

Annual Report 2015

TechnoAmenity

“Providing affluence and comfort to people
and society, with our unique technology”



NIPPON
SHOKUBAI

Nippon Shokubai Group Mission:

TechnoAmenity

Providing affluence and comfort to people and society, with our unique technology.

Management Commitment:

We conduct all of our corporate activities based upon a deep respect for humanity.

We aim at coexisting with society, and working in harmony with the environment.

We pursue technologies that will create the future.

We act on the global stage.

Corporate Credo

Safety takes priority over production.

Code of Conduct:

In the belief that it is our social responsibility to conduct business based upon the principles of compliance and self-responsibility for the sake of proper social development, we have set forth the following basic corporate behavior guidelines in the "Nippon Shokubai Code of Conduct."

1. Guided by Nippon Shokubai Group Mission of "**TechnoAmenity**", we will conduct all of our actions as a good corporate citizen.
2. We will comply with relevant laws both inside and outside of Japan, and act in accordance with in-house regulations.
3. We will create and nurture a sound, vibrant workplace, where each individual can hone their professional competence and find fulfillment in their career.
4. We will develop and market products and services that are both safe and useful, based upon an accurate understanding of social demands.
5. We will commit ourselves to eliminating labor hazards and accidents, and constantly strive to protect the global environment.
6. We will conduct business based on fair and open competition.
7. We will take a firm stance when dealing with unlawful or antisocial groups.
8. We will ensure frequent communications with our shareholders and members of society in general, and guarantee the appropriate disclosure of corporate information.
9. With respect for the culture and customs of every nation/region we serve, we will contribute to their development and wellbeing through community-based business undertakings.
10. We will ensure the solid and sustainable development of the company through business undertakings based soundly upon the above action guidelines.

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Consolidated Financial Highlights

Nippon Shokubai Co., Ltd. and Consolidated Subsidiaries

Net sales
¥374,873
 million
 24.1% 

Operating income
¥26,133
 million
 90.0% 

Total assets
¥419,634
 million
 5.3% 

Net assets
¥270,128
 million
 11.5% 

ROA
7.3%
 2.9points 

Sales increased across all segments

The recovery and resumption of operations at all Himeji plants that had ceased production as a result of the accident, and reinforced acrylic acid and superabsorbent polymers production facilities in Indonesia leading to the start of commercial production from October 2013 resulted in higher sales volume year on year

Higher production and sales volume and improved spreads
 > increased production and transportation expenses due to new facilities and the resumption of operations at Himeji Plants.

The higher technology licensing income and an increase in equity earnings
 > decreased foreign exchange income

Increase in "Income taxes"

Messages from President



Masanori Ikeda
President

A handwritten signature in black ink that reads "M. Ikeda".

Nippon Shokubai started its new long-term business plan for the fiscal years 2014 to 2020, entitled “Reborn Nippon Shokubai 2020,” along with the medium-term business plan, which will specify an action plan for the initial three years of the period (fiscal 2014 to 2016). In fiscal 2014, based on basic business and investment strategies, we demonstrated our strong management style and steady efforts to address our main issue. As a result, we smoothly started the medium-term business plan in its first year.

We reconfirm our intention to follow our corporate credo: “Safety takes priority over production,” endeavor to keep safe and stable operation, and strive to gain more confidence of stake holders as a chemical company. By delivering our product with confidence and pride, and by developing new products that meet market needs, we will realize our group mission “**TechnoAmenity** — Providing affluence and comfort to people and society, with our unique technology.”

We will strive as a team to achieve the “Reborn Nippon Shokubai” — a company* that everybody can be proud of.

* A company that promotes work safety and peace of mind

A company that rewards people who make their best efforts and achieve results

A company that people can be proud to work for

Special Feature

Long-term Business Plan "Reborn Nippon Shokubai 2020"

Nippon Shokubai started its long-term business plan for the fiscal years 2014 to 2020, entitled "Reborn Nippon Shokubai 2020."

We reconfirm our intention to follow our corporate credo: "Safety takes priority over production," and we are making every effort to implement the preventive/corrective measures learned from the accident that occurred at the Himeji Plant in 2012. We believe that only through these actions will we be able to regain the confidence of stake holders as a chemical company.

Mission/Management Commitment

Nippon Shokubai Group Mission **TechnoAmenity**

Providing affluence and comfort to people and society, with our unique technology

Management Commitment

We conduct all of our corporate activities based upon a deep respect for humanity.

We aim at coexisting with society, and working in harmony with the environment.

We pursue technologies that will create the future.

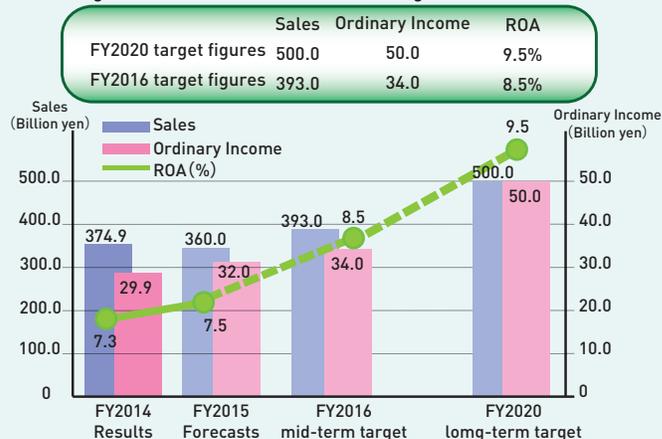
We act on the global stage.

Corporate Credo

Safety takes priority over production.

"Reborn Nippon Shokubai 2020" is designed to ensure safe, reliable production activities. The plan also highlights profitability over sales, setting goals for strengthening existing and core businesses, establishing new businesses as soon as possible, and launching new products to the market quickly.

Management Indexes and Numerical Targets (Unit: Billion yen)



New Investment Plan in Belgium

NIPPON SHOKUBAI EUROPE N.V., a subsidiary in Belgium (“NSE”), plans to expand its Superabsorbent Polymer (“SAP”) plant and build its Acrylic Acid (“AA”) plant. SAP, one of Nippon Shokubai’s core businesses, shows steady growth of demand as a key material of disposable diapers. With this new plant at NSE, Nippon Shokubai group’s global SAP production capacity will be 710,000 T/Y and Nippon Shokubai will enhance its position as one of the world top suppliers of SAP.

Feature of investment

Production capacity :

SAP 100,000 T/Y (expansion)
(current capacity 60,000 T/Y, totally 160,000 T/Y after completion)

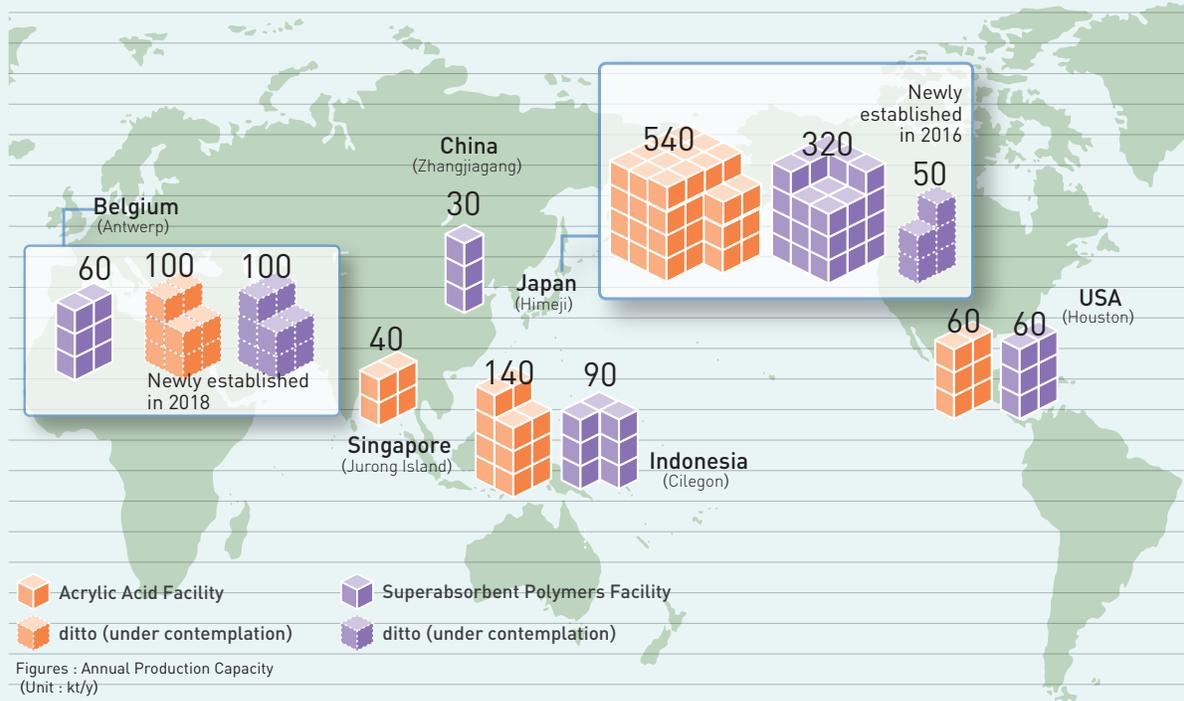
AA 100,000 T/Y (new)

Schedule: Mechanical completion – October 2017
Commercial operation – May 2018

Location: Existing plant site of NSE (industrial site of INEOS Oxide)

Investment amount:

Approx. 350 million EURO



Prime Minister of Belgium, Charles Michel visited Nippon Shokubai and had a conference with the President, Masanori Ikeda



From left: Prime Minister, Charles Michel, President of Nippon Shokubai, Masanori Ikeda, Deputy Prime Minister, Kris Peeters

In the conference, Ikeda introduced Nippon Shokubai Group and the large-scale investment plan at NSE.



Halal Certification for Organic Acids Used in Food Additives

Nippon Shokubai has acquired halal certification for its organic acid.

The Halal Certificate is granted to products and services that take into account the religious beliefs of Muslim consumers, if the products and services are confirmed to meet standards set by the Japan Muslim Association and the Shariah Research Institute in Japan.

The certification was granted by the Japan Muslim Association based on tests by the Shariah Research Institute at Takushoku University in Japan.

In Southeast Asia, the consumption of processed foods such as instant noodles is currently growing as eating habits become increasingly diverse. At the same time, there is a growing need for processed food production plants based in the region to acquire halal certification for food additives because of the large population of Muslims in Southeast Asia, especially in Malaysia and Indonesia.

Looking ahead, Nippon Shokubai intends to keep responding to market needs while providing a wide range of products that bring richness and comfort to people and society.

Halal products

(Application examples)

Succinic acid

(miso paste, soya sauce)

Disodium succinate <SS50>

(instant noodles, processed foods)

Fumaric acid

(beverages, pastries)

Maleic anhydride

-raw material for food additives, that is, Succinic acid and Fumaric acid

Sodium polyacrylate<AQUALIC H>

(thickeners, feed binders, flocculants)



Closure of Suita Plant and Plans to Bolster its R&D Facilities There

Nippon Shokubai ceased manufacturing at its Suita Plant in the city of Suita, a production facility which played a key role in the Company's growth. In the future, however, the Company plans to bolster its R&D operations in the area by constructing a new research and development facility.

The Suita Plant was opened in 1943 for the purpose



of boosting production of phthalic anhydride, for which demand was growing at the time. Since then, the plant has served as a

cornerstone of the Company's expansion.

Nippon Shokubai proceeded to transfer production from the Suita Plant to its other manufacturing facilities and finally terminated the plant's production operations at the end of 2014.

Looking ahead, Nippon Shokubai plans to bolster its R&D operations in the area as the plant was located by constructing a new research and development facility, scheduled for completion in 2016. Designed to quickly and efficiently take idea creation to the next stage of incubation (including support for new business startups), the new R&D center will actively promote open innovation. It will also speed up the development of new products needed to drive the Company's growth going forward.

Establishment of Nippon Shokubai Korea

Nippon Shokubai reorganized its Korean office and established a wholly owned subsidiary company "NIPPON SHOKUBAI KOREA CO., LTD." on April 1, 2015.

In 2007, Nippon Shokubai established an office in Korea, in order to extend a solid base for business in electronic

and information material, because Korean company has large global share in television, semiconductor, etc. Now, for the purpose of strengthening its sales and marketing activity, Nippon Shokubai reorganized its Korean office and established a new subsidiary company.

Description of Business

Description of Business	Ethylene Oxide Business Division	Acrylic Business Division	Superabsorbents Business Division	Performance Chemicals Business Division	Catalysts & Green Energy Materials Business Division
Basic Chemicals	<ul style="list-style-type: none"> Ethylene oxide (EO) Ethylene glycol Ethanolamine Secondary alcohol ethoxylates 	<ul style="list-style-type: none"> Acrylic acid Acrylates 			
Functional Chemicals	<ul style="list-style-type: none"> Polymers for concrete admixture Water-soluble polymers 	<ul style="list-style-type: none"> Specialty acrylates Specialty methacrylates 	<ul style="list-style-type: none"> Superabsorbent polymers 	<ul style="list-style-type: none"> Maleic anhydride & Derivatives Resins for paints & adhesives Acrylic resin for optical materials 	
Environment & Catalysts		<ul style="list-style-type: none"> Process catalysts 			<ul style="list-style-type: none"> Zirconia sheets & cells Automotive catalysts De-Nox & dioxins decomposition catalysts

Basic Chemicals

Sales of acrylic acids and acrylates increased significantly, normal operations at the Himeji Plant resumed, and new facilities that were under construction at the Himeji Plant began operation during summer 2014, causing a significant increase in sales volumes.

Sales of ethylene oxide, secondary alcohol ethoxylates and ethanolamine increased due to higher sales volumes.

Sales of ethylene glycol decreased

due to lower sales volumes primarily in exports, in addition to lower sales prices resulting from a market slump caused by the sudden drop in crude oil prices at the end of 2014.

As a result of the above, net sales in the basic chemicals segment increased 14.0% year-on-year to 147,976 million yen.

Operating income rose 140.6% year-on-year to 7,820 million yen. This was on account of a significant increase in sales



volumes owing to resuming operations despite an increase in processing costs, no need to purchase products that were

required due to decreased production capacity stemming from the accident during the previous fiscal year, an

expanded spread due to lower crude oil prices, and other factors.

Functional Chemicals

Sales of superabsorbent polymers increased substantially as normal operations at the Himeji Plant resumed, in addition to the beginning of operations at a new production facility in Indonesia from October 2013, causing a significant increase in sales volumes.

Sales of special acrylates and water-soluble polymers for raw materials of detergents rose significantly, in line with a significant increase in sales volumes resulting from resuming normal operations at the Himeji Plant.

Sales of maleic anhydride, polymers for concrete admixture, ethyleneimine derivatives and electronics information materials increased on the back of growing sales volumes.

Sales of resins for paints, processed

adhesive products, resin modifiers and iodine compounds fell due to a decline in sales volumes.

As a result of the above, net sales in the functional chemicals segment rose 36.8% year-on-year to 200,967 million yen.

Operating income increased 109.8% year-on-year to 17,286 million yen. Despite the increase in processing costs associated with the resumption of production, contributions not only from the Himeji Plant but from new production facilities for superabsorbent polymers in Indonesia yielded a significant increase in sales volumes, and the spread expanded.



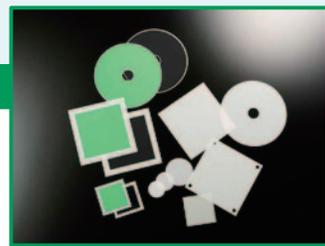
Environment & Catalysts

Sales of automotive catalysts, dioxins decomposition catalysts and fuel cell materials increased on higher sales volumes.

Sales of process catalysts, De-NOx catalysts, wet oxidation catalysts and polymer for lithium-ion batteries fell due to decreased sales volumes.

As a result, sales in the environment and catalysts segment rose 1.9% year-on-year to 25,931 million yen.

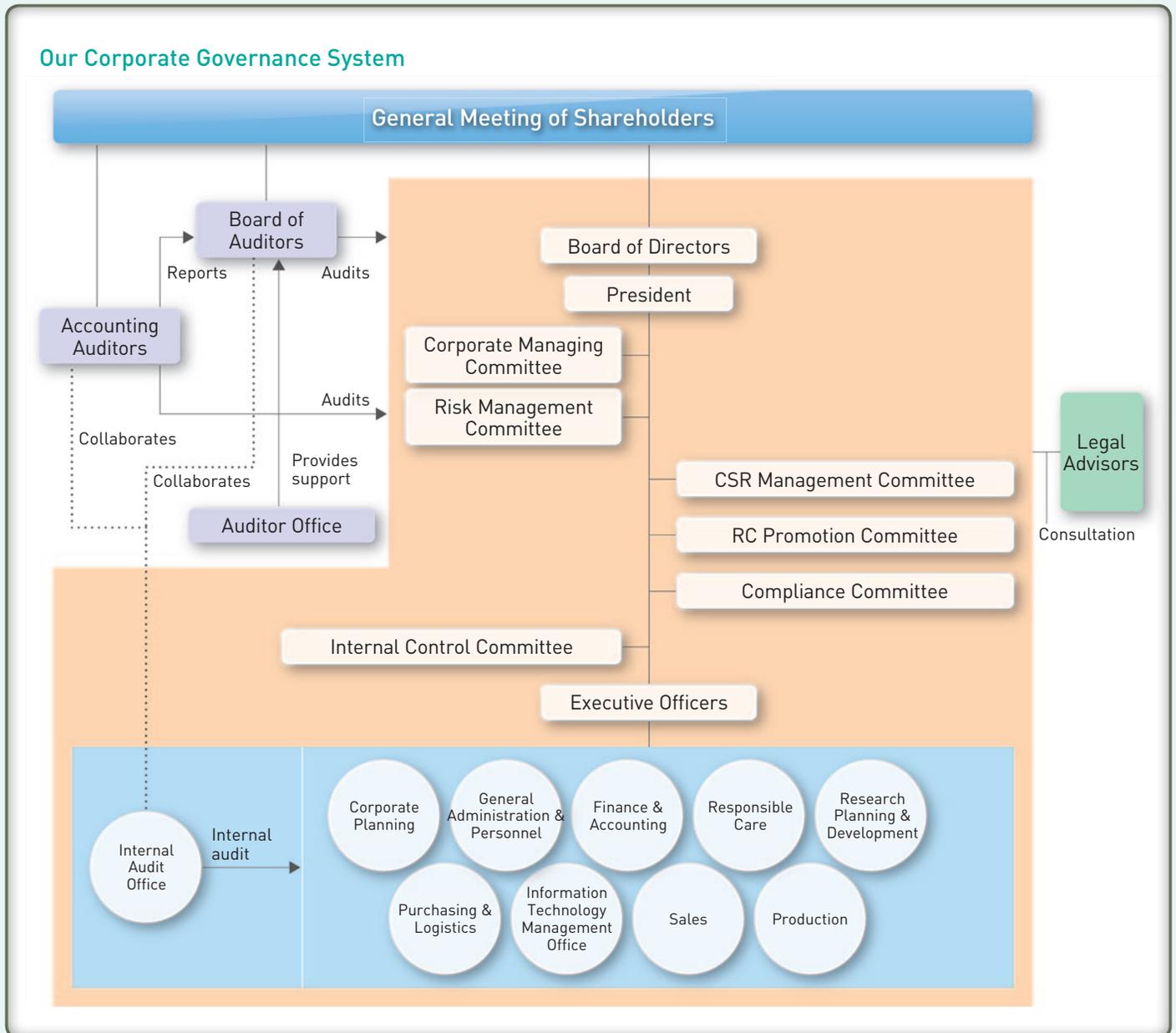
Operating income decreased 37.5% to 1,277 million yen year-on-year owing to decline in sales volumes of process catalysts.



Governance System

We are working to improve our corporate culture and strengthen our competitiveness in order to respond to global trends.

Our approach to corporate governance therefore establishes our foundation. Using the system illustrated in the following diagram, we are taking steps to revitalize our board of directors, strengthen our audit system, improve the efficiency of our management structure, and improve and strengthen our compliance system.



Board of Directors

Supervises the execution of duties of each director and reports, deliberates on, and resolves matters related to execution of duties. In general, the board of directors convenes monthly.

Corporate Managing Committee

As an advisory body to the president, this committee deliberates on basic management policies and related matters. It also consults on the execution of important divisional matters.

Board of Auditors

Comprising two external auditors and two internal auditors, this board convenes monthly in general, submits reports, and engages in discussions and deliberations on important matters.

Risk Management Committee

Chaired by the president, this committee implements periodic measures in response to various wide-ranging risks to which the company is exposed.

CSR Management Committee

Chaired by the president, this committee determines the company's CSR direction and promotes CSR initiatives that contribute to the interests of stakeholders while maintaining coordination with the other committees.

RC Promotion Committee

Chaired by the president, this committee promotes the company's Responsible Care activities. It formulates the RC Promotion Basic Plan and works to further improve safety, quality, and environmental issues.

Compliance Committee

Chaired by the president, this committee improves and strengthens the company's overall corporate ethics and systems for compliance with laws and regulations.

Internal Control Committee

This committee, in full operation since April 2008 under the chairmanship of the president, has established a system to ensure the reliability of financial reporting as enforced by the Financial Instruments and Exchange Act. It also seeks to process company operations more efficiently and effectively.

Outside Members of the Board and Outside Corporate Auditors

Koichi Miura

(Outside Member of the Board)

Mr. Koichi Miura is Emeritus Professor of Kyoto University, Specially Appointed Professor of Institute of Advanced Energy, Kyoto University. He attended all 13 meetings of the Board that were held during the fiscal year 2014. From his viewpoint as a specialist in chemical engineering who is familiar with the chemical industry, he provides useful advice concerning the Company's management and supervises the Company's management from an independent perspective.

Takashi Sakai

(Outside Member of the Board)

Mr. Takashi Sakai is Advisor to Osaka Gas Co., Ltd., Chairman of Board of Directors, Gas and Power Co., Ltd. He attended all 10 meetings of the Board that were held during the fiscal year 2014 following his election as a Member of the Board. Due to his experience as an executive of a company that is a manufacturer and has a strong commitment to public service, he provides useful advice concerning the Company's management and supervises the Company's management from an independent perspective.

Kozo Arao

(Outside Corporate Auditor)

Mr. Kozo Arao is Attorney-at-law. He attended 12 of the 13 meetings of the Board that were held during the fiscal year 2014. At these meetings, he provides his views from the perspective of an attorney as required.

He also attended all 14 meetings of the Corporate Auditors that were held during the fiscal year 2014, exchanged opinions with respect to the results of audits and discussed important issues regarding such audits. Furthermore, he periodically exchanged opinions with the senior management.

Akira Omachi

(Outside Corporate Auditor)

Mr. Akira Omachi is Director and Senior Vice President of JX Holdings, Inc. He attended 10 of the 13 meetings of the Board that were held during the fiscal year 2014. At these meetings, he provides his views from the perspective of a corporate executive as required.

He also attended 12 of the 14 meetings of the Corporate Auditors that were held during the fiscal year 2014, exchanged opinions with respect to the results of audits and discussed important issues regarding such audits. Furthermore, he periodically exchanged opinions with the senior management.

CSR Based on Responsible Care Concept

CSR Concept

In accordance with the Nippon Shokubai Group Mission, **TechnoAmenity** and the Corporate Credo, "Safety takes priority over production", instituted in 1973, Nippon Shokubai established a Management Commitment and Code of Conduct to comprehensively view our corporate conduct from economic, social and environmental perspectives, setting out our corporate ethics, Responsible Care (RC), human rights and labor, information disclosure, social contribution and corporate governance as our management's top priority issues and implementing our activities to enhance our corporate value via continuing dialogue with various stakeholders, including our customers, business partners, shareholders/investors, public administration, employees and local communities.

Based on this concept of CSR, we will strive to contribute to the development of a sustainable society by implementing our long-term management plan, "Reborn Nippon Shokubai 2020," as part of our efforts to achieve our vision for 2025.

CSR Implementation Structure

- CSR Management Committee** Determines overall policy for CSR initiatives.
- RC Promotion Committee** Determines overall policy for RC activities and implements the PDCA cycle.
- Compliance Committee** Determines comprehensive policies for corporate ethics and implements the PDCA cycle.
 - Disclosure Committee** Implements the PDCA cycle related to information disclosure in an effort to enhance communication with society.
 - CSR Promotion Office** Establishes a CSR implementation structure and implements the PDCA cycle for social contribution initiatives.

Basic Policy on Responsible Care

In conformity with the Nippon Shokubai Group mission, Management commitment, Corporate credo and the Nippon Shokubai Code of Conduct, we rank it as an important management measure to provide products and technologies that contribute to society and environmental protection. In addition, while paying due respect to the principle of Sustainable Development, we are determined to conduct all activities in accordance with the following policy related to environmental protection, safety and product quality that will bring our business operations into harmony with the global environment.

- 1 Aim at environmental protection and reduction of negative environmental impact throughout the entire life cycle of a product, from development to disposal.
- 2 Ensure the safety of our employees and our communities by targeting zero accidents and zero disasters with a commitment to the principle "Safety takes priority over production."
- 3 Confirm the safety of chemical materials, intermediates and products, and consider the health of our customers, employees of our logistics subcontractors, our employees, and others.
- 4 Stably supply products and associated services that meet customer satisfaction and inspire their trust.
- 5 Publicly announce the results of these activities and make an effort to communicate for proper understanding.

We will implement this RC Policy in all our business operations by ensuring all employees have a thorough understanding and awareness of its importance. The president shall be the person with the ultimate responsibility for implementing this policy.

Ten-Years Summary

	FY2005	FY2006	FY2007
Operating results			
Net sales	¥232,441	¥266,513	¥302,669
Operating income	23,228	19,429	18,379
Net income (loss)	16,257	13,988	11,875
Financial position			
Total assets	291,564	323,675	352,783
Net assets	164,631	179,368	175,634
Cash flows			
Cash flows from operating activities	17,468	16,087	20,129
Cash flows from investment activities	-20,663	-23,109	-33,100
Cash flows from financing activities	-2,562	4,037	17,495
Cash and cash equivalents	19,856	16,991	21,371
Per share			
Earnings per share	¥ 85.89	¥ 74.92	¥ 64.91
Net assets	875.00	948.34	947.34
Cash dividends	16.0	16.0	16.0
Shareholders' equity ratio (%)	56.46	54.08	48.61
ROE (%)	10.5	8.2	6.9
ROA (%)	9.7	7.4	6.1
Liquidity ratio (%)	156	146	150
PER (%)	16.29	16.98	10.18
Dividend payout ratio (%)	18.6	21.4	24.6
Market data			
Exchange rate, average (¥/\$)	113.35	117.00	114.38
Naphtha price (¥/kl)	42,400	50,000	61,400
Share Price (¥) (Closing)	1,399	1,272	661
(High)	1,426	1,503	1,316
(Low)	851	1,152	626

FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2014
(Millions of yen)						(Millions of U.S. dollars)	
¥289,102	¥244,317	¥288,345	¥320,704	¥269,520	¥302,136	¥374,873	\$3,120
622	13,881	29,813	31,100	10,034	13,752	26,133	217
-5,307	10,832	21,119	21,257	8,401	10,503	19,089	159
302,948	310,946	329,332	356,407	352,373	398,396	419,634	3,492
151,662	163,781	194,266	209,070	220,248	242,193	270,128	2,248
17,613	44,346	31,706	43,857	27,322	16,992	32,697	272
-16,675	-23,850	-16,696	-21,747	-31,878	-25,141	-18,941	-158
8,099	-21,772	-3,050	-9,671	81	-2,519	-10,237	-85
29,450	28,234	39,174	50,812	47,801	39,619	44,336	369
¥ -29.61	¥ 60.85	¥ 110.30	¥ 104.71	¥ 41.38	¥ 51.74	¥ 94.06	\$ 0.8
831.11	898.33	938.67	1,006.48	1,059.85	1,164.10	1,307.13	10.9
15.5	14.0	22.0	22.0	16.0	16.0	24.0	0.2
48.83	51.43	57.86	57.33	61.05	59.31	63.22	—
-3.3	7.0	12.1	10.8	4.0	4.7	7.6	—
0.2	4.9	9.7	9.7	3.9	4.4	7.3	—
159	155	197	174	189	168	205	—
—	13.89	9.45	9.16	19.94	23.56	18.74	—
—	23.0	19.9	21.0	38.7	30.9	25.5	—
100.58	92.88	85.72	79.07	83.09	100.21	109.88	—
58,900	41,200	47,500	54,900	57,500	67,300	63,500	528.4
622	845	1,042	959	825	1,219	1,763	14.7
866	920	1,047	1,100	987	1,286	1,832	15.2
442	600	682	764	738	791	1,093	9.1

Notes: Conversions into USD are just for indication only. The exchange rate is the rate at March 31, 2015. (¥120.17 / \$1.00) Figures are rounded off.

Management Discussion and Analysis of Operation

Fiscal 2014 Performance

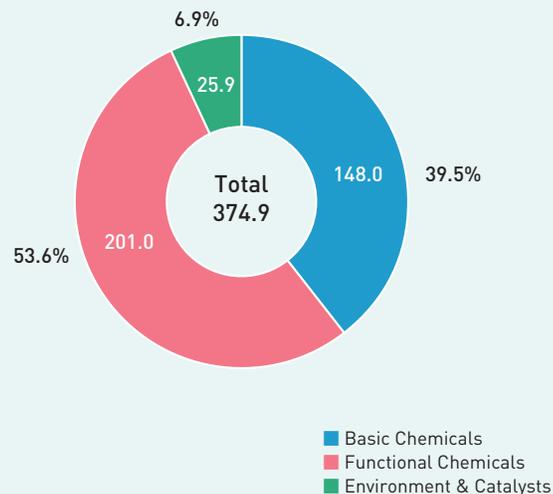
In the current fiscal year, concerning the global economy, the United States economy was on a recovery trend, and as Europe also moved toward a recovery, a deceleration was seen in China.

Although Japan's economy was on a moderate recovery trend due to improved corporate business results and employment conditions, a pullback in demand after the rush

in demand prior to the consumption tax increase caused personal consumption to slump.

In the chemicals industry, the future outlook remains unclear due to factors such as unstable raw material prices resulting from a decline in crude oil prices from November 2014 onward.

Segment Sales
(¥billion)



Financial position

Under these conditions, the Group's consolidated net sales rose 24.1% year-on-year, to 374,873 million yen (+72,737 million yen) in the current fiscal year. Factors contributing to this result included the resumption of operations at all Himeji plants in February 2014 that had ceased production as a result of the accident occurred in September 2012 and efforts to restore the clients' confidence that resulted in the substantial rise in sales volume.

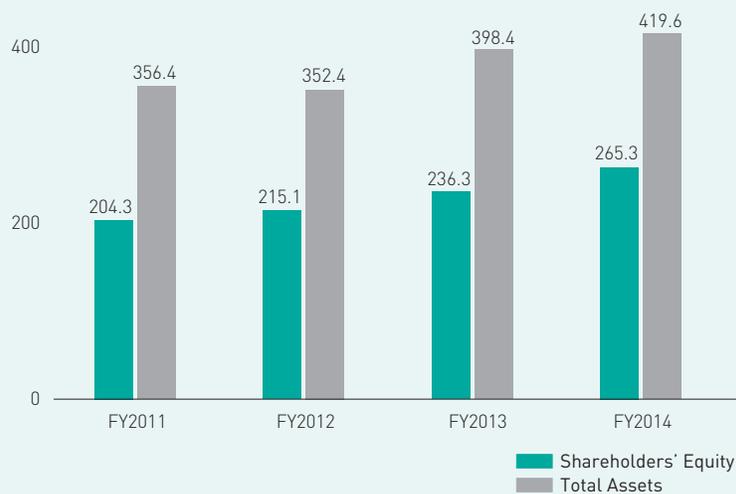
With regard to profits, operating income increased 90.0% year-on-year to 26,133 million yen (+12,381 million yen). Although processing costs rose as the production at Himeji plants resumed, this increased the sales volume which outweighed the costs, and widening spreads following the drop in raw materials costs due to lower crude oil prices after November 2014 contributed to this result.

Non-operating income increased 913 million yen due to higher technology licensing income. As a result, ordinary income rose 79.9% year-on-year to 29,941 million yen (+13,294 million yen).

Extraordinary income and loss improved year on year by 79 million yen. While insurance income and other costs related to the accident at Himeji plants were no longer recorded, loss on abandonment of non-current assets was recognized, loss on liquidation of business decreased and gain on sales of investment securities was recorded. As a result, net income rose 81.7% year-on-year to 19,089 million yen (+8,586 million yen).

Shareholders' Equity and Total Assets

(¥billion)



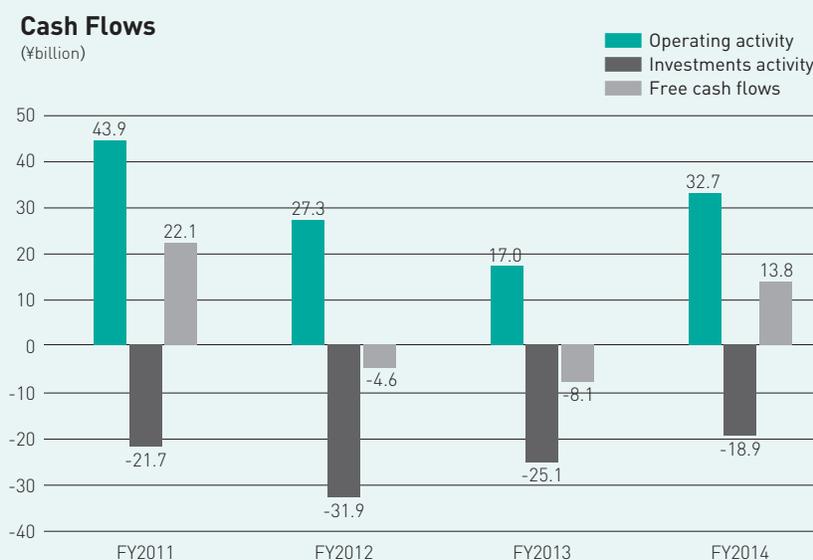
Cash Flows

Cash and cash equivalents at the end of the current fiscal year increased by 4,717 million yen over the end of the previous fiscal year to 44,336 million yen, as cash flow provided by operating activities exceeded cash flow used in investing activities (capital investment, etc.) and the redemption of bonds and other financing activities.

Net cash provided by operating activities totaled 32,697 million yen (16,992 million yen provided in the previous fiscal year). This was due to an increase of 15,704 million yen from the previous fiscal year as a result of an increase in earnings before taxes, depreciation and amortization and decrease in outlays associated with notes and accounts receivable – trade and inventories, despite increase in income taxes paid.

Net cash used in investing activities totaled 18,941 million yen (25,141 million yen used in the previous fiscal year). This was due to a decline of 6,200 million yen in outlays from the previous fiscal year as a result of decrease in purchase of property, plant and equipment and increase in proceeds from sales of property, plant and equipment, although outlays increased for purchase of shares of subsidiaries and associates and purchase of investment securities.

Net cash used in financing activities totaled 10,237 million yen (2,519 million yen used in the previous fiscal year). Redemption of bonds and an increase in cash dividends paid resulted in an increase of 7,718 million yen in outlays.



Basic Policy on the Distribution of Profits, and Dividends

Nippon Shokubai has positioned the return of profits to shareholders as the most important management task, and, in consideration of the dividend payout ratio, distributes dividends under a basic policy of aiming to improve medium- to long-term dividend levels in line with projected trends in consolidated earnings, while at the same time taking an overall view to expand the business and strengthen the corporate structure. In addition to dividend distributions, the Company intends to continue stock buybacks to raise the value per share.

The Company will continue to distribute profits by taking into careful consideration a balance between the critical need to maintain competitiveness and continue growth into the future by aggressively investing in equipment, R&D and other areas, with the need to accomplish these investments, recognizing the importance of keeping on hand a sufficient level of retained earnings.

The Company pays dividends twice a year, once at the end of the interim period and once at the end of the fiscal year.

Based on the above basic policy, the Company plans to pay a year-end dividend of 13 yen per share for FY 2014, taking into consideration the business environment, earnings results and future prospects for business growth. As a result, annual dividends will total 24 yen per share for a consolidated payout ratio of 25.5%.

For FY 2015, in light of a revision to financial forecasts and a reverse stock split (merging of 5 shares of common stock to 1 share) with an effective date of October 1, 2015, interim dividends are scheduled to be 13 yen per share, and year-end dividends are scheduled to be 65 yen per share. Without taking into account the reverse stock split, year-end dividends would be 13 yen.

Fiscal 2015 Outlook

Although a recovery trend is expected to continue in the Japanese economy due to expanded personal consumption stemming from an improved employment and income environment, downward economic risks including concern for overseas economies such as recovery trends in the European economy and slowing growth in China, in addition to an unclear outlook for crude oil prices are expected to create an unpredictable corporate management environment.

Under such conditions, projected earnings in the next fiscal year are based on exchange rates of 115 yen to the U.S. dollar and 130 yen to the euro, and naphtha prices of 50,000 yen/kl. Although sales volumes are projected to increase, centered on functional chemicals, sales prices are expected to decrease due to lower raw material prices. We therefore forecast consolidated net sales to decrease 4.0% to 360,000 million yen (-14,873 million yen), with 175,000 million yen in the first half.

With regard to profits, although the Company projections incorporate a contraction in spread due to trends in raw materials and product markets, the expected effect of higher production and sales volumes will lead to an increase in operating income by 18.6%, to 31,000 million yen (+4,867 million yen), with 12,000 million yen in the first half. The Company projects an increase in ordinary income of 6.9%, to 32,000 million yen (+2,059 million yen), with 12,500 million yen in the first half, assuming a wider non-operating loss due to factors such as decreased technology licensing income and income from dividends, and an increase in net income attributable to owners of parent of 17.9%, to 22,500 million yen (+3,411 million yen), with 9,000 million yen in the first half.

Financial Statements

Consolidated Balance Sheet

Nippon Shokubai Co., Ltd. and Consolidated Subsidiaries

	March 31,		
	2015	2014	2015
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 2)</i>
Assets			
Current assets:			
Cash and cash equivalents <i>(Note 3)</i>	¥ 44,336	¥ 39,619	\$ 368,944
Time deposits <i>(Notes 3 and 7)</i>	4,919	3,636	40,934
Notes and accounts receivable <i>(Note 3)</i> :			
Unconsolidated subsidiaries and affiliates	7,089	6,544	58,991
Trade	67,067	63,420	558,101
Allowance for doubtful accounts	(235)	(192)	(1,956)
Inventories <i>(Note 5)</i>	56,303	58,624	468,528
Deferred income taxes <i>(Note 9)</i>	3,706	4,377	30,840
Other current assets	13,362	10,315	111,193
Total current assets	196,547	186,343	1,635,575
Property, plant and equipment, at cost <i>(Notes 6, 7 and 20)</i> :			
Land	31,680	32,392	263,627
Buildings and structures	98,318	94,610	818,158
Machinery and equipment	366,982	357,052	3,053,857
Construction in progress	2,250	8,657	18,723
Leased assets	696	711	5,792
Accumulated depreciation	(350,279)	(341,284)	(2,914,863)
Property, plant and equipment, net	149,647	152,138	1,245,294
Investments and other assets:			
Investments in securities <i>(Notes 3 and 4)</i>	34,797	25,292	289,565
Investments in unconsolidated subsidiaries and affiliates	23,973	22,924	199,492
Deferred income taxes <i>(Note 9)</i>	1,995	2,458	16,601
Asset for retirement benefits <i>(Note 8)</i>	5,476	2,507	45,569
Other assets <i>(Note 7)</i>	7,199	6,734	59,907
Total investments and other assets	73,440	59,915	611,134
Total assets	¥ 419,634	¥ 398,396	\$ 3,492,003

Nippon Shokubai Co., Ltd. and Consolidated Subsidiaries

	March 31,		
	2015	2014	2015
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 2)</i>
Liabilities and Net Assets			
Current liabilities:			
Short-term bank loans <i>(Notes 3 and 7)</i>	¥ 22,071	¥ 17,604	\$ 183,665
Current portion of long-term debt <i>(Notes 3 and 7)</i>	7,685	18,028	63,951
Notes and accounts payable <i>(Note 3)</i> :			
Unconsolidated subsidiaries and affiliates	5,962	5,444	49,613
Trade	41,553	47,323	345,785
Lease obligations <i>(Note 7)</i>	28	30	233
Income taxes payable <i>(Note 9)</i>	4,839	3,917	40,268
Accrued bonuses to employees	3,075	2,639	25,589
Accrued bonuses to directors and corporate auditors	152	125	1,265
Reserve for periodic repairs	2,485	2,845	20,679
Other current liabilities	8,177	13,182	68,044
Total current liabilities	96,027	111,137	799,092
Long-term liabilities:			
Long-term debt <i>(Notes 3 and 7)</i>	36,910	32,716	307,148
Lease obligations <i>(Note 7)</i>	149	175	1,240
Deferred income taxes <i>(Note 9)</i>	3,607	284	30,016
Liability for retirement benefits <i>(Note 8)</i>	11,755	10,800	97,820
Other	1,058	1,091	8,804
Total long-term liabilities	53,479	45,066	445,028
Contingent liabilities <i>(Note 17)</i>			
Net assets:			
Shareholders' equity <i>(Note 10)</i>:			
Common stock:			
Authorized – 636,000,000 shares			
Issued – 204,000,000 shares in 2015 and 2014	25,038	25,038	208,355
Capital surplus	22,083	22,083	183,765
Retained earnings	195,497	180,240	1,626,837
Less treasury stock, at cost	(956)	(924)	(7,955)
Total shareholders' equity	241,662	226,437	2,011,002
Accumulated other comprehensive income (loss):			
Net unrealized holding gain on securities	10,652	4,454	88,641
Translation adjustments	13,095	6,344	108,971
Net unrealized deferred gain on hedges	27	9	225
Retirement benefit liability adjustments	(162)	(970)	(1,349)
Total accumulated other comprehensive income, net	23,612	9,837	196,488
Minority interests	4,854	5,919	40,393
Total net assets	270,128	242,193	2,247,883
Total liabilities and net assets	¥ 419,634	¥ 398,396	\$ 3,492,003

See accompanying notes to consolidated financial statements.

Consolidated Statement of Income

Nippon Shokubai Co., Ltd. and Consolidated Subsidiaries

	Year ended March 31,		
	2015	2014	2015
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 2)</i>
Net sales (Note 20)	¥ 374,873	¥ 302,136	\$ 3,119,522
Cost of sales (Note 11)	309,135	253,181	2,572,480
Gross profit	65,738	48,955	547,042
Selling, general and administrative expenses (Note 11)	39,605	35,203	329,575
Operating income (Note 20)	26,133	13,752	217,467
Other income (expenses):			
Interest and dividend income	1,100	1,031	9,154
Interest expense	(602)	(599)	(5,010)
Royalty income and technical support fee	1,198	369	9,969
Equity in earnings of an unconsolidated subsidiary and affiliates	1,259	1,105	10,477
Loss on impairment of property, plant and equipment (Notes 6 and 20)	(477)	(394)	(3,969)
Rent income from real estate	1,129	1,112	9,395
Gain on insurance claims (Note 12)	-	9,179	-
Gain on insurance adjustment	-	2,275	-
Loss on reduction of property, plant and equipment	-	(2,128)	-
Loss on disposal of property, plant and equipment	(463)	(64)	(3,853)
Loss on discontinued operations (Note 14)	(151)	(867)	(1,257)
Loss on explosion and fire accident (Note 13)	-	(8,323)	-
Loss on cancellation of retirement benefit trust	-	(414)	-
Loss on devaluation of investments in an unconsolidated subsidiary	-	(50)	-
Other, net	229	(2)	1,906
Income before income taxes and minority interests	29,355	15,982	244,279
Income taxes (Note 9):			
Current	8,333	5,489	69,344
Deferred	1,752	(373)	14,579
	10,085	5,116	83,923
Income before minority interests	19,270	10,866	160,356
Minority interests	(181)	(363)	(1,506)
Net income	¥ 19,089	¥ 10,503	\$ 158,850

See accompanying notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Nippon Shokubai Co., Ltd. and Consolidated Subsidiaries

	Year ended March 31,		
	2015	2014	2015
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 2)</i>
Income before minority interests	¥ 19,270	¥ 10,866	\$ 160,356
Other comprehensive income <i>(Note 15)</i>			
Net unrealized holding gain on securities	6,211	1,602	51,685
Net unrealized deferred gain on hedges	18	8	151
Translation adjustments	5,786	10,736	48,148
Retirement benefits liability adjustments	918	-	7,639
Share of other comprehensive income of an unconsolidated subsidiary and affiliates accounted for by the equity method	1,058	2,301	8,804
Total other comprehensive income	13,991	14,647	116,427
Comprehensive income <i>(Note 15)</i>	¥ 33,261	¥ 25,513	\$ 276,783
Comprehensive income attributable to:			
Shareholders of the Company	¥ 32,863	¥ 24,663	\$ 273,471
Minority interests	398	850	3,312

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

Nippon Shokubai Co., Ltd. and Consolidated Subsidiaries

	Shareholders' equity					Accumulated other comprehensive income (loss)						
	Common stock	Capital surplus	Retained earnings	Less treasury stock, at cost	Total shareholders' equity	Net unrealized holding gain on securities	Translation adjustments	Net unrealized deferred gain on hedges	Retirement benefit liability adjustments	Total accumulated other comprehensive income, net	Minority interests	Total net assets
	<i>(Millions of yen)</i>											
Balance at April 1, 2013	¥ 25,038	¥ 22,083	¥ 172,375	¥ (897)	¥ 218,599	¥ 2,846	¥ (6,309)	¥ 1	¥ -	¥ (3,462)	¥ 5,111	¥ 220,248
Changes during the year:												
Cash dividends	-	-	(2,638)	-	(2,638)	-	-	-	-	-	-	(2,638)
Net income	-	-	10,503	-	10,503	-	-	-	-	-	-	10,503
Purchases of treasury stock	-	-	-	(30)	(30)	-	-	-	-	-	-	(30)
Disposition of treasury stock	-	0	-	3	3	-	-	-	-	-	-	3
Net changes in items other than shareholders' equity	-	-	-	-	-	1,608	12,653	8	(970)	13,299	808	14,107
Total changes during the year	-	0	7,865	(27)	7,838	1,608	12,653	8	(970)	13,299	808	21,945
Balance at March 31, 2014	¥ 25,038	¥ 22,083	¥ 180,240	¥ (924)	¥ 226,437	¥ 4,454	¥ 6,344	¥ 9	¥ (970)	¥ 9,837	¥ 5,919	¥ 242,193

Nippon Shokubai Co., Ltd. and Consolidated Subsidiaries

Shareholders' equity

	Common stock	Capital surplus	Retained earnings	Less treasury stock, at cost	Total shareholders' equity
<i>(Millions of yen)</i>					
Balance at April 1, 2014, as originally reported	¥ 25,038	¥ 22,083	¥ 180,240	¥ (924)	¥ 226,437
Cumulative effect of change in accounting policy	-	-	25	-	25
Balance at April 1, 2014, as adjusted	25,038	22,083	180,265	(924)	226,462
Changes during the year:					
Cash dividends	-	-	(3,857)	-	(3,857)
Net income	-	-	19,089	-	19,089
Purchases of treasury stock	-	-	-	(32)	(32)
Net changes in items other than shareholders' equity	-	-	-	-	-
Total changes during the year	-	-	15,232	(32)	15,200
Balance at March 31, 2015	¥ 25,038	¥ 22,083	¥ 195,497	¥ (956)	¥ 241,662

Accumulated other comprehensive income (loss)

	Net unrealized holding gain on securities	Translation adjustments	Net unrealized deferred gain on hedges	Retirement benefit liability adjustments	Total accumulated other comprehensive income, net	Minority interests	Total net assets
<i>(Millions of yen)</i>							
Balance at April 1, 2014, as originally reported	¥ 4,454	¥ 6,344	¥ 9	¥ (970)	¥ 9,837	¥ 5,919	¥ 242,193
Cumulative effect of change in accounting policy	-	-	-	-	-	-	25
Balance at April 1, 2014, as adjusted	4,454	6,344	9	(970)	9,837	5,919	242,218
Changes during the year:							
Cash dividends	-	-	-	-	-	-	(3,857)
Net income	-	-	-	-	-	-	19,089
Purchases of treasury stock	-	-	-	-	-	-	(32)
Net changes in items other than shareholders' equity	6,198	6,751	18	808	13,775	(1,065)	12,710
Total changes during the year	6,198	6,751	18	808	13,775	(1,065)	27,910
Balance at March 31, 2015	¥ 10,652	¥ 13,095	¥ 27	¥ (162)	¥ 23,612	¥ 4,854	¥ 270,128

Nippon Shokubai Co., Ltd. and Consolidated Subsidiaries

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Less treasury stock, at cost	Total shareholders' equity
	<i>(Thousands of U.S. dollars) (Note 2)</i>				
Balance at April 1, 2014, as originally reported	\$ 208,355	\$ 183,765	\$ 1,499,875	\$ (7,689)	\$ 1,884,306
Cumulative effect of change in accounting policy	-	-	208	-	208
Balance at April 1, 2014, as adjusted	208,355	183,765	1,500,083	(7,689)	1,884,514
Changes during the year:					
Cash dividends	-	-	(32,096)	-	(32,096)
Net income	-	-	158,850	-	158,850
Purchases of treasury stock	-	-	-	(266)	(266)
Net changes in items other than shareholders' equity	-	-	-	-	-
Total changes during the year	-	-	126,754	(266)	126,488
Balance at March 31, 2015	<u>\$ 208,355</u>	<u>\$ 183,765</u>	<u>\$ 1,626,837</u>	<u>\$ (7,955)</u>	<u>\$ 2,011,002</u>

	Accumulated other comprehensive income (loss)						
	Net unrealized holding gain on securities	Translation adjustments	Net unrealized deferred gain on hedges	Retirement benefit liability adjustments	Total accumulated other comprehensive income, net	Minority interests	Total net assets
	<i>(Thousands of U.S. dollars) (Note 2)</i>						
Balance at April 1, 2014, as originally reported	\$ 37,064	\$ 52,792	\$ 75	\$ (8,072)	\$ 81,859	\$ 49,255	\$ 2,015,420
Cumulative effect of change in accounting policy	-	-	-	-	-	-	208
Balance at April 1, 2014, as adjusted	37,064	52,792	75	(8,072)	81,859	49,255	2,015,628
Changes during the year:							
Cash dividends	-	-	-	-	-	-	(32,096)
Net income	-	-	-	-	-	-	158,850
Purchases of treasury stock	-	-	-	-	-	-	(266)
Net changes in items other than shareholders' equity	51,577	56,179	150	6,723	114,629	(8,862)	105,767
Total changes during the year	51,577	56,179	150	6,723	114,629	(8,862)	232,255
Balance at March 31, 2015	<u>\$ 88,641</u>	<u>\$ 108,971</u>	<u>\$ 225</u>	<u>\$ (1,349)</u>	<u>\$ 196,488</u>	<u>\$ 40,393</u>	<u>\$ 2,247,883</u>

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Nippon Shokubai Co., Ltd. and Consolidated Subsidiaries

	Year ended March 31,		
	2015	2014	2015
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 2)</i>
Operating activities:			
Income before income taxes and minority interests	¥ 29,355	¥ 15,982	\$ 244,279
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	18,971	16,995	157,868
Gain on sales of investments in securities	(422)	-	(3,512)
Loss on devaluation of investments in an unconsolidated subsidiary	-	50	-
Loss on reduction of property, plant and equipment	-	2,128	-
Loss on discontinued operations	-	725	-
Loss on impairment of property, plant and equipment	477	394	3,969
Gain on insurance claims	-	(9,192)	-
Gain on insurance adjustment	-	(2,275)	-
Increase in asset for retirement benefits	(2,989)	(107)	(24,873)
Increase in liability for retirement benefits	1,629	232	13,556
Interest and dividend income	(1,100)	(1,031)	(9,154)
Interest expense	602	599	5,010
Equity in earnings of an unconsolidated subsidiary and affiliates	(1,259)	(1,105)	(10,477)
Other, net	(2,254)	(2,270)	(18,756)
Changes in operating assets and liabilities:			
Notes and accounts receivable	(2,521)	(16,215)	(20,979)
Inventories	3,874	(14,393)	32,238
Notes and accounts payable	(6,278)	12,386	(52,243)
Other current liabilities	451	(657)	3,753
Subtotal	38,536	2,246	320,679
Interest and dividends received	2,366	1,953	19,689
Interest paid	(621)	(614)	(5,168)
Proceeds from insurance claims	-	14,639	-
Payment of income taxes	(7,450)	(1,226)	(61,996)
Payment for liquidation of business	(134)	(6)	(1,115)
Net cash provided by operating activities	32,697	16,992	272,089
Investing activities:			
Purchases of property, plant and equipment	(17,629)	(22,395)	(146,701)
Proceeds from sales of property, plant and equipment	1,547	109	12,873
Purchase of intangible assets	(986)	(933)	(8,205)
Purchases of investments in securities	(1,108)	(742)	(9,220)
Proceeds from sales of investments in securities	1,267	328	10,544
Payments for purchases of shares of affiliates	(1,285)	(9)	(10,693)
Initiation of loans receivable	-	(600)	-
Collection of loans receivable	140	184	1,165
Other, net	(887)	(1,084)	(7,381)
Net cash used in investing activities	¥ (18,941)	¥ (25,142)	\$ (157,618)

Nippon Shokubai Co., Ltd. and Consolidated Subsidiaries

Years ended March 31,

	2015	2014	2015
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 2)</i>
Financing activities:			
Increase in short-term bank loans, net	¥ 3,498	¥ 2,918	\$ 29,109
Proceeds from long-term debt	8,750	11,400	72,814
Repayment of long-term debt	(8,537)	(14,100)	(71,041)
Repayments of bonds	(10,000)	-	(83,215)
Cash dividends paid	(3,857)	(2,639)	(32,096)
Proceeds from sales of treasury stock	-	3	-
Purchases of treasury stock	(32)	(30)	(266)
Other, net	(60)	(71)	(501)
Net cash used in financing activities	(10,238)	(2,519)	(85,196)
Effect of exchange rate changes on cash and cash equivalents	1,199	2,487	9,978
Increase (decrease) in cash and cash equivalents	4,717	(8,182)	39,253
Cash and cash equivalents at beginning of year	39,619	47,801	329,691
Cash and cash equivalents at end of year	¥ 44,336	¥ 39,619	\$ 368,944

Notes to Consolidated Financial Statements

Nippon Shokubai Co., Ltd. and Consolidated Subsidiaries

March 31, 2015

1. Summary of Significant Accounting Policies

(a) Basis of presentation

The accompanying consolidated financial statements of Nippon Shokubai Co., Ltd. (the "Company") and its consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

In preparing the accompanying consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan.

Certain reclassifications of previously reported amounts have been made to conform the consolidated financial statements for the year ended March 31, 2014 to the 2015 presentation. Such reclassifications had no effect on consolidated net income or net assets.

(b) Basis of consolidation

The accompanying consolidated financial statements include the accounts of the Company and its significant subsidiaries. All significant intercompany items have been eliminated in consolidation.

The overseas consolidated subsidiaries are consolidated on the basis of fiscal periods ending December 31, a date which differs from the balance sheet date of the Company. As a result, adjustments have been made for any significant intercompany transactions which took place during the period between the year end of these overseas consolidated subsidiaries and the year end of the Company.

Investments in an unconsolidated subsidiary and significant affiliates are accounted for by the equity method.

Investments in unconsolidated subsidiaries and affiliates not accounted for by the equity method are carried at cost.

(c) Foreign currency translation

The financial statements of the overseas consolidated subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date, except that the components of net assets excluding minority interests are translated at their historical exchange rates. Differences resulting from translating the financial statements of the overseas consolidated subsidiaries are not included in the determination of net income but are reported as translation adjustments and minority interests in the accompanying consolidated balance sheets at March 31, 2015 and 2014.

Revenue and expense items arising from transactions denominated in foreign currencies are generally translated into yen at the rates of exchange in effect at the respective transaction dates.

All monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date and gain or loss on each translation is credited or charged to income.

(d) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, cash in banks which can be withdrawn at any time and short-term investments with a maturity of three months or less when purchased which can easily be converted to cash and are subject to little risk of change in value.

(e) Allowance for doubtful accounts

The Company and its consolidated subsidiaries provide an allowance for doubtful receivables at an amount calculated based on their historical experience of bad debts on ordinary receivables plus an additional estimate of probable specific bad debts from customers experiencing financial difficulties.

(f) Inventories

Inventories are stated at the lower of cost or net selling value, cost being determined primarily by the moving average method.

(g) Property, plant and equipment

Depreciation is computed principally by the straight-line method over the estimated useful lives of the respective assets except for leased assets.

(h) Leases

Leased assets under finance lease transactions that do not transfer ownership to the lessee are depreciated to a residual value of zero by the straight-line method using the contract term as the useful life.

For finance lease transactions that do not transfer ownership to the lessee, those that started on or before March 31, 2008 continue to be accounted for as operating lease transactions.

(i) Investments in securities

Securities are classified into three categories: trading securities, held-to-maturity debt securities and other securities. Trading securities, consisting of debt and marketable equity securities, are carried at fair value. Gain and loss, both realized and unrealized, are credited and charged to income. Held-to-maturity debt securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value, with any changes in unrealized holding gain or loss, net of the applicable income taxes, reported as a separate component of net assets. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method.

(j) Research and development costs and computer software

Research and development costs are charged to income when incurred.

Expenditures relating to the development of computer software intended for internal use are charged to income as incurred, except if these are deemed to contribute to the generation of future income or cost savings. Such expenditures are capitalized as assets and amortized by the straight-line method over their respective estimated useful lives, generally a period of 5 years.

(k) Income taxes

Income taxes are calculated based on taxable income and charged to income on an accrual basis. Deferred income tax assets and liabilities are computed based on the temporary differences between financial reporting and the tax bases of the assets and liabilities which will result in taxable or tax-deductible amounts in the future. The calculation of deferred income tax assets and liabilities is based on the enacted tax laws.

(l) Hedge accounting

Gain or loss on derivatives positions designated as hedges is deferred until the loss or gain on the respective underlying hedged items is recognized. Interest rate swaps which meet certain conditions are accounted for as if the interest rates applied to the swaps had originally applied to the underlying debt.

Forward foreign currency exchange contracts which meet certain criteria are accounted for by the allocation method which requires that recognized foreign currency receivables or payables be translated at the corresponding contract rates ("Allocation method").

(m) Accrued bonuses to employees

Accrued bonuses to employees are provided based on the estimated amount of bonuses to be paid to employees which is charged to income in the current year.

(n) Accrued bonuses to directors and corporate auditors

Accrued bonuses to directors and corporate auditors are provided at an estimate of the amount to be paid in the following year which has been allocated to the current fiscal year.

(o) Reserve for periodic repairs

The Company and certain consolidated subsidiaries provide a reserve for the cost of periodic repairs to production facilities at plants based on their estimates of the future cost of such repairs.

(p) Retirement benefits

The liability for retirement benefits is provided based on the retirement benefit obligation reduced by the pension plan assets at fair value at the end of the year.

The retirement benefits are attributed to periods corresponding to the service years of eligible employees based on the benefit formula method.

Actuarial gain or loss is amortized in the year following the year in which the gain or loss is recognized by the straight-line method principally over a period of 10 years, which is within the estimated average remaining years of service of the eligible employees.

Prior service cost is amortized by the straight-line method principally over a period of 5 years, which is within the estimated average remaining years of service of the eligible employees.

(q) Distribution of retained earnings

Under the Corporation Law of Japan, the distribution of retained earnings with respect to a given financial period is made by resolution of the shareholders at a general meeting held subsequent to the close of the financial period. The accounts for that period do not, therefore, reflect such distributions (see Note 22).

(r) Recognition of contract revenue and cost

The Company recognizes revenue by applying the percentage-of-completion method for the construction projects for which the outcome of the construction activity is deemed certain at the end of the reporting period. To estimate the progress of such construction projects, the Company measures the percentage of completion by comparing costs incurred to date with the most recent estimate of total costs required to complete the project (cost to cost basis). For other construction projects where the outcome cannot be reliably measured, the completed-contract method is applied.

(s) Change in accounting policy

Accounting Standard for Retirement Benefits

The Company and its domestic subsidiaries adopted Section 35 of “Accounting Standard for Retirement Benefits” (Accounting Standards Board of Japan (“ASBJ”) Statement No.26 of May 17, 2012) and the main clause of Section 67 of “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No.25 of March 26, 2015) effective from April 1, 2014. As a result, the methods for calculating the retirement benefit obligation and service cost have been revised in the following respects: the method for attributing projected benefits to each period has been changed from the straight-line method to the benefit formula method, and the method for determining the discount rate has been changed from using a discount rate based on the estimated average remaining years of service of the eligible employees to the use of a single weighted-average discount rate reflecting the expected timing and amount of benefit payments.

The cumulative effect of changing the methods for calculating the retirement benefit obligation and service cost was recognized by adjusting retained earnings at April 1, 2014, in accordance with the transitional treatment provided in Section 37 of Accounting Standard for Retirement Benefits.

As a result, the liability for retirement benefits increased by ¥116 million (\$965 thousand), retained earnings increased by ¥25 million (\$208 thousand) and assets for retirement benefits decreased by ¥20 million (\$166 thousand) at April 1, 2014.

(t) Accounting standards issued but not yet effective

(Accounting Standards for Business Combinations)

On September 13, 2013, ASBJ issued “Revised Accounting Standard for Business Combinations” (ASBJ Statement No.21), “Revised Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No.22), “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No.7), “Revised Accounting Standard for Earnings Per Share” (ASBJ Statement No.2), “Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No.10), and “Revised Guidance on Accounting Standard for Earnings Per Share” (ASBJ Guidance No.4).

(1) Overview

Under these revised accounting standards, the accounting treatment for any changes in a parent’s ownership interest in a subsidiary when the parent retains control over the subsidiary and the corresponding accounting for acquisition-related costs were revised. In addition, the presentation method of net income was amended, the reference to “minority interests” was changed to “non-controlling interests,” and accounting treatment for adjustments to provisional amounts was also changed.

(2) Scheduled date of adoption

The Company expects to adopt these revised accounting standards and guidance from the beginning of the fiscal year ending March 31, 2016.

(3) Impact of adopting revised accounting standards and guidance

The Company is currently evaluating the effect of adopting these revised standards on its consolidated financial statements.

2. U.S. Dollar Amounts

The translation of yen amounts into U.S. dollar amounts is included solely for convenience, as a matter of arithmetic computation only, at ¥120.17 = U.S. \$1.00, the approximate rate of exchange in effect on March 31, 2015. This translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

3. Financial Instruments**(1) Current status of financial instruments****1) Policy for financial instruments**

The Group manages temporary surplus funds through short-term bank deposits. The Group raises funds through bank loans. The Group uses derivatives for the purpose of reducing foreign currency exchange rate fluctuation risk or interest rate fluctuation risk, and does not enter into derivatives for speculative or trading purposes.

2) Types of financial instruments and related risk

Notes and accounts receivable, trade are exposed to credit risk in relation to customers. Trade receivables in foreign currencies, arising from export transactions for the global business, are exposed to foreign currency exchange rate fluctuation risk, which are hedged by forward foreign exchange contracts.

Investments in securities are composed of the shares of common stock of other companies with which the Group has business or capital relationships, which are also exposed to market price volatility risk.

Substantially all notes and accounts payable, trade have payment due dates within one year, which are also hedged by forward foreign currency exchange contracts. The loans are taken out principally for the purpose of making capital expenditures. The loans with variable interest rates are exposed to interest rate fluctuation risk. However, the interest rate fluctuation risk is covered by interest rate swap transactions.

Regarding derivatives, the Group enters into forward foreign currency exchange transactions to avoid foreign currency exchange rate fluctuation risk related to trade receivables and trade payables denominated in foreign currencies. The Group also enters into interest rate swap transactions to avoid interest rate fluctuation risk related to the loans.

Further information regarding the method of hedge accounting, hedging instruments and hedged items, hedging policy, and the assessment of the effectiveness of hedging activities can be found in Note 19.

3) Risk management for financial instruments

i) Monitoring for credit risk (the risk that customers or counterparties may default)

With respect to trade receivables, each related division of the Company monitors the conditions of their main customers periodically, monitors due dates and outstanding balances of individual customers, and evaluates credit worthiness of their main customers semiannually. The consolidated subsidiaries also monitor trade receivables in a same manner.

The Group also believes that the credit risk of derivatives is insignificant as the Group enters into derivative transactions only with financial institutions with high credit ratings.

ii) Monitoring of market risks (the risks arising from fluctuations in foreign exchange rates, interest rates and others)

For trade receivables and trade payables in foreign currencies, the Group enters into forward foreign currency exchange contracts.

For investments in securities, the Group periodically reviews the fair values of such financial instruments and the financial position of the issuers. In addition, the Group continuously evaluates whether securities other than those classified as held-to-maturity should be maintained taking into account their fair values and relationships with the issuers.

For derivative transactions, the finance department of the Company enters into and manages derivative transactions. Results of derivative transactions are reported to the director in charge monthly.

iii) Monitoring of liquidity risk (the risk that the Group may not be able to meet its obligations on the scheduled due dates)

Based on reports from each division, the Group prepares and updates its cash flow plans on a timely basis to manage liquidity risk.

4) Supplementary explanation of the estimated fair value of financial instruments

The notional amounts of derivatives in the following table are not necessarily indicative of the actual market risk involved in derivative transactions.

(2) Fair value of financial instruments

Carrying value, fair value, and unrealized gain or loss on financial instruments at March 31, 2015 and 2014 are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value.

	2015			2014		
	<i>(Millions of yen)</i>					
	Carrying value	Fair value	Unrealized gain	Carrying value	Fair value	Unrealized loss
Assets:						
i) Cash and cash equivalents, and time deposits	¥ 49,255	¥ 49,255	¥ -	¥ 43,255	¥ 43,255	¥ -
ii) Notes and accounts receivable	74,156	74,156	-	69,964	69,964	-
iii) Investments in securities:						
Other securities	34,147	34,147	-	24,667	24,667	-
Total assets	¥ 157,558	¥ 157,558	¥ -	¥ 137,886	¥ 137,886	¥ -
Liabilities:						
iv) Notes and accounts payable	¥ 47,515	¥ 47,515	¥ -	¥52,767	¥52,767	¥-
v) Short-term bank loans	22,071	22,071	-	17,604	17,604	-
vi) Current portion of long-term debt	7,685	7,741	56	8,028	8,006	(22)
vii) Long-term debt	36,910	37,028	118	32,716	32,637	(79)
Total liabilities	¥ 114,181	¥ 114,355	¥ 174	¥ 111,115	¥ 111,014	¥ (101)
Derivatives	¥ 40	¥ 40	¥ -	¥ 14	¥ 14	¥ -

	2015		
	<i>(Thousands of U.S. dollars)</i>		
	Carrying value	Fair value	Unrealized gain
Assets:			
i) Cash and cash equivalents, and time deposits	\$ 409,878	\$ 409,878	\$ -
ii) Notes and accounts receivable	617,092	617,092	-
iii) Investments in securities:			
Other securities	284,156	284,156	-
Total assets	\$1,311,126	\$1,311,126	\$ -

	2015		
	<i>(Thousands of U.S. dollars)</i>		
	Carrying value	Fair value	Unrealized gain
Liabilities:			
iv) Notes and accounts payable	\$ 395,398	\$ 395,398	\$ -
v) Short-term bank loans	183,665	183,665	-
vi) Current portion of long-term debt	63,951	64,417	466
vii) Long-term debt	307,148	308,130	982
Total liabilities	<u>\$ 950,162</u>	<u>\$ 951,610</u>	<u>\$ 1,448</u>
Derivatives	\$ 333	\$ 333	\$ -

1) Calculation methods of fair value of financial instruments, securities, and derivatives are as follows:

Assets:

- i) Cash and cash equivalents, time deposits, and ii) notes and accounts receivable
Since these items are settled in a short period of time, their carrying values approximate the fair value.
- iii) Investments in securities
Please refer to Note 1(i).

Liabilities:

- iv) Notes and accounts payable, and v) short-term bank loans
Since these items are settled in a short period of time, their carrying values approximate the fair value.
- vi) Current portion of long-term debt, and vii) long-term debt
The fair value of long-term debt is based on present value of the total amount including principal and interest, discounted by the expected interest rate in the case of new borrowings under the same conditions and in the same amount of the balance as of the end of the period. Long-term loans with floating interest rates were hedged by interest-rate swap agreements and accounted for as loans with fixed interest rates. The estimated fair value of those long-term loans is reasonably based on the present value of the total of principals, interests and net cash flows of swap agreements discounted by the interest rates, estimated reasonably, applicable to loans made under similar conditions.

Derivative transactions:

Please refer to Note 19.

2) Financial instruments for which it is extremely difficult to determine the fair value:

Other securities whose market value was not determinable at March 31, 2015 and 2014 are presented as follows:

	2015	2014	2015
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
	¥	¥	\$
Unlisted securities and other	650	625	5,409

Since there is no market price for unlisted securities and it is difficult to determine the fair value, they are not included in the preceding table "(2) Fair value of financial instruments."

3) The redemption schedule for monetary assets with maturity dates as of March 31, 2015 and 2014 is as follows:

	2015		2014		2015	
	<i>(Millions of yen)</i>			<i>(Thousands of U.S. dollars)</i>		
	Due within one year		Due within one year		Due within one year	
Cash and cash equivalents, and time deposits	¥	49,255	¥	43,255	\$	409,878
Notes and accounts receivable		74,156		69,964		617,092
	¥	123,411	¥	113,219	\$	1,026,970

4. Investments in Securities

Marketable securities classified as other securities at March 31, 2015 and 2014 are summarized as follows:

	2015			2014		
	<i>(Millions of yen)</i>					
	Book value (fair market value)	Cost	Unrealized gain (loss)	Book value (fair market value)	Cost	Unrealized gain (loss)
Securities whose fair market value exceeds their cost:						
Equity securities	¥ 33,247	¥ 18,087	¥ 15,160	¥ 18,191	¥ 11,131	¥ 7,060
Subtotal	33,247	18,087	15,160	18,191	11,131	7,060
Securities whose cost exceeds their fair market value:						
Equity securities	900	960	(60)	6,476	6,933	(457)
Subtotal	900	960	(60)	6,476	6,933	(457)
Total	¥ 34,147	¥ 19,047	¥ 15,100	¥ 24,667	¥ 18,064	¥ 6,603

	2015		
	<i>(Thousands of U.S. dollars)</i>		
	Book value (fair market value)	Cost	Unrealized gain (loss)
Securities whose fair market value exceeds their cost:			
Equity securities	\$ 276,666	\$ 150,512	\$ 126,154
Subtotal	276,666	150,512	126,154
Securities whose cost exceeds their fair market value:			
Equity securities	7,490	7,989	(499)
Subtotal	7,490	7,989	(499)
Total	\$ 284,156	\$ 158,501	\$ 125,655

Sales of other securities for the years ended March 31, 2015 and 2014 were as follows:

	2015		2014		2015	
	<i>(Millions of yen)</i>			<i>(Thousands of U.S. dollars)</i>		
Proceeds	¥	547	¥	93	\$	4,552
Gross realized gain	¥	422	¥	-	\$	3,512

5. Inventories

Inventories at March 31, 2015 and 2014 were as follows:

	2015	2014	2015
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Merchandise and finished goods	¥ 33,769	¥ 35,455	\$ 281,010
Raw materials	11,446	11,623	95,248
Work in process	6,222	6,738	51,777
Supplies	4,866	4,808	40,493
Total	¥ 56,303	¥ 58,624	\$ 468,528

6. Loss on Impairment of Property, Plant and Equipment

Property, plant and equipment are primarily grouped based on the business segment categories designated for management control purposes.

For the year ended March 31, 2015, growth of the polymer market for lithium-ion batteries was below expectations followed by a decline in the price of the product. Based on these circumstances, as continuous loss hereafter was expected, a loss on impairment in the amount of ¥181 million (\$1,506 thousand) was recognized on equipment which was used to manufacture polymer for lithium-ion batteries at the Kawasaki Plant in Kanagawa Prefecture. Accordingly, the Company has written down such assets to their respective net recoverable amounts. The net recoverable amounts of these impaired assets were measured at value in use based on estimated future cash flows discounted at a rate of 5%.

Sales of equipment to manufacture fuel cell materials had decreased and the growth of this market was not expected. Based on these circumstances, as continuous loss hereafter was expected, a loss on impairment in the amount of ¥296 million (\$2,463 thousand) was recognized on equipment which was used to manufacture fuel cell materials in Saga Prefecture. Accordingly, the Company has written down such assets to their respective net recoverable amounts. The net recoverable amounts of these impaired assets were measured at value in use based on estimated future cash flows discounted at a rate of 5%.

For the year ended March 31, 2014, market value of equipment used to manufacture polymers for concrete admixture in at a plant in China had decreased significantly in line with decrease in market demand, and a loss on impairment of property and equipment was recognized. Accordingly, the Company has written down such assets to their respective net recoverable amounts. The net recoverable amounts of these impaired assets were measured at net selling value in the amount of ¥394 million.

Details of the loss on impairment of property, plant and equipment for the years ended March 31, 2015 and 2014 are summarized as follows:

2015				
Company	Application	Classification	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Kawasaki Plant (Kanagawa Prefecture)	Equipment to manufacture polymer for lithium-ion batteries	Buildings and structures, machinery and equipment	¥181	\$1,506
Saga Prefecture	Equipment to manufacture fuel cell materials	Machinery and equipment	296	2,463
Total			¥477	\$3,969
2014				
Company	Application	Classification	<i>(Millions of yen)</i>	
Nisshoku Chemical Industry Co., Ltd.	Equipment to manufacture polymers for concrete admixture	Machinery and equipment, construction in progress, buildings and structures	¥394	
Total			¥ 394	

7. Short-Term Bank Loans, Long-Term Debt and Lease Obligations

Short-term bank loans consisted mainly of unsecured loans. The average interest rates on short-term bank loans outstanding at March 31, 2015 and 2014 were 0.57% and 0.67%, respectively.

Long-term debt and lease obligations at March 31, 2015 and 2014 consisted of the following:

	2015	2014	2015
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Unsecured bonds payable in Japanese yen, at rate of 1.66%, due through 2014	¥ -	¥ 10,000	\$ -
Unsecured loans from banks and insurance companies, payable in Japanese yen, at rates from 0.36% to 1.09%, due through 2021	19,304	15,337	160,639
Unsecured loans from banks, payable in U.S. dollars, at rates from 0.57% to 1.52%, due through 2020	25,240	25,294	210,036
Secured loans from banks, payable in Japanese yen, at rates from 1.24% to 1.25%, due through 2016	51	113	424
Lease obligations	177	205	1,473
Subtotal	44,772	50,949	372,572
Less current portion	(7,713)	(18,058)	(64,184)
Total	¥ 37,059	¥ 32,891	\$ 308,388

The aggregate annual maturities of long-term debt subsequent to March 31, 2015 are summarized below:

Year ending March 31,	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
2016	¥ 7,685	\$ 63,951
2017	8,359	69,560
2018	11,822	98,377
2019	4,720	39,278
2020 and thereafter	12,009	99,933
	¥ 44,595	\$ 371,099

The aggregate annual maturities of lease obligations to March 31, 2015 are summarized below:

Year ending March 31,	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
2016	¥ 28	\$ 233
2017	29	241
2018	29	241
2019	30	250
2020 and thereafter	61	508
	¥ 177	\$ 1,473

Assets pledged as collateral for short-term bank loans, long-term debt, including the current portion thereof, and notes and accounts payable at March 31, 2015 and 2014 were as follows:

	2015	2014	2015
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Time deposits	¥ -	¥ 8	\$ -
Land	526	533	4,377
Buildings and structures	73	102	607
Machinery and equipment	188	199	1,564
Other assets	13	4	109
Total	¥ 800	¥ 846	\$ 6,657

8. Retirement Benefits

Outline of Retirement Benefit Plan

Employees of the Company and consolidated subsidiaries are mainly covered by funded and unfunded defined benefit plans and defined contribution pension plans to provide for retirement benefits. In funded defined benefit corporate pension plans, lump-sum payments or pensions at retirement based on salary and length of service are paid. In unfunded lump-sum payments plan, lump-sum payments based on salary and length of service are paid as retirement benefits. However, the Company has a cash balance plan for a defined benefit corporate pension plan and a retirement lump-sum plan. Under the cash balance plan, each eligible employee has a hypothetical account, which is equivalent to the funded amount as the basis for the pension payment. The hypothetical accounts accumulate contribution credits based on salary level and interest credits based on market interest trends.

Certain defined benefit corporate pension plans adopt an employees' retirement benefit trust. During the year ended March 31, 2014, the Company contributed all assets in the employees' retirement benefit trust to the corporate pension fund and cancelled the employees' retirement benefit of the Company since the objective of the trust was achieved.

Certain consolidated subsidiaries calculate the retirement benefit obligations, retirement benefit assets and retirement benefit expenses for their defined benefit corporate pension plans and lump-sum payments plans based on the amount which would be payable at the year-end if all eligible employees terminated their services voluntarily ("the simplified method").

Certain consolidated subsidiaries participate in a multi-employer pension plan. Since the portion of pension assets of the consolidated subsidiaries held in the multi-employer pension plan could not be reasonably calculated, the required contribution amount is recognized as retirement benefit expense.

Information on defined benefit pension plans for the years ended March 31, 2015 and 2014 is as follows:

The change in retirement benefit obligation is outlined as follows (excluding plans to which the simplified method is applied):

	2015	2014	2015
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Balance at the beginning of the year, as originally reported	¥ 32,353	¥ 32,096	\$ 269,227
Cumulative effect of change in accounting principle	135	-	1,123
Balance at the beginning of the year, as adjusted	32,488	32,096	270,350
Service cost	1,528	1,362	12,715
Interest cost	593	613	4,935
Actuarial loss	3,673	29	30,565
Benefits paid	(1,884)	(1,828)	(15,678)
Prior service cost	3	87	25
Other	11	(6)	92
Balance at the end of the year	¥ 36,412	¥ 32,353	\$ 303,004

The change in plan assets at fair value is outlined as follows (excluding plans to which the simplified method is applied):

	2015	2014	2015
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Balance at the beginning of the year	¥ 25,074	¥ 23,693	\$ 208,654
Expected return on plan assets	717	658	5,967
Actuarial gain	4,479	759	37,272
Contributions by the employer	2,002	1,149	16,660
Benefits paid	(1,150)	(1,185)	(9,570)
Balance at the end of the year	¥ 31,122	¥ 25,074	\$ 258,983

The change in liabilities for retirement benefits calculated by the simplified method is outlined as follows:

	2015	2014	2015
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Balance at the beginning of the year	¥ 1,015	¥ 1,097	\$ 8,446
Retirement benefit expenses	55	84	458
Benefits paid	(21)	(108)	(175)
Other	(61)	(58)	(507)
Balance at the end of the year	¥ 988	¥ 1,015	\$ 8,222

The reconciliation of the ending balance of the retirement benefit obligation and plan assets to the asset and liability for retirement benefits recognized in the consolidated balance sheets were as follows:

	2015	2014	2015
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Funded retirement benefit obligation	¥ 26,790	¥ 23,792	\$ 222,934
Plan assets at fair value	(31,977)	(25,847)	(266,098)
Unfunded retirement benefit obligation	11,466	10,348	95,415
Net amount of liabilities and assets recognized in consolidated balance sheets	6,279	8,293	52,251
Liability for retirement benefits	11,755	10,800	97,820
Asset for retirement benefits	(5,476)	(2,507)	(45,569)
Net amount of liabilities and assets recognized in consolidated balance sheets	¥ 6,279	¥ 8,293	\$ 52,251

Retirement benefit calculated by the simplified method is included in the above table.

The components of retirement benefit expenses are outlined as follows:

	<u>2015</u>	<u>2014</u>	<u>2015</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Service cost	¥ 1,528	¥ 1,362	\$ 12,715
Interest cost	593	613	4,935
Expected return on plan assets	(717)	(658)	(5,967)
Amortization:			
Actuarial loss	549	224	4,569
Past service cost	40	17	333
Retirement benefit expenses calculated by simplified method	55	84	458
Retirement benefit expenses	<u>¥ 2,048</u>	<u>¥ 1,642</u>	<u>\$ 17,043</u>

Loss on cancellation of the employees' retirement benefit trust of ¥414 million is not included in the above table and was recorded a loss in the consolidated statement of income for the year ended March 31, 2014.

The components of retirement benefits liability adjustments included in other comprehensive income, before the tax effect, are outlined as follows:

	<u>2015</u>	
	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Prior service cost	¥ 37	\$ 308
Actuarial loss	1,355	11,276
Total	<u>¥ 1,392</u>	<u>\$ 11,584</u>

The information on the above table for the year ended March 31, 2014 was omitted as disclosure is not required under the Financial Instruments and Exchange Act of Japan.

The components of retirement benefit liability adjustments included in accumulated other comprehensive income, before the tax effect, are outlined as follows:

	<u>2015</u>	<u>2014</u>	<u>2015</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Unrecognized past service cost	¥ 46	¥ 84	\$ 383
Unrecognized actuarial loss	(111)	1,243	(924)
Total	<u>¥ (65)</u>	<u>¥ 1,327</u>	<u>\$ (541)</u>

The breakdown of plan assets by major category is as follows:

	<u>2015</u>	<u>2014</u>
Bonds	40%	44%
Equities	32%	35%
General accounts	0%	2%
Cash and deposits	12%	2%
Other	16%	17%
Total	100%	100%

(Note) The breakdown of plan assets in the above table is determined based on the percentage of composition of the various assets in the pension fund. Bonds include alternative investments that are approximately the same as bonds in terms of level of risk.

(Note) For the year ended March 31, 2015, "Cash and deposits," which was included in "Other" for the year ended March 31, 2014, is separately presented because it has become material. Cash and deposits was previously combined with other.

(Note) 0.4% of pension assets are part of a retirement benefit trust for a corporate pension plan.

The expected long-term rate of return on plan assets is determined as a result of consideration of both the portfolio allocation at present and in the future, and long-term expected rates of return from multiple plan assets at present and in the future.

The assumptions used in accounting for the defined benefit plans for the year ended March 31, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Discount rates	Principally 1.1%	Principally 1.9%
Expected long-term rate of return on plan assets	Principally 3.0%	Principally 3.0%
Rates of salary increase	Principally 5.2%	Principally 5.2%

The required contributions to defined contribution pension plans for the years ended March 31, 2015 and 2014 amounted to ¥201 million (\$1,673 thousand) and ¥219 million, respectively.

The following table sets forth the status of the multi-employer pension plan at March 31, 2014 and 2013, the most recent date on which such data was available:

	<u>2014</u>	<u>2013</u>	<u>2014</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Plan assets	¥ 512,489	¥ 465,230	\$ 4,264,700
Total amounts of actuarial liability calculated under pension financing and minimum actuarial reserve	522,290	497,125	4,346,259
Difference	¥ (9,801)	¥ (31,895)	\$ (81,559)

(Note) "Total amounts of actuarial liability calculated under pension financing and minimum actuarial reserve" was stated as "Benefit obligation calculated under pension financing" at March 31, 2014.

The contribution ratio of the Company and consolidated subsidiaries to the multi-employer plan was 0.5% at March 31, 2015 and 2014. This percentage is not the same as the Company and consolidated subsidiaries' percentage of obligation.

Additional information

The difference of ¥9,801 million (\$81,559 thousand) in the above table is the net amount of the balance of prior service cost of ¥45,242 million (\$376,483 thousand) calculated under pension financing, the general reserve of ¥17,618 million (\$146,609 thousand) and the surplus of the plan of ¥17,823 million (\$148,315 thousand) at March 31, 2014. Prior service cost is amortized on a straight-line basis over 8 years as of March 31, 2014, and the Company and consolidated subsidiaries expensed additional payments in the amount of ¥28 million (\$233 thousand) for amortization of prior service cost.

The difference of ¥31,895 million in the above table was the net amount of the balance of prior service cost of ¥49,514 million calculated under pension financing and the surplus of the plan of ¥17,618 million at March 31, 2013. Prior service cost was amortized on a straight-line basis over 9 years as of April 1, 2013, and the Company and consolidated subsidiaries expensed additional payments in the amount of ¥28 million for amortization of prior service cost.

9. Income Taxes

Income taxes applicable to the Company and its domestic consolidated subsidiaries consist of corporation, inhabitants' and enterprise taxes. The statutory tax rates in Japan for the years ended March 31, 2015 and 2014 were, in the aggregate, approximately 35.6% and 38.0%, respectively.

The effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2015 and 2014 differed from the above statutory tax rates for the following reasons:

	2015	2014
Statutory tax rates	35.6 %	38.0 %
Effect of:		
Valuation allowance	2.2	5.3
Different tax rate applicable to income of subsidiaries	(4.2)	(4.2)
Tax credit for research and development costs	(2.9)	(5.8)
Equity in earnings of an unconsolidated subsidiary and affiliates	(1.5)	(2.6)
Foreign tax credit	(0.1)	(0.4)
Decrease in deferred income tax assets resulting from change in the statutory tax rates	1.7	1.5
Other, net	3.6	0.2
Effective tax rates	34.4 %	32.0 %

Deferred income taxes reflect the net tax effect of the temporary differences between the carrying amounts of the assets and liabilities calculated for financial reporting purposes and the corresponding tax bases reported for income tax purposes. The significant components of the deferred tax assets and liabilities of the Company and its consolidated subsidiaries at March 31, 2015 and 2014 are summarized as follows:

	2015	2014	2015
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Deferred tax assets:			
Depreciation and amortization (including loss on impairment)	¥ 2,249	¥ 2,733	\$ 18,715
Liability for retirement benefits for employees	2,179	2,508	18,133
Tax loss carryforwards	5,097	3,709	42,415
Intercompany profit on inventories and property, plant and equipment	1,525	1,440	12,690
Accrued bonuses to employees	960	903	7,989
Loss on impairment of land	961	1,042	7,997
Reserve for periodic repairs	821	1,013	6,832
Impairment of investments in securities and other	683	421	5,684
Other	1,810	2,702	15,062
Gross deferred tax assets	16,285	16,471	135,517
Less: Valuation allowance	(5,647)	(5,006)	(46,992)
Total deferred tax assets	10,638	11,465	88,525
Deferred tax liabilities:			
Net unrealized holding gain on securities	(4,363)	(2,052)	(36,307)
Equity in earnings of an overseas consolidated subsidiary	(1,156)	(1,130)	(9,620)
Deferred capital gain on property (in overseas subsidiaries)	(288)	(320)	(2,397)
Depreciation and amortization	(996)	(291)	(8,288)
Reserve for depreciation for tax purposes	(8)	(11)	(67)
Other	(1,733)	(1,110)	(14,421)
Total deferred tax liabilities	(8,544)	(4,914)	(71,100)
Net deferred tax assets	¥ 2,094	¥ 6,551	\$ 17,425

The "Act for Partial Amendment of the Income Tax Act, etc." (Act No.9 of 2015) and the "Act for Partial Amendment of the Local Tax Act, etc." (Act No.2 of 2015) were promulgated on March 31, 2015. As a result, the effective statutory tax rate used to measure the Company's deferred tax assets and liabilities was changed from 35.6% to 33.0% for temporary differences expected to be realized or settled in the period from April 1, 2015 to March 31, 2016 and to 32.2% for the temporary differences expected to be realized or settled on April 1, 2016 or thereafter. The effect of the announced reduction of the effective statutory tax rate was to decrease deferred tax assets, after offsetting deferred tax liabilities, by ¥46 million (\$383 thousand), net retirement benefits liability adjustments by ¥2 million (\$17 thousand) and increase income taxes-deferred by ¥504 million (\$4,194 thousand), unrealized holding gain on securities by ¥458 million (\$3,811 thousand) and unrealized gain on hedges by ¥1 million (\$8 thousand) as of and for the year ended March 31, 2015.

10. Shareholders' Equity

The Corporation Law of Japan (the "Law") provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met.

Retained earnings include the legal reserve provided in accordance with the provisions of the Law. The legal reserve of the Company included in retained earnings amounted to ¥3,920 million (\$32,620 thousand) at March 31, 2015 and 2014.

Common stock and treasury stock

Movements in shares of common stock in issue and treasury stock during the years ended March 31, 2015 and 2014 are summarized as follows:

		2015			
		Number of shares			
		<i>(Thousands)</i>			
		April 1, 2014	Increase	Decrease	March 31, 2015
Common stock	.....	204,000	-	-	204,000
Treasury stock	.....	1,033	23	-	1,056
		2014			
		Number of shares			
		<i>(Thousands)</i>			
		April 1, 2013	Increase	Decrease	March 31, 2014
Common stock	.....	204,000	-	-	204,000
Treasury stock	.....	1,010	25	2	1,033

11. Research and Development Costs

Research and development costs included in cost of sales and selling, general and administrative expenses for the years ended March 31, 2015 and 2014 totaled ¥11,948 million (\$99,426 thousand) and ¥11,161 million, respectively.

12. Gain on Insurance Claims

During the year ended March 31, 2014, the Company received insurance proceeds in the amount of ¥9,179 million related to the explosion and fire at the Himeji Plant on September 29, 2012.

13. Loss on Explosion and Fire Accident

Loss on explosion and fire accident for the years ended March 31, 2014 in the amount of ¥8,323 million is mainly plant fixed costs due to business suspension resulting from the explosion and fire at the Himeji Plant on September 29, 2012.

14. Loss on Discontinued Operations

For the year ended March 31, 2015, the Company recorded a loss on discontinued operations due to termination of the manufacturing business of resins for adhesives and paints in the Suita Factory. The main component is removal cost of fixed assets.

For the year ended March 31, 2014, the Company recorded a loss on discontinued operations and near infrared radiation blocking materials industry in the Himeji Plant and the Suita Factory.

15. Other Comprehensive Income

The following table presents reclassification adjustments and tax effects of components of other comprehensive income for the years ended March 31, 2015 and 2014:

	2015	2014	2015
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Net unrealized holding gain (loss) on securities:			
Amount arising during the year	¥ 8,944	¥ 2,343	\$ 74,428
Reclassification adjustments	(422)	-	(3,512)
Before tax effects	8,522	2,343	70,916
Tax effects	(2,311)	(741)	(19,231)
Net unrealized holding gain on securities	6,211	1,602	51,685
Net unrealized deferred gain (loss) on hedges:			
Amount arising during the year	26	12	217
Tax effects	(8)	(4)	(66)
Net deferred gain on hedges	18	8	151
Translation adjustments:			
Amount arising during the year	5,786	10,736	48,148
Reclassification adjustments	(0)	-	(0)
Translation adjustments	5,786	10,736	48,148
Retirement benefits liability adjustments:			
Amount arising during the year	803	-	6,682
Reclassification adjustments	589	-	4,901
Before tax effects	1,392	-	11,583
Tax effects	(474)	-	(3,944)
Retirement benefits liability adjustments	918	-	7,639
Share of other comprehensive income of an unconsolidated subsidiary and affiliates accounted for by the equity method:			
Amount arising during the year	1,044	2,301	8,687
Reclassification adjustments	14	-	117
Share of other comprehensive income of an unconsolidated subsidiary and affiliates accounted for by the equity method	1,058	2,301	8,804
Total other comprehensive income	¥ 13,991	¥ 14,647	\$ 116,427

16. Lease

The following *pro forma* amounts represent the acquisition cost, accumulated depreciation and net book value of property leased to the Company and its domestic consolidated subsidiaries at March 31, 2015 and 2014 which would have been reflected in the accompanying consolidated balance sheets if finance leases, other than those which transfer the ownership of the leased assets to the Company or its domestic consolidated subsidiaries, that started on or before March 31, 2008 (which are currently accounted for as operating leases) had been capitalized:

	2015	2014	2015
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Equipment:			
Acquisition costs	¥ 532	¥ 564	\$ 4,427
Accumulated depreciation/amortization	(386)	(361)	(3,212)
Net book value	¥ 146	¥ 203	\$ 1,215

Lease payments of the Company and its domestic consolidated subsidiaries relating to finance leases amounted to ¥57 million (\$474 thousand) and ¥59 million for the years ended March 31, 2015 and 2014, respectively. Depreciation on these leased assets calculated by the straight-line method would have amounted to ¥57 million (\$474 thousand) and ¥59 million for the years ended March 31, 2015 and 2014, respectively, if it had been reflected in the accompanying consolidated balance sheet.

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2015 under finance lease transactions, other than those which transfer the ownership of the leased assets to the Company or its domestic consolidated subsidiaries, that were entered into on or before March 31, 2008 are summarized as follows:

Year ending March 31,	(Millions of yen)	(Thousands of U.S. dollars)
2016	¥ 54	\$ 449
2017 and thereafter	92	766
	¥ 146	\$ 1,215

17. Contingent Liabilities

The Company and a consolidated subsidiary were contingently liable as guarantors of indebtedness of an affiliate at March 31, 2015 and 2014 as follows:

	2015	2014	2015
	(Millions of yen)		(Thousands of U.S. dollars)
American Acryl L.P.	¥ 2,308	¥ 1,977	\$ 19,206
Re-guaranteed by Arkema Delaware Inc.	1,154	988	9,603

Two consolidated subsidiaries had contingent liabilities arising from notes discounted with banks and notes endorsed at March 31, 2015 and 2014 as follows:

	2015	2014	2015
	(Millions of yen)		(Thousands of U.S. dollars)
Notes discounted with banks	¥ 476	¥261	\$ 3,961
Notes endorsed	0	3	0

18. Amounts per Share

	2015	2014	2015
	(Yen)		(U.S. dollars)
Net income	¥ 94.06	¥ 51.74	\$ 0.78
Cash dividends	24.00	16.00	0.20
Net assets	1,307.13	1,164.10	10.88

Net income per share has been computed based on the net income available to shareholders of common stock and the weighted-average number of shares of common stock outstanding during the year. Diluted net income per share has not been presented for the years ended March 31, 2015 and 2014 since neither the Company nor any of the consolidated subsidiaries had any potentially dilutive shares at March 31, 2015 and 2014.

The amounts per share of net assets have been computed based on the number of shares of common stock outstanding at the year end.

Cash dividends per share represent the cash dividends declared as applicable to the respective years together with the interim cash dividends paid.

The financial data used in the computation of net income per share for the years ended March 31, 2015 and 2014 is summarized as follows:

	2015	2014	2015
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Net income.....	¥ 19,089	¥ 10,503	\$ 158,850
Deductions from net income	-	-	-
Adjusted net income available to shareholders of common stock	¥ 19,089	¥ 10,503	\$ 158,850
Weighted-average number of shares of common stock outstanding during the year (<i>thousands of shares</i>)	202,954	202,981	

19. Derivatives

(1) Derivative transactions to which hedge accounting is not applied

There were no derivative transactions to which hedge accounting was not applied as of March 31, 2015 and 2014.

(2) Derivative transactions to which hedge accounting is applied

The estimated fair value of the derivatives positions outstanding which qualify for deferral hedge accounting as of March 31, 2015 and 2014 are summarized as follows:

Currency-related transactions

			<i>Millions of yen</i>		
			2015		
			Contract value		
Method of hedge accounting	Transaction	Major hedged item	Maturing within one year	Maturing after one year	Fair value
Deferral hedge	Forward foreign currency exchange contracts:				
	Buy	Accounts payable, trade	¥ 222	¥ -	¥ 40
Allocation method	Forward foreign currency exchange contracts:				
	Sell	Accounts receivable, trade	9,722	-	(*)
	Buy	Accounts payable, trade	25	-	(*)

			<i>Millions of yen</i>		
			2014		
			Contract value		
Method of hedge accounting	Transaction	Major hedged item	Maturing within one year	Maturing after one year	Fair value
Deferral hedge	Forward foreign currency exchange contracts:				
	Buy	Accounts payable, trade	¥ 312	¥ -	¥ 14
Allocation method	Forward foreign currency exchange contracts:				
	Sell	Accounts receivable, trade	8,334	-	(*)
	Buy	Accounts payable, trade	26	-	(*)

			<i>Thousands of U.S. dollars</i>		
			2015		
			Contract value		
Method of hedge accounting	Transaction	Major hedged item	Maturing within one year	Maturing after one year	Fair value
Deferral hedge	Forward foreign currency exchange contracts:				
	Buy	Accounts payable, trade	\$ 1,847	\$ -	\$ 333
Allocation method	Forward foreign currency exchange contracts:				
	Sell	Accounts receivable, trade	80,902	-	(*)
	Buy	Accounts payable, trade	208	-	(*)

Fair value of forward foreign currency exchange contracts is computed using prices provided by counterparty financial institutions.

(*) Fair value of forward foreign currency exchange contracts under the allocation method is included in accounts receivable, trade or accounts payable, trade.

Interest-rate related transactions

			<i>Millions of yen</i>		
			2015		
			Contract value		
Method of hedge accounting	Transaction	Major hedged item	Notional amount	More than one year	Fair value
Swap rates applied to underlying debt	Interest rate swaps: Receive / floating and pay / fixed	Long-term debt, including current portion	¥ 5,000	¥ 5,000	(*)

			<i>Millions of yen</i>		
			2014		
			Contract value		
Method of hedge accounting	Transaction	Major hedged item	Notional amount	More than one year	Fair value
Swap rates applied to underlying debt	Interest rate swaps: Receive / floating and pay / fixed	Long-term debt, including current portion	¥ 5,000	¥ 5,000	(*)

			<i>Thousands of U.S. dollars</i>		
			2015		
			Contract value		
Method of hedge accounting	Transaction	Major hedged item	Notional amount	More than one year	Fair value
Swap rates applied to underlying debt	Interest rate swaps: Receive / floating and pay / fixed	Long-term debt, including current portion	\$ 41,608	\$ 41,608	(*)

(*) Because interest rate swap agreements are accounted for by applying swap rates to underlying long-term debt, their fair value is included in that of the long-term debt disclosed in Note 3.

20. Segment Information

(1) Outline of reporting segments

The Group's reporting segments are divisions of the Group for which separate financial information is available, and whose operating results are reviewed regularly by the Board of Directors meeting of the Company in order to allocate management resources and assess performance of operations.

The Group's main business lines are divided based on similarities of function and nature and the Company prepares the comprehensive strategy and conducts the business activities corresponding to the products handled by each business line.

Accordingly, the Group has three reporting segments based on product family: Basic chemicals, Functional chemicals, and Environment and catalysts.

Basic chemicals:

Acrylic acids, acrylic ester, ethylene oxides, ethylene glycols, ethanolamine, higher-alcohol and glycol ether

Functional chemicals:

Superabsorbent polymers, pharmaceutical intermediates, polymer for concrete admixture, electronic and information materials, iodine, maleic anhydride, resins for adhesives and paints, plastic molded products and process adhesive products

Environment and catalysts:

Automotive catalysts, De-NOx catalysts, dioxin decomposition catalysts, industrial catalysts, exhaust gas treatment equipment and fuel cell material

(2) Calculation methods used for sales, income or loss, assets, and other items on each reporting segment.

The accounting policies of the segments are substantially the same as those described in the significant accounting policies in Note 1. Intersegment sales and transfers are recorded at the same prices used in transactions with third parties.

(3) Information as to sales, income or loss, assets, and other items on each reporting segment

The segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2015 and 2014 is outlined as follows:

	Year ended March 31, 2015					
	Basic chemicals	Functional chemicals	Environment and catalysts	Total	Adjustments and eliminations	Consolidated
	<i>(Millions of yen)</i>					
Sales to third parties	¥ 147,976	¥ 200,966	¥ 25,931	¥ 374,873	¥ -	¥ 374,873
Intragroup sales and transfers	44,032	5,312	2,308	51,652	(51,652)	-
Net sales	¥ 192,008	¥ 206,278	¥ 28,239	¥ 426,525	¥ (51,652)	¥ 374,873
Segment income	¥ 7,820	¥ 17,286	¥ 1,277	¥ 26,383	¥ (250)	¥ 26,133
Segment assets	149,225	205,794	26,111	381,130	38,504	419,634
Depreciation and amortization	9,469	9,439	602	19,510	-	19,510
Increases in property, plant and equipment and other assets	7,358	5,762	518	13,638	-	13,638

	Year ended March 31, 2014					
	Basic chemicals	Functional chemicals	Environment and catalysts	Total	Adjustments and eliminations	Consolidated
	<i>(Millions of yen)</i>					
Sales to third parties	¥ 129,842	¥ 146,857	¥ 25,437	¥ 302,136	¥ -	¥ 302,136
Intragroup sales and transfers	24,632	2,980	626	28,238	(28,238)	-
Net sales	¥ 154,474	¥ 149,837	¥ 26,063	¥ 330,374	¥ (28,238)	¥ 302,136
Segment income	¥ 3,250	¥ 8,239	¥ 2,044	¥ 13,533	¥ 219	¥ 13,752
Segment assets	149,880	189,052	26,010	364,942	33,454	398,396
Depreciation and amortization	9,156	7,934	554	17,644	-	17,644
Increases in property, plant and equipment and other assets	12,157	13,724	228	26,109	-	26,109

	Year ended March 31, 2015					
	Basic chemicals	Functional chemicals	Environment and catalysts	Total	Adjustments and eliminations	Consolidated
	<i>(Thousands of U.S. dollars)</i>					
Sales to third parties	\$ 1,231,389	\$ 1,672,347	\$ 215,786	\$ 3,119,522	\$ -	\$ 3,119,522
Intragroup sales and transfers	366,414	44,204	19,206	429,824	(429,824)	-
Net sales	\$ 1,597,803	\$ 1,716,551	\$ 234,992	\$ 3,549,346	\$ (429,824)	\$ 3,119,522
Segment income	\$ 65,074	\$ 143,846	\$ 10,627	\$ 219,547	\$ (2,080)	\$ 217,467
Segment assets	1,241,782	1,712,524	217,284	3,171,590	320,413	3,492,003
Depreciation and amortization	78,797	78,547	5,009	162,353	-	162,353
Increases in property, plant and equipment and other assets	61,230	47,949	4,310	113,489	-	113,489

Note: The adjustments in segment income are related to the elimination between inter segment transactions. The adjustments in segment assets consist of inter segment elimination and the common properties of the group. The common properties are the investments held by the Company, mainly cash and cash equivalents, and investments in securities.

Note: The amount of long-term prepaid expense and its amortized cost are included in increases in property, plant and equipment and other assets.

(4) Related information

Geographical information

1) Sales

Sales categorized by countries and regions based on locations of customers of the Group for the years ended March 31, 2015 and 2014 are summarized as follows:

<i>Millions of yen</i>					
2015					
Japan	Asia	Europe	Americas	Other	Total
¥ 182,709	¥ 81,155	¥ 52,634	¥ 39,724	¥ 18,651	¥ 374,873

<i>Millions of yen</i>					
2014					
Japan	Asia	Europe	Americas	Other	Total
¥ 159,211	¥ 62,328	¥ 35,659	¥ 28,277	¥ 16,661	¥ 302,136

<i>Thousands of U.S. dollars</i>					
2015					
Japan	Asia	Europe	Americas	Other	Total
\$ 1,520,421	\$ 675,335	\$ 437,996	\$ 330,565	\$ 155,205	\$ 3,119,522

“Asia” includes east and south-east Asia. “Americas” includes U.S.A. and Canada. “Other” includes areas except for Asia, Europe, North America and Japan.

2) Property, plant and equipment

Property, plant and equipment categorized by countries and regions as of March 31, 2015 and 2014 is summarized as follow:

<i>Millions of yen</i>					
2015					
Japan	Asia	Europe	Other	Total	
¥ 100,802	¥ 33,237	¥ 4,055	¥ 11,553	¥ 149,647	

<i>Millions of yen</i>					
2014					
Japan	Asia	Europe	Other	Total	
¥ 104,152	¥ 32,623	¥ 4,373	¥ 10,990	¥ 152,138	

<i>Thousands of U.S. dollars</i>					
2015					
Japan	Asia	Europe	Other	Total	
\$ 838,828	\$ 276,583	\$ 33,744	\$ 96,139	\$ 1,245,294	

(5) Information about loss on impairment

		<i>Millions of yen</i>					
		2015					
		Reporting segments			Adjustments and eliminations		Total
		Basic chemicals	Functional chemicals	Environment and catalysts			
Loss on impairment	¥ -	¥ -	¥ 477	¥ -	¥ -	¥ 477

		<i>Millions of yen</i>					
		2014					
		Reporting segments			Adjustments and eliminations		Total
		Basic chemicals	Functional chemicals	Environment and catalysts			
Loss on impairment	¥ -	¥ 394	¥ -	¥ -	¥ -	¥ 394

		<i>Thousands of U.S. dollars</i>					
		2015					
		Reporting segments			Adjustments and eliminations		Total
		Basic chemicals	Functional chemicals	Environment and catalysts			
Loss on impairment	\$ -	\$ -	\$ 3,969	\$ -	\$ -	\$ 3,969

21. Related Party Transactions

Principal transactions between the Company and its related party for the years ended March 31, 2015 and 2014 are summarized as follows:

	2015	2014	2015
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
<i>Umicore Shokubai Co., Ltd.:</i>			
Sales of finished goods	¥ 18,242	¥ 15,326	\$ 151,802
Purchases of raw materials	16,146	13,159	134,360

The balances due from and to its related party at March 31, 2015 and 2014 were as follows:

	2015	2014	2015
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
<i>Umicore Shokubai Co., Ltd.:</i>			
Notes and accounts receivable	¥ 6,684	¥ 5,593	\$ 55,621
Notes and accounts payable	4,079	3,678	33,944

The prices for the above related party transactions were determined in reference to market value and cost.

Umicore Shokubai Co., Ltd. is a related company in which the Company indirectly owns 40% of the shares.

22. Subsequent Event

The following distribution of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2015, was approved at a shareholders' meeting held on June 19, 2015:

	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Cash dividends (¥13.00 = \$0.108 per share)	¥ 2,638	\$ 21,952



Ernst & Young ShinNihon LLC

Independent Auditor's Report

The Board of Directors
Nippon Shokubai Co., Ltd.

We have audited the accompanying consolidated financial statements of Nippon Shokubai Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2015, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nippon Shokubai Co., Ltd. and consolidated subsidiaries as at March 31, 2015, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 2.

June 19, 2015
Osaka, Japan

Ernst & Young ShinNihon LLC

Corporate Data

NIPPON SHOKUBAI CO., LTD. (As of March 31, 2015)

Established: August 21, 1941

Common Stock (Paid in Capital): 25,038 million yen

Number of Shares Issued: 204,000,000 shares

Number of Shares Authorized: 636,000,000 shares

Number of Employees: : 4,075 (Consolidated)
2,141 (Non-consolidated)

Markets listed: Tokyo Stock Exchange; Securities Code:
4114;
ADR (The Bank of New York Mellon Bank);
Checker Symbol: NPSHY

Fiscal Year Ends: March 31

Auditors: Ernst & Young Shin Nihon LLC

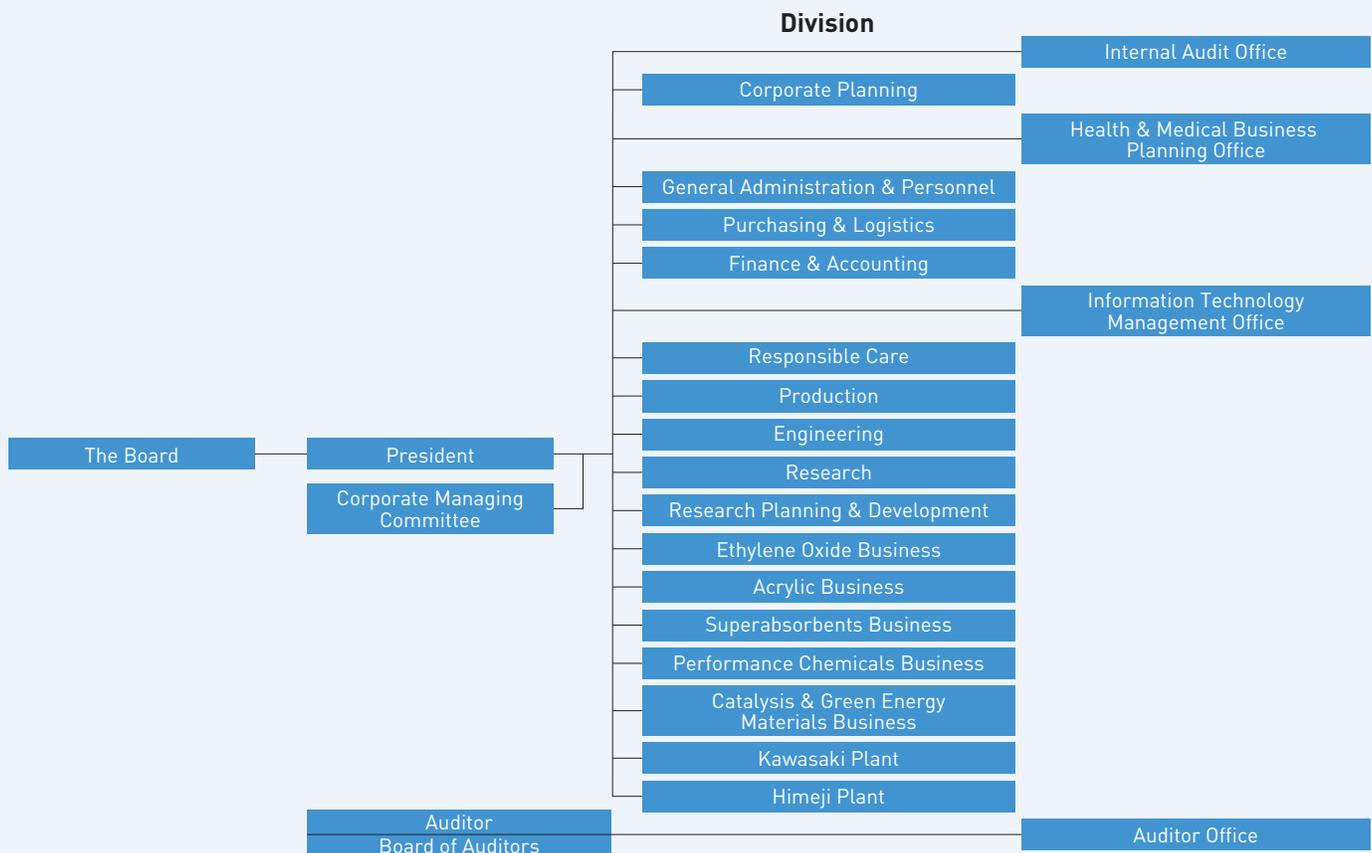
Lead Managers (Securities): Nomura Securities Co., Ltd.,
Mizuho Securities Co., Ltd.

Stock Transfer Agency: Mitsubishi UFJ Trust and Banking
Corporation

Banks: Resona Bank, Limited,
Mizuho Bank, Ltd.,
The Bank of Tokyo-Mitsubishi UFJ, Ltd.

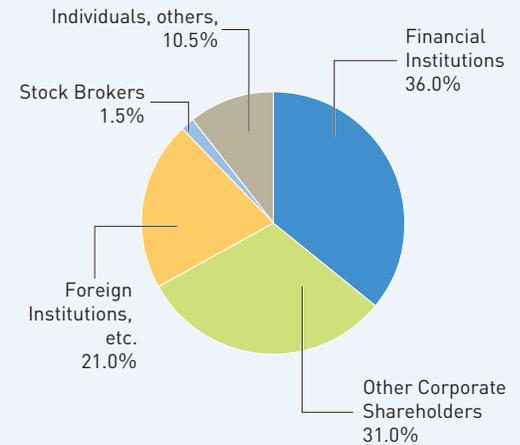
Number of shareholders: 10,207

Organization Chart (As of April 1, 2015)



Major Shareholders (As of March 31, 2015)

Name	Number of Shares Owned (thousand shares)	Ratio of capital Contribution (%)
Sumitomo Chemical Company, Limited	19,484	9.6
Japan Trustee Services Bank, Ltd. (Trust Account)	11,989	5.9
JX Holdings, Inc.	10,645	5.24
The Master Trust Bank of Japan, Ltd. (Trust Account)	10,204	5.02
Resona Bank, Limited.	6,867	3.38
National Mutual Insurance Federation of Agricultural Cooperatives	6,540	3.22
Sanyo Chemical Industries, Ltd.	6,338	3.12
Mizuho Bank, Ltd.	4,744	2.33
Toyo Ink SC Holdings Co., Ltd.	4,522	2.22
Sompo Japan Nipponkoa Insurance Inc.	2,781	1.37

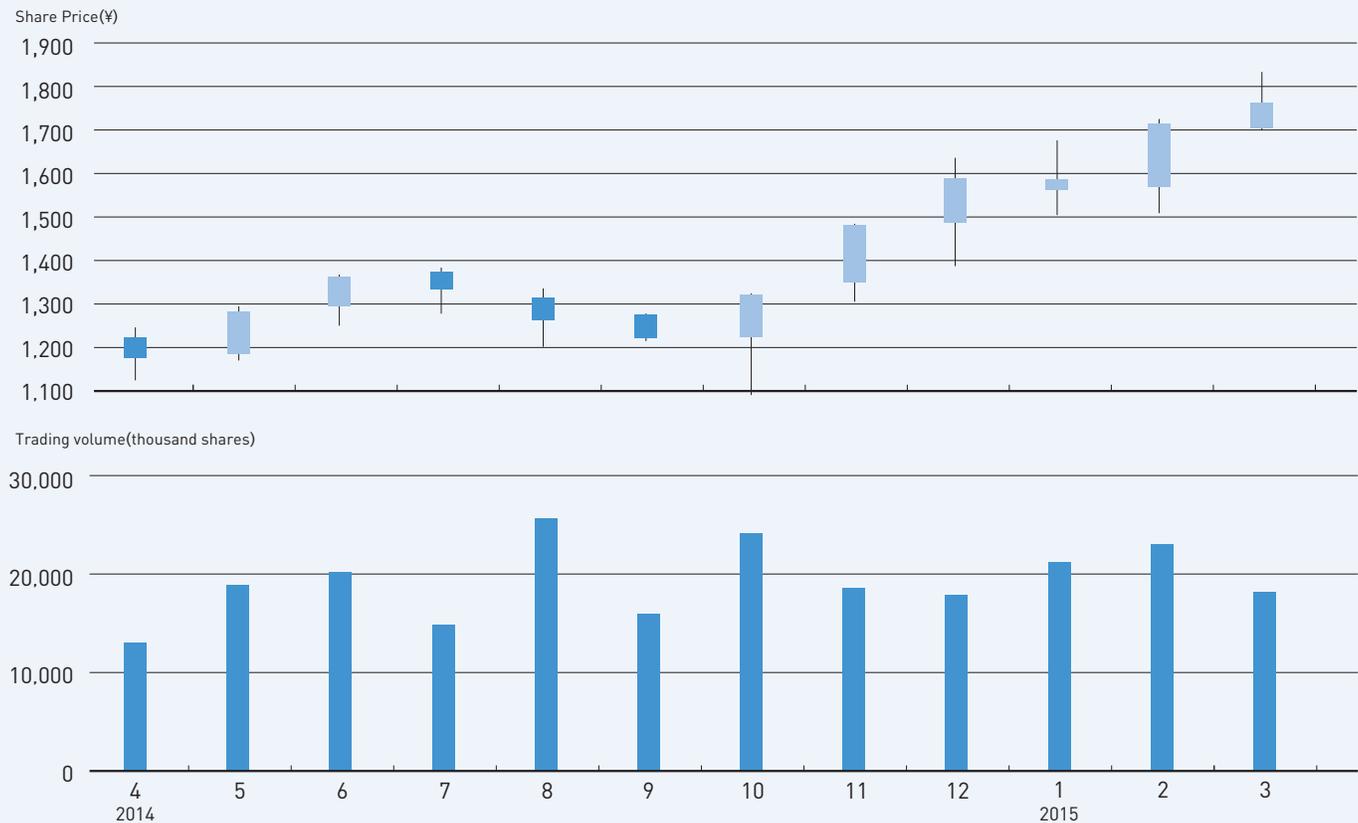


(Note 1) Other than the above, the Company holds 1,056 thousand shares as treasury stock.

(Note 2) Treasury stock is excluded from the calculation for "Shareholding Ratio of the Total Shares Outstanding" above.

(Note 3) Figures in "Number of Shares Owned" and "Shareholding Ratio of the Total Shares Outstanding" are truncated.

Share Price and Turnover (April 2014- March 2015)



Subsidiaries & Affiliates

Japan

NIPPOH CHEMICALS CO., LTD.	Neo Kawai Bldg., 8-15,4-Chome, Nihonbashi-Honchou, Chuo-Ku, Tokyo 103-0023, Japan TEL +81-3-3270-5341 FAX +81-3-3270-3401 Principle Business: Manufacture and sale of iodine, intermediates for API and agro-chemicals, and photo/electro chemicals
CHUGOKU KAKO CO., LTD.	1575 Mizue, Kurashiki, Okayama 710-0802 Japan TEL +81-86-465-3555 FAX +81-86-465-7843 Principle Business: Manufacture and sale of adhesive tape and fine sphere particles
Nisshoku Butsuryu Co., Ltd.	6F Kogin Bldg., 4-1-1 Koraibashi, Chuo-ku, Osaka 541-0043 Japan TEL +81-6-6202-5267 FAX +81-6-6233-2475 Principle Business: Logistics of chemicals
NIPPON NYUKAZAI CO., LTD.	4-1 Nihonbashi Kobuna-cho, Chuo-ku, Tokyo 103-0024 Japan TEL +81-3-5651-5631 FAX +81-3-5651-5639 Principle Business: Manufacture and sale of surfactant and other chemicals
Tokyo Fine Chemical CO., LTD.	3F Bussan Bldg., 1-4-14 Nishi Shinbashi, Minato-ku, Tokyo 105-0003 Japan TEL +81-3-3506-7666 FAX +81-3-3506-7671 Principle Business: Manufacture and sale of stabilizer of vinyl chloride resin and anti-freeze
NISSHOKU TECHNO FINE CHEMICAL CO., LTD. (formerly NIHON JYORYU KOGYO CO., LTD)	9-1 Koutani Shinmachi, Ichikawa, Chiba 272-0011 Japan TEL +81-47-328-1185 FAX +81-47-328-1189 Principle Business: Manufacture and sale of polycyclic aromatic hydrocarbons, (meth)acrylic acid derivatives and photo/electro chemicals
NIPPON SHOKUBAI TRADING CO., LTD.	2F TT-1 Bldg., 1-14-8 Nihonbashi Ningyou-cho, Chuo-ku, Tokyo 103-0013 Japan TEL +81-3-5695-4021 FAX +81-3-5695-4024 Principle Business: Sale of chemical products
NIPPON POLYMER IND. Co., Ltd.	2114 Okihama, Aboshi-ku, Himeji, Hyogo 671-1241 Japan TEL +81-79-273-4121 FAX +81-79-273-4601 Principle Business: Manufacture and sale of acrylic emulsions
Japan Composite Co., Ltd.	3-2-13 Nihonbashi-Honcho, Chuo-ku, Tokyo 103-0023 Japan TEL +81-3-3516-3002 FAX +81-3-3516-3090 Principle Business: Manufacture and sale of unsaturated polyester resins and plastic molded materials
Umicore Shokubai Japan Co. Ltd	1-25-19 Rinku-cho, Tokoname, Aichi 479-0882 Japan TEL +81-569-38-7670 FAX +81-569-38-7678 Principle Business: Manufacture, R&D and sale of automotive catalysts
NS Green Co., Ltd.	992-1 Aza-Nishioki, Okihama, Aboshi-ku, Himeji, Hyogo 671-1241 Japan TEL +81-79-273-4744 FAX +81-79-273-4744 Principle Business: Maintenance of green tract of land of plant site
NISSHOKU ENGINEERING SERVICE CO., LTD.	992-1 Aza-Nishioki, Okihama, Aboshi-ku, Himeji, Hyogo 671-1241 Japan TEL +81-79-272-0677 FAX +81-79-271-5188 Principle Business: Design, construction, repair and maintenance of production facilities
NIHON METHACRYL MONOMER CO. LTD.	Sumitomo Twin Bldg., 2-27-1 Shinkawa, Chuo-ku, Tokyo 104-0033 Japan TEL +81-3-5543-5302 FAX +81-3-5543-5907 Principle Business: Manufacture and sale of MAA and MMA

CATOX Co., Ltd.

1-46 Higashi Kaigan-cho, Amagasaki, Hyogo 660-0843 Japan
 TEL +81-6-6409-1301 FAX +81-6-6409-1302
 Principle Business: Development and sale of plant control systems

Overseas

NA Industries, Inc.

4631 Old Highway 146, Suite A, Pasadena, TX 77507, USA
 TEL +1-832-284-4033
 Principle Business: Manufacture and sale of superabsorbent polymers, polymers for concrete admixture and water soluble polymers

SINGAPORE ACRYLIC PTE LTD

80 Robinson Road #18-02 Singapore 068898
 TEL +65-6532-0078 FAX +65-6532-0079
 Principle Business: Manufacture and sale of crude acrylic acid

PT.NIPPON SHOKUBAI INDONESIA

Kawasan Industri Panca Puri Jl. Raya Anyer Km. 122 Ciwandan, Cilegon 42447 Banten, Indonesia
 TEL +62-254-600-660 FAX +62-254-600-657
 Principle Business: Manufacture and sale of acrylic acid and acrylic esters

NIPPON SHOKUBAI (ASIA) PTE.LTD.

80 Robinson Road #18-02 Singapore 068898
 TEL +65-6532-0078 FAX +65-6532-0079
 Principle Business: Manufacture glacial acrylic acid, Sale of chemical products

NIPPON SHOKUBAI EUROPE N.V.

Haven 1053, Nieuwe Weg1, B-2070 Zwijndrecht, Belgium
 TEL +32-3-250-3705 FAX +32-3-250-3712
 Principle Business: Manufacture and sale of superabsorbent polymers

NISSHOKU CHEMICAL INDUSTRY
(ZHANGJIAGANG) CO., LTD.

No.19 Changjiang Road (E),Yangtze River International Chemical Industrial Park, Zhangjiagang,
 Jiangsu, China, 215635
 TEL +86-512-5893-7910 FAX +86-512-5893-7912
 Principle Business: Manufacture and sale of superabsorbent polymers, polymers for concrete admixture

SINO-JAPAN CHEMICAL CO.,LTD

14Fl, 99, Sec. 2, Jen Ai Rd., Taipei, Taiwan
 TEL +886-2-2396-6223 FAX +886-2-2396-9076
 Principle Business: Manufacture and sale of surfactant and other chemicals

LG MMA Corporation

27F One IFC, 10, Gukjegeumyung-ro, Yeongdeungpo-gu, Seoul 150-876, Korea
 TEL+82-2-6930-3800 FAX +82-2-6930-3801
 Principle Business: Manufacture and sale of MAA and PMMA

American Acryl NA,LLC
American Acryl L.P.

4631 Old Highway 146, Suite B, Pasadena, TX 77507, USA
 Principle Business: Manufacture and sale of acrylic acid

Umicore Shokubai S.A.

L-4940, Bascharage, 5, rue Bommel, Luxembourg
 Principle Business: Automotive catalyst

NISSHOKU TRADING (SHANGHAI) CO.,
LTD

R/No.3604,The Center,989 Changle Road Shanghai, China, 200031
 TEL +86-21-5407-5959 FAX +86-21-5407-5673
 Principle Business: Sale of chemical products

NIPPON SHOKUBAI KOREA CO., LTD.

4F 26, Hwangsaoul-ro 200beon-gil, Bundang-gu, Seongnam-si, Gyeonggi-Do, Korea, 463-825
 TEL +82-31-718-9111 FAX +82-31-718-9693
 Principle Business: Sale of E&I materials and chemical products

Directory

Management

Member of the Board, President

Masanori Ikeda *

Member of the Board,

Senior Managing Executive Officer

Yasuhito Nishii *

Haruhisa Yamamoto

Member of the Board,

Managing Executive Officer

Masao Yamamoto

Yojiro Takahashi

Yujiro Goto

Member of the Board

Koichi Miura

Takashi Sakai

Statutory Corporate Auditor

Taizo Maruo

Yoshihiro Arita

Kozo Arao

Kunimitsu Oba

Managing Executive Officer

Koichiro Yamada

Nobuyuki Harada

Executive Officer

Takumi Hatsuda

Kin-ya Nagasuna

Masaya Yoshida

Kazukiyo Arakawa

Teruo Kamei

Ren Hasebe

* Representative

Company Outline

Business establishments

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• Tokyo Office

Hibiya Dai Bldg., 1-2-2 Uchisaiwai-cho, Chiyoda-ku, Tokyo 100-0011 Japan

TEL +81-3-3506-7475

FAX +81-3-3506-7598

• Kawasaki Plant and Kawasaki Research Center

[Chidori Plant]

14-1 Chidori-cho, Kawasaki-ku, Kawasaki, Kanagawa 210-0865 Japan

TEL +81-44-288-7366

[Ukishima Plant]

10-12 Ukishima-cho, Kawasaki-ku, Kawasaki, Kanagawa 210-0862 Japan

TEL +81-44-288-5715

• Himeji Plant and Himeji Research Center

992-1 Aza-Nishioki, Okihama,

Aboshi-ku, Himeji, Hyogo 671-1282 Japan

TEL +81-79-273-1131 (Plant)

+81-79-273-1145

(Research Center)

• Suita Research Center

5-8 Nishi Otabi-cho, Suita, Osaka

564-0034 Japan

TEL +81-6-6317-2202

• Tsukuba Research Center

1-25-12 Kannondai, Tsukuba, Ibaraki

305-0856 Japan

TEL +81-29-838-2561

Research Centers

• Strategic Technology Research Center (Suita, Himeji, Tsukuba)

• Advanced Materials Research Center (Suita, Himeji)

• GSC Catalysts Technology Research Center (Himeji, Kawasaki)

• Superabsorbents Research Center (Himeji)

• Fine & Specialty Chemicals Research Center (Suita)

• E&I & Performance Materials Research Center (Suita, Himeji, Tsukuba)

• Process Technology Center (Suita, Himeji)



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