



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

Consolidated Financial Results
for the year ended March 31, 2016
[Japanese GAAP]



MEMBERSHIP

1. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	Prior fiscal year (As of March 31, 2015)	Current fiscal year (As of March 31, 2016)
ASSETS		
Current assets:		
Cash and time deposits	7,772	6,621
Trade notes and accounts receivable	28,984	30,222
Inventories	32,775	33,184
Deferred tax assets	2,506	2,347
Others	4,102	3,192
Less: Allowance for doubtful accounts	(192)	(210)
Total current assets	75,949	75,357
Property, plant and equipment, net:		
Buildings and structures	39,198	41,592
Machinery, equipment and vehicles	49,514	52,009
Land	13,264	13,523
Construction in progress	18,123	6,924
Others	3,085	3,758
Total property, plant and equipment, net	123,185	117,808
Investments and other assets:		
Investments in securities	40,138	33,730
Long-term loans	1,975	1,808
Net defined benefit asset	2,415	2,345
Deferred tax assets	1,787	1,651
Others	4,375	4,031
Less: Allowance for doubtful accounts	(129)	(99)
Total investments and other assets	50,562	43,467
Total assets	249,697	236,633

(Millions of yen)

	Prior fiscal year (As of March 31, 2015)	Current fiscal year (As of March 31, 2016)
LIABILITIES AND NET ASSETS		
Current liabilities:		
Trade notes and accounts payable	13,766	13,870
Short-term loans payable including current portion of long-term debt	34,866	33,717
Other payables	7,247	5,748
Accrued income taxes	2,430	1,417
Accrued expenses	5,734	4,978
Accrued bonuses	2,909	2,633
Reserve for environmental measures	21	0
Others	3,285	3,551
Total current liabilities	70,262	65,917
Long-term liabilities:		
Long-term debt	51,770	45,968
Deferred tax liabilities	4,125	2,183
Retirement allowance for directors and corporate auditors	229	236
Reserve for environmental measures	374	253
Net defined benefit liability	550	430
Asset retirement obligations	804	816
Others	955	1,148
Total long-term liabilities	58,810	51,440
Total liabilities	129,072	117,358
Net assets:		
Shareholders' equity:		
Capital, non par value	12,460	12,460
Authorized: March 31, 2016 and 2015		
- 600,000,000 shares		
Issued: March 31, 2016 and 2015		
- 181,683,909 shares		
Capital surplus	10,013	9,982
Retained earnings	84,163	89,416
Less: Treasury stock, at cost	(4,487)	(4,450)
Total shareholders' equity	102,150	107,408
Accumulated other comprehensive income (loss):		
Unrealized gain on available-for-sale securities	9,352	7,104
Deferred loss on hedges	(5)	(0)
Translation adjustments	7,272	4,768
Remeasurements of defined benefit plans	(615)	(1,371)
Total accumulated other comprehensive income	16,002	10,500
Stock acquisition rights	68	49
Minority interests	2,403	1,315
Total net assets	120,624	119,274
Total liabilities and net assets	249,697	236,633

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

	(Millions of yen)	
	Prior fiscal year (From April 1, 2014 To March 31, 2015)	Current fiscal year (From April 1, 2015 To March 31, 2016)
Net sales	150,182	142,549
Cost of sales	107,714	102,269
Gross profit	42,467	40,280
Selling, general and administrative expenses	27,916	27,680
Operating income	14,551	12,600
Other income (expenses):		
Interest and dividend income	678	821
Interest expense	(701)	(596)
Foreign exchange gains (losses)	912	(809)
Compensation income	314	218
Gain on sales of investments in securities	70	4,577
Loss on disposal and sales of property, plant and equipment	(1,063)	(1,128)
Loss on liquidation of subsidiaries	(751)	-
Loss on valuation of investments in capital	(399)	-
Business Restructuring Charges	-	(4,486)
Other, net	(57)	(585)
Other expenses, net	(958)	(1,989)
Income before income taxes and minority interests	13,593	10,610
Income taxes		
Current	4,061	3,347
Deferred	367	(53)
Total income taxes	4,429	3,293
Net income before minority interests	9,163	7,317
Minority interests	(32)	(25)
Net income	9,195	7,342

Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	Prior fiscal year (From April 1, 2014 To March 31, 2015)	Current fiscal year (From April 1, 2015 To March 31, 2016)
Net income before minority interests	9,163	7,317
Other comprehensive income (loss):		
Unrealized gain (loss) on available-for-sale securities	3,761	(2,272)
Deferred gain on hedges	8	5
Translation adjustments	4,223	(2,386)
Remeasurements of defined benefit plans	1,166	(760)
Share of other comprehensive income in affiliates	285	(146)
Total other comprehensive income (loss)	9,444	(5,561)
Comprehensive income	18,608	1,756
Comprehensive income attributable to:		
Owners of parent	18,529	1,840
Owners of minority interests	78	(83)

(3) Consolidated Statements of Changes in Net Assets

Prior fiscal year (From April 1, 2014 To March 31, 2015)

(Millions of yen)

	Shareholders' equity				
	Capital	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
BALANCE-APRIL 1, 2014	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 of items during the period					
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)
Disposal of treasury stock					—
Purchase of shares of consolidated subsidiaries					—
Others			2		2
Net change of items other than shareholders' equity					
Total changes of items during the period	—	—	6,151	(4)	6,147
BALANCE-MARCH 31, 2015	12,460	10,013	84,163	(4,487)	102,150

(Millions of yen)

	Accumulated other comprehensive income					Stock acquisition rights	Minority interest	Total net assets
	Unrealized gain on available-for-sale securities	Deferred loss on hedges	Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
BALANCE-APRIL 1, 2014	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 of items during the period								
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)
Disposal of treasury stock								—
Purchase of shares of consolidated subsidiaries								—
Others								2
Net change of items other than shareholders' equity	3,703	11	3,650	1,155	8,521	16	22	8,560
Total changes of items during the period	3,703	11	3,650	1,155	8,521	16	22	14,707
BALANCE-MARCH 31, 2015	9,352	(5)	7,272	(615)	16,002	68	2,403	120,624

Current fiscal year (From April 1, 2015 To March 31, 2016)

(Millions of yen)

	Shareholders' equity				
	Capital	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
BALANCE-APRIL 1, 2015	12,460	10,013	84,163	(4,487)	102,150
Cumulative effects of changes in accounting policies					—
Restated balance	12,460	10,013	84,163	(4,487)	102,150
Changes of items during the period					
Changes in retained earnings resulting from merger of consolidated subsidiaries and unconsolidated subsidiaries					—
Effect of fiscal year change of consolidated subsidiaries					—
Dividends paid			(2,061)		(2,061)
Net income			7,342		7,342
Acquisition of treasury stock				(3)	(3)
Disposal of treasury stock			(6)	40	34
Purchase of shares of consolidated subsidiaries		(31)			(31)
Others			(21)		(21)
Net change of items other than shareholders' equity					
Total changes of items during the period	—	(31)	5,253	36	5,258
BALANCE-MARCH 31, 2016	12,460	9,982	89,416	(4,450)	107,408

(Millions of yen)

	Accumulated other comprehensive income					Stock acquisition rights	Minority interest	Total net assets
	Unrealized gain on available-for-sale securities	Deferred loss on hedges	Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
BALANCE-APRIL 1, 2015	9,352	(5)	7,272	(615)	16,002	68	2,403	120,624
Cumulative effects of changes in accounting policies								—
Restated balance	9,352	(5)	7,272	(615)	16,002	68	2,403	120,624
Changes of items during the period								
Changes in retained earnings resulting from merger of consolidated subsidiaries and unconsolidated subsidiaries								—
Effect of fiscal year change of consolidated subsidiaries								—
Dividends paid								(2,061)
Net income								7,342
Acquisition of treasury stock								(3)
Disposal of treasury stock								34
Purchase of shares of consolidated subsidiaries								(31)
Others								(21)
Net change of items other than shareholders' equity	(2,248)	5	(2,503)	(755)	(5,502)	(18)	(1,087)	(6,608)
Total changes of items during the period	(2,248)	5	(2,503)	(755)	(5,502)	(18)	(1,087)	(1,350)
BALANCE-MARCH 31, 2016	7,104	(0)	4,768	(1,371)	10,500	49	1,315	119,274

(4) Consolidated Statements of Cash Flows

	(Millions of yen)	
	Prior fiscal year (From April 1, 2014 To March 31, 2015)	Current fiscal year (From April 1, 2015 To March 31, 2016)
Cash flows from operating activities:		
Income before income taxes and minority interests	13,593	10,610
Adjustments for:		
Business Restructuring Charges	—	3,988
Impairment loss	—	464
Loss on liquidation of subsidiaries	660	—
Depreciation	8,261	9,877
Amortization of goodwill	3	2
(Decrease) increase in allowance for doubtful accounts	36	17
Increase in net defined benefit asset	(805)	(1,060)
Decrease in net defined benefit liability	(26)	(101)
Decrease in retirement allowance for directors and corporate auditors	(55)	6
Decrease in provision for environmental measures	(62)	(142)
Interest and dividend income	(678)	(821)
Interest expenses	701	596
Loss on disposal and sale of property, plant and equipment	1,025	1,116
Loss on valuation of investments in capital	399	—
Gain on sale of investments in securities	(70)	(4,477)
(Increase) decrease in trade notes and accounts receivable	739	(1,410)
Increase in inventories	(4,350)	(745)
Increase in other assets	(1,132)	717
Decrease in trade notes and accounts payable	(2,437)	149
Increase in other liabilities	904	(917)
Other, net	(1,076)	(998)
Subtotal	15,629	16,874
Dividends and interest received	1,677	2,178
Interest paid	(690)	(670)
Income taxes paid	(4,082)	(4,336)
Net cash provided by operating activities	12,533	14,045
Cash flows from investing activities:		
Payments for purchases of property, plant and equipment	(16,051)	(12,704)
Proceeds from sales of property, plant and equipment	127	387
Payments for disposal of property, plant and equipment	(698)	(924)
Purchase of investments in securities	(377)	(117)
Proceeds from sales of investments in securities	215	7,054
Payments of loans receivable	(20)	(20)
Proceeds from collection of loans receivable	117	728
Purchase of shares in subsidiaries	(10)	(64)
Payments for investments in capital	(2,168)	(300)
Other, net	100	(65)
Net cash used in investing activities	(18,766)	(6,026)

(Millions of yen)

	Prior fiscal year (From April 1, 2014 To March 31, 2015)	Current fiscal year (From April 1, 2015 To March 31, 2016)
Cash flows from financing activities:		
Net increase (decrease) in commercial paper	(2,000)	4,000
Net increase in short-term loans payable	2,463	(1,417)
Proceeds from long-term loans payable	5,236	8,059
Repayments of long-term loans payable	(5,441)	(6,649)
Proceeds from issuance of bonds	6,959	—
Repayments of bonds	—	(10,000)
Dividends paid	(1,975)	(2,061)
Dividends paid to minority shareholders	(37)	(30)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(1,026)
Other, net	(163)	(201)
Net cash provided by financing activities	5,042	(9,328)
Effect of exchange rate changes on cash and cash equivalents	375	158
Net decrease in cash and cash equivalents	(815)	(1,151)
Cash and cash equivalents at beginning of year	8,726	7,772
Decrease in cash and cash equivalents resulting from fiscal year change of consolidated subsidiaries	(166)	—
Increase in cash and cash equivalents resulting from consolidated subsidiaries' merger with unconsolidated subsidiaries	28	—
Cash and cash equivalents at end of year	7,772	6,621

(5) Notes to Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Basis of presenting consolidated financial statements)

1. Scope of consolidation

The number of consolidated subsidiaries: 38

The names of the consolidated subsidiaries of Kureha Corporation (the “Company”):

Kureha Trading Co., Ltd., Kureha Unyu Co., Ltd., Kurehanishiki Construction Co., Ltd., Kureha Gohsen Co., Ltd., Kureha Service Co., Ltd., Kureha Ecology Management Co., Ltd., Kureha Engineering Co., Ltd., Kureha Extech Co., Ltd., Kureha Special Laboratory Co., Ltd., Kureha Staff Service Co., Ltd., Kureha Extron Co., Ltd., Kureha Battery Materials Japan Co., Ltd., KREHALON INDUSTRIE B.V. (The Netherlands), KUREHA GmbH (Germany), KUREHA EUROPE B.V. (The Netherlands), KUREHA AMERICA INC. (USA), KUREHA (SHANGHAI) CARBON FIBER MATERIALS CO., LTD. (China), KUREHA PGA LLC (USA), KUREHA VIETNAM CO., LTD. (Vietnam), KUREHA (CHINA) INVESTMENT CO., LTD. (China), KUREHA (CHANGSHU) FLUOROPOLYMERS CO., LTD. (China)

(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 current 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 current fiscal year, adjustments to acquisition cost allocation due to the settlement of provisional accounting treatment are reflected in the financial statements for the fiscal year 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 fiscal year presented herein.

The Business Combinations Accounting Standard and others have been prospectively adopted from the beginning of the current fiscal year, 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.

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

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

(Notes to Consolidated Balance Sheets)

1. Accumulated depreciation of property, plant and equipment

(Millions of yen)

	Prior fiscal year (As of March 31, 2015)	Current fiscal year (As of March 31, 2016)
	172,971	178,067

2. Assets pledged as collateral

(Millions of yen)

	Prior fiscal year (As of March 31, 2015)	Current fiscal year (As of March 31, 2016)
Buildings and structures	16,567	16,346
Machinery, equipment and vehicles	13,386	13,776
Land	3,897	3,942
Investments in securities	5,105	6,469
Total	38,956	40,535

(Notes to Consolidated Statements of Income)

1. Research and development expenses

(Millions of yen)

	Prior fiscal year (From April 1, 2014 To March 31, 2015)	Current fiscal year (From April 1, 2015 To March 31, 2016)
	4,978	4,885

2. Impairment loss

Prior fiscal year (From April 1, 2014 To March 31, 2015)

The Group has recognized impairment loss for the following asset group.

(Millions of yen)

Purpose of use	Location	Type of assets	Amount
Manufacturing facility	Pennsylvania, USA	Buildings	255
		Machinery and equipment	397
		Others	8

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

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

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

Current fiscal year (From April 1, 2015 To March 31, 2016)

The Group has recognized impairment loss for the following asset group.

(Millions of yen)

Purpose of use	Location	Type of assets	Amount
Manufacturing facility	Iwaki, Fukushima	Buildings	363
		Structures	283
		Machinery and equipment	1,873
		Others	116
Assets for lease	Iwaki, Fukushima	Land	464
Idle assets	Iwaki, Fukushima	Machinery and equipment	122
		Others	32
	Kasumigaura, Ibaraki	Machinery and equipment	686
		Others	121
	Shanghai, PRC	Machinery and equipment	389

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

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

For assets for lease, due to the decline in rents, the Group wrote down the carrying amount of the fixed assets to the recoverable value and recognized the reduction of ¥464 million as impairment loss under other expenses.

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

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

(Notes to Consolidated Statements of Changes in Net Assets)

Prior fiscal year (From April 1, 2014 To March 31, 2015)

1. Issued stock

Type of share	At the beginning of current fiscal year	Increase	Decrease	At the end of current fiscal year
Common stock (Shares)	181,683,909	—	—	181,683,909

2. Treasury stock

Type of share	At the beginning of current fiscal year	Increase	Decrease	At the end of current fiscal year
Common stock (Shares)	9,893,004	7,839	—	9,900,843

(Outline of reasons for change)

Detail of the increase was as follows:

Due to purchase of shares less than one unit: 7,839shares

3. Stock acquisition rights

Company	Description	Type of share to be issued	Number of shares to be issued (Shares)				Balance at the end of current fiscal year (Millions of yen)
			At the beginning of current fiscal year	Increase	Decrease	At the end of current fiscal year	
Submitting company	Stock acquisition rights as stock options	—	—				68

4. Dividends

(1) Dividends paid

Date of approval	Type of share	Amount (Millions of yen)	Amount per share (Yen)	Measurement date	Effective Date
April 15, 2014 Board of Directors	Common stock	1,030	6	March 31, 2014	June 3, 2014
October 21, 2014 Board of Directors	Common stock	944	5.5	September 30, 2014	December 2, 2014

(2) Dividends for which the measurement date falls in the current fiscal year, but the effective date falls in the following fiscal year

Date of approval	Type of share	Source of dividend	Amount (Millions of yen)	Amount per share (Yen)	Measurement date	Effective Date
April 21, 2015 Board of Directors	Common stock	Retained Earnings	1,116	6.5	March 31, 2015	June 2, 2015

Current fiscal year (From April 1, 2015 To March 31, 2016)

1. Issued stock

Type of share	At the beginning of current fiscal year	Increase	Decrease	At the end of current fiscal year
Common stock (Shares)	181,683,909	—	—	181,683,909

2. Treasury stock

Type of share	At the beginning of current fiscal year	Increase	Decrease	At the end of current fiscal year
Common stock (Shares)	9,900,843	8,472	90,000	9,819,315

(Outline of reasons for change)

Detail of the increase was as follows:

Due to purchase of shares less than one unit: 8,472shares

Detail of the decrease was as follows:

Due to exercise of stock options: 90,000 shares

3. Stock acquisition rights

Company	Description	Type of share to be issued	Number of shares to be issued (Shares)				Balance at the end of current fiscal year (Millions of yen)
			At the beginning of current fiscal year	Increase	Decrease	At the end of current fiscal year	
Submitting company	Stock acquisition rights as stock options	—	—				49

4. Dividends

(1) Dividends paid

Date of approval	Type of share	Amount (Millions of yen)	Amount per share (Yen)	Measurement date	Effective Date
April 21, 2015 Board of Directors	Common stock	1,116	6.5	March 31, 2015	June 2, 2015
October 20, 2015 Board of Directors	Common stock	945	5.5	September 30, 2015	December 2, 2015

(2) Dividends for which the measurement date falls in the current fiscal year, but the effective date falls in the following fiscal year

Date of approval	Type of share	Source of dividend	Amount (Millions of yen)	Amount per share (Yen)	Measurement date	Effective Date
April 19, 2016 Board of Directors	Common stock	Retained Earnings	945	5.5	March 31, 2016	June 2, 2016

(Securities)

Current fiscal year (as of March 31, 2016)

1. Available-for-sale Securities

(Millions of yen)

	Type	Carrying amount	Acquisition Cost	Unrealized gain (loss)
Carrying amount in consolidated balance sheets exceeds acquisition cost	Stock	18,424	7,711	10,713
Carrying amount in consolidated balance sheets does not exceed acquisition cost	Stock	1,560	1,864	(303)
Total		19,985	9,575	10,409

(Note) Regarding unlisted stocks (¥315 million on the consolidated balance sheets), as market prices are not available and also the future cash flows cannot be estimated, the fair values of the items are deemed to be extremely difficult to measure, and are not included in the above.

2. Available-for-sale securities sold during current fiscal year

(Millions of yen)

Type	Proceeds from sales	Gross realized gain	Gross realized loss
Stock	7,054	4,577	99

(Income Taxes)

Current fiscal year (as of March 31, 2016)

Significant components of deferred tax assets and liabilities

(Millions of yen)

(Deferred tax assets)

Tax loss carried forward	7,587
Unrealized gain on fixed assets	1,429
Impairment loss	1,336
Accrued bonuses	758
Accumulated depreciation	562
Loss on valuation of inventories	540
Others	3,120
Sub-total	15,335
Valuation allowance	(2,812)
Total deferred tax assets	12,523

(Deferred tax liabilities)

Shortfall in depreciation	(6,368)
Net unrealized gain on available-for-sale securities	(3,161)
Others	(1,190)
Total deferred tax liabilities	(10,720)
Net deferred tax assets	1,802

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

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

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

(Segment Information, etc.)

a. Segment Information

1. Overview of the reportable segments

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

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

Major products and services for each segment are as follows:

Segment	Products and services
Advanced materials	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-use 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 related	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

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

The reportable segment profit figures are based on operating profit. Inter-segment internal rates of return and the amounts transferred are presented based on the current market prices at the time of this report.

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

Prior fiscal year (From April 1, 2014 To March 31, 2015)

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

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

Adjustment for segment assets includes corporate assets such as cash and cash equivalents, investments in securities, and other corporate shared facilities that are not allocated to each reportable segment.

2. Segment operating income is adjusted with operating income on the consolidated statements of income.

Current fiscal year (From April 1, 2015 To March 31, 2016)

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

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

Adjustment for segment assets includes corporate assets such as cash and cash equivalents, investments in securities, and other corporate shared facilities that are not allocated to each reportable segment.

2. Segment operating income is adjusted with operating income on the consolidated statements of income.

b. Related Information

Prior fiscal year (From April 1, 2014 To March 31, 2015)

1. Information by product and service

Information is omitted since similar description has been disclosed in the segment information.

2. Information by geographical area

(1) Net sales

(Millions of yen)

Japan	Europe	Asia	Other	Total
103,943	13,335	19,915	12,987	150,182

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

(2) Property, plant and equipment

(Millions of yen)

Japan	United States	Other	Total
86,980	19,832	16,372	123,185

3. Information by major customer

There are no customers accounting for 10% or more of net sales on the consolidated statements of income for the fiscal year ended March 31, 2015.

Current fiscal year (From April 1, 2015 To March 31, 2016)

1. Information by product and service

Information is omitted since similar description has been disclosed in the segment information.

2. Information by geographical area

(1) Net sales

(Millions of yen)

Japan	Europe	Asia	Other	Total
96,025	15,803	18,410	12,311	142,549

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

(2) Property, plant and equipment

(Millions of yen)

Japan	United States	Other	Total
86,804	17,264	13,739	117,808

3. Information by major customer

There are no customers accounting for 10% or more of net sales on the consolidated statements of income for the fiscal year ended March 31, 2016.

c. Information on impairment loss of fixed assets by reportable segment

Prior fiscal year (From April 1, 2014 To March 31, 2015)

(Millions of yen)

	Reportable segment						Adjustment	Consolidated
	Advanced materials	Specialty chemicals	Specialty plastics	Construction related	Other	Total		
Impairment loss	660	—	—	—	—	660	—	660

Current fiscal year (From April 1, 2015 To March 31, 2016)

(Millions of yen)

	Reportable segment						Adjustment	Consolidated
	Advanced materials	Specialty chemicals	Specialty plastics	Construction related	Other	Total		
Impairment loss	3,988	—	—	—	464	4,452	—	4,452

(Per Share Information)

(Yen)

Current fiscal year (From April 1, 2015 To March 31, 2016)	
Net assets per share	686.06
Net income per share	42.73
Diluted net income per share	35.53

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

	Current fiscal year (From April 1, 2015 To March 31, 2016)
Net income per share:	
Net income (Millions of yen)	7,342
Amount not attributed to common shareholders (Millions of yen)	—
Net income attributed to common stock (Millions of yen)	7,342
Average number of common stock during the period (Shares)	171,853,636
Diluted net income per share:	
Adjustment for net income (Millions of yen)	—
Number of increased common stock (Shares):	34,789,602
(Bonds with stock acquisition rights (Shares))	(34,642,032)
(Stock acquisition rights (Shares))	(147,570)
Outline of diluted shares which were not included in the calculation of diluted net income per share because they do not have dilutive effects	—

(Subsequent Events)

Not applicable.