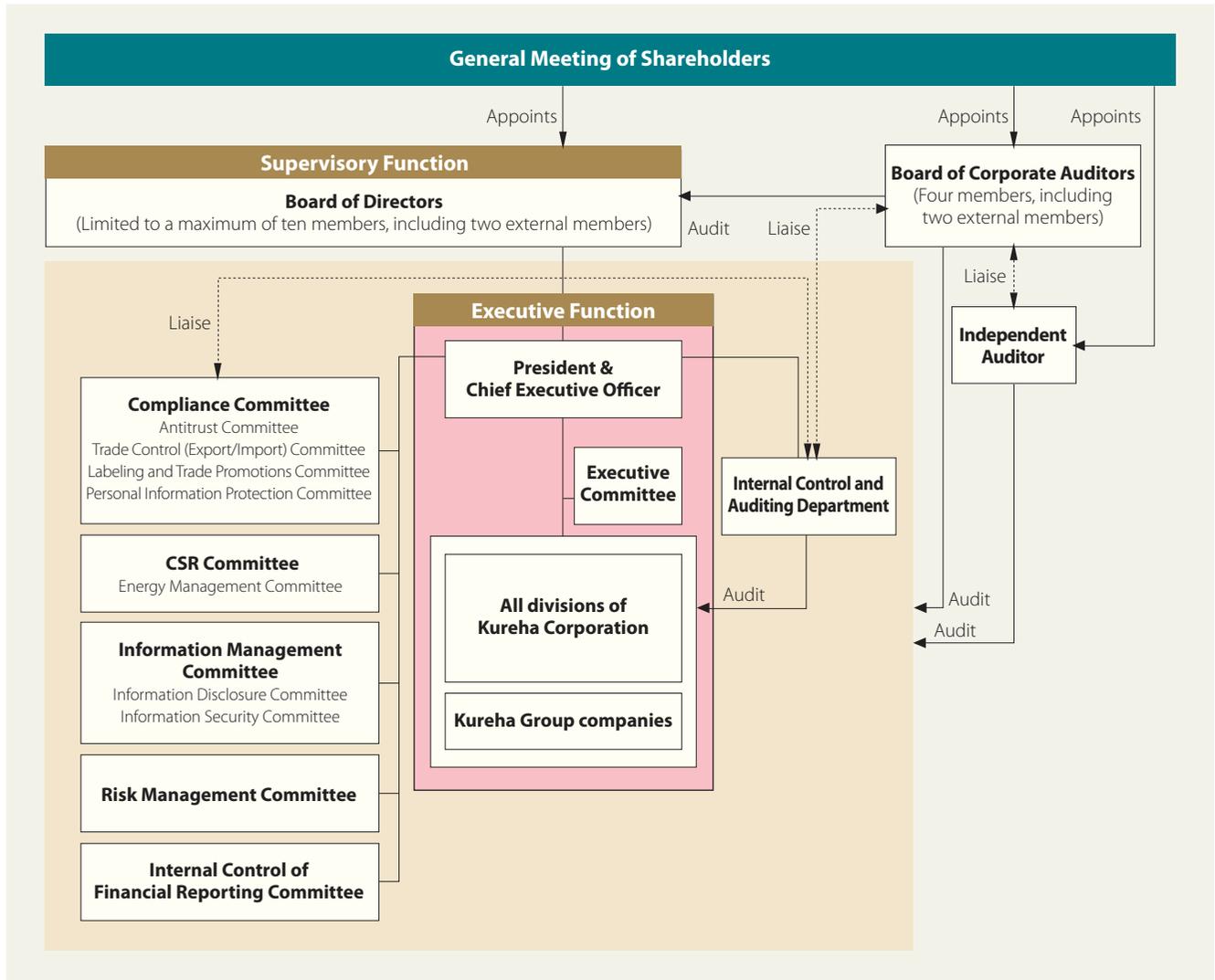
To further strengthen its internal control system, Kureha has established a set of basic policies, committees and internal rules to ensure that it observes laws and regulations and conducts its business operations in an appropriate and fair manner.

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.

## 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.

Diagram of Internal Control Systems (As of June 30, 2015)



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.

### 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.

**Board of Directors**



**Yutaka Kobayashi**  
President & Chief Executive Officer



**Tadashi Sagawa**  
Executive Vice President  
Managing Director of Internal Control  
and Auditing, General Manager of  
Manufacturing Sector



**Yoshio Noda**  
Senior Vice President  
General Manager of Corporate Planning  
Division, Finance Department, and  
Project for Corporate Managerial Reform



**Michihiro Sato**  
Senior Vice President  
General Manager of Research &  
Development Division and Emerging  
Research Laboratories



**Tsuneharu Takeda**  
Outside Director  
Senior Advisor of Seiko Holdings  
Corporation, External Board Member of  
KCJ GROUP INC., Senior Advisor and  
Director of Mandarin Oriental, Tokyo K.K.



**Shigeto Umatani**  
Outside Director  
Audit & Supervisory Board Member of  
the Michinoku Bank, Ltd.

**Board of Corporate Auditors**

**Haruki Yamaguchi**  
External Auditor

**Mitsuo Sato**  
Internal Auditor

**Koichi Niimura**  
Internal Auditor

**Masaru Kitamura**  
External Auditor

**Officers**

**Yoshiki Shigaki**  
Senior Vice President, General  
Manager of Engineering Division

**Naoki Fukuzawa**  
Senior Vice President, General  
Manager of Krehalon Division

**Toru Yoshida**  
Vice President, General Manager of  
Accounting Center

**Yoshinori Shiojiri**  
Vice President, General Manager of  
Iwaki Factory

**Hiroyuki Tanaka**  
Vice President, General Manager of  
Administration Division

**Fumihiko Yamada**  
Vice President, General Manager of  
Home Products Division

**Katsuhiko Natake**  
Vice President, General Manager of  
Advanced Materials Division

**Naomitsu Nishihata**  
Vice President, General Manager of  
PGA Division

**Satoshi Yonezawa**  
Vice President, General Manager of  
Chemicals & Agrochemicals Division

**Masahiro Namikawa**  
Vice President, General Manager of  
Pharmaceuticals Division



# Consolidated Five-Year Summary

Kureha Corporation and Consolidated Subsidiaries  
Years ended March 31, 2015 (FY2014), 2014 (FY2013), 2013 (FY2012), 2012 (FY2011) and 2011 (FY2010)

	Millions of yen					Thousands of U.S. dollars (Note 2)
	FY2014	FY2013	FY2012	FY2011	FY2010	FY2014
<b>For the year:</b>						
Net sales:	<b>¥150,182</b>	¥148,124	¥130,550	¥128,358	¥132,309	<b>\$1,249,746</b>
Domestic	<b>103,943</b>	105,588	98,269	97,461	101,696	<b>864,966</b>
Overseas	<b>46,237</b>	42,534	32,278	30,896	30,613	<b>384,763</b>
Net sales by segment:						
Advanced materials	<b>36,187</b>	32,815	27,650	31,253	33,391	<b>301,131</b>
Specialty chemicals	<b>35,535</b>	36,615	32,833	30,182	33,552	<b>295,706</b>
Specialty plastics	<b>46,519</b>	45,291	40,900	37,672	41,092	<b>387,109</b>
Other operations	<b>31,939</b>	33,401	29,164	29,250	24,274	<b>265,781</b>
Construction Related	<b>16,721</b>	17,238	14,967	16,300	12,760	<b>139,144</b>
Other	<b>15,218</b>	16,163	14,197	12,950	11,514	<b>126,637</b>
Operating income	<b>14,551</b>	11,902	8,458	8,472	6,350	<b>121,086</b>
Advanced materials	<b>438</b>	(2,625)	(2,131)	534	363	<b>3,644</b>
Specialty chemicals	<b>7,941</b>	7,341	6,136	4,715	5,203	<b>66,081</b>
Specialty plastics	<b>3,660</b>	4,519	2,988	2,226	1,790	<b>30,456</b>
Other operations	<b>2,870</b>	2,454	1,651	2,046	(348)	<b>23,882</b>
Construction Related	<b>1,081</b>	833	1,038	1,114	(387)	<b>8,995</b>
Other	<b>1,789</b>	1,621	613	932	39	<b>14,887</b>
Elimination or corporate	<b>(360)</b>	212	(186)	(1,051)	(658)	<b>2,995</b>
Net income	<b>9,195</b>	7,365	3,212	1,460	692	<b>76,516</b>
Capital expenditure	<b>17,557</b>	16,468	19,984	14,360	14,076	<b>146,101</b>
Depreciation	<b>8,261</b>	9,096	8,882	9,580	10,266	<b>68,744</b>
R&D expenses	<b>4,978</b>	4,586	4,389	5,080	5,502	<b>41,424</b>
Advanced materials	<b>1,864</b>	1,727	1,756	1,933	1,741	<b>15,511</b>
Specialty chemicals	<b>1,947</b>	1,846	1,731	2,293	2,765	<b>16,202</b>
Specialty plastics	<b>1,167</b>	1,012	900	853	996	<b>9,711</b>
Other operations	<b>—</b>	—	—	—	—	<b>—</b>
Cash flows from operating activities	<b>12,533</b>	14,058	10,246	12,144	12,509	<b>104,293</b>
Cash flows from investing activities	<b>(18,766)</b>	(20,444)	(19,595)	(14,169)	(11,432)	<b>(156,162)</b>
Cash flows from financing activities	<b>5,042</b>	4,673	10,264	370	2,720	<b>41,957</b>
<b>Year-end:</b>						
Total assets	<b>¥249,697</b>	¥224,459	¥205,284	¥186,223	¥181,753	<b>\$2,077,864</b>
Net assets	<b>120,624</b>	106,190	96,211	88,554	89,500	<b>1,003,777</b>
Interest-bearing debt	<b>86,636</b>	77,225	68,448	56,683	54,885	<b>720,945</b>
			Yen			U.S. dollars
<b>Amounts per share:</b>						
Net income – basic	<b>¥ 53.53</b>	¥ 42.87	¥ 18.71	¥ 8.51	¥ 3.97	<b>\$ 0.44</b>
Net assets	<b>687.80</b>	604.00	546.69	510.37	517.47	<b>5.72</b>
Cash dividends	<b>12</b>	11	10	10	10	<b>0.10</b>
			Percent			
<b>Ratios:</b>						
Operating income to net sales	<b>9.7%</b>	8.0%	6.5%	6.6%	4.8%	
Net income to net sales	<b>6.1</b>	5.0	2.5	1.1	0.5	
Return on equity	<b>8.3</b>	7.5	3.5	1.7	0.7	
Return on assets	<b>6.5</b>	5.7	3.4	4.3	3.1	
Equity ratio	<b>47.3</b>	46.2	45.7	47.0	48.9	

Notes: 1. For convenience only, U.S. dollar amounts have been translated from Japanese yen at the rate of ¥120.17 to US\$1, the rate of exchange prevailing on the Tokyo Foreign Exchange Market on March 31, 2015.

2. For amounts per share, see Note 21 of the Notes to Consolidated Financial Statements.

## Business environment

During the fiscal year ended March 31, 2015, although there were concerns about a deceleration in the Japanese economy due to rising costs as a result of a weaker yen, a moderate recovery trend is continuing overall due to continued low oil prices and signs of a recovery in personal consumption after the consumption tax hike. With regard to the world economy, although the European economy stagnated and growth in China slowed, the economy of the United States remained solid. Thus, there were signs of improvement of management environment of the Company.

## Analysis of business results

Net sales in the subject fiscal year increased ¥2,058 million year-on-year to ¥150,182 million. Gross profit increased ¥3,378 million to ¥42,467 million, and the gross profit margin increased from 26.4% in the previous fiscal year to 28.3%. Selling, general and administrative expenses increased ¥728 million from the previous fiscal year to ¥27,916 million. Operating income increased ¥2,649 million year-on-year to ¥14,551 million. The operating income ratio increased from 8.0% in the previous fiscal year to 9.7%.

Other expenses (net of other income) for the fiscal year ended March 31, 2015 amounted to ¥874 million, an increase of ¥569 million from the previous fiscal year. As a result of the above, ordinary income increased ¥3,218 million to ¥15,426 million. The ordinary income ratio increased from 8.2% in the previous fiscal year to 10.3%. Income before income taxes and minority interests increased ¥2,964 million to ¥13,593 million.

Total income taxes amounted to ¥4,429 million. Minority interests amounted to ¥32 million of loss. As a result, net income increased ¥1,830 million from the previous fiscal year to ¥9,195 million.

## Cash flow analysis

The balance of cash and cash equivalents at the end of the subject fiscal year (March 31, 2015) amounted to ¥7,772 million, a decrease of ¥953 million from the end of the previous fiscal year (March 31, 2014). An outline of individual cash flows and the main factors affecting each is as follow:

### Cash flow from operating activities

Net cash provided by operating activities amounted to ¥12,533 million, a decrease of ¥1,525 million from the previous fiscal year. This was mainly due to a decrease in depreciation and trade notes and accounts payable and an increase in inventories and income taxes paid, while income before income taxes and minority interests increased and trade notes and accounts receivable decreased.

### Cash flow from investment activities

Net cash used in investment activities amounted to ¥18,766 million, a decrease of ¥1,677 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.

### Cash flow from financing activities

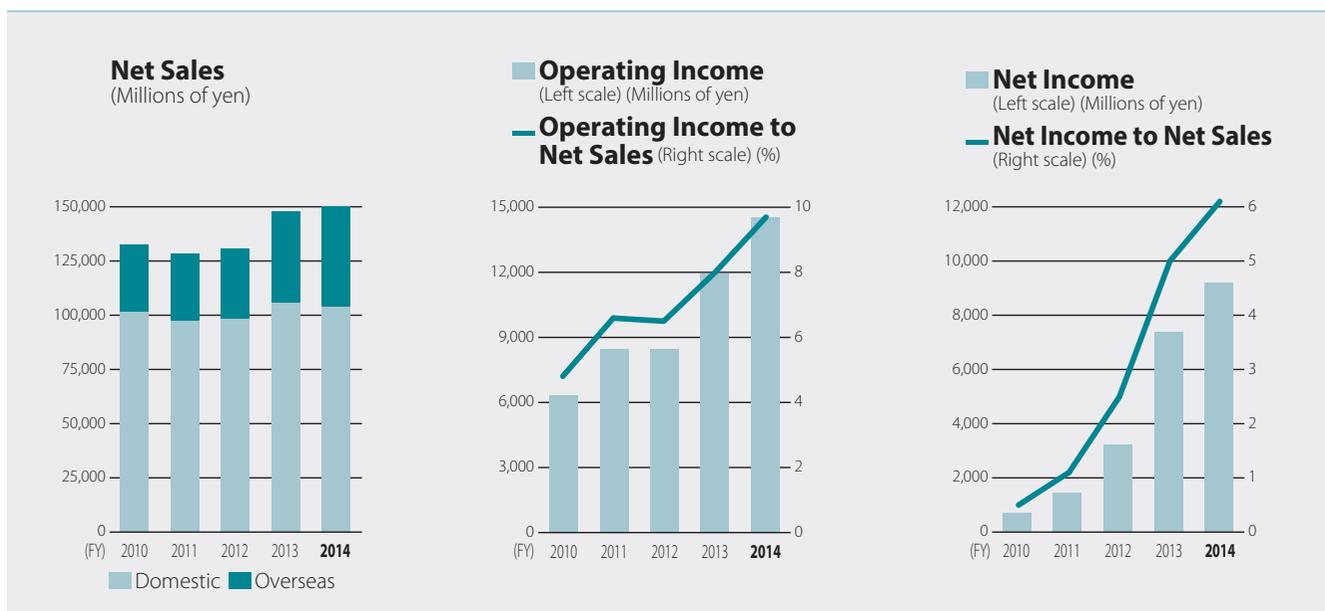
Net cash provided by financing activities amounted to ¥5,042 million, an increase of ¥369 million from the previous fiscal year. This was mainly because of procurement of funds via the issuance of corporate bonds, while funds procured from commercial paper redemption and long-term debt decreased.

## 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.

## Balance sheet analysis

As of March 31, 2015, total assets amounted to ¥249,697 million, an increase of ¥25,237 million from the end of the previous fiscal year (March 31, 2014). Current assets totaled ¥75,949 million, an increase of ¥2,520 million from the end of



the previous fiscal year. This was mainly due to an increase in inventories. Property, plant and equipment, net totaled ¥123,185 million, up ¥11,501 million from a year earlier, due mainly to capital expenditure at the Iwaki Factory.

Total liabilities at the end of the subject fiscal year amounted to ¥129,072 million, an increase of ¥10,804 million from the end of the previous fiscal year. This was mainly because interest-bearing debt increased ¥9,410 million from the end of the previous fiscal year to ¥86,636 million as a result of an increase in loans payable, etc.

Total net assets for the subject fiscal year amounted to ¥120,624 million, an increase of ¥14,433 million from the end of the previous fiscal year. This mainly resulted from net income of ¥9,195 million, dividends paid of ¥1,975 million from retained earnings, an increase in unrealized gain on available-for-sale securities and translation adjustments, and a decrease of ¥1,048 million in capital surplus as a result of a change in the accounting periods of overseas consolidated subsidiaries.

## 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, 2015 amounted to ¥17,557 million.

### Capital expenditure by business division:

The Advanced Materials Division invested ¥3,596 million, mainly for PVDF (polyvinylidene fluoride) resin production facilities (Kureha and Kureha (Changshu) Fluoropolymers Co., Ltd.), etc.

The Specialty Chemicals Division invested ¥1,713 million, primarily on production facilities for organic chemicals (Kureha).

The Specialty Plastics Division invested ¥5,205 million, primarily for manufacturing facilities for polyvinylidene chloride resin (Kureha).

The Construction Related Division invested ¥31 million.

The Other Operations Division invested ¥1,217 million, mainly on industrial waste processing facilities (Kureha Ecology Management Co., Ltd.).

In addition, as a joint initiative, the Advanced Materials,

Specialty Chemicals, and Specialty Plastics Divisions invested ¥5,791 million in such areas as research and development facilities (Kureha), and private power plant facilities (Kureha).

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

## Business and other risks

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

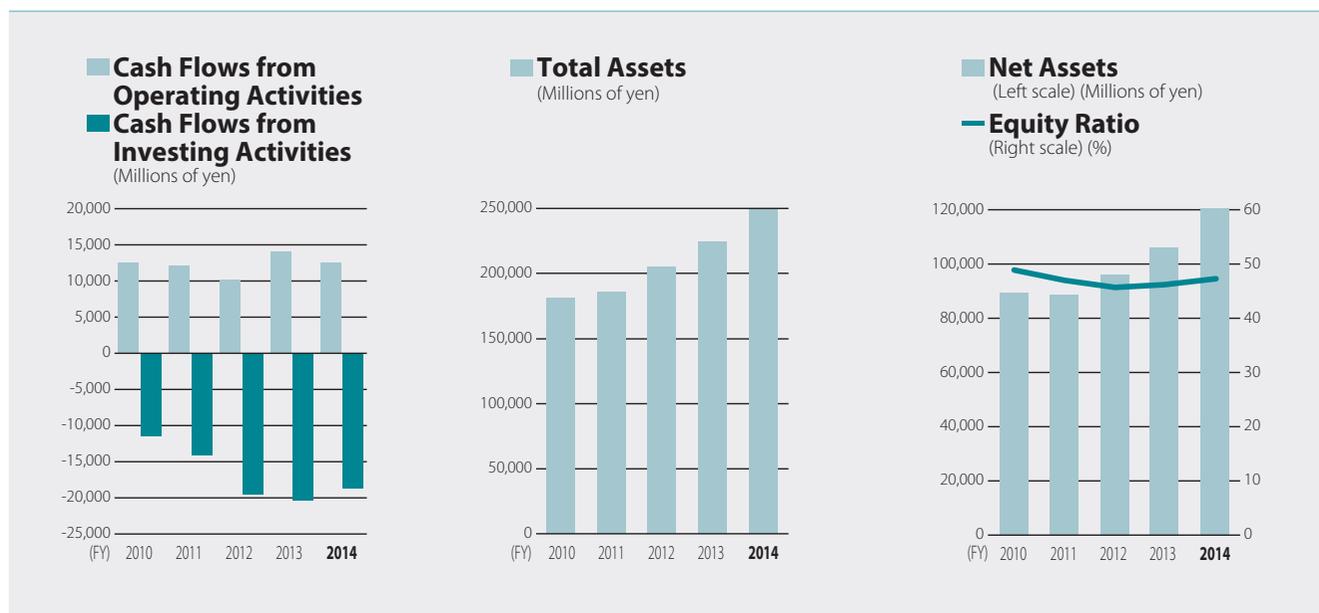
Forward-looking statements in this text are based on evaluations made at the time of the Company's securities report filing (June 24, 2015).

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

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

### (2) Changes in fuel and raw material prices

Raw materials such as naphtha and coal used by the Kureha Group, as well as fuel, are susceptible to changes in market conditions. As a result, changes such as an increase in the price of these raw materials, or the inability to shift the additional cost to product prices in a



timely and appropriate manner, could have a negative effect on the Group's operating results and financial position.

*(3) Product liability*

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

*(4) The Specialty Chemicals Division's pharmaceutical business*

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

*(5) Country risks for overseas businesses*

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

*(6) Currency fluctuations*

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

*(7) Investment securities*

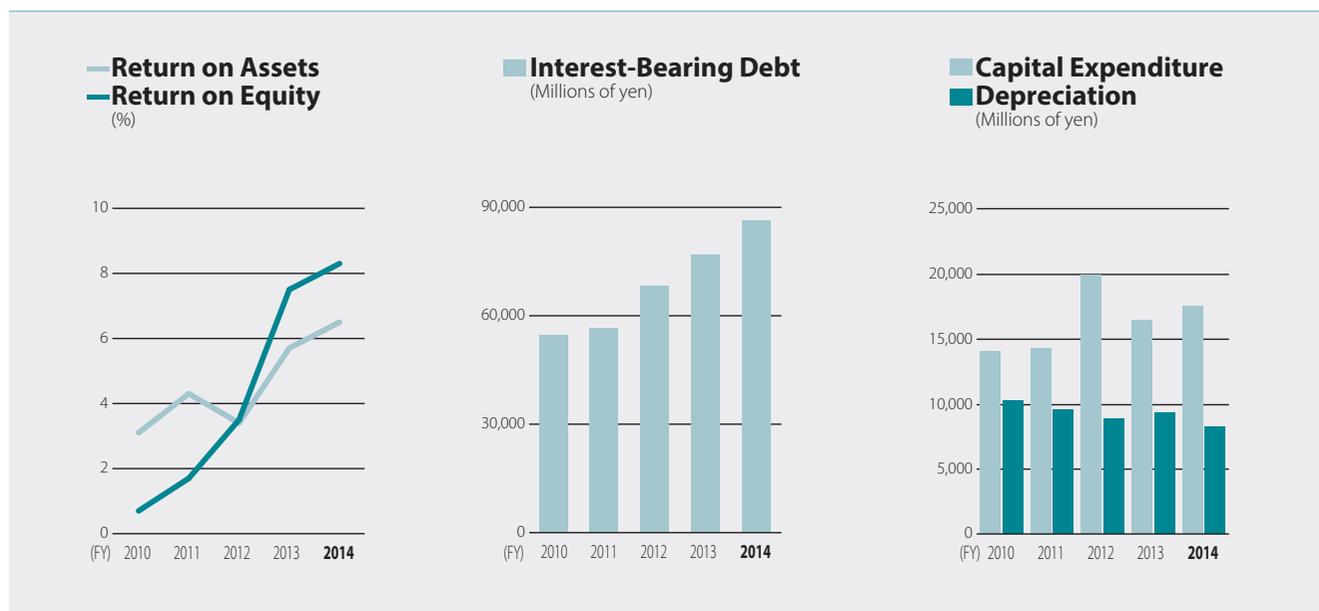
Of the ¥40,138 million in investment in securities, the Kureha Group held a total of ¥26,960 million for the purpose of long-term holdings (10.8% of total assets on a consolidated basis) as of the end of the subject fiscal year. Significant changes in market prices, or in the financial position of the 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, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 2)
	FY2014	FY2013	FY2014
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and time deposits (Notes 5 & 7)	¥ 7,772	¥ 8,726	\$ 64,675
Trade notes and accounts receivable (Notes 7 & 19)	28,984	30,445	241,191
Inventories (Note 6)	32,775	28,101	272,738
Deferred tax assets (Note 13)	2,506	2,680	20,853
Others (Note 7)	4,102	3,591	34,134
Less: Allowance for doubtful accounts (Note 7)	(192)	(118)	(1,597)
Total current assets	75,949	73,429	632,012
<b>Property, plant and equipment, net:</b>			
Buildings and structures (Note 10)	39,198	33,378	326,187
Machinery, equipment and vehicles (Note 10)	49,514	39,178	412,032
Land (Note 10)	13,264	13,198	110,376
Construction in progress	18,123	23,426	150,811
Others	3,085	2,501	25,671
Total property, plant and equipment, net	123,185	111,684	1,025,089
<b>Investments and other assets:</b>			
Investments in securities (Notes 7, 8 & 10)	40,138	31,682	334,010
Long-term loans (Note 7)	1,975	2,070	16,435
Net defined benefit asset (Note 12)	2,415	34	20,096
Deferred tax assets (Note 13)	1,787	1,524	14,870
Others	4,375	4,170	36,406
Less: Allowance for doubtful accounts	(129)	(138)	(1,073)
Total investments and other assets	50,562	39,345	420,753
<b>Total assets (Note 23)</b>	<b>¥249,697</b>	<b>¥224,459</b>	<b>\$2,077,864</b>

The accompanying notes are an integral part of these statements.

FY2014 and FY2013 refer to the fiscal years ended March 31, 2015 and 2014, respectively.

	Millions of yen		Thousands of U.S. dollars (Note 2)
	FY2014	FY2013	FY2014
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current liabilities:</b>			
Trade notes and accounts payable (Notes 7 & 10)	¥ 13,766	¥ 16,453	\$ 114,554
Short-term loans payable including current portion of long-term debt (Notes 7, 9 & 10)	34,866	18,606	290,138
Other payables (Note 7)	7,247	6,149	60,306
Accrued income taxes (Note 13)	2,430	2,526	20,221
Accrued expenses	5,734	5,347	47,715
Accrued bonuses	2,909	2,591	24,207
Reserve for environmental measures	21	21	174
Others (Notes 7, 13 & 19)	3,285	5,340	27,336
Total current liabilities	70,262	57,037	584,688
<b>Long-term liabilities:</b>			
Long-term debt (Notes 7, 9, 10 & 19)	51,770	56,619	430,806
Deferred tax liabilities (Note 13)	4,125	1,836	34,326
Retirement allowance for directors and corporate auditors	229	284	1,905
Reserve for environmental measures	374	437	3,112
Net defined benefit liability (Note 12)	550	440	4,576
Asset retirement obligations	804	792	6,690
Others	955	819	7,947
Total long-term liabilities	58,810	61,231	489,390
Total liabilities	129,072	118,268	1,074,078
<b>Net assets:</b>			
<b>Shareholders' equity (Note 22):</b>			
Capital, non par value			
Authorized: March 31, 2015 and 2014 – 600,000,000 shares			
Issued: March 31, 2015 and 2014 – 181,683,909 shares	12,460	12,460	103,686
Capital surplus	10,013	10,013	83,323
Retained earnings	84,163	78,289	700,366
Less: Treasury stock, at cost	(4,487)	(4,483)	(37,338)
Total shareholders' equity	102,150	96,279	850,045
<b>Accumulated other comprehensive income (loss):</b>			
Unrealized gain on available-for-sale securities (Note 8)	9,352	5,649	77,823
Deferred loss on hedges (Note 19)	(5)	(17)	(41)
Translation adjustments	7,272	3,621	60,514
Remeasurements of defined benefit plans (Note 12)	(615)	(1,771)	(5,117)
Total accumulated other comprehensive income	16,002	7,481	133,161
<b>Stock acquisition rights (Note 15)</b>	<b>68</b>	<b>51</b>	<b>565</b>
<b>Minority interests</b>	<b>2,403</b>	<b>2,378</b>	<b>19,996</b>
Total net assets	120,624	106,190	1,003,777
<b>Total liabilities and net assets</b>	<b>¥249,697</b>	<b>¥224,459</b>	<b>\$2,077,864</b>

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, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 2)
	FY2014	FY2013	FY2014
<b>Net sales</b> (Note 23)	¥ 150,182	¥ 148,124	\$ 1,249,746
<b>Cost of sales</b>	107,714	109,034	896,346
Gross profit	42,467	39,089	353,391
<b>Selling, general and administrative expenses</b> (Note 16)	27,916	27,187	232,304
Operating income (Note 23)	14,551	11,902	121,086
<b>Other income (expenses):</b>			
Interest and dividend income	678	660	5,642
Interest expense	(701)	(732)	(5,833)
Foreign exchange gains	912	761	7,589
Compensation income	314	77	2,612
Gain on sales of investments in securities (Note 8)	70	193	582
Gain on sales of property, plant and equipment (Note 17)	37	15	307
Subsidy income	—	477	—
Loss on disposal and sales of property, plant and equipment (Note 17)	(1,063)	(1,183)	(8,845)
Loss on liquidation of subsidiaries (Note 18)	(751)	—	(6,249)
Loss on valuation of investments in capital	(399)	—	(3,320)
Advanced depreciation of property, plant and equipment	—	(424)	—
Loss on debt waiver of receivables from affiliates	—	(300)	—
Impairment loss (Note 18)	—	(133)	—
Loss due to disaster	—	(117)	—
Other, net	(56)	(570)	(466)
Other expenses, net	(958)	(1,273)	(7,972)
<b>Income before income taxes and minority interests</b>	13,593	10,629	113,114
<b>Income taxes</b> (Note 13):			
Current	4,061	3,647	33,793
Deferred	367	(624)	3,054
Total income taxes	4,429	3,023	36,856
<b>Net income before minority interests</b>	9,163	7,605	76,250
<b>Minority interests</b>	(32)	240	(266)
<b>Net income</b>	¥ 9,195	¥ 7,365	\$ 76,516

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, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 2)
	FY2014	FY2013	FY2014
<b>Net income before minority interests</b>	¥ 9,163	¥ 7,605	\$ 76,250
<b>Other comprehensive income:</b>			
Unrealized gain on available-for-sale securities	3,761	33	31,297
Deferred gain on hedges	8	15	66
Translation adjustments	4,223	5,396	35,141
Remeasurements of defined benefit plans (Note 12)	1,166	—	9,702
Share of other comprehensive income in affiliates	285	580	2,371
Total other comprehensive income (Note 20)	9,444	6,026	78,588
<b>Comprehensive income</b>	¥18,608	¥13,632	\$154,847
<b>Comprehensive income attributable to:</b>			
Owners of parent	¥18,529	¥13,314	\$154,189
Owners of minority interests	78	317	649

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, 2015

Millions of yen

	Shareholders' equity					
	Number of common stock	Capital	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
<b>BALANCE-APRIL 1, 2014</b>	181,683,909	¥12,460	¥10,013	¥78,289	¥(4,483)	¥ 96,279
Cumulative effects of changes in accounting policies		—	—	(276)	—	(276)
Restated balance		12,460	10,013	78,012	(4,483)	96,002
Changes in retained earnings resulting from merger of consolidated subsidiaries and unconsolidated subsidiaries		—	—	(23)	—	(23)
Effect of fiscal year change of consolidated subsidiaries		—	—	(1,048)	—	(1,048)
Dividends paid		—	—	(1,975)	—	(1,975)
Net income		—	—	9,195	—	9,195
Acquisition of treasury stock		—	—	—	(4)	(4)
Others		—	—	2	—	2
Net changes of items other than shareholders' equity		—	—	—	—	—
<b>BALANCE-MARCH 31, 2015</b>	181,683,909	¥12,460	¥10,013	¥84,163	¥(4,487)	¥102,150

## 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	Minority interests	Total net assets
<b>BALANCE-APRIL 1, 2014</b>	¥5,649	¥(17)	¥3,621	¥(1,771)	¥ 7,481	¥51	¥2,378	¥106,190
Cumulative effects of changes in accounting policies	—	—	—	—	—	—	2	(274)
Restated balance	5,649	(17)	3,621	(1,771)	7,481	51	2,380	105,916
Changes in retained earnings resulting from merger of consolidated subsidiaries and unconsolidated subsidiaries	—	—	—	—	—	—	—	(23)
Effect of fiscal year change of consolidated subsidiaries	—	—	—	—	—	—	—	(1,048)
Dividends paid	—	—	—	—	—	—	—	(1,975)
Net income	—	—	—	—	—	—	—	9,195
Acquisition of treasury stock	—	—	—	—	—	—	—	(4)
Others	—	—	—	—	—	—	—	2
Net changes of items other than shareholders' equity	3,703	11	3,650	1,155	8,521	16	22	8,560
<b>BALANCE-MARCH 31, 2015</b>	¥9,352	¥ (5)	¥7,272	¥ (615)	¥16,002	¥68	¥2,403	¥120,624

Thousands of U.S. dollars (Note 2)

	Shareholders' equity				
	Capital	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
<b>BALANCE-APRIL 1, 2014</b>	\$103,686	\$83,323	\$651,485	\$(37,305)	\$801,189
Cumulative effects of changes in accounting policies	—	—	(2,296)	—	(2,296)
Restated balance	103,686	83,323	649,180	(37,305)	798,884
Changes in retained earnings resulting from merger of consolidated subsidiaries and unconsolidated subsidiaries	—	—	(191)	—	(191)
Effect of fiscal year change of consolidated subsidiaries	—	—	(8,720)	—	(8,720)
Dividends paid	—	—	(16,435)	—	(16,435)
Net income	—	—	76,516	—	76,516
Acquisition of treasury stock	—	—	—	(33)	(33)
Others	—	—	16	—	16
Net changes of items other than shareholders' equity	—	—	—	—	—
<b>BALANCE-MARCH 31, 2015</b>	\$103,686	\$83,323	\$700,366	\$(37,338)	\$850,045

## 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	Minority interests	Total net assets
<b>BALANCE-APRIL 1, 2014</b>	\$47,008	\$(141)	\$30,132	\$(14,737)	\$ 62,253	\$424	\$19,788	\$ 883,664
Cumulative effects of changes in accounting policies	—	—	—	—	—	—	16	(2,280)
Restated balance	47,008	(141)	30,132	(14,737)	62,253	424	19,805	881,384
Changes in retained earnings resulting from merger of consolidated subsidiaries and unconsolidated subsidiaries	—	—	—	—	—	—	—	(191)
Effect of fiscal year change of consolidated subsidiaries	—	—	—	—	—	—	—	(8,720)
Dividends paid	—	—	—	—	—	—	—	(16,435)
Net income	—	—	—	—	—	—	—	76,516
Acquisition of treasury stock	—	—	—	—	—	—	—	(33)
Others	—	—	—	—	—	—	—	16
Net changes of items other than shareholders' equity	30,814	91	30,373	9,611	70,907	133	183	71,232
<b>BALANCE-MARCH 31, 2015</b>	\$77,823	\$ (41)	\$60,514	\$ (5,117)	\$133,161	\$565	\$19,996	\$1,003,777

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, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 2)
	FY2014	FY2013	FY2014
<b>Cash flows from operating activities:</b>			
Income before income taxes and minority interests	¥ 13,593	¥ 10,629	\$ 113,114
Adjustments for:			
Impairment loss	—	133	—
Loss on liquidation of subsidiaries	660	—	5,492
Depreciation	8,261	9,320	68,744
Amortization of goodwill	3	34	24
Increase (decrease) in allowance for doubtful accounts	36	(15)	299
Increase in net defined benefit asset	(805)	(656)	(6,698)
Decrease in net defined benefit liability	(26)	(66)	(216)
Decrease in retirement allowance for directors and corporate auditors	(55)	(57)	(457)
Decrease in provision for environmental measures	(62)	(15)	(515)
Interest and dividend income	(678)	(661)	(5,642)
Interest expense	701	732	5,833
Loss on disposal and sales of property, plant and equipment	1,025	1,167	8,529
Loss on valuation of investments in capital	399	—	3,320
Gain on sales of investments in securities	(70)	(193)	(582)
Decrease (increase) in trade notes and accounts receivable	739	(2,278)	6,149
Increase in inventories	(4,350)	(1,895)	(36,198)
Increase in other assets	(1,132)	(177)	(9,419)
Decrease in trade notes and accounts payable	(2,437)	(315)	(20,279)
Increase in other liabilities	904	919	7,522
Other, net	(1,077)	(355)	(8,962)
Subtotal	15,629	16,248	130,057
Dividends and interest received	1,677	1,525	13,955
Interest paid	(690)	(737)	(5,741)
Income taxes paid	(4,082)	(2,978)	(33,968)
Net cash provided by operating activities	12,533	14,058	104,293
<b>Cash flows from investing activities:</b>			
Payments for purchases of property, plant and equipment	(16,051)	(18,056)	(133,569)
Proceeds from sales of property, plant and equipment	127	72	1,056
Payments for disposal of property, plant and equipment	(698)	(772)	(5,808)
Purchase of investments in securities	(377)	(2,446)	(3,137)
Proceeds from sales of investments in securities	215	1,161	1,789
Payments of loans receivable	(20)	(332)	(166)
Proceeds from collection of loans receivable	117	175	973
Purchase of shares in subsidiaries	(10)	(244)	(83)
Payments for investments in capital	(2,168)	—	(18,041)
Other, net	100	(0)	832
Net cash used in investing activities	(18,766)	(20,444)	(156,162)
<b>Cash flows from financing activities:</b>			
Net (decrease) increase in commercial paper	(2,000)	2,000	(16,643)
Net increase in short-term loans payable	2,463	1,759	20,495
Proceeds from long-term loans payable	5,236	9,598	43,571
Repayments of long-term loans payable	(5,441)	(6,826)	(45,277)
Proceeds from issuance of bonds	6,959	—	57,909
Proceeds from stock issuance to minority shareholders	—	33	—
Dividends paid	(1,975)	(1,717)	(16,435)
Dividends paid to minority shareholders	(37)	(12)	(307)
Other, net	(163)	(162)	(1,356)
Net cash provided by financing activities	5,042	4,673	41,957
<b>Effect of exchange rate changes on cash and cash equivalents</b>	375	381	3,120
<b>Net decrease in cash and cash equivalents</b>	(815)	(1,331)	(6,782)
<b>Cash and cash equivalents at beginning of year</b>	8,726	9,954	72,613
<b>Decrease in cash and cash equivalents resulting from fiscal year change of consolidated subsidiaries</b>	(166)	—	(1,381)
<b>Increase in cash and cash equivalents resulting from inclusion of consolidated subsidiaries</b>	—	102	—
<b>Increase in cash and cash equivalents resulting from consolidated subsidiaries' merger with unconsolidated subsidiaries</b>	28	—	233
<b>Cash and cash equivalents at end of year (Note 5)</b>	¥ 7,772	¥ 8,726	\$ 64,675

The accompanying notes are an integral part of these statements.



# Notes to Consolidated Financial Statements

Kureha Corporation and its Consolidated Subsidiaries  
For the fiscal years ended March 31, 2015 and 2014

## 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, 2015 and 2014, 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, 2015 and 2014 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 ¥120.17 to U.S. \$1, the rate of exchange prevailing as of March 31, 2015. 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 37 subsidiaries (36 in 2014) and one affiliate (one in 2014) as of March 31, 2015. The accounts of one subsidiary (one in 2014) and four affiliates (three in 2014) were not consolidated and not applied to equity method for the fiscal year ended March 31, 2015, 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.

The Company previously prepared consolidated financial statements using the financial statements of those foreign subsidiaries whose fiscal year end was December 31, as of that date, and adjusted as necessary for consolidation for major transactions which were executed during the three months between January 1 and March 31. However, beginning with the current fiscal year, to increase the appropriateness of the consolidated accounting information disclosure, the Company has changed the fiscal year end for ten companies, including KUREHA AMERICA INC. and KUREHA EUROPE B.V., to March 31, and adopted a new consolidation method with a tentative settlement as of March 31 for four companies including KUREHA (CHINA) INVESTMENT CO., LTD.

The results of all the subsidiaries affected by the above changes for the three months between January 1, 2014 and March 31, 2014 have been recognized directly in retained earnings.

## 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 except for leased assets*

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, 2015 and 2014 were ¥172,971 million (\$1,439,385 thousand) and ¥169,165 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 except for leased 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 “minority 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

### *Adoption of accounting standard and guidance related to retirement benefits*

The Company has adopted “Accounting Standard for Retirement Benefits” (the Accounting Standards Board of Japan (hereinafter “ASBJ”) Statement No. 26, May 17, 2012, hereinafter “Retirement Benefits Standard”) and “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, March 26, 2015, hereinafter “Retirement Benefits Guidance”) from the current fiscal year, with regard to Paragraph 35 of Retirement Benefits Standard and Paragraph 67 of Retirement Benefits Guidance.

Accordingly, the Company has revised the calculation method for retirement benefit obligations and service cost, and has changed the method of attributing the projected benefits to periods of services from the straight-line method to the benefit formula basis, and also changed the method of determining the discount rate from using the discount rate based on the terms closely related to the employees’ average remaining service years to using a single weighted average discount rate that reflects the estimated term and amount of benefit payments.

The Retirement Benefits Standard and other accounting methods are applied in accordance with the transitional provisions set forth in Paragraph 37 of the Retirement Benefits Standard, the effect of the change in calculation method for retirement benefit obligations and service cost is reflected as increase or decrease in retained earnings at the beginning of the current fiscal year.

The effect on the operating results, the financial position and per share information for the current fiscal year is immaterial.

## XII. Changes in accounting estimates

### *Changes in useful lives of property, plant and equipment*

The Group has been discussing whether to continuously adopt the previous useful life for a new large-scale manufacturing facility built during the current fiscal year. Since the implementation of ERP, the maintenance data for manufacturing plant has been systematically accumulated, enabling the Group to closely examine the maintenance condition and lifecycle of manufacturing plant, and proved that, irrespective of existing or new facility, maintenance technology has reasonably demonstrated to fulfill the function of manufacturing plants over a certain period. As a result, the Group has come to a decision that useful life should be changed based on this certain period. Accordingly, the Company and certain consolidated subsidiaries have reviewed the useful life of manufacturing plant included in “machinery, equipment and vehicles,” starting from the current fiscal year.

As a result of the review, compared to the previous method adopted, operating income and income before income taxes and minority interests for the current fiscal year increased by ¥1,014 million (\$8,438 thousand), respectively.

## 5. Cash and Cash Equivalents

The following table represents a reconciliation of cash and cash equivalents as of March 31, 2015 and 2014:

	Millions of yen		Thousands of U.S. dollars
	FY2014	FY2013	FY2014
Cash and time deposits	¥7,772	¥8,726	\$64,675
Cash and cash equivalents	7,772	8,726	64,675

## 6. Inventories

Inventories as of March 31, 2015 and 2014, respectively, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	FY2014	FY2013	FY2014
Finished products and merchandise	¥26,303	¥20,014	\$218,881
Work-in-process	1,144	2,776	9,519
Raw materials and supplies	5,327	5,311	44,328
Total	¥32,775	¥28,101	\$272,738

## 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 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 Euro are always within the balance of receivables in Euro.

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

Derivatives mainly include forward foreign currency contracts and interest-rate swaps, which are used to manage exposure to market risks from changes in foreign currency exchange rates of receivables and payables, and from changes in interest rates of bank loans. Please see Note 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 please 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, 2015 and 2014 were as follows:  
(This information excludes financial instruments whose fair value cannot be reliably determined)

	Millions of yen		
March 31, 2015	Carrying amount	Fair value	Unrealized gain/loss
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)	—

	Thousands of U.S. dollars		
March 31, 2015	Carrying amount	Fair value	Unrealized gain/loss
Cash and time deposits	\$ 64,675	\$ 64,675	\$ —
Trade notes and accounts receivable	241,191		
Allowance for doubtful accounts	(1,597)		
Sub-total	239,585	239,585	—
Investments in securities			
Available-for-sale securities	216,576	216,576	—
Long-term loans including current portion	17,225	18,440	1,214
Total assets	\$538,079	\$539,302	\$ 1,214
Trade notes and accounts payable	114,554	114,554	—
Short-term loans payable	150,570	150,570	—
Other payables	60,306	60,306	—
Bonds including current portion	224,681	226,529	(1,847)
Bonds with stock acquisition rights	124,823	154,314	(29,491)
Long-term loans payable including current portion	220,870	221,253	(382)
Total liabilities	\$895,814	\$927,544	\$(31,721)
Derivatives			
Not qualifying for hedge accounting	\$ (0)	\$ (0)	\$ —
Qualifying for hedge accounting	(74)	(74)	—

	Millions of yen		
March 31, 2014	Carrying amount	Fair value	Unrealized gain/loss
Cash and time deposits	¥ 8,726	¥ 8,726	¥ —
Trade notes and accounts receivable	30,445		
Allowance for doubtful accounts	(118)		
Sub-total	30,327	30,327	—
Investments in securities			
Available-for-sale securities	20,798	20,798	—
Long-term loans including current portion	2,163	2,311	148
Total assets	¥62,015	¥ 62,163	¥ 148
Trade notes and accounts payable	16,453	16,453	—
Short-term loans payable	13,849	13,849	—
Other payables	6,149	6,149	—
Bonds	20,000	20,431	(431)
Bonds with stock acquisition rights	15,000	18,975	(3,975)
Long-term loans payable including current portion	26,375	26,470	(95)
Total liabilities	¥97,828	¥102,329	¥(4,501)
Derivatives			
Not qualifying for hedge accounting	¥ (12)	¥ (12)	¥ —
Qualifying for hedge accounting	(28)	(28)	—

#### 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, 2015 and 2014

	Carrying amount		
	Millions of yen		Thousands of U.S. dollars
	FY2014	FY2013	FY2014
Investments in equity instruments that do not have a quoted market price in an active market	¥315	¥215	\$2,621

C) The aggregate annual maturities of monetary receivables as of March 31, 2015 and 2014

	Millions of yen			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
<b>March 31, 2015</b>				
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

	Thousands of U.S. dollars			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
<b>March 31, 2015</b>				
Cash and time deposits	\$ 64,675	\$ —	\$ —	\$ —
Trade notes and accounts receivable	241,191	—	—	—
Long-term loans	790	5,567	8,180	2,679
Total	\$306,665	\$5,567	\$8,180	\$2,679

	Millions of yen			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
<b>March 31, 2014</b>				
Cash and time deposits	¥ 8,726	¥ —	¥ —	¥ —
Trade notes and accounts receivable	30,445	—	—	—
Long-term loans	93	657	757	655
Total	¥39,265	¥657	¥757	¥655

D) The aggregate annual maturities of bonds and long-term loans payable as of March 31, 2015 and 2014

	Millions of yen					
	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
<b>March 31, 2015</b>						
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

	Thousands of U.S. dollars					
	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
<b>March 31, 2015</b>						
Bonds	\$ 83,215	\$ —	\$ 41,607	\$41,607	\$58,250	\$ —
Bonds with stock acquisition rights	—	—	124,823	—	—	—
Long-term loans payable	56,353	53,798	49,155	30,132	22,418	8,995
Total	\$139,568	\$53,798	\$215,586	\$71,740	\$80,669	\$8,995

Millions of yen

March 31, 2014	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	¥ —	¥10,000	¥ —	¥ 5,000	¥5,000	¥ —
Bonds with stock acquisition rights	—	—	—	15,000	—	—
Long-term loans payable	4,756	5,353	5,609	4,635	2,725	3,294
Total	¥4,756	¥15,353	¥5,609	¥24,635	¥7,725	¥3,294

## 8. Securities

Investments in unconsolidated subsidiaries and affiliates amount to ¥5,857 million (\$48,739 thousand) and ¥3,607 million as of March 31, 2015 and 2014, respectively.

The acquisition cost and carrying amount of available-for-sale securities whose fair value were available as of March 31, 2015 and 2014 were as follows:

Millions of yen

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

Thousands of U.S. dollars

March 31, 2015	Acquisition cost	Carrying amount	Unrealized gain (loss)
<b>Securities with unrealized gain:</b>			
Equity securities	\$ 84,705	\$201,972	\$117,267
Sub-total	84,705	201,972	117,267
<b>Securities with unrealized loss:</b>			
Equity securities	15,627	14,595	(1,023)
Sub-total	15,627	14,595	(1,023)
Total	\$100,332	\$216,576	\$116,235

Millions of yen

March 31, 2014	Acquisition cost	Carrying amount	Unrealized gain (loss)
<b>Securities with unrealized gain:</b>			
Equity securities	¥ 8,768	¥17,973	¥9,204
Sub-total	8,768	17,973	9,204
<b>Securities with unrealized loss:</b>			
Equity securities	3,157	2,824	(332)
Sub-total	3,157	2,824	(332)
Total	¥11,926	¥20,798	¥8,872

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, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2014	FY2013	FY2014
Proceeds from sales	¥215	¥1,161	\$1,789
Gross realized gain	70	193	582
Gross realized loss	—	—	—

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

Short-term loans payable and long-term debt as of March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	FY2014	FY2013	FY2014
Short-term loans payable with average interest rate of 0.88% in FY2014 and 0.82% in FY2013	¥18,094	¥13,849	\$150,570
Current portion of long-term loans payable with average interest rate of 0.92% in FY2014 and 1.24% in FY2013	6,772	4,756	56,353
Unsecured bonds maturing on June 17, 2015 with the interest rate of 2.06%	10,000	10,000	83,215
Unsecured bonds maturing on September 15, 2017 with the interest rate of 0.95%	5,000	5,000	41,607
Unsecured bonds maturing on October 19, 2018 with the interest rate of 0.82%	5,000	5,000	41,607
Unsecured bonds maturing on March 6, 2020 with the interest rate of 0.30%	7,000	—	58,250
Zero coupon convertible bonds due 2018 (bonds with stock acquisition rights) maturing on March 14, 2018 (Note 1)	15,000	15,000	124,823
Long-term loans payable maturing in 2016 through 2028 with average interest rate of 0.92% in FY2014 and 1.24% in FY2013	19,770	21,619	164,516
Total	¥86,636	¥75,225	\$720,945

(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 (\$3.60)
Aggregate amount of bond	¥15,000 million (\$124,823 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, 2015 were as follows:

Fiscal year ending March 31	Millions of yen	Thousands of U.S. dollars
2016	¥6,772	\$56,353
2017	6,465	53,798
2018	5,907	49,155
2019	3,621	30,132
2020	2,694	22,418

The aggregate annual maturities of lease obligations as of March 31, 2015 were as follows:

Fiscal year ending March 31	Millions of yen	Thousands of U.S. dollars
2016	¥162	\$1,348
2017	127	1,056
2018	89	740
2019	34	282
2020	18	149

Note: Average interest rate on lease obligations is omitted since above lease obligations recorded in the consolidated balance sheet as of March 31, 2015 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 ¥1,191 million (\$9,910 thousand) and ¥1,545 million as of March 31, 2015 and 2014, respectively:

	Millions of yen		Thousands of U.S. dollars
	FY2014	FY2013	FY2014
Buildings and structures	¥16,567	¥16,723	\$137,863
Machinery, equipment and vehicles	13,386	12,474	111,392
Land	3,897	3,897	32,429
Investments in securities	5,105	4,452	42,481
Total	¥38,956	¥37,548	\$324,174

## 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, 2015 and 2014 was as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2014	FY2013	FY2014
Total commitment available	¥10,973	¥11,179	\$91,312
Amount utilized	26	96	216
Balance available	¥10,947	¥11,082	\$91,095

## 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
	FY2014	FY2013	FY2014
Balance at beginning of fiscal year	¥20,345	¥20,718	\$169,301
Cumulative effects of changes in accounting policies	425	—	3,536
Restated balance	20,770	20,718	172,838
Service cost	1,092	917	9,087
Interest cost	238	359	1,980
Actuarial gain or loss	(186)	64	(1,547)
Benefits paid	(1,185)	(1,797)	(9,861)
Others	20	82	166
Balance at end of fiscal year	¥20,749	¥20,345	\$172,663

##### (ii) Change in plan assets

	Millions of yen		Thousands of U.S. dollars
	FY2014	FY2013	FY2014
Balance at beginning of fiscal year	¥19,939	¥18,252	\$165,923
Expected return on plan assets	462	385	3,844
Actuarial gain or loss	1,166	837	9,702
Employer contributions	2,181	2,188	18,149
Benefits paid	(1,148)	(1,777)	(9,553)
Others	12	53	99
Balance at end of fiscal year	¥22,614	¥19,939	\$188,183

(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
	FY2014	FY2013	FY2014
Funded retirement benefit obligations	¥ 20,467	¥ 20,086	\$ 170,317
Plan assets	(22,614)	(19,939)	(188,183)
	(2,147)	146	(17,866)
Unfunded retirement benefit obligations	282	259	2,346
Net amount of liability and asset recognized in the consolidated balance sheet	(1,864)	405	(15,511)
Net defined benefit liability	550	440	4,576
Net defined benefit asset	(2,415)	(34)	(20,096)
Net amount of liability and asset recognized in the consolidated balance sheet	¥ (1,864)	¥ 405	\$ (15,511)

(iv) Net pension expenses and their breakdown

	Millions of yen		Thousands of U.S. dollars
	FY2014	FY2013	FY2014
Service cost	¥1,092	¥ 917	\$ 9,087
Interest cost	238	359	1,980
Expected return on plan assets	(462)	(385)	(3,844)
Amortization of actuarial gain or loss	537	594	4,468
Net pension expenses	¥1,405	¥1,485	\$11,691

(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, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2014	FY2013	FY2014
Actuarial gain or loss	¥1,889	¥—	\$15,719
Total	¥1,889	¥—	\$15,719

(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, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2014	FY2013	FY2014
Unrecognized actuarial gain or loss	¥893	¥2,782	\$7,431
Total	¥893	¥2,782	\$7,431

(vii) Plan assets

(a) Percentage by major category of plans assets as of March 31, 2015 and 2014 were as follows:

	FY2014	FY2013
Bonds	62%	60%
Equities	24%	26%
General account	13%	13%
Others	1%	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, 2015 and 2014 were as follows (weighted average):

	FY2014	FY2013
Discount rate	1.1%	1.7%
Long-term expected rate of return on plan assets	2.3%	2.1%

B. Defined contribution pension plans

The amount to be paid by consolidated subsidiaries to the defined contribution pension plans was ¥21 million (\$174 thousand) and ¥15 million for the fiscal years ended March 31, 2015 and 2014, respectively.

### 13. Income Taxes

The significant components of deferred tax assets and liabilities as of March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2014	FY2013	FY2014
<b>Deferred tax assets:</b>			
Tax loss carried forward	¥ 7,460	¥ 6,307	\$ 62,078
Unrealized gain on fixed assets	1,392	1,134	11,583
Accrued bonuses	892	865	7,422
Accumulated depreciation	616	516	5,126
Loss on valuation of inventories	522	466	4,343
Others	4,034	3,877	33,569
Sub-total	14,917	13,167	124,132
Valuation allowance	(2,315)	(1,517)	(19,264)
Total deferred tax assets	12,602	11,649	104,868
<b>Deferred tax liabilities:</b>			
Shortfall in depreciation	(6,720)	(5,648)	(55,920)
Net unrealized gain on available-for-sale securities	(4,456)	(3,112)	(37,080)
Others	(1,260)	(527)	(10,485)
Total deferred tax liabilities	(12,437)	(9,287)	(103,495)
Net deferred tax assets	¥ 164	¥ 2,361	\$ 1,364

Deferred tax assets and liabilities as of March 31, 2015 and 2014 were presented as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2014	FY2013	FY2014
Current assets			
Deferred tax assets	¥ 2,506	¥ 2,680	\$ 20,853
Investments and other assets			
Deferred tax assets	1,787	1,524	14,870
Current liabilities			
Others	(3)	(5)	(24)
Long-term liabilities			
Deferred tax liabilities	(4,125)	(1,836)	(34,326)

Reconciliations of the difference between the statutory income tax rate and the effective income tax rate for the fiscal years ended March 31, 2015 and 2014 were as follows:

	FY2014	FY2013
<b>Statutory income tax rate:</b>	<b>35.38%</b>	37.75%
Expense not deductible for tax purpose	0.77	2.56
Non-taxable revenue	(0.80)	(1.37)
Tax credit for research and development costs	(6.71)	(7.29)
Valuation allowance	5.87	(1.69)
Decrease in deferred tax assets at the end of the fiscal year due to changes in tax rate	1.51	1.73
Others	(3.43)	(3.25)
Effective income tax rate	<b>32.59%</b>	28.44%

(Revisions to amounts of deferred tax assets and deferred tax liabilities due to change in rate of income taxes)

On March 31, 2015, "Partial Amendment of the Income Tax Act" and "Partial Amendment of the Local Tax Act" were promulgated. Accordingly, for temporary differences expected to be reversed on and after April 1, 2015, the effective tax rate applied to the calculation of deferred tax assets and liabilities for the current fiscal year has been lowered from 35.38% in the prior fiscal year to 32.83% for those expected to be collected or paid during the period from April 1, 2015 to March 31, 2016, and to 32.07% for those expected to be collected or paid on and after April 1, 2016, respectively.

As a result, the amount of deferred tax liabilities (after deducting deferred tax assets) decreased by ¥226 million (\$1,880 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 ¥205 million (\$1,705 thousand), ¥460 million (\$3,827 thousand), and ¥(29) million (\$(241) thousand), respectively.

#### 14. Commitments and Guarantee Liabilities

The Group guarantees employees' bank loans to the amounts of ¥59 million (\$490 thousand) and ¥86 million as of March 31, 2015 and 2014, respectively.

#### 15. 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, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars
	FY2014	FY2013	FY2014
Share-based compensation included in selling, general and administrative expenses:	¥16	¥16	\$133

##### II. Details of stock options, volume and activity

###### A) Detail of stock options

1 <sup>st</sup> Stock Option Plan	
Persons granted	8 directors of the Company
Number of stock options by type of shares	Common stock 47,500 shares
Grant date	July 18, 2007
Vesting conditions	<ul style="list-style-type: none"> <li>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 10<sup>th</sup> day.</li> <li>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.</li> <li>c. If the eligible director gives up the acquisition rights, he or she cannot exercise the stock options given up.</li> </ul>
Eligible service period	From June 27, 2007 to June 26, 2008
Exercise period	From July 18, 2007 to July 17, 2037

2 <sup>nd</sup> Stock Option Plan	
Persons granted	8 directors of the Company
Number of stock options by type of shares	Common stock 49,400 shares
Grant date	July 23, 2008
Vesting conditions	<ul style="list-style-type: none"> <li>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 10<sup>th</sup> day.</li> <li>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.</li> <li>c. If the eligible director gives up the acquisition rights, he or she cannot exercise the stock options given up.</li> </ul>

Eligible service period	From June 26, 2008 to June 25, 2009
Exercise period	From July 23, 2008 to July 22, 2038

#### 3<sup>rd</sup> 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	<ol style="list-style-type: none"> <li>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 10<sup>th</sup> day.</li> <li>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.</li> <li>If the eligible director gives up the acquisition rights, he or she cannot exercise the stock options given up.</li> </ol>
Eligible service period	From June 25, 2009 to June 24, 2010
Exercise period	From July 22, 2009 to July 21, 2039

#### 4<sup>th</sup> 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	<ol style="list-style-type: none"> <li>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 10<sup>th</sup> day.</li> <li>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.</li> <li>If the eligible director gives up the acquisition rights, he or she cannot exercise the stock options given up.</li> </ol>
Eligible service period	From June 25, 2010 to June 24, 2011
Exercise period	From July 21, 2010 to July 20, 2040

#### 5<sup>th</sup> 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	<ol style="list-style-type: none"> <li>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 10<sup>th</sup> day.</li> <li>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.</li> <li>If the eligible director gives up the acquisition rights, he or she cannot exercise the stock options given up.</li> </ol>
Eligible service period	From June 24, 2011 to June 23, 2012
Exercise period	From July 20, 2011 to July 19, 2041

6 <sup>th</sup> 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	<p>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 10<sup>th</sup> day.</p> <p>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.</p> <p>c. If the eligible director gives up the acquisition rights, he or she cannot exercise the stock options given up.</p>
Eligible service period	From June 26, 2012 to June 25, 2013
Exercise period	From July 18, 2012 to July 17, 2042

7 <sup>th</sup> 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	<p>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 10<sup>th</sup> day.</p> <p>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.</p> <p>c. If the eligible director gives up the acquisition rights, he or she cannot exercise the stock options given up.</p>
Eligible service period	From June 25, 2013 to June 24, 2014
Exercise period	From July 17, 2013 to July 16, 2043

8 <sup>th</sup> 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	<p>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 10<sup>th</sup> day.</p> <p>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.</p> <p>c. If the eligible director gives up the acquisition rights, he or she cannot exercise the stock options given up.</p>
Eligible service period	From June 25, 2014 to June 24, 2015
Exercise period	From July 16, 2014 to July 15, 2044

B) Volume and activity of stock options for the fiscal year ended March 31, 2015:

**Volume of stock options:**

Before vesting:	
As of March 31, 2014	162,200
Granted	33,900
Forfeited	—
Vested	—
Outstanding	196,100
After vesting:	
As of March 31, 2014	—
Vested	—
Exercised	—
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	—	—	—	—
Fair value at the date of grant	—	372	—	3.09

C) Valuation method for fair value of stock options:

The valuation method for fair value of stock options granted during the fiscal year ended March 31, 2015 is as follows:

Valuation method: Black-Scholes formula

Major basic numerical values and valuation method:

Stock price volatility	30.2%
Expected years to expiration	4.0 years
Expected dividends	¥11 (\$0.09) per share
Risk-free interest rate	0.11%

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.

## 16. Selling, General and Administrative Expenses

Major components of selling, general and administrative expenses for the fiscal years ended March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2014	FY2013	FY2014
Salaries, wages and bonuses	¥8,473	¥7,893	\$70,508
Provision for bonuses	849	790	7,064
Employees' retirement benefit expenses	650	644	5,409
Research and development expenses	4,842	4,528	40,292

## 17. 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, 2015 and 2014 were as follows

	Millions of yen		Thousands of U.S. dollars
	FY2014	FY2013	FY2014
<b>Gain on sales of property, plant and equipment:</b>			
Land	¥ 25	¥ 8	\$ 208
Machinery, equipment and vehicles	11	7	91
Total	¥ 37	¥ 15	\$ 307
<b>Loss on disposal of property, plant and equipment:</b>			
Buildings and structures	¥ 597	¥ 699	\$4,967
Machinery, equipment and vehicles	424	413	3,528
Others (tools, furniture and fixtures)	33	65	274
Total	¥1,055	¥1,177	\$8,779
<b>Loss on sales of property, plant and equipment:</b>			
Machinery, equipment and vehicles	¥ 8	¥ 5	\$ 66
Total	¥ 8	¥ 5	\$ 66

## 18. Impairment Loss

### 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	Locations	Type of assets	Millions of yen	Thousands of U.S. dollars
Manufacturing facility	Pennsylvania, the United States	Buildings	¥255	\$2,121
		Machinery and equipment	397	3,303
		Others	8	66

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 (\$5,492 thousand) 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.

### For the fiscal year ended March 31, 2014

The Group has recognized impairment loss for the following asset group for the fiscal year ended March 31, 2014.

Purpose of use	Location	Type of assets	Millions of yen
Idle assets	Tamba City, Hyogo Prefecture	Land	¥133

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

For the above mentioned idle asset for which the market value has been declining, the Group reduced it to the recoverable value and recognized the reduction as impairment loss of ¥133 million under other income (expenses). The recoverable value is measured by the net sales price, determined reasonably based on assessed value of fixed assets tax.

## 19. Derivatives and Hedging Activities

I. Derivative contracts to which hedge accounting is not applied as of March 31, 2015 and 2014 were as follows:

	Millions of yen					
	FY2014			FY2013		
	Contract amount	Fair value	Unrealized gain (loss)	Contract amount	Fair value	Unrealized gain (loss)
<b>Foreign exchange forward contracts:</b>						
<b>Selling:</b>						
U.S. dollars	¥1,127	¥(24)	¥(24)	¥1,693	¥(14)	¥(14)
Euro	906	25	25	154	(0)	(0)
<b>Buying:</b>						
U.S. dollars	458	(0)	(0)	483	2	2
Euro	—	—	—	198	0	0
British pounds	92	(2)	(2)	—	—	—
Chinese yuan	77	0	0	—	—	—
Total		¥ (0)	¥ (0)		¥(12)	¥(12)

	Thousands of U.S. dollars		
	FY2014		
	Contract amount	Fair value	Unrealized gain (loss)
<b>Foreign exchange forward contracts:</b>			
<b>Selling:</b>			
U.S. dollars	\$9,378	\$(199)	\$(199)
Euro	7,539	208	208
<b>Buying:</b>			
U.S. dollars	3,811	(0)	(0)
Euro	—	—	—
British pounds	765	(16)	(16)
Chinese yuan	640	0	0
Total		\$ (0)	\$ (0)

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, 2015 and 2014 were as follows:

A) Currency related

As of March 31, 2015

Not applicable.

As of March 31, 2014

Millions of yen					
Hedge accounting method	Classification of derivative contracts	Major hedged items	Contract amount	Contract amount over one year	Fair value
Principle processing method	Foreign exchange contract (selling) in Euro	Accounts receivable	¥2,300	¥—	¥(1)

Notes: 1. Fair value is calculated using the forward rates.

2. Contract amount is presented in full amount, and unrealized gain (loss) calculated using investment ratio is presented as fair value.

B) Interest rate related

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)	

As of March 31, 2015						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	\$5,292	\$1,764	\$(74)	

As of March 31, 2014						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	¥1,580	¥1,580	¥(26)	
Interest rate swaps meeting certain conditions	Interest rate swaps: (fixed rate payment, floating rate receipt)	Long-term loans payable	100	—	(Note 2)	
Total			¥1,680	¥1,580	¥(26)	

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, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2014	FY2013	FY2014
Unrealized gain on available-for-sale securities			
Amount for the fiscal year	¥ 5,174	¥ 205	\$ 43,055
Reclassification adjustment	(69)	(193)	(574)
Amount before tax effect	5,105	11	42,481
Tax effect amount	(1,344)	22	(11,184)
Unrealized gain on available-for-sale securities	3,761	33	31,297
Deferred gain on hedges			
Amount for the fiscal year	(6)	(14)	(49)
Reclassification adjustment	20	39	166
Amount before tax effect	13	24	108
Tax effect amount	(4)	(9)	(33)
Deferred gain on hedges	8	15	66
Translation adjustments			
Amount for the fiscal year	4,223	5,396	35,141
Remeasurements of defined benefit plans			
Amount for the fiscal year	1,352	—	11,250
Reclassification adjustment	537	—	4,468
Amount before tax effect	1,889	—	15,719
Tax effect amount	(723)	—	(6,016)
Remeasurements of defined benefit plans	1,166	—	9,702
Share of other comprehensive income in affiliates			
Amount for the fiscal year	285	580	2,371
Total other comprehensive income	¥ 9,444	¥6,026	\$ 78,588

## 21. Per Share Information

Net assets per share as of March 31, 2015 and 2014 and net income per share for the fiscal years then ended were as follows:

	Yen		U.S. dollars
	FY2014	FY2013	FY2014
Net assets per share	¥687.80	¥604.00	\$5.72
Basic net income per share	53.53	42.87	0.44
Diluted net income per share	44.51	35.65	0.37

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
	FY2014	FY2013	FY2014
Basic net income per share:			
Net income	¥9,195	¥7,365	\$76,516
Net income attributed to common stock	9,195	7,365	76,516
Weighted average number of common stock during the period	171,786,895	171,785,145	—
Diluted net income per share:			
Number of increased common stock used in computing diluted net income per share:			
Bonds with stock acquisition rights	34,823,223	34,799,522	—
Stock acquisition rights	34,642,032	34,642,032	—
Stock acquisition rights	181,191	157,490	—

## 22. Shareholders' Equity

### 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	<b>181,683,909</b>	—	—	<b>181,683,909</b>

#### II. Treasury stock

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

#### 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	<b>1,030</b>	<b>6.00</b>	March 31, 2014	June 3, 2014
October 21, 2014 Board of Directors	Common stock	<b>944</b>	<b>5.50</b>	September 30, 2014	December 2, 2014

Date of approval	Type of share	Amount (thousands of U.S. dollars)	Amount per share (U.S. dollars)	Measurement date	Effective Date
April 15, 2014 Board of Directors	Common stock	<b>8,571</b>	<b>0.04</b>	March 31, 2014	June 3, 2014
October 21, 2014 Board of Directors	Common stock	<b>7,855</b>	<b>0.04</b>	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	<b>1,116</b>	<b>6.50</b>	March 31, 2015	June 2, 2015

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 21, 2015 Board of Directors	Common stock	Retained Earnings	<b>9,286</b>	<b>0.05</b>	March 31, 2015	June 2, 2015

### For the fiscal year ended March 31, 2014

#### I. Issued stock

Type of share	Share at beginning of fiscal year	Increase	Decrease	Share at end of fiscal year
Common stock	<b>181,683,909</b>	—	—	<b>181,683,909</b>

#### II. Treasury stock

Type of share	Share at beginning of fiscal year	Increase	Decrease	Share at end of fiscal year
Common stock	<b>9,952,952</b>	9,932	69,880	<b>9,893,004</b>

#### III. Dividends

##### A) Dividends paid

Date of approval	Type of share	Amount (millions of yen)	Amount per share (yen)	Measurement date	Effective Date
April 23, 2013 Board of Directors	Common stock	<b>858</b>	<b>5.00</b>	March 31, 2013	June 4, 2013
October 15, 2013 Board of Directors	Common stock	<b>858</b>	<b>5.00</b>	September 30, 2013	December 3, 2013

## 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 15, 2014 Board of Directors	Common stock	Retained Earnings	<b>1,030</b>	<b>6.00</b>	March 31, 2014	June 3, 2014

## 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," and "Other operations" are 5 reportable segments.

Major products and services for each segment are as follows:

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

### 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.

As described in "Changes in accounting estimates," the useful life of manufacturing plant was revised from the current fiscal year. As a result of the review, compared to the previous method adopted, segment operating income for the current fiscal year for "Advanced materials," "Specialty chemicals" and "Specialty plastics" increased by ¥546 million (\$4,543 thousand), ¥278 million (\$2,313 thousand) and ¥187 million (\$1,556 thousand), respectively.

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

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

Thousands of U.S. dollars								
FY2014								
Reportable segment								
	Advanced materials	Specialty chemicals	Specialty plastics	Construction	Other operations	Total	Adjustment (Note 1)	Consolidated (Note 2)
<b>Net sales:</b>								
Outside customers	\$301,131	\$295,706	\$387,109	\$139,144	\$126,637	\$1,249,746	\$ —	\$1,249,746
Inter-segment	7,730	2,754	3,503	53,906	57,293	125,205	(125,205)	—
Total	308,862	298,460	390,621	193,059	183,939	1,374,952	(125,205)	1,249,746
Operating income	\$ 3,644	\$ 66,081	\$ 30,456	\$ 8,995	\$ 14,887	\$ 124,090	\$ (2,995)	\$ 121,086
Assets	\$734,384	\$211,408	\$386,968	\$ 86,577	\$112,282	\$1,531,655	\$ 546,209	\$2,077,864
Depreciation	26,770	7,214	13,597	882	6,540	55,013	13,730	68,744
Adjustment for increase in fixed assets	29,924	14,254	43,313	257	10,127	97,902	48,190	146,101

Millions of yen								
FY2013								
Reportable segment								
	Advanced materials	Specialty chemicals	Specialty plastics	Construction	Other operations	Total	Adjustment (Note 1)	Consolidated (Note 2)
<b>Net sales:</b>								
Outside customers	¥32,815	¥36,615	¥45,291	¥17,238	¥16,163	¥148,124	¥ —	¥148,124
Inter-segment	1,781	311	1,227	5,705	6,650	15,676	(15,676)	—
Total	34,596	36,926	46,519	22,943	22,814	163,800	(15,676)	148,124
Operating income (loss)	¥ (2,625)	¥ 7,341	¥ 4,519	¥ 833	¥ 1,621	¥ 11,689	¥ 212	¥ 11,902
Assets	¥81,360	¥22,028	¥42,973	¥10,394	¥13,684	¥170,441	¥ 54,017	¥224,459
Depreciation	3,918	1,111	1,608	116	744	7,499	1,596	9,096
Adjustment for increase in fixed assets	4,049	1,004	8,207	84	845	14,191	2,277	16,468

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 (loss) 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, 2015 and 2014 was summarized as follows:

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

Thousands of U.S. dollars					
FY2014					
	Japan	Europe	Asia	Other	Total
Sales	\$864,966	\$110,967	\$165,723	\$108,071	\$1,249,746

Millions of yen					
FY2013					
	Japan	Europe	Asia	Other	Total
Sales	¥105,588	¥12,712	¥14,184	¥15,638	¥148,124

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

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

Thousands of U.S. dollars				
FY2014				
	Japan	United States	Other	Total
Property, plant and equipment	\$723,807	\$165,032	\$136,240	\$1,025,089

Millions of yen				
FY2013				
	Japan	United States	Other	Total
Property, plant and equipment	¥78,431	¥19,438	¥13,814	¥111,684

Information on impairment loss of fixed assets by reportable segment for the fiscal years ended March 31, 2015 and 2014 was summarized as follows:

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

Thousands of U.S. dollars								
FY2014								
	Reportable segment					Total	Adjustment	Consolidated
	Advanced materials	Specialty chemicals	Specialty plastics	Construction	Other operations			
Impairment loss	\$5,492	\$—	\$—	\$—	\$—	\$5,492	\$—	\$5,492

Millions of yen								
FY2013								
	Reportable segment					Total	Adjustment	Consolidated
	Advanced materials	Specialty chemicals	Specialty plastics	Construction	Other operations			
Impairment loss	¥—	¥—	¥133	¥—	¥—	¥133	¥—	¥133

#### 24. Subsequent Events

The following appropriation of retained earnings has been approved by the general meeting of the Board of Directors held on April 21, 2015.

	Millions of yen	Thousands of U.S. dollars
Cash dividends at ¥6.50 (\$0.05) per share	¥1,116	\$9,286



## Major Subsidiaries and Affiliates

Country	Company Name	Major Business
Japan	Kureha Extech Co., Ltd.	Manufacture/sale of plastic film and products
	Kureha Gohsen Co., Ltd.	Manufacture/sale of plastic fiber and products
	Kureha Extron Co., Ltd.	Manufacture/sale of plastic products
	Kureha Battery Materials Japan Co., Ltd.	Sale of lithium-ion battery materials
	Kureha Unyu Co., Ltd.	Transportation and storage services
	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 Trading Co., Ltd.	Trading of chemical and plastic products
	Resinous Kasei Co., Ltd.	Manufacture/sale of advanced materials
	Kureha Service Co., Ltd.	Real estate, travel and welfare services for Kureha Group
	Kureha Staff Service Co., Ltd.	Recruiting and staffing services
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
China	Kureha (China) Investment Co., Ltd.	Holding company and finance
	Kureha Chemicals Shanghai Co., Ltd.	Manufacture/sale of carbon fiber products
	Kureha (Shanghai) Co., Ltd.	Sale of advanced products and packaging materials
	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
	Kureha Battery Materials Shanghai Inc.	Sale of lithium-ion battery materials
Vietnam	Kureha Vietnam Co., Ltd.	Manufacture/sale of food packaging films



# Investor Information

(As of March 31, 2015)

## 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	4,123 (As of March 2015)
Independent Auditor	ERNST & YOUNG SHINNIHON LLC

## Stock Information

Number of Shares of Common Stock Issued	181,683,909 shares
Number of Shareholders	14,814
Number of Shares Held by Foreign Shareholders	38,561,520 (21.2% of total)
Stock Exchange Listings	Tokyo Stock Exchange
Transfer Agent	Mizuho Trust & Banking Co., Ltd.

## Major Stockholders

Meiji Yasuda Life Insurance Company
Tokio Marine & Nichido Fire Insurance Co., Ltd.
The Master Trust Bank of Japan Ltd. (Trust account)
Daiichi Sankyo Company, Ltd.
Japan Trustee Services Bank, Ltd. (Trust account)
Mizuho Bank, Ltd.
The Nomura Trust and Banking Co., Ltd. (Trust account)
Japan Trustee Services Bank, Ltd. (9 trust accounts)
Mizuho Trust & Banking Co., Ltd.
BBH FOR BBHTSIA NOMURA FUNDS IRELAND PLC/JAPAN STRATEGIC VALUE FUND

Kureha Corporation  
Headquarters



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



KUREHA CORPORATION

