Notes to Financial Statements

Showa Denko K.K. and Consolidated Subsidiaries

1. BASIS OF REPORTING AND FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards, and restructured and translated into English from the consolidated financial statements which have been filed with the Kanto Local Finance Bureau as required by the Financial Instruments and Exchange Law of Japan.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of Consolidation

The consolidated financial statements for the years ended December 31, 2014 and 2013 include the accounts of the Company and its 45 and 42, respectively, significant subsidiaries (collectively "the Companies").

For the purposes of the consolidated financial statements, all significant intercompany transactions, account balances and unrealized profits among the Companies are entirely eliminated and the portions thereof attributable to minority interests are credited or charged to minority interests.

Accounts of subsidiaries whose business year-ends differ by more than three months from December 31 have been included using appropriate interim financial information.

In the initial consolidation, assets and liabilities of subsidiaries including those attributable to minority stockholders are recorded based on fair value in the accompanying consolidated financial statements.

Goodwill is amortized on a straight-line basis over a period during which the effect of such goodwill lasts but does not exceed 20 years from booking. In addition, negative goodwill arising from business combinations prior to April 1, 2010 is amortized on a straight-line basis over a period during which the effect of such negative goodwill lasts but does not exceed 20 years from booking.

(b) Investments in Unconsolidated Subsidiaries and Affiliates

The Company applied the equity method of accounting for investments in 1 unconsolidated subsidiary in 2014 and 1 that of in 2013, and 11 affiliates in 2014 and 14 affiliates in 2013.

All underlying intercompany profits obtained from transactions among the Companies and unconsolidated subsidiaries and affiliates to which the equity method is applied are eliminated in the consolidated financial statements.

(c) Translation of Foreign Currency Accounts

All receivables and payables denominated in foreign currencies at the balance sheet date are translated into Japanese yen at the current exchange rates.

The resulting exchange gains or losses are credited or charged to income.

The financial statements of certain consolidated subsidiaries of foreign nationality are translated into Japanese yen at the year-end rate for assets and liabilities, at historical rates for the other balance sheet accounts exclusive of the current year's net income, and at the average annual rate for revenue and expense accounts and net income.

Translation adjustments resulting from the process of translating the financial statements of foreign subsidiaries into Japanese yen are accumulated and reported as a component of net assets on the consolidated balance sheets.

(d) Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statement of cash flows are composed of cash on hand, bank deposits available for withdrawal on demand and short-term investments with original maturities of three months or less and minor risk of value fluctuation.

(e) Securities

Debt securities that are intended to be held to maturity ("held-to-maturity debt securities") are stated at amortized cost on the balance sheets. Available-for-sale securities with available fair market values are stated at fair market values. Unrealized gains and unrealized losses on these available-for-sale securities are reported, net of applicable income taxes, as a separate component of the net assets.

Realized gains or losses on sale of the available-for-sale securities are computed using primarily the moving-average cost.

Available-for-sale securities with no available fair market values are stated primarily at moving-average cost.

(f) Allowance for Doubtful Accounts

To provide for losses from bad debts, the allowance is provided according to the actual rate of default for ordinary receivables and in view of the probability of recovery for specific doubtful receivables.

(g) Inventories

Inventories are stated at the lower of cost or market, using principally the gross-average cost method. The carrying value on the consolidated balance sheets is stated by the devaluation method based on declines in profitability.

(h) Property, Plant and Equipment

Property, plant and equipment is stated at cost, in principle. Depreciation of property, plant and equipment is computed by the straightline method.

(i) Intangible Assets

The Company and some of the consolidated subsidiaries principally apply the straight-line method over 5 years to amortize intangible assets.

(j) Leased Assets

Leased assets in finance lease transactions that do not transfer ownership to the lessee are depreciated using the straight-line method on the assumption that the useful life is equal to the lease term and the residual value is equal to zero. For leases with a residual value guarantee, the contracted residual value is considered to be the residual value for financial accounting purposes.

Please note that finance lease transactions, other than those involving the transfer of ownership and which commenced on or before December 31, 2008, are accounted for by the same methods as for operating lease transactions.

(k) Provision for Business Structure Improvement

The Company and some of the consolidated subsidiaries record the provision for business structure improvement on an accrual basis to provide for expenses and losses resulting from their restructuring programs.

(l) Provision for Bonuses

A provision for bonuses is provided at an amount estimated based on the bonus to be paid subsequent to the balance sheet date.

(m) Provision for Repairs

The Company and some of the consolidated subsidiaries provide a provision for repairs in an amount estimated to be necessary for the scheduled maintenance for certain production equipment.

(n) Provision for Niigata Minamata Disease

To provide for lump-sum payments pursuant to the Special Measures Law Regarding Relief to Persons Suffering from Minamata Disease and Regarding Solutions to the Minamata Disease Problem, the Company makes a provision in the expected amount of such payments.

(o) Accounting Policy for Retirement Benefits

(1) Method of attributing expected benefits to periods

The attribution of expected benefits to periods up to the current consolidated fiscal year, upon calculating retirement benefit obligations, is done on a straight-line basis.

(2) Method of amortization of actuarial gain or loss and prior service costs

The actuarial gain or loss is amortized starting from the year after such an actuarial loss is determined on a straight-line basis over certain periods (mainly 12 years) within the average remaining service periods.

Prior service costs are amortized on a straight-line basis over certain periods (mainly 12 years) within the average remaining service periods.

(3) Application of a simplified method to small businesses

For the calculation of liabilities concerning retirement benefits and retirement benefit expenses, some consolidated subsidiaries have adopted a simplified method, which deems term-end amounts payable for voluntary retirement related to retirement benefits as retirement benefit obligations.

(p) Income Taxes

Income taxes consist of corporation, enterprise and inhabitants taxes. The provision for income taxes is computed based on the pretax income of each of the Company and its consolidated subsidiaries with certain adjustments required for consolidation and tax purposes. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. (Valuation allowances are recorded to reduce deferred tax assets based on the assessment of the realizability of the tax benefits.)

Application of the Consolidated Taxation System

The Company and certain domestic subsidiaries adopt the consolidated taxation system.

(q) Derivative Financial Instruments and Hedge Accounting

The Company and certain subsidiaries state all derivative financial instruments at fair value and recognize changes in fair value as gains or losses unless the derivative financial instruments are used for hedging purposes.

If the derivative financial instruments meet certain hedging criteria, the Company and certain subsidiaries defer recognition of gains or losses resulting from changes in fair value of derivative financial instruments until the related gains or losses on hedged items are recognized.

However, when forward exchange contracts meet certain hedging criteria, the hedged items are stated by the forward exchange contracts rate. If interest rate swap contracts meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contracts is added to or deducted from interest on the assets or liabilities for which the interest rate swap contracts were executed.

Hedge accounting is not applied at some of the foreign subsidiaries.

(r) Reclassifications

Certain reclassifications have been made in the 2013 financial statements to conform to the presentation of 2014.

3. CHANGES IN ACCOUNTING POLICIES

Application of the Accounting Standard for Retirement Benefits

The Accounting Standard for Retirement Benefits (Accounting Standards Board of Japan (ASBJ) Statement No. 26 issued on May 17, 2012, hereafter, the “Retirement Benefits Accounting Standard”) and the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25 issued on May 17, 2012, hereafter, the “Retirement Benefits Guidance”) were implemented effective from the year ended December 31, 2014 (excluding the provisions stipulated in the main clause of Article 35 of the Retirement Benefits Accounting Standard and the main clause of Article 67 of the Retirement Benefits Guidance). The posting method was changed to post the amount obtained by after deducting the amount of pension assets from retirement benefits obligations as assets and liabilities concerning retirement benefits, and the unrecognized actuarial differences and unrecognized past service costs were posted as assets and liabilities concerning retirement benefits. The implementation of accounting standards for retirement benefits, etc., conforms to the transitional treatment stipulated in Article 37 of the Retirement Benefits Accounting Standard, and the effect of the said change has been adjusted in the remeasurement of the defined benefits plan of accumulated other comprehensive income as of December 31, 2014.

As a result, ¥20 million (US$166 thousand) in assets and ¥22,115 million (US$183,452 thousand) in liabilities concerning retirement benefits were posted as of December 31, 2014. In addition, accumulated other comprehensive income decreased by ¥4,899 million (US$40,639 thousand), and net assets per share diminished by ¥3.43.

4. NEW ACCOUNTING STANDARDS NOT YET APPLIED

"Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan Statement No. 26, issued on May 17, 2012) and"Guidance on Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan Guidance No. 25, issued on May 17, 2012)

(a) Overview

Revisions apply mainly to the accounting treatments for unrecognized actuarial gains and losses as well as unrecognized prior service costs, the calculation methods for retirement benefit obligations as well as service costs. In addition, disclosure requirements were enhanced.

(b) Scheduled Effective Date

Revisions to the calculation methods for retirement benefit obligations and service costs are scheduled to take effect from the beginning of the consolidated fiscal year ending December 31, 2015.

Since transitional treatment is applied to the accounting standard and guidance, the revisions will not be applied to consolidated financial statements for past accounting periods.

(c) The impact of the Adoption of the Revised Accounting Standards and Guidance

The impact of the adoption of the revised accounting standards and guidance on consolidated financial statements is currently under evaluation.

5. JAPANESE YEN AND TRANSLATION INTO U.S. DOLLARS

The Companies' accounting records are maintained in yen. Yen amounts included in the financial statements are rounded to the nearest one million unit. Therefore, the total and subtotal amounts presented in the financial statements may not equal the exact sum of the individual balances. The U.S. dollar amounts appearing in the accompanying financial statements and notes thereto represent the arithmetical results of translating yen into U.S. dollars at the rate of ¥120.55 to US$1.00, the approximate rate of exchange at December 31, 2014. The inclusion of such U.S. dollar amounts is solely for the convenience of readers; it does not carry with it any implication that yen amounts have been or could be converted into U.S. dollars at that rate.

6. CASH FLOW STATEMENTS

Cash and deposits as of December 31, 2014 and 2013 on the consolidated balance sheets and cash equivalents at December 31, 2014 and 2013 on the consolidated statements of cash flows were reconciled as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Cash and deposits	¥66,840	¥68,250	$554,455
Original maturities more than three months	(325)	(75)	(2,693)
Cash and cash equivalents	¥66,515	¥68,175	$551,762

7. FINANCIAL INSTRUMENTS

(a) Overview

(1) Management policy relating to financial instruments

The Companies finance necessary long-term funds by bank loans and bond issues following the capital investment plans and finance short-term operating funds by bank loans and commercial paper. Temporary excess funds are invested exclusively in financial instruments which have fixed returns and low risk of falling below par values. The Companies use derivative transactions to hedge the following risks and do not enter into derivative transactions for speculative purposes.

(2) Types of financial instruments and related risks

Operating receivables, such as notes and accounts receivable, are exposed to credit risk. Foreign-currency-denominated accounts receivable incurred through exports are exposed to foreign currency fluctuation risk. However, the Companies hedge the risk by utilizing forward exchange contracts, currency options, and currency swaps based on internal rules that set out foreign currency risk management principles.

Marketable securities and investment securities mainly consist of the stocks of partner companies to maintain and strengthen their business relationships and are exposed to market fluctuation risk.

Operating payables, such as notes and accounts payable-trade and other, are due within one year. Foreign-currency-denominated accounts payable incurred through imports of raw materials are exposed to foreign currency fluctuation risk. The Companies hedge the risk by utilizing forward exchange contracts following internal rules that set out the foreign currency risk management principles. Short-term debt and commercial paper are mainly used to finance short-term operating funds, and long-term debts and bonds are mainly used to finance equipment funds. Since some of long-term debt is made up of variable interest rate loans, it is exposed to interest rate fluctuation risk. However, interest rate swaps are used for most loans to hedge the risk.

The Companies utilize derivative transactions, such as forward exchange contracts, currency options, and currency swaps, to hedge the foreign currency fluctuation risk of operating receivables and payables denominated in foreign currencies and financing transactions denominated in foreign currencies. Interest rate swaps are utilized to hedge the interest rate fluctuation risk, and aluminum forward transactions are utilized to hedge the market fluctuation risk.

(3) Risk management relating to financial instruments

(i) Credit risk management (risk of default by the counterparties)

The Company follows internal rules that set out accounts receivable management principles. The compliance department works with the sales division in each sector and monitors the customers' credit conditions periodically and reviews the sales policy checking the sales volume and balances. The Company takes measures to obtain information on and minimize the credit risk that may arise due to the deterioration in the financial condition of their customers. Consolidated subsidiaries monitor their customers' financial and credit conditions based on their internal rules.

The held-to-maturity debt are limited to only highly rated securities.

The Companies utilize derivative transactions only with creditworthy financial institutions and trading companies to minimize credit risk.

The maximum credit risk as of December 31, 2014 is disclosed as the balance sheet amount of financial instruments exposed to credit risk.

(ii) Market risk management (risk of fluctuations in foreign currency and interest rates)

For operating receivables and payables and loans denominated in foreign currencies, the Company and certain consolidated subsidiaries utilize forward exchange contracts, currency options, and currency swaps to hedge some of the foreign currency fluctuation risk, which is categorized by currency and maturity date. The Company and certain consolidated subsidiaries utilize currency swaps to hedge the interest rate fluctuation risk of loans.

For marketable securities and investment securities, the Companies regularly review the fair value and issuers' financial conditions and review the Companies' portfolio on an ongoing basis, except for held-to-maturity debt securities, according to market conditions and the business relationships with counterparties.

The Company has internal management rules that set out the approval authorities and procedures of the derivative transactions.

The derivative transactions are carried out based on the appropriate approver set out in the internal rules. For currency-related derivative transactions, each division and the treasury department perform and manage transactions and report to the director in charge periodically. For interest-related derivative transactions, the treasury department performs and manages the transactions and reports to the director in charge periodically. For commodity-related derivative transactions, each division performs and manages the transactions and reports to the director in charge periodically. Consolidated subsidiaries perform and manage derivative transactions based on their internal management standards.

(iii) Liquidity risk management (risk of default on payment due dates)

The Company manages liquidity risk by requiring the treasury department to prepare and update cash plans, based on the schedule for cash inflows and disbursements in each division. In addition, the Company signs commitment line contracts and makes other arrangements with financial institutions to secure the necessary liquidity. Consolidated subsidiaries manage their liquidity risk through similar procedures.

(4) Supplemental explanation on fair value of financial instruments

As well as the values being based on market prices, fair value of financial instruments includes values which are reasonably calculated in case market prices do not exist. As the calculation of those values uses certain assumptions, those values may vary in the case of different assumptions being applied. Also, for the contract amount and others regarding derivative transactions described in Note 9. DERIVATIVE FINANCIAL INSTRUMENTS, the contract amount itself does not indicate market risk related to derivative transactions.

(b) Fair Value of Financial Instruments

At December 31, 2014 and 2013 book value, fair value and difference were as follows.

The financial instruments whose fair value is extremely difficult to determine are not included below.

Year ended December 31, 2014	Millions of yen		
	Book value	Fair value	Difference
(1) Cash and deposits	¥ 66,840	¥ 66,840	¥ —
(2) Notes and accounts receivable-trade	156,880	156,880	—
(3) Investment securities	43,020	43,020	—
Total assets	¥266,740	¥266,740	¥ —
(1) Notes and accounts payable-trade	¥127,206	¥127,206	¥ —
(2) Short-term debt	76,519	76,519	—
(3) Current portion of long-term debt	80,486	80,752	266
(4) Accounts payable-other	68,319	68,319	—
(5) Long-term debt less current portion	226,119	227,180	1,062
Total liabilities	¥578,649	¥579,977	¥1,328
Derivative transactions*	¥ 949	¥ 949	¥ —

Year ended December 31, 2013	Millions of yen		
	Book value	Fair value	Difference
(1) Cash and deposits	¥ 68,250	¥ 68,250	¥ —
(2) Notes and accounts receivable-trade	156,090	156,090	—
(3) Investment securities	44,399	44,399	—
Total assets	¥268,740	¥268,740	¥ —
(1) Notes and accounts payable-trade	¥124,194	¥124,194	¥ —
(2) Short-term debt	96,182	96,182	—
(3) Current portion of long-term debt	41,694	41,833	139
(4) Accounts payable-other	53,990	53,990	—
(5) Long-term debt less current portion	215,811	217,037	1,226
Total liabilities	¥531,871	¥533,237	¥1,366
Derivative transactions*	¥ (115)	¥ (115)	¥ —

Year ended December 31, 2014	Thousands of U.S.dollars		
	Book value	Fair value	Difference
(1) Cash and deposits	$ 554,455	$ 554,455	$ —
(2) Notes and accounts receivable-trade	1,301,371	1,301,371	—
(3) Marketable securities and investment securities	356,865	356,865	—
Total assets	$2,212,692	$2,212,692	$ —
(1) Notes and accounts payable-trade	$1,055,213	$1,055,213	$ —
(2) Short-term debt	634,751	634,751	—
(3) Current portion of long-term debt	667,659	669,866	2,206
(4) Accounts payable-other	566,730	566,730	—
(5) Long-term debt less current portion	1,875,725	1,884,532	8,807
Total liabilities	$4,800,078	$4,811,091	$11,014
Derivative transactions*	$ 7,875	$ 7,875	$ —

*Derivative assets and liabilities are on a net basis.

Notes: 1. Valuation method for financial instruments and information on marketable securities and derivative transactions

Assets

Cash and deposits and Notes and accounts receivable-trade

The book value is deemed to approximate the fair value since these are scheduled to be settled in a short period of time.

Marketable securities and investment securities

Fair value of these securities is based on the price on stock exchanges. Refer to Note 8. SECURITIES regarding the securities categorized by holding purposes.

Liabilities

Notes and accounts payable-trade, Short-term debt, Commercial paper, and Accounts payable-other

The book value is deemed to approximate the fair value since these are scheduled to be settled in a short period of time.

Current portion of long-term debt and Long-term debt

The fair value is measured as the net present value of estimated cash flows by discounting the principal and interest value using the interest rate applied to the new loans. Part of the long-term loans are variable rate loans, and they are subject to special treatment of interest rate swaps (refer to Note 9. DERIVATIVE FINANCIAL INSTRUMENTS); the fair value is measured as the net present value of estimated cash flows by discounting the total amount of principal and interest processed as interest rate swaps using the interest rate applied to the new loans.

Current portion of bonds and Bonds

As for bonds with short maturities, the book value is deemed to approximate the fair value since these are scheduled to be settled in a short period of time. For others, fair value is based on the market prices.

Derivative transactions

Refer to Note 9. DERIVATIVE FINANCIAL INSTRUMENTS.

2. Financial instruments for which fair value is extremely difficult to determine

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Non-listed equity securities	¥33,093	¥34,289	$274,513

These securities are not included in the above Marketable securities and investment securities, as there was no quoted market value, estimating the future cash flows is deemed to be practically impossible and it is extremely difficult to determine the fair value.

3. The redemption schedule for financial assets and securities with maturities

Year ended December 31, 2014	Millions of yen			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and deposits	¥ 66,840	¥ —	¥—	¥—
Notes and accounts receivable-trade	156,676	205	—	—
Total	¥223,515	¥205	¥—	¥—

Year ended December 31, 2013	Millions of yen			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and deposits	¥ 68,250	¥—	¥—	¥—
Notes and accounts receivable-trade	156,090	—	—	—
Total	¥224,340	¥—	¥—	¥—

Year ended December 31, 2014	Thousands of U.S. dollars			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and deposits	$ 554,455	$ —	$—	$—
Notes and accounts receivable-trade	1,299,673	1,699	—	—
Total	$1,854,128	$1,699	$—	$—

4. The scheduled maturities of bonds and long-term debt after December 31,2014 and 2013.

Year ended December 31, 2014	Millions of yen					
	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 year through 3 years	Due after 3 years through 4 years	Due after 4 year through 5 years	Due after 5 years
(1) Short-term debt	¥ 76,519	¥ —	¥ —	¥ —	¥ —	¥ —
(2) Long-term debt (Excluding current portion)	80,486	57,141	53,304	55,605	19,968	40,100
Total	¥157,005	¥57,141	¥53,304	¥55,605	¥19,968	¥40,100

Year ended December 31, 2013	Millions of yen					
	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 year through 3 years	Due after 3 years through 4 years	Due after 4 year through 5 years	Due after 5 years
(1) Short-term debt	¥ 96,182	¥ —	¥ —	¥ —	¥ —	¥ —
(2) Long-term debt (Excluding current portion)	41,694	79,120	56,733	48,402	29,055	2,500
Total	¥137,876	¥79,120	¥56,733	¥48,402	¥29,055	¥2,500

Year ended December 31, 2014	Thousands of U.S. dollars					
	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 year through 3 years	Due after 3 years through 4 years	Due after 4 year through 5 years	Due after 5 years
(1) Short-term debt	$ 634,751	$ —	$ —	$ —	$ —	$ —
(2) Long-term debt (Excluding current portion)	667,659	474,003	442,177	461,262	165,640	332,642
Total	$1,302,410	$474,003	$442,177	$461,262	$165,640	$332,642

8. SECURITIES

(a) Available-for-sale securities

Year ended December 31, 2014	Millions of yen		
	Book value	Acquisition cost	Difference
Available-for-sale securities whose book value exceeds their acquisition cost Equity securities	¥38,391	¥25,230	¥13,161
Available-for-sale securities whose book value is less than their acquisition cost Equity securities	4,629	5,248	(619)
Total	¥43,020	¥30,479	¥12,541

Year ended December 31, 2013	Millions of yen		
	Book value	Acquisition cost	Difference
Available-for-sale securities whose book value exceeds their acquisition cost Equity securities	¥37,755	¥25,024	¥12,732
Available-for-sale securities whose book value is less than their acquisition cost Equity securities	6,644	7,704	(1,060)
Total	¥44,399	¥32,728	¥11,672

Year ended December 31, 2014	Thousands of U.S. dollars		
	Book value	Acquisition cost	Difference
Available-for-sale securities whose book value exceeds their acquisition cost Equity securities	$318,464	$209,293	$109,172
Available-for-sale securities whose book value is less than their acquisition cost Equity securities	38,401	43,537	(5,136)
Total	$356,865	$252,830	$104,035

(b) Available-for-sale securities sold in the years ended December 31, 2014 and 2013:

Year ended December 31, 2014	Millions of yen		
	Sales	Gross gain	Gross loss
Equity securities	¥6,425	¥2,284	¥(1)
Total	¥6,425	¥2,284	¥(1)

Year ended December 31, 2013	Millions of yen		
	Sales	Gross gain	Gross loss
Equity securities	¥13,707	¥4,627	¥(11)
Total	¥13,707	¥4,627	¥(11)

Year ended December 31, 2014	Thousands of U.S. dollars		
	Sales	Gross gain	Gross loss
Equity securities	$53,299	$18,948	$(8)
Total	$53,299	$18,948	$(8)

(c) Impairment of securities

For the years ended December 31, 2014 and 2013, the Companies recorded an impairment loss of ¥4,019 million (US$33,341 thousand) on available-for-sale securities and ¥145 million on available-for-sale securities with fair market values, respectively.

Securities are deemed to be "substantially declined" when their fair values have declined 30% or more. When their fair values have declined 50% or more, the impairment losses are recorded on those securities. When their fair values have declined between 30% and 50%, the impairment losses are recorded on those securities unless such values are considered to be recoverable on an individual basis.

9. DERIVATIVE FINANCIAL INSTRUMENTS

(a) Derivative Transactions to Which Hedge Accounting Is Not Applied

	Millions of yen								Thousands of U.S. dollars			
	2014				2013				2014			
	Contract amount	Contract amount over 1 year	Fair value	Valuation gain (loss)	Contract amount	Contract amount over 1 year	Fair value	Valuation gain (loss)	Contract amount	Contract amount over 1 year	Fair value	Valuation gain (loss)
(1) Currency related:												
Forward exchange contracts:												
Selling												
U.S.Dollar	¥7,027	¥ —	¥(618)	¥(618)	¥ 5	¥ —	¥ 0	¥ 0	$58,293	$ —	$(5,130)	$(5,130)
Euro	20	—	(0)	(0)	—	—	—	—	163	—	(4)	(4)
(2) Interest rate related:												
Interest rate swaps:												
Receipt-variable rate/Payment-fixed rate	¥6,217	¥3,278	¥(120)	¥(120)	¥7,796	¥5,331	¥(227)	¥(227)	$51,570	$27,188	$ (992)	$ (992)

Note: Fair value calculation method:

Fair values of forward exchange contracts are stated by the forward exchange rates. Fair values of currency and interest rate swaps are measured at the quoted price obtained from the financial institutions.

(b) Derivative Transactions to Which Hedge Accounting Is Applied

	Millions of yen						Thousands of U.S. dollars		
	2014			2013			2014		
	Contract amount	Contract amount over 1 year	Fair value	Contract amount	Contract amount over 1 year	Fair value	Contract amount	Contract amount over 1 year	Fair value
(1) Currency related:									
Principle method									
Forward exchange contracts:									
Buying									
U.S. Dollar	¥ 7,256	¥ 196	¥ 628	¥ 7,758	¥ 163	¥344	$ 60,189	$ 1,628	$ 5,207
Euro	39	—	0	27	—	0	320	—	1
Canadian Dollar	—	—	—	3	—	0	—	—	—
Selling									
U.S. Dollar	21,517	—	(642)	21,533	—	(748)	178,490	—	(5,329)
Euro	735	—	(13)	1,713	—	(81)	6,100	—	(105)
Yuan Renminbi	—	—	—	2	—	0	—	—	—
Allocation method									
Forward exchange contracts:									
Buying									
U.S. Dollar	¥ 3,585	¥ —	¥ —	¥ 10,716	¥ —	¥ —	$ 29,742	$ —	$ —
Euro	14	—	—	14	—	—	119	—	—
Selling									
U.S. Dollar	15,660	—	—	20,346	—	—	129,904	—	—
Euro	1,923	—	—	2,214	—	—	15,952	—	—
Yuan Renminbi	—	—	—	30	—	—	—	—	—
Currency swaps:									
Receipt Yen									
Payment U.S. Dollar	¥ 7,500	¥ 7,500	¥ —	¥ 2,500	¥ 2,500	¥ —	$ 62,215	$ 62,215	$ —
(2) Interest rate related:									
Special method									
Interest rate swaps:									
Receipt-variable rate/Payment-fixed rate	¥101,425	¥78,150	¥ —	¥119,654	¥95,025	¥ —	$841,352	$648,279	$ —
(3) Commodity related:									
Principle method									
Aluminum forward contracts:									
Buying	¥ 12,907	¥ 4,743	¥1,567	¥ 15,970	¥ 7,734	¥601	$107,069	$ 39,346	$12,997
Selling	1,953	—	147	1,582	—	(4)	16,202	—	1,222

Notes: 1. Main items hedged by forward exchange contracts are accounts payable for buying, accounts receivable for selling and long-term debt by interest rate swaps. Main items hedged by aluminum forward transactions are aluminum metal transactions.

2. Fair value calculation method:
   Fair values of forward exchange contracts are stated by the forward exchange rates. Fair values of currency swaps are measured at the quoted price obtained from the financial institutions. Fair values of aluminum forward transactions are stated by forward quotations of the London Metal Exchange.

3. Fair values of forward exchange contracts that meet allocation method criteria are reflected in the fair values of accounts receivable and accounts payable of their hedged items.

4. Fair values of interest rate swaps that meet special treatment criteria are reflected in the fair values of long-term debt of their hedged item.

10. EFFECT OF YEAR-END DATE ON FINANCIAL STATEMENTS

The year-end date of 2014, namely, December 31, 2014, was a bank holiday. Although notes receivable and payable maturing on this date were accordingly settled on January 5, 2015, the Companies accounted for those notes in their financial statements as if they had been settled on the maturity date.

Notes outstanding at December 31, 2014 and 2013 dealt with in the above-mentioned manner were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Notes receivable	¥656	¥709	$5,445
Notes payable	518	614	4,298

11. SHORT-TERM DEBT AND LONG-TERM DEBT

At December 31, 2014 and 2013, the short-term debt of the Companies consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Bank loans at the average interest rate of 0.89%	¥71,519	¥78,182	$593,274
Commercial paper	5,000	18,000	41,477
Total	¥76,519	¥96,182	$634,751

At December 31, 2014 and 2013, the long-term debt of the Companies consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
0.88% bonds due 2015	¥ 10,000	¥ 10,000	$ 82,953
0.67% bonds due 2016	10,000	10,000	82,953
0.63% bonds due 2017	10,000	10,000	82,953
0.63% bonds due 2021	15,000	—	124,430
¥24,000,000,000 subordinated convertible bonds due 2014	—	24,000	—
Loans principally from banks and insurance companies due 2015 to 2074 at the average interest rate of 0.97%	261,605	227,505	2,170,095
	306,605	281,505	2,543,384
Elimination of intercompany transactions	—	(24,000)	—
Less: Current portion	(80,486)	(41,694)	(667,657)
Total	¥226,119	¥215,811	$1,875,727

Note: Information on bonds with stock acquisition rights is as follows:

Bonds	¥24,000,000,000 subordinated convertible bonds due 2014
Kind of stock	The Company's common stock
Issue price of rights (¥)	No cost
Issue price (¥)	¥291 per share
Total amount of issue (¥)	¥24,000,000,000
Total amount of stock acquisition rights exercised (¥)	—
Percentage of stock acquisition rights granted (%)	100
Exercisable period	October 15, 2009 to October 21, 2014

Note: When stock acquisition rights are exercised, the corresponding bonds with such acquisition rights are all invested. The prices of such bonds are deemed to be their face value. The initial conversion price was ¥291.

The aggregate annual maturities of the noncurrent portion of long-term debt were as follows:

Years ending December 31	Millions of yen	Thousands of U.S. dollars
2016	¥ 57,141	$ 474,003
2017	53,304	442,177
2018	55,605	461,262
2019	19,968	165,640
2020 and thereafter	40,100	332,642
Total	¥226,119	$1,875,725

At December 31, 2014 and 2013, the assets pledged as collateral for long-term debt were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Assets pledged as collateral			
Investment securities	¥ 3,031	¥ 3,019	$ 25,143
Property, plant and equipment, less accumulated depreciation	150,908	151,512	1,251,822
Total	¥153,938	¥154,531	$1,276,965
Secured short-term debt and long-term debt			
Long-term debt (includes due within 1 year)	¥ 50	¥ 102	$ 415
Other debt	161	154	1,336
Total	¥ 211	¥ 256	$ 1,750

12. RETIREMENT BENEFITS

(a) Defined-benefit pension plan, includes the plans using the simplified method

(1) Reconciliation of opening and closing balance of retirement benefit obligation for the year ended December 31, 2014 were as follows:

	Millions of yen	Thousands of U.S. dollars
Balance of retirement benefit obligation at the beginning of year	¥86,672	$718,972
Service cost	2,305	19,122
Interest cost	1,680	13,935
Actuarial gain and loss	11,967	99,272
Retirement benefits paid	(5,434)	(45,075)
Other	(840)	(6,965)
Balance of the retirement benefit obligation at the end of year	¥96,351	$799,261

(2) Reconciliation of opening and closing balance of plan assets for the year ended December 31, 2014 were as follows:

	Millions of yen	Thousands of U.S. dollars
Balance of plan assets at the beginning of year	¥66,658	$552,946
Expected return on plan assets	1,335	11,075
Actuarial gain and loss	3,233	26,816
Contribution from employer	8,166	67,736
Retirement benefits paid	(5,243)	(43,496)
Other	108	899
Balance of plan assets at the end of year	¥74,256	$615,975

(3) Reconciliation of the ending balance of retirement benefit obligations and plan assets, and the net defined benefit liability and the net defined benefit asset for the year ended December 31, 2014 were as follows:

	Millions of yen	Thousands of U.S. dollars
Funded retirement benefit obligations	¥93,131	$772,552
Plan assets	(74,256)	(615,975)
	18,875	156,577
Unfunded retirement benefit obligations	3,220	26,709
Net amount of relevant liabilities and assets on the consolidated balance sheets	22,095	183,286
Net defined benefit liability	22,115	183,453
Net defined benefit asset	(20)	(166)
Net amount of relevant liabilities and assets on the consolidated balance sheets	22,095	183,286

(4) Retirement benefit expenses and the components of the amounts thereof for the year ended December 31, 2014 were as follows:

	Millions of yen	Thousands of U.S. dollars
Service cost	¥ 2,305	$19,122
Interest cost	1,680	13,935
Expected return on plan assets	(1,335)	(11,075)
Amortization of actuarial differences	1,968	16,328
Amortization of prior service cost	(752)	(6,237)
Retirement benefit expenses related to the defined-benefit pension plan	¥ 3,866	$32,073

(5) Remeasurements of defined benefit plans

The components of items (before tax) reported under remeasurements of defined benefit plans for the year ended December 31, 2014 were as follows:

	Millions of yen	Thousands of U.S. dollars
Unrecognized prior servie cost	¥ (769)	$ (6,375)
Unrecognized actuarial differences	8,207	68,078
Total	¥7,438	$61,703

(6) Matters regarding plan assets

(i) Major content of the plan assets

The percentages of major asset types that account for the total plan assets as of December 31, 2014 were as follows:

Bonds	35%
Stocks	38
General accounts of life insurance company	26
Cash and deposits	1
Total	100%

(ii) Method for setting the long-term rate of expected return on plan assets

To determine the long-term rate of expected return on plan assets, the current and projected distribution of plan assets, as well as the current and anticipated long-term yield rates of various assets that constitute the plan assets, have been taken into account.

(7) Matters regarding the assumptions for actuarial calculations

Key assumptions for actuarial calculations as of December 31, 2014 were as follows:

Discount rate	Mainly 0.9%
Long-term rate of expected return on plan assets	Mainly 2.0%

(b) Defined contribution pension plan

The amount required to be contributed by consolidated subsidiaries for the year ended December 31, 2014 was ¥369million (US$3,059 thousand).

(c) The plans' funded status and amount recognized on the accompanying consolidated balance sheets as of December 31, 2013 were as follows:

	Millions of yen
Benefit obligation at the end of year	¥(86,672)
Fair value of plan assets at the end of year	66,658
Funded status	(20,014)
Unrecognized actuarial loss	1,441
Unrecognized prior service cost	(1,520)
Net amount recognized	(20,094)
Prepaid pension expense	216
Provision for retirement benefits	¥(20,310)

(d) The components of net retirement benefit costs for the years ended December 31, 2013 were as follows:

	Millions of yen
Service cost	¥2,282
Interest cost	1,740
Expected return on plan assets	(1,088)
Recognized actuarial loss	3,263
Prior service cost	(752)
Net periodic cost	5,445
Cost for defined contribution plan	350
Total	¥5,795

(e) The assumptions and basis as of December 31, 2013 were as follows:

Discount rate	Mainly 2.0%
Expected rate of return on plan assets	Mainly 2.0%
Amortization period for actuarial loss	Mainly 12 years
Amortization period for prior service cost	Mainly 12 years

13. INCOME TAXES

(a) At December 31, 2014 and 2013, significant components of deferred tax assets and liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Deferred tax assets:			
Tax loss carryforwards	¥26,263	¥24,755	$217,857
Write-down of marketable and investment securities	10,471	8,525	86,863
Provision for retirement benefits	—	7,332	—
Net defined benefit liabillity	7,802	—	64,722
Impairment loss	4,496	4,649	37,292
Allowance for doubtful accounts	1,528	406	12,673
Depreciation and amortization	1,253	859	10,395
Unrealized earnings from the sale of fixed assets	840	919	6,966
Loss on valuation of inventories	796	810	6,604
Provision for bonuses	673	681	5,584
Deduction of foreign corporation tax carried forward	536	515	4,446
Undetermined accrued liabilities	523	970	4,334
Write-down of golf club memberships	383	582	3,181
Provision for repairs	238	1,300	1,974
Deferred gains or losses on hedges	64	168	531
Other	3,484	1,770	28,899
Subtotal of deferred tax assets	59,349	54,241	492,322
Valuation allowance	(30,183)	(24,533)	(250,379)
Total deferred tax assets	29,166	29,708	241,943
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	(4,410)	(4,388)	(36,583)
Amount of revaluation from the book value	(4,267)	(4,343)	(35,395)
Foreign subsidiaries' undistributed retained earnings	(1,738)	(1,589)	(14,417)
Special depreciation reserve	(1,172)	(1,246)	(9,721)
Reserve for advanced depreciation of fixed assets	(225)	(256)	(1,865)
Other	(1,180)	(588)	(9,791)
Total deferred tax liabilities	(12,992)	(12,410)	(107,774)
Allowance for doubtful accounts	¥16,174	¥17,298	$134,169

(b) The net deferred tax assets at December 31, 2014 and 2013 were included in the consolidated balance sheets as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Deferred tax assets—current	¥ 4,244	¥ 4,810	$ 35,204
Deferred tax assets—noncurrent	15,563	15,889	129,102
Other current liabilities	(180)	(97)	(1,496)
Deferred tax liabilities—noncurrent	(3,453)	(3,305)	(28,640)

(c) Significant items in the reconciliation of the normal income tax rate to the effective at December 31, 2014 and 2013 were as follows:

	2014	2013
Statutory tax rate	38.0%	38.0%
Differences of statutory tax rate in subsidiaries	(35.3)	(11.4)
Consolidated adjustment for loss on valuation of investments in capital of subsidiaries and associates	(16.2)	—
Unrealized earnings from the sale of fixed assets	(1.9)	(1.6)
Effect on the reexamination of recoverability	70.4	27.9
Amortization of goodwill	6.3	2.0
Effects of changes in the effective statutory tax rate	3.8	1.0
Deferred taxes on undistributed earnings of foreign subsidiaries	1.5	1.7
Other	1.9	(0.5)
Effective tax rate	68.5%	57.3%

Note: Amendment to the amount of deferred tax assets and deferred tax liabilities due to a change in the income tax rate.

The Law for Partial Revision of the Income Tax Law, etc. (Law No. 10, 2014) was promulgated on March 31, 2014. It stipulates that the special corporate tax for reconstruction will not be imposed from the consolidated fiscal year starting on April 1, 2014 and thereafter. Accordingly, the effective statutory tax rate that is used in the calculation of deferred tax assets and deferred tax liabilities will be changed from 38.0% to 35.6% regarding the temporary difference expected to be resolved in the consolidated fiscal year starting January 1, 2015. The impact of the tax rate change is expected to be minimal.

14. IMPAIRMENT LOSS

At December 31, 2014, major impairment losses on fixed assets were as follows:

Location	Major use	Asset category	Millions of yen	Thousands of U.S. dollars
Aizuwakamatsu City, Fukushima Prefecture	Production facilities	Machinery and equipment,etc.	¥ 508	$ 4,216
Iwaki City, Fukushima Prefecture	Idle assets	Land,etc.	457	3,791
Sichuan, China	—	Goodwill	851	7,062
Banten, Indonesia	Production facilities	Buildings and structures, etc.	1,789	14,843
Other			141	1,172
Total			¥3,747	$31,085

15. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Reclassification adjustments and tax effects for components of other comprehensive income (loss) for the year ended December 31, 2014 were as follows:

	Millions of yen	Thousands of U.S. dollars
Valuation difference on available-for-sale securities		
Increase during the year	¥ (855)	$ (7,095)
Reclassification adjustments	1,723	14,293
Amount before income tax effect	868	7,198
Income tax effect	(1)	(10)
Total	867	7,188
Deferred gains or losses on hedges		
Increase during the year	¥ 1,797	$ 14,909
Reclassification adjustments	104	859
Adjustments of acquisition cost of assets	(314)	(2,601)
Amount before income tax effect	1,587	13,167
Income tax effect	(572)	(4,743)
Total	1,016	8,424
Foreign currency translation adjustments		
Increase during the year	¥12,797	$106,155
Reclassification adjustments	—	—
Amount before income tax effect	12,797	106,155
Income tax effect	—	—
Total	12,797	106,155
Share of other comprehensive income of unconsolidated subsidiaries		
Increase during the year	¥ 196	$ 1,628
Reclassification adjustments	(59)	(487)
Total	138	1,141
Total other comprehensive income	¥14,817	$122,909

16. LEASES

(a) Finance Leases as a Lessee

Finance lease transactions other than those involving transfer of ownership to the lessee

(1) Type of leased assets

a) Tangible fixed assets: Principally equipment for manufacturing hard discs and steam-powered electric generation equipment (machinery and equipment)
b) Intangible fixed assets: Software

(2) Method of depreciation

The depreciation method of leased assets is described in the sub-section "2.(h) Property, Plant and Equipment" within the section "Summary of Significant Accounting Policies."

(a)Operating Leases as a Lessee

At December 31, 2014 and 2013, assets leased under noncapitalized operating leases were as follows:

Future minimum lease payments for the remaining lease periods:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Due within one year	¥ 452	¥ 396	$ 3,752
Due over one year	1,820	1,730	15,095
Total	¥2,272	¥2,126	$18,847

(b)Operating Leases as a Lessor

At December 31, 2014 and 2013, noncancellable operating lease receivables for the remaining lease periods were as follows:

Future minimum lease receivables for the remaining lease periods:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Due within one year	¥ 94	¥ 96	$ 783
Due over one year	790	782	6,556
Total	¥885	¥878	$7,339

17. CONTINGENT LIABILITIES

At December 31, 2014 and 2013, the Companies were guarantors for the borrowings below. The guarantees were principally for unconsolidated subsidiaries, affiliates and others.

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Guarantees	¥8,210	¥6,898	$68,101

As the amounts include joint and several guarantors' portions as well as the Companies', the actual amounts that the Companies were contingently liable to pay were smaller than the above.

18. NET ASSETS

The Corporation Law of Japan (the "Law") provides that the entire amount paid for new shares may be credited to the stated capital, with the provision that, by resolution of the Board of Directors, up to one-half of such amount paid for new shares may be credited to additional paid-in capital, which is included in capital surplus.

The Law provides that an amount equal to 10% of cash appropriations of retained earnings shall be set aside as additional paid-in capital or a legal earnings reserve until the total of such reserve and additional paid-in capital equals 25% of the stated capital. Additional paid-in capital and the legal earnings reserve may be used to eliminate or reduce a deficit, if any, or be capitalized by resolution at the Ordinary General Meeting of Shareholders. All additional paid-in capital and the legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends. Additional paid-in capital and the legal earnings reserve are included in capital surplus and retained earnings, respectively.

The Law does not have a definition about the classification of paid-in capital between common stock and preferred stock. Accordingly, the Company states its capital in the total amount paid by issuing common stock and preferred stock.

The maximum amount that the Company can distribute as dividends is calculated based on the unconsolidated financial statements of the Company in accordance with Japanese laws and regulations.

19. REVALUATION RESERVE FOR LAND

The Company and some of its consolidated subsidiaries revalued the land they own for business in accordance with the Law concerning Revaluation of Land. The difference between the revalued amount and the book value, after the deduction of applicable tax, is stated as a land revaluation reserve. The revaluation was conducted using methods stipulated in the ordinance for enforcement of the law, specifically, the method in Item 4 of Article 2 (Reasonable Adjustment of the Appraised Value Relating to Land Price Tax), and the method in Item 5 of Article 2 (Estimation by Experts). The excess of the carrying amount of the revalued land over the market value at December 31, 2014 was ¥73,940 million (US$613,355 thousand).

20. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the years ended December 31, 2014 and 2013 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Freight	¥19,530	¥18,218	$162,005
Employees' compensation	19,979	19,228	165,729
Other	48,308	45,655	400,729
Total	¥87,816	¥83,101	$728,463

Research and development expenses included in selling, general and administrative expenses for the years ended December 31, 2014 and 2013 were ¥20,340 million (US$168,728 thousand) and ¥20,396 million, respectively.

21. RESEARCH AND DEVELOPMENT

Research and development costs included in manufacturing costs, selling, general and administrative expenses for the years ended December 31, 2014 and 2013 were ¥20,362 million (US$168,908 thousand) and ¥20,435 million, respectively.

22. SEGMENT INFORMATION

(a) Information about sales, operating income, assets, and other items by reportable segment

Year ended December 31, 2014	Millions of yen								
	Petrochemicals	Chemicals	Electronics	Inorganics	Aluminum	Others	Total	Adjustments	Consolidated
Sales									
Outside customers	¥274,837	¥127,638	¥136,773	¥ 58,779	¥ 90,022	¥188,531	¥ 876,580	¥ —	¥ 876,580
Inter-segment	6,564	11,426	1,764	8,778	7,934	6,493	42,959	(42,959)	—
Total	281,400	139,064	138,537	67,557	97,956	195,024	919,539	(42,959)	876,580
Operating income (loss)	¥ (4,930)	¥ 5,460	¥ 25,770	¥ (300)	¥ 2,999	¥ (678)	¥28,321	¥ (7,406)	¥ 20,915
Assets	¥143,896	¥188,810	¥161,908	¥163,595	¥156,013	¥194,565	¥1,008,787	¥ 2,296	¥1,011,083
Depreciation and amortization	6,472	7,517	13,219	3,591	5,315	2,921	39,035	1,638	40,673
Amortization of goodwill	6	(228)	47	1,630	156	85	1,696	—	1,696
Investments in non-consolidated subsidiaries and affiliates	13,608	2,381	—	1,590	—	179	17,758	—	17,758
Increase in property, plant and equipment and intangible assets	4,195	7,768	7,825	15,432	7,106	3,768	46,094	1,224	47,318

Notes: 1. Adjustments are as follows:

(1) Elimination of intersegment transactions of ¥37 million (US$305 thousand) and total corporate expenses of ¥7,443 million (US$61,744 thousand) which were not allocated to any reportable segment were included in "Adjustments" for "Operating income" of ¥(7,406) million (US$(61,439) thousand). Total corporate expenses principally consist of total corporate common research expenses which are not attributable to any reportable segment.

(2) Elimination of intersegment receivables and payables and assets of ¥(42,560) million (US$(353,051) thousand) and total corporate assets of ¥44,856 million (US$372,095 thousand) which were not allocated to any reportable segment were included in "Adjustments" for "Assets" of ¥2,296 million (US$19,044 thousand). Total corporate assets principally consist of surplus funds of the Companies under management (in the form of cash and deposits), deferred tax assets and assets related to total corporate common research and development expenses.

2. Amortization of negative goodwill was included in "Amortization of goodwill."

Year ended December 31, 2013	Millions of yen								
	Petrochemicals	Chemicals	Electronics	Inorganics	Aluminum	Others	Total	Adjustments	Consolidated
Sales									
Outside customers	¥279,642	¥120,706	¥135,156	¥ 57,412	¥ 84,110	¥171,044	¥848,071	¥ —	¥848,071
Inter-segment	7,090	9,950	1,392	8,507	6,273	5,472	38,684	(38,684)	—
Total	286,732	130,656	136,548	65,919	90,383	176,516	886,755	(38,684)	848,071
Operating income (loss)	¥ 4,398	¥ 2,559	¥ 21,940	¥ (838)	¥ 5,845	¥ (626)	¥ 33,278	¥ (7,324)	¥ 25,953
Assets	¥147,207	¥185,453	¥164,167	¥153,979	¥130,941	¥183,694	¥965,441	¥20,330	¥985,771
Depreciation and amortization	6,421	7,300	14,216	3,128	4,303	2,937	38,305	1,474	39,779
Amortization of goodwill	6	(145)	86	1,550	(60)	10	1,447	—	1,447
Investments in non-consolidated subsidiaries and affiliates	13,649	1,795	—	1,484	50	162	17,140	—	17,140
Increase in property, plant and equipment and intangible assets	2,912	6,749	6,121	18,283	6,256	2,649	42,970	1,400	44,370

Notes: 1. Adjustments are as follows:

(1) Elimination of intersegment transactions of ¥142 million and total corporate expenses of ¥7,466 million which were not allocated to any reportable segment were included in "Adjustments" for "Operating income" of ¥(7,324) million. Total corporate expenses principally consist of total corporate common research expenses which are not attributable to any reportable segment.

(2) Elimination of intersegment receivables and payables and assets of ¥(32,287) million and total corporate assets of ¥52,617 million which were not allocated to any reportable segment were included in "Adjustments" for "Assets" of ¥20,330 million. Total corporate assets principally consist of surplus funds of the Companies under management (in the form of cash and deposits), deferred tax assets and assets related to total corporate common research and development expenses.

2. Amortization of negative goodwill was included in "Amortization of goodwill."

Year ended December 31, 2014	Thousands of U.S. dollars								
	Petrochemicals	Chemicals	Electronics	Inorganics	Aluminum	Others	Total	Adjustments	Consolidated
Sales									
Outside customers	$2,279,856	$1,058,801	$1,134,571	$ 487,592	$ 746,761	$1,563,921	$7,271,503	$ —	$7,271,503
Inter-segment	54,447	94,782	14,633	72,816	65,816	53,864	356,357	(356,357)	—
Total	2,334,302	1,153,583	1,149,204	560,409	812,577	1,617,785	7,627,861	(356,357)	7,271,503
Operating income (loss)	$ (40,893)	$ 45,291	$ 213,771	$ (2,489)	$ 24,876	$ (5,623)	$ 234,933	$ (61,439)	$ 173,494
Assets	$1,193,658	$1,566,236	$1,343,081	$1,357,073	$1,294,178	$1,613,980	$8,368,205	$ 19,044	$8,387,249
Depreciation and amortization	53,684	62,355	109,652	29,791	44,092	24,234	323,808	13,591	337,399
Amortization of goodwill	47	(1,894)	392	13,523	1,290	707	14,065	—	14,065
Investments in non-consolidated subsidiaries and affiliates	112,885	19,753	—	13,190	—	1,482	147,310	—	147,310
Increase in property, plant and equipment and intangible assets	34,799	64,438	64,907	128,009	58,948	31,261	382,363	10,157	392,520

(b) Information about geographical areas

Year ended December 31, 2014	Millions of yen				
	Japan	China	Asia (Except for China)	Others	Total
Sales	¥549,910	¥97,525	¥187,073	¥42,073	¥876,580

Year ended December 31, 2013	Millions of yen				
	Japan	China	Asia (Except for China)	Others	Total
Sales	¥526,303	¥105,658	¥175,503	¥40,607	¥848,071

Year ended December 31, 2014	Thousands of U.S. dollars				
	Japan	China	Asia (Except for China)	Others	Total
Sales	$4,561,673	$808,999	$1,551,826	$349,006	$7,271,503

Year ended December 31, 2014	Millions of yen		
	Japan	Others	Total
Property, plant and equipment	¥419,575	¥94,082	¥513,656

Year ended December 31, 2013	Millions of yen		
	Japan	Others	Total
Property, plant and equipment	¥417,640	¥76,447	¥494,087

Year ended December 31, 2014	Thousands of U.S. dollars		
	Japan	Others	Total
Property, plant and equipment	$3,480,502	$780,438	$4,260,941

(c) Information about impairment loss on property, plant and equipment by reportable segment

Year ended December 31, 2014	Millions of yen							
	Petrochemicals	Chemicals	Electronics	Inorganics	Aluminum	Others	Elimination	Total
Impairment loss on assets	¥1,798	¥517	¥—	¥1,410	¥4	¥18	¥—	¥3,747

Year ended December 31, 2013	Millions of yen							
	Petrochemicals	Chemicals	Electronics	Inorganics	Aluminum	Others	Elimination	Total
Impairment loss on assets	¥211	¥28	¥—	¥1,060	¥—	¥58	¥—	¥1,357

Year ended December 31, 2014	Thousands of U.S. dollars							
	Petrochemicals	Chemicals	Electronics	Inorganics	Aluminum	Others	Elimination	Total
Impairment loss on assets	$14,918	$4,293	$—	$11,694	$34	$146	$—	$31,085

(d) Information about amortization of goodwill and unamortized balance by reportable segment

Year ended December 31, 2014	Millions of yen							
	Petrochemicals	Chemicals	Electronics	Inorganics	Aluminum	Others	Elimination	Total
Amortization	**¥ 6**	**¥134**	**¥ 80**	**¥1,630**	**¥ 216**	**¥113**	**¥—**	**¥2,179**
Unamortized balance	**—**	**165**	**421**	**1,417**	**3,945**	**561**	**—**	**6,509**

Year ended December 31, 2013	Millions of yen							
	Petrochemicals	Chemicals	Electronics	Inorganics	Aluminum	Others	Elimination	Total
Amortization	¥ 6	¥283	¥118	¥1,550	¥—	¥ 38	¥—	¥1,996
Unamortized balance	34	299	501	3,909	—	257	—	5,000

Year ended December 31, 2014	Thousands of U.S. dollars							
	Petrochemicals	Chemicals	Electronics	Inorganics	Aluminum	Others	Elimination	Total
Amortization	**$ 47**	**$1,110**	**$ 662**	**$13,523**	**$ 1,789**	**$ 941**	**$—**	**$18,072**
Unamortized balance	**—**	**1,370**	**3,490**	**11,758**	**32,728**	**4,650**	**—**	**53,997**

Amortization of negative goodwill arose from business combinations prior to April 1, 2010 and its unamortized balance are as follows:

Year ended December 31, 2014	Millions of yen							
	Petrochemicals	Chemicals	Electronics	Inorganics	Aluminum	Others	Elimination	Total
Amortization	**¥—**	**¥ 362**	**¥ 33**	**¥—**	**¥ 60**	**¥ 28**	**¥—**	**¥ 483**
Unamortized balance	**—**	**3,012**	**423**	**—**	**779**	**316**	**—**	**4,529**

Year ended December 31, 2013	Millions of yen							
	Petrochemicals	Chemicals	Electronics	Inorganics	Aluminum	Others	Elimination	Total
Amortization	¥—	¥ 428	¥ 33	¥—	¥ 60	¥ 28	¥—	¥ 549
Unamortized balance	—	3,374	455	—	839	344	—	5,012

Year ended December 31, 2014	Thousands of U.S. dollars							
	Petrochemicals	Chemicals	Electronics	Inorganics	Aluminum	Others	Elimination	Total
Amortization	**$—**	**$ 3,004**	**$ 270**	**$—**	**$ 499**	**$ 235**	**$—**	**$ 4,007**
Unamortized balance	**—**	**24,984**	**3,507**	**—**	**6,459**	**2,620**	**—**	**37,570**

23. PRESENTATION OF GOODWILL AND NEGATIVE GOODWILL

Goodwill and negative goodwill are netted against each other. The pre-netted amounts as of December 31,2014 and 2013 are shown below.

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Goodwill	**¥6,509**	¥5,000	**$53,997**
Negative goodwill	**4,529**	5,012	**37,570**
Net	**¥1,980**	¥ (12)	**$16,427**