



KUREHA CORPORATION

3-3-2, Nihonbashi-Hamacho, Chuo-ku, Tokyo 103-8552, Japan

Consolidated Financial Results for the six months ended September 30, 2014 [Japanese GAAP]



1. Matters Related to Summary Information (Notes)

(1) Application of Special Accounting Method for Preparing Quarterly Financial Statements

(a) Deferral accounting of cost variance

Cost variance arising from seasonal changes in production level is deferred as current assets because such variance is expected to be eliminated by the end of the cost accounting period.

(b) Calculation of Income Taxes

Income taxes are calculated by multiplying the income before income taxes and minority interests for the six months ended September 30, 2014 by the estimated effective tax rate by taking into account the effective tax rate after the tax effect which will be imposed to the income before income taxes and minority interests of each group company for the current fiscal year.

(2) Changes in Accounting Policies, Changes in Accounting Estimates, and Restatement

(Changes in accounting policies)

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, May 17, 2012, hereinafter "Retirement Benefits Guidance") from the first quarter of the year ending March 31, 2015, 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 second quarter of the year ending March 31, 2015.

The effect on operating results and financial position for the second quarter of the year ending March 31, 2015 will be immaterial.

(Changes in accounting estimates)

The Group has been discussing whether to continuously adopt the previous useful life or not as it is expecting the installment of a new large-scale manufacturing facility during the fiscal year ending March 31, 2015. In addition, since the implementation of ERP, maintenance condition and lifecycle of manufacturing plant have been examined, triggered by the fact that the maintenance data for manufacturing plant has been systematically accumulated. As a result, irrespective of existing or new facility, maintenance technology has been reasonably demonstrated to fulfill the function of manufacturing plants over a certain period, which has led to the decision that useful life should be changed based on this certain period. Therefore, the Company and certain consolidated subsidiaries have reviewed the useful life of manufacturing plant included in “machinery, equipment and vehicles,” starting from the first quarter of the year ending March 31, 2015.

As a result of the review, compared to the previous method adopted, operating income and income before income taxes and minority interests increased ¥509 million, respectively.

The effect on segment information is described in the corresponding section.

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	Prior fiscal year (As of March 31, 2014)	Current second quarter (As of September 30, 2014)
ASSETS		
Current assets:		
Cash and time deposits	8,726	7,303
Trade notes and accounts receivable	30,445	30,973
Inventories	28,101	29,372
Others	6,272	7,648
Less: Allowance for doubtful accounts	(118)	(174)
Total current assets	73,429	75,125
Property, plant and equipment, net:		
Buildings and structures	33,378	33,717
Machinery, equipment and vehicles	39,178	39,534
Construction in progress	23,426	28,024
Others	15,700	16,088
Total property, plant and equipment, net	111,684	117,365
Investments and other assets:		
Investments in securities	21,747	23,455
Others	17,735	19,964
Less: Allowance for doubtful accounts	(138)	(227)
Total investments and other assets	39,345	43,193
Total assets	224,459	235,684

(Millions of yen)

	Prior fiscal year (As of March 31, 2014)	Current second quarter (As of September 30, 2014)
LIABILITIES AND NET ASSETS		
Current liabilities:		
Trade notes and accounts payable	16,453	15,843
Short-term loans payable including current portion of long-term debt	18,606	23,561
Accrued income taxes	2,526	1,908
Accrued bonuses	2,591	2,548
Reserve for environmental measures	21	21
Others	16,837	28,241
Total current liabilities	57,037	72,125
Long-term liabilities:		
Long-term debt	56,619	47,968
Retirement allowance for directors and corporate auditors	284	205
Reserve for environmental measures	437	437
Net defined benefit liability	440	498
Asset retirement obligations	792	798
Others	2,656	3,682
Total long-term liabilities	61,231	53,591
Total liabilities	118,268	125,716
Net assets:		
Shareholders' equity:		
Capital, non par value	12,460	12,460
Authorized: March 31 and September 30, 2014		
- 600,000,000 shares		
Issued: March 31 and September 30, 2014		
- 181,683,909 shares		
Capital surplus	10,013	10,013
Retained earnings	78,289	80,293
Less: Treasury stock, at cost	(4,483)	(4,485)
Total shareholders' equity	96,279	98,281
Accumulated other comprehensive income (loss):		
Unrealized gain on available-for-sale securities	5,649	6,637
Deferred loss on hedges	(17)	(8)
Translation adjustments	3,621	4,278
Remeasurements of defined benefit plans	(1,771)	(1,601)
Total accumulated other comprehensive income	7,481	9,305
Stock acquisition rights	51	60
Minority interests	2,378	2,321
Total net assets	106,190	109,968
Total liabilities and net assets	224,459	235,684

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income

(Millions of yen)

	Prior second quarter (From April 1, 2013 To September 30, 2013)	Current second quarter (From April 1, 2014 To September 30, 2014)
Net sales	67,723	73,449
Cost of sales	49,896	54,221
Gross profit	17,827	19,227
Selling, general and administrative expenses	12,977	13,471
Operating income	4,850	5,756
Other income (expenses):		
Interest and dividend income	339	348
Interest expense	(363)	(335)
Foreign exchange gains	637	376
Gain on sales of investments in securities	161	70
Compensation income	74	40
Subsidy income	91	—
Loss on disposal and sales of property, plant and equipment	(324)	(172)
Advanced depreciation of property, plant and equipment	(44)	—
Other, net	(298)	(102)
Other income, net	276	227
Income before income taxes and minority interests	5,126	5,982
Income taxes	1,677	1,636
Net income before minority interests	3,448	4,345
Minority interests	(55)	(37)
Net income	3,504	4,382

Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	Prior second quarter (From April 1, 2013 To September 30, 2013)	Current second quarter (From April 1, 2014 To September 30, 2014)
Net income before minority interests	3,448	4,345
Other comprehensive income (loss):		
Unrealized gain on available-for-sale securities	379	1,003
Deferred gain on hedges	21	5
Translation adjustments	3,301	1,664
Remeasurements of defined benefit plans	—	171
Share of other comprehensive income (loss) in affiliates	371	(175)
Total other comprehensive income	4,074	2,669
Comprehensive income	7,522	7,015
Comprehensive income attributable to:		
Owners of parent	7,528	7,018
Owners of minority interests	(5)	(3)

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes in the case of significant changes in shareholders' equity)

Not applicable.

(Segment information, etc.)

【Segment information】

I. Prior second quarter (From April 1, 2013 To September 30, 2013)

Information on net sales and income (loss) by reportable segment

(Millions of yen)								
	Reportable segment						Adjustment (Note 1)	Consolidated (Note 2)
	Advanced materials	Specialty chemicals	Specialty plastics	Construction related	Other	Total		
Net sales:								
Outside customers	15,967	17,342	20,522	6,492	7,398	67,723	—	67,723
Inter-segment	848	154	961	2,426	3,265	7,657	(7,657)	—
Total	16,816	17,497	21,484	8,918	10,663	75,380	(7,657)	67,723
Operating income (loss)	(1,362)	3,473	2,047	128	443	4,729	120	4,850

Notes: 1. Adjustment for segment operating income (loss) is due to inter-segment elimination.

2. Segment operating income (loss) is adjusted with operating income on the quarterly consolidated statements of income.

II. Current second quarter (From April 1, 2014 To September 30, 2014)

1. Information on net sales and income (loss) by reportable segment

(Millions of yen)								
	Reportable segment						Adjustment (Note 1)	Consolidated (Note 2)
	Advanced materials	Specialty chemicals	Specialty plastics	Construction related	Other	Total		
Net sales:								
Outside customers	18,168	17,779	22,981	7,361	7,158	73,449	—	73,449
Inter-segment	565	147	307	3,590	3,371	7,982	(7,982)	—
Total	18,733	17,926	23,289	10,952	10,530	81,432	(7,982)	73,449
Operating income (loss)	(398)	3,259	2,220	369	531	5,983	(226)	5,756

Notes: 1. Adjustment for segment operating income (loss) is due to inter-segment elimination.

2. Segment operating income (loss) is adjusted with operating income on the quarterly consolidated statements of income.

2. Matters related to changes in reportable segments

(Change in useful life)

As described in “Changes in accounting estimates,” the useful life of manufacturing plant was revised from the first quarter of the current fiscal year. As a result of the review, compared to the previous method adopted, segment operating income for the second quarter of the current fiscal year increased by ¥147 million in “Specialty chemicals” and increased by ¥63 million in “Specialty plastics,” while segment operating loss decreased by ¥297 million in “Advanced materials.”