



KUREHA CORPORATION

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

**Consolidated Financial Results
for the nine months ended December 31, 2015
[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 for the three months ended June 30, 2015 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 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 “Revised Accounting Standard for Business Combinations” (the Accounting Standards Board of Japan (hereinafter “ASBJ”) Statement No. 21, September 13, 2013, hereinafter “Business Combinations Accounting Standard”), “Revised Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013, hereinafter “Consolidation Accounting Standard”), “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013, hereinafter “Business Divestitures Accounting Standard”) and others effective from the first quarter of the fiscal year ending March 31, 2016. As a result, differences arising from changes in equity in subsidiaries over which the Company retains control are recognized as capital surplus, and acquisition-related costs are accounted for as expenses in the fiscal year in which the costs are incurred. For business combinations implemented at or after the beginning of the first quarter of the fiscal year ending March 31, 2016, adjustments to acquisition cost allocation due to the settlement of provisional accounting treatment are reflected in the quarterly financial statements for the quarter in which the business combination occurred. In addition, the presentation method of net income, etc. was amended, and the presentation method of minority interests was amended to non-controlling interests. To reflect these changes in presentation, adjustments have been made to the consolidated financial statements for the prior second quarter and the prior fiscal year presented herein.

The Business Combinations Accounting Standard and others have been prospectively adopted from the beginning of the first quarter of the fiscal year ending March 31, 2016, in accordance with the transitional provisions set forth in Paragraph 58-2 (4) of Business Combinations Accounting Standard, Paragraph 44-5 (4) of Consolidation Accounting Standard and Paragraph 57-4 (4) of Business Divestitures Accounting Standard.

The quarterly consolidated financial statements for the period from April 1, 2015 to September 30, 2015 were not affected by the changes above.

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	Prior fiscal year (As of March 31, 2015)	Current third quarter (As of December 31, 2015)
ASSETS		
Current assets:		
Cash and time deposits	7,772	8,224
Trade notes and accounts receivable	28,984	30,122
Inventories	32,775	34,773
Others	6,609	5,981
Less: Allowance for doubtful accounts	(192)	(210)
Total current assets	75,949	78,890
Property, plant and equipment, net:		
Buildings and structures	39,198	41,624
Machinery, equipment and vehicles	49,514	54,782
Construction in progress	18,123	5,446
Others	16,350	17,398
Total property, plant and equipment, net	123,185	119,252
Investments and other assets:		
Investments in securities	26,960	26,726
Others	23,731	21,039
Less: Allowance for doubtful accounts	(129)	(101)
Total investments and other assets	50,562	50,006
Total assets	249,697	248,150

(Millions of yen)

	Prior fiscal year (As of March 31, 2015)	Current third quarter (As of December 31, 2015)
LIABILITIES AND NET ASSETS		
Current liabilities:		
Trade notes and accounts payable	13,766	15,950
Short-term loans payable including current portion of long-term loans payable	24,866	31,019
Accrued income taxes	2,430	1,206
Accrued bonuses	2,909	1,271
Reserve for environmental measures	21	0
Others	26,268	19,360
Total current liabilities	70,262	68,807
Long-term liabilities:		
Long-term debt	51,770	48,247
Retirement allowance for directors and corporate auditors	229	224
Reserve for environmental measures	374	369
Net defined benefit liability	550	545
Asset retirement obligations	804	813
Others	5,081	5,376
Total long-term liabilities	58,810	55,577
Total liabilities	129,072	124,385
Net assets:		
Shareholders' equity:		
Capital, non par value	12,460	12,460
Authorized: March 31 and December 31, 2015		
- 600,000,000 shares		
Issued: March 31 and December 31, 2015		
- 181,683,909 shares		
Capital surplus	10,013	9,986
Retained earnings	84,163	86,900
Less: Treasury stock, at cost	(4,487)	(4,449)
Total shareholders' equity	102,150	104,897
Accumulated other comprehensive income (loss):		
Unrealized gain on available-for-sale securities	9,352	10,117
Deferred loss on hedges	(5)	(8)
Translation adjustments	7,272	6,887
Remeasurements of defined benefit plans	(615)	(459)
Total accumulated other comprehensive income	16,002	16,536
Stock acquisition rights	68	46
Non-controlling interests	2,403	2,285
Total net assets	120,624	123,764
Total liabilities and net assets	249,697	248,150

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

(Millions of yen)

	Prior third quarter (From April 1, 2014 To December 31, 2014)	Current third quarter (From April 1, 2015 To December 31, 2015)
Net sales	116,166	105,427
Cost of sales	82,561	75,542
Gross profit	33,605	29,884
Selling, general and administrative expenses	20,245	20,567
Operating income	13,359	9,317
Other income (expenses):		
Interest and dividend income	626	778
Interest expense	(531)	(475)
Foreign exchange gains (losses)	930	(335)
Compensation income	42	71
Loss on disposal and sales of property, plant and equipment	(473)	(632)
Gain on sales of investments in securities	70	2,159
Business Restructuring Charges	-	(3,242)
Other, net	(110)	(51)
Other income (expenses), net	554	(1,727)
Income before income taxes	13,913	7,589
Income taxes	3,728	2,859
Profit	10,184	<u>4,730</u> 2,859
Profit (loss) attributable to non-controlling interests	(27)	(96)
Profit attributable to owners of parent	10,212	4,827

Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	Prior thirdquarter (From April 1, 2014 To December31, 2014)	Current thirdquarter (From April 1, 2015 To December31, 2015)
Profit	10,184	4,730
Other comprehensive income (loss):		
Unrealized gain on available-for-sale securities	1,474	766
Deferred gain on hedges	38	(2)
Translation adjustments	4,555	(347)
Remeasurements of defined benefit plans	257	158
Share of other comprehensive income in affiliates	62	(54)
Total other comprehensive income (loss)	6,387	520
Comprehensive income	16,572	5,250
Comprehensive income attributable to:		
Owners of parent	16,521	5,360
Non-controlling interests	51	(109)

(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 third quarter (From April 1, 2014 to December 31, 2014)

Information on amount of 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	27,325	28,588	37,271	11,787	11,192	116,166	—	116,166
Inter-segment	764	239	382	4,778	5,044	11,209	(11,209)	—
Total	28,089	28,828	37,654	16,566	16,237	127,376	(11,209)	116,166
Operating income (loss)	(143)	7,647	4,235	541	1,260	13,541	(182)	13,359

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 third quarter (From April 1, 2015 to December 31, 2015)

1. Information on amount of 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	27,709	22,611	34,539	10,191	10,375	105,427	—	105,427
Inter-segment	637	344	281	4,469	4,670	10,403	(10,403)	—
Total	28,346	22,956	34,820	14,660	15,046	115,830	(10,403)	105,427
Operating income (loss)	580	3,602	3,390	749	994	9,317	(0)	9,317

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. Information on an impairment loss on fixed assets or goodwill by reportable segment

(An important impairment loss on fixed assets)

Kureha has reported an impairment loss of ¥3,242 million (business restructuring charges) in Advanced materials segment.