



KUREHA CORPORATION

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

**Consolidated Financial Results
for the three months ended June 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 three months ended June 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 first quarter of the year ending

March 31, 2015.

The effect on operating results and financial position for the first 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 ¥256 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 first quarter (As of June 30, 2014)
ASSETS		
Current assets:		
Cash and time deposits	8,726	7,601
Trade notes and accounts receivable	30,445	27,961
Inventories	28,101	28,877
Others	6,272	7,890
Less: Allowance for doubtful accounts	(118)	(163)
Total current assets	73,429	72,168
Property, plant and equipment, net:		
Buildings and structures	33,378	33,437
Machinery, equipment and vehicles	39,178	38,577
Construction in progress	23,426	26,279
Others	15,700	15,891
Total property, plant and equipment, net	111,684	114,185
Investments and other assets:		
Investments in securities	21,747	23,266
Others	17,735	18,944
Less: Allowance for doubtful accounts	(138)	(229)
Total investments and other assets	39,345	41,981
Total assets	224,459	228,336

(Millions of yen)

	Prior fiscal year (As of March 31, 2014)	Current first quarter (As of June 30, 2014)
LIABILITIES AND NET ASSETS		
Current liabilities:		
Trade notes and accounts payable	16,453	17,320
Short-term loans payable including current portion of long-term debt	18,606	22,495
Accrued income taxes	2,526	623
Accrued bonuses	2,591	1,184
Reserve for environmental measures	21	21
Others	16,837	31,779
Total current liabilities	57,037	73,424
Long-term liabilities:		
Long-term debt	56,619	45,395
Retirement allowance for directors and corporate auditors	284	196
Reserve for environmental measures	437	437
Net defined benefit liability	440	519
Asset retirement obligations	792	795
Others	2,656	3,545
Total long-term liabilities	61,231	50,890
Total liabilities	118,268	124,314
Net assets:		
Shareholders' equity:		
Capital, non par value	12,460	12,460
Authorized: March 31 and June 30, 2014		
- 600,000,000 shares		
Issued: March 31 and June 30, 2014		
- 181,683,909 shares		
Capital surplus	10,013	10,013
Retained earnings	78,289	76,631
Less: Treasury stock, at cost	(4,483)	(4,484)
Total shareholders' equity	96,279	94,620
Accumulated other comprehensive income (loss):		
Unrealized gain on available-for-sale securities	5,649	6,493
Deferred loss on hedges	(17)	(17)
Translation adjustments	3,621	2,234
Remeasurements of defined benefit plans	(1,771)	(1,686)
Total accumulated other comprehensive income	7,481	7,024
Stock acquisition rights	51	55
Minority interests	2,378	2,320
Total net assets	106,190	104,021
Total liabilities and net assets	224,459	228,336

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

(Millions of yen)

	Prior first quarter (From April 1, 2013 To June 30, 2013)	Current first quarter (From April 1, 2014 To June 30, 2014)
Net sales	30,795	33,912
Cost of sales	22,509	25,758
Gross profit	8,286	8,154
Selling, general and administrative expenses	6,525	6,810
Operating income	1,760	1,343
Other income (expenses):		
Interest and dividend income	318	332
Interest expense	(185)	(158)
Foreign exchange gains (losses)	503	(151)
Compensation income	74	40
Subsidy income	91	—
Loss on disposal and sales of property, plant and equipment	(41)	(59)
Advanced depreciation of property, plant and equipment	(44)	—
Other, net	(123)	(14)
Other income (expenses), net	595	(10)
Income before income taxes and minority interests	2,356	1,333
Income taxes	855	618
Net income before minority interests	1,500	714
Minority interests	(18)	(5)
Net income	1,519	720

Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	Prior first quarter (From April 1, 2013 To June 30, 2013)	Current first quarter (From April 1, 2014 To June 30, 2014)
Net income before minority interests	1,500	714
Other comprehensive income (loss):		
Unrealized gain (loss) on available-for-sale securities	(795)	849
Deferred gain on hedges	0	0
Translation adjustments	1,979	(1,266)
Remeasurements of defined benefit plans	—	85
Share of other comprehensive income in affiliates	226	(134)
Total other comprehensive income	1,411	(465)
Comprehensive income	2,912	249
Comprehensive income attributable to:		
Owners of parent	2,910	263
Owners of minority interests	1	(14)

(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 first quarter (From April 1, 2013 To June 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	7,334	7,508	9,676	2,776	3,500	30,795	—	30,795
Inter-segment	419	83	315	1,086	1,597	3,501	(3,501)	—
Total	7,753	7,592	9,991	3,862	5,097	34,297	(3,501)	30,795
Operating income (loss)	(319)	1,307	783	44	36	1,851	(91)	1,760

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 first quarter (From April 1, 2014 To June 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	8,863	6,688	11,354	3,408	3,596	33,912	—	33,912
Inter-segment	309	59	167	1,934	1,598	4,070	(4,070)	—
Total	9,173	6,747	11,522	5,343	5,195	37,982	(4,070)	33,912
Operating income (loss)	(636)	681	1,002	138	174	1,361	(18)	1,343

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 first quarter of the current fiscal year increased by ¥73 million in “Specialty chemicals” and increased by ¥31 million in “Specialty plastics,” while segment operating loss decreased by ¥152 million in “Advanced materials.”