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Tosoh Corporation

Notice of the 115th Ordinary General Meeting of Shareholders

Security Code: 4042
June 5, 2014

Dear Shareholders,

You are cordially invited to attend the 115th Ordinary General Meeting of Shareholders of Tosoh Corporation (the “Company”). The meeting will be held as described below.

If you are unable to attend the meeting in person, your voting rights can be exercised by one of the following methods. Please review the attached “Reference Documents for the General Meeting of Shareholders” to exercise those rights. In the event votes are submitted by both post and Internet, etc., only the vote submitted by Internet, etc. shall be deemed valid.

[Voting by document (post)]

Please be sure to indicate your approval or opposition for each proposal on the enclosed Voting Rights Exercise Form and to return that form so that it arrives by 5:00 p.m., Thursday, June 26, 2014.

[Voting via the Internet]

Please access the website for exercising voting rights designated by the Company (<http://www.web54.net>), input the “voting right exercise code” and “password” supplied on the enclosed Voting Rights Exercise Form, and follow the on-screen instructions to enter your vote for each proposal by 5:00 p.m., Thursday, June 26, 2014.

Please refer to the “Guide for Exercising Voting Rights Electronically via the Internet, etc.” on page 31 when voting via the Internet, etc.

The Company also participates in the “Voting Rights Electronic Exercise Platform” for institutional investors operated by ICJ Inc.

Sincerely yours,

Kenichi Udagawa
President
Tosoh Corporation
4560 Kaisei-cho, Shunan City,
Yamaguchi Prefecture

Details

1. Date and Time:

Friday, June 27, 2014, at 10:00 a.m.

2. Place:

Conference room, Tosoh Club
1-10-28, Shimizu, Shunan City, Yamaguchi Prefecture

3. Purpose of the Meeting

Matters to be reported:

1. Business Report and Consolidated Financial Statements for the 115th Fiscal Year (from April 1, 2013 to March 31, 2014), as well as the audit reports of the Independent Auditors and the Audit & Supervisory Board for the Consolidated Financial Statements
2. Non-Consolidated Financial Statements for the 115th Fiscal Year (from April 1, 2013 to March 31, 2014)

Matters to be resolved:

- Proposal 1:** Approval of Merger Agreement
- Proposal 2:** Partial Amendments to the Articles of Incorporation
- Proposal 3:** Election of Thirteen (13) Directors
- Proposal 4:** Election of Two (2) Audit & Supervisory Board Members
- Proposal 5:** Election of Two (2) Substitute Audit & Supervisory Board Members

Notes:

- * Please present the enclosed "Voting Rights Exercise Form" to the receptionist when you attend the Meeting in person.
- * If any modifications are made to items in the Reference Documents for the General Meeting of Shareholders, Business Report, Consolidated Financial Statements, or Non-Consolidated Financial Statements, those changes will be posted on our website immediately (<http://www.tosoh.co.jp>).

Reference Documents for the General Meeting of Shareholders

Proposals and Reference Information

Proposal 1: Approval of Merger Agreement

On May 9, 2014, the Company and Nippon Polyurethane Industry Co., Ltd. (“NPU”) agreed to a merger effective October 1, 2014, and entered into a merger agreement.

The Company will be the company surviving the absorption-type merger and NPU will be the company absorbed by the absorption-type merger.

Accordingly, the Company proposes the approval of the merger agreement.

1. Reasons for merger

NPU, which manufactures and sells polyurethane raw materials and derivatives, is a wholly-owned subsidiary of the Company and operates the Vinyl Isocyanate Chain business as its core business. The Company supplies raw materials for isocyanate, including aniline, CO, and chlorine, and recovers and uses hydrochloric acid, produced by NPU as a by-product, as raw materials for vinyl chloride monomer to strengthen its business competitiveness.

However, competition in the business environment surrounding the isocyanate business is expected to intensify in the future.

To establish a robust management foundation that can respond to further changes in the business environment, the Company and NPU decided that the two companies need to merge, in order to build a system that allows speedy management decision-making, establish an integrated production system in the urethane business from raw materials for isocyanate such as aniline to isocyanate products and derivatives, operate the Head Office and Nanyo Complex in a unified manner, and enhance management efficiency by restructuring the research system and other measures.

2. Details of merger agreement

Details of the merger agreement are as follows.

Merger Agreement (Copy)

This Merger Agreement (this “Agreement”) is made and entered into by and between Tosoh Corporation (“TOSOH”) and Nippon Polyurethane Industry Co., Ltd. (“NPU”) as follows.

Article 1 (Method of Merger)

1. TOSOH and NPU shall merge in accordance with the provisions of the following Articles (the “Merger”). TOSOH is the company surviving an absorption-type merger and NPU is the company absorbed in an absorption-type merger.
2. The trade names and addresses of the company surviving the absorption-type merger and the company absorbed in the absorption-type merger pertaining to the Merger shall be as follows:
 - (1) Company surviving absorption-type merger
Trade name: Tosoh Corporation
Address: 4560 Kaisei-cho, Shunan City, Yamaguchi Prefecture
 - (2) Company absorbed in absorption-type merger
Trade name: Nippon Polyurethane Industry Co., Ltd.
Address: 1-23 Shiba 4-chome, Minato-ku, Tokyo

Article 2 (Issue of New Shares and Payment of Money upon Merger)

TOSOH shall not issue new shares or deliver money or other articles at the time of Merger since TOSOH holds all of the issued shares of NPU.

Article 3 (Capital Stock, Reserves and Other Funds to Be Increased)

The capital stock, reserves and other funds shall not increase as a result of the Merger.

Article 4 (General Meeting to Approve Merger)

1. TOSOH shall obtain a resolution for approval for this Agreement and approval for matters necessary for the Merger at the Ordinary General Meeting of Shareholders to be held on June 27, 2014.
2. The date described in the preceding Paragraph may be changed upon consultation between TOSOH and NPU if necessary to execute the Merger.
3. NPU shall merge without obtaining a resolution of its General Meeting of Shareholders pursuant to Article 784, paragraph 1 of the Companies Act.

Article 5 (Effective Date)

1. The Merger becomes effective on October 1, 2014.
2. The date described in the preceding Paragraph may be changed upon consultation between TOSOH and NPU if necessary to execute the Merger.

Article 6 (Succession to Company Property)

NPU shall turn over any and all assets and liabilities and other rights and obligations to TOSOH on the date described in the preceding Article after clarifying the state of assets and liabilities as of the date described in the preceding Article. It shall do so by attaching the statement prepared taking any subsequent changes in assets and liabilities into consideration, based on the balance sheet as of March 31, 2014 and other statements as of the same date.

Article 7 (Obligation to Manage Company Property)

Each of TOSOH and NPU shall execute the business and manage and operate the properties with the due care of a good manager after the execution of this Agreement until the effective date, and TOSOH and NPU shall discuss any act which may materially affect the properties, rights or obligations in advance and conduct such act by consent.

Article 8 (Treatment of Employees)

TOSOH shall take over the employees of NPU as of the effective date and the treatment of employees and other matters shall be determined upon consultation between TOSOH and NPU.

Article 9 (Conditions of Effectiveness)

This Agreement shall not become effective if a resolution for approval of the General Meeting of Shareholders of TOSOH prescribed in Article 4 or approval of the authorities concerned set forth in laws or regulations is not obtained.

Article 10 (Amendment and Termination of Agreement)

If there is a material change in the conditions of assets or management of TOSOH or NPU due to natural disaster or other events after the execution of this Agreement and until the date described in Article 5, TOSOH and NPU may amend the conditions of Merger or terminate this Agreement upon consultation.

Article 11 (Matters not Provided for in Agreement)

In addition to those set forth in this Agreement, any matter necessary for the Merger shall be determined based on the purport of this Agreement upon consultation between TOSOH and NPU.

IN WITNESS WHEREOF, the parties have caused the two original copies of this Agreement to be signed and sealed and each party shall retain one copy.

May 9, 2014

TOSOH

Kenichi Udagawa
President
Tosoh Corporation
4560 Kaisei-cho, Shunan City, Yamaguchi Prefecture

NPU

Osamu Hamada
President and Chief Executive Officer
Nippon Polyurethane Industry Co., Ltd.
1-23 Shiba 4-chome, Minato-ku, Tokyo

3. Outline of provisions set forth in Article 191 of the Ordinance for Enforcement of the Companies Act

(1) Matters concerning appropriateness of consideration

NPU is a wholly-owned subsidiary of the Company and all of its issued shares are owned by the Company. Accordingly, the Company will not pay any consideration for merger. Therefore, there will be no increase in capital stock or reserves of the Company.

(2) Matters concerning the appropriateness of subscription rights to shares

There are no matters applicable because NPU does not issue subscription rights to shares.

(3) Non-Consolidated Financial Statements, etc. of NPU for the final fiscal year

Details are as published in the attached documents (from page 7 to page 25 of this Notice).

(4) Matters concerning disposal of important assets that occurred after the end of the final fiscal year of the merging companies

1) The Company

Not applicable.

2) NPU

Not applicable.

Business Report

From April 1, 2013 to March 31, 2014

I. Matters Concerning the Present State of the Company

1. Business Progress and Results

During the fiscal year under review, the economic recovery that began in Japan in the second half of the previous fiscal year remained firmly on track, as indicated by a gradual recovery of the stock market and consumer sentiment, among others, against the backdrop of such factors as expectations for the government's economic stimulus measures and sharp monetary easing by the Bank of Japan. There was accelerated public investment for restoration and reconstruction from the Great East Japan Earthquake, and the effects of the initiation and progress of emergency economic measures became evident. In the household sector, in addition to the wealth effect of rising stock prices, improved consumer sentiment had a positive impact on business activities. Particularly, there was a marked surge in demand from the second half of the year mainly for consumer durable goods such as automobiles and home electronics before the consumption tax hike, and an improved income environment was also a factor boosting the economy.

In the urethane industry, demand remained at a high level in Japan throughout the year due to factors such as a decrease in imports from overseas suppliers following the yen's depreciation, reconstruction demand from the Great East Japan Earthquake in the civil engineering, construction, and building materials sectors, and increases in automobile sales before implementation of the consumption tax hike. Regarding exports, overseas demand for urethane remained relatively firm, despite negative factors such as a slowdown of economic growth in China and deceleration of growth in ASEAN nations.

Under these circumstances, Nanyo Division's Factory No. 1 and Factory No. 2 and production facilities of Nippon Polyurethane (Ruian) Co., Ltd. maintained production activities at high levels of capacity utilization, albeit with some difficulties. With regard to internal systems, Nippon Polyurethane Industry Co., Ltd. (the "Company" or "NPU") launched a Merger Preparations Promotion Team jointly with Tosoh Corporation effective October 1, 2013, toward merging with the company effective October 1, 2014, and is proceeding with studies and preparations in each department toward achieving a smooth merger with Tosoh Corporation.

Turning to sales activities during the fiscal year under review, profitability deteriorated in Japan as a result of intensified competition with domestic competitors, in addition to the higher cost of raw materials due to the yen's depreciation. However, sales volumes increased, due in part to the effects of economic stimulus measures, leading to an increase in sales. Meanwhile, the profitability of export sales improved, although market conditions remained weak throughout the fiscal year, because net proceeds in yen terms increased as the yen remained weak for the most part.

We have been taking three-year earnings improvement measures since fiscal 2011, and have increased earnings 7.2 billion yen mainly through improvements to the MDI process, cost-cutting measures in each field including reviews of sales and logistics systems, reducing personnel expenses by cutting hiring and outsourcing operations, and boosting earnings from newly developed products.

As a result, for the fiscal year under review, net sales were 111,530 million yen, up 21% year on year, and operating income amounted to 1,638 million yen (operating loss of 3,104 million yen for the previous fiscal year) and ordinary income was 2,467 million yen (ordinary loss of 2,097 million yen for the previous fiscal year). The Company posted a reversal of allowance for investment loss of 478 million yen to extraordinary income. As a result, net income amounted to 2,923 million yen (net loss of 5,088 million yen for the previous fiscal year).

2. Status of Fund Procurement

The Company did not obtain long-term debt financing during the fiscal year under review. Long-term debt at the end of the fiscal year under review decreased 4,312 million yen from the end of the previous fiscal year to 4,169 million yen, as a result of scheduled repayments.

Meanwhile, short-term debt at the end of the fiscal year under review increased 4,600 million yen from the end of the previous fiscal year to 70,620 million yen as a result of increases in working capital.

3. Status of Capital Investment

The total capital investment during the fiscal year under review was 1,167 million yen, of which 494 million yen was appropriated for earnings improvement measures and the remainder for maintaining and replacing existing facilities.

4. Issues to Deal with

Under the basic policy of placing top management priority on “safe and stable operation,” “environmental response,” and “legal compliance,” the Company will put all of its efforts into steadily implementing various earnings improvement measures, as well as formulating and consistently executing new earnings improvement measures, in order to achieve a transformation of the corporate structure, which will enable it to report profits under any business environment.

First, we will work to achieve “safe and stable operation,” which is our top management priority, prevent plant problems and continue to establish and maintain a stable production and supply system.

In MDI operations, the Company will promote increasing the value added of MDI products through measures such as shifting to a more profitable portfolio and to system sales with higher profit margins, and by enhancing the quality of MDI. In addition, we will review the overseas logistics system to boost earnings. In high-performance urethane operations, demand is expected to grow steadily over the medium and long term in HDI operations. Therefore, we aim to increase our shares of business with customers in Europe and the U.S., and capture demand from Japanese coating materials manufacturers expanding business overseas. In addition, we will optimize our R&D system and explore new development fields through the merger with Tosoh Corporation, and further unearth and develop new businesses that will become core sources of earnings.

We forecast changes in the business environment and intensified competition, due to factors such as prices of raw materials and fuels remaining at high levels, capacity enhancement plans of competitors, exchange rate fluctuations, and political risk in China. Under these circumstances, NPU will establish a robust management foundation that will allow it to respond to changes in the business environment by stepping up collaboration among sales, manufacturing, and R&D divisions, and through the merger with Tosoh Corporation.

We would like to ask all shareholders for their continued support and encouragement.

5. Trends of Assets and Profits and Losses

(Millions of yen)

	56th	57th	58th	59th
	business term	business term	business term	business term
	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013
Net sales	87,754	80,527	92,491	111,530
Operating income (loss)	(10,475)	(11,688)	(3,104)	1,638
Ordinary income (loss)	(11,101)	(12,178)	(2,097)	2,467
Net income (loss)	(11,329)	(29,260)	(5,088)	2,923
Net income (loss) per share	(3,147.10) yen	(8,127.96) yen	(1,413.38) yen	811.96 yen
Total assets	65,905	42,998	59,193	55,473

Note: Amounts of net sales, operating income, ordinary income, net income, and total assets are rounded down to the nearest million yen.

6. Principal Businesses

Manufacturing and sale of raw materials for polyurethane foams, polyurethane-based coatings, and polyurethane resin

7. Principal Branch Offices and Factories, etc.

- (1) Branch office: Osaka Branch, Nagoya Branch, Singapore Branch
- (2) Factories, etc.: Nanyo Division Factory No. 1 and Factory No. 2 (Yamaguchi Prefecture), R&D Division (Kanagawa Prefecture)

8. Status of Employees

Number of employees	Change from the previous year-end	Average age (years)	Average years of service
532	Decrease of 29	41.5	19.8

9. Major Parent Company and Subsidiaries

(1) Relationship with parent company

The Company purchases its principal raw materials including aniline, utilities, and carbon monoxide from its parent company Tosoh Corporation, and mainly sells hydrochloric acid. Tosoh Corporation provides short-term funds to the Company and debt guarantees for the Company's debt obligations from financial institutions.

(2) Status of major subsidiaries

Company name	Capital stock	Ownership ratio of voting rights	Principal businesses
Asia Industry Co., Ltd.	60 million yen	100%	Manufacture and sale of paints and synthetic resin
Nippon Mirastran Co., Ltd.	30 million yen	100%	Manufacture and sale of thermoplastic elastomer
Nippon Polyurethane (Shanghai) Co., Ltd.	10 million RMB	100%	Manufacture, sale, and research of chemical products
Nippon Polyurethane R&D (Shanghai) Co., Ltd.	45 million RMB	100%	Manufacture, sale, and research of chemical products
Nippon Polyurethane (Ruian) Co., Ltd.	150 million RMB	100%	Manufacture and sale of chemical products
Nittei Co., Ltd.	26 million yen	81.8%	Design and installation of chemical equipment, chemical machinery, and civil engineering and construction

10. Principal Lenders and Loans Outstanding

(Millions of yen)

Lender	Outstanding loan amount
Tosoh Corporation	48,880
Mizuho Bank, Ltd.	7,251
Sumitomo Mitsui Trust Bank, Limited	4,928
The Yamaguchi Bank, Ltd.	4,707
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3,941
Development Bank of Japan Inc.	2,214
JA Bank-Yamaguchi	1,218
The Saikyo Bank, Ltd.	907
The Norinchukin Bank	682
Mitsubishi UFJ Trust and Banking Corporation	49
The Bank of Yokohama, Ltd.	9

Note: Amounts are rounded down to the nearest million yen.

II. Matters Concerning Shares (as of March 31, 2014)

- Total number of shares issued: 3,600,000 shares (common stock)
- Number of shareholders: 1
- Number of shares owned by major shareholder

Name of major shareholder	Number of shares owned (ownership ratio of voting rights)
Tosoh Corporation	3,600,000 shares (100.00 %)

III. Matters Concerning Company Officers

1. Names, etc. of Directors and Audit & Supervisory Board Members

Name	Position and areas of responsibility	Significant concurrent positions
Osamu Hamada	President and CEO Executive Officer	
Kazuo Satoh	Director Senior Managing Executive Officer Division Director of Sales Division	
Nobuaki Murashige	Director Managing Executive Officer Director of Nanyo Division	Associate Director of Tosoh Corporation President of Nanyo Kasei K.K.
Mitsuo Asada	Director Managing Executive Officer Director of Planning & Administration Division	
Toshiaki Sasahara	Director Executive Officer Director of R&D Division	
Takao Fukami	Audit & Supervisory Board Member	
Shinhachiro Emori	Audit & Supervisory Board Member	Managing Director of Tosoh Corporation Director of Hodogaya Chemical Co., Ltd.
Toru Adachi	Audit & Supervisory Board Member	

Notes:

- Katsushi Tashiro and Takao Fukami retired as Directors as of June 28, 2013.
- Nobuaki Murashige and Toshiaki Sasahara assumed office as Directors on the same day.
- Katsuhiko Okubo and Yoshihiro Tajitsu retired as Audit & Supervisory Board Members as of June 28, 2013.
- Takao Fukami and Toru Adachi assumed office as Audit & Supervisory Board Members on the same day.

2. Amounts of Compensation, etc. Paid to Directors and Audit & Supervisory Board Members

Category	Number of persons to whom compensation ,etc. was paid	Amounts of compensation, etc. paid	Remarks
Directors	7	22,440,000 yen	Maximum of 12,000,000 yen per month
Audit & Supervisory Board Members	5	17,760,000 yen	Maximum of 2,500,000 yen per month
Total	12	40,200,000 yen	

Notes:

1. The maximum aggregate amount of compensation to Directors is set at no more than 12,000,000 yen per month (excluding employee salaries to be paid to Directors who concurrently serve as employees) based on a resolution at the General Meeting of Shareholders (held in June 1991). The maximum aggregate amount of compensation to Audit & Supervisory Board Members is set at no more than 2,500,000 yen per month based on a resolution at the General Meeting of Shareholders (held in June 1991).
2. Besides the above, the Company is not planning to refer payment of bonuses to Directors for deliberation at the Ordinary General Meeting of Shareholders to be held on June 30, 2014.
3. Besides the above, the Company paid 6,000,000 yen in retirement benefits to two Directors and two Audit & Supervisory Board Members who retired at the conclusion of the Ordinary General Meeting of Shareholders held on June 28, 2013.

IV. Matters Concerning Accounting Auditor

Name of Accounting Auditor: KPMG AZSA LLC

V. Systems to Ensure the Appropriateness of Business Operations

The following is an outline of systems implemented during the fiscal year under review based on the Basic Policy for Building Internal Control System, resolved at the Board of Directors' meeting held on May 30, 2006, to develop systems that ensure Directors perform their duties in compliance with laws and regulations and the Articles of Incorporation and other systems necessary to ensure the appropriateness of the Company's business operations.

- (1) Systems to ensure that Directors and employees perform their duties in compliance with laws and regulations and the Articles of Incorporation

The Company established the Code of Business Conduct, Compliance Action Guidelines and Guidelines on Corporate Ethics and Legal Compliance in September 2005.

The Company established the Compliance Promotion Department on April 1, 2005 and concurrently set up the office of Compliance Counselor to develop and promote the systems, engaging in compliance activities through these offices. However, the Company dissolved the Compliance Promotion Department effective December 1, 2012, and the HR/General Affairs Group took over its operations. In addition, the Company expanded the functions of the Compliance Counselor effective April 1, 2013, and added the Tosoh Corporation Compliance Committee Promotion Team and Tosoh Corporation Corporate Lawyer to the existing internal Compliance Counselor.

The Company established the Business Audit Office on July 1, 2006 as an organization that performs audits to check if employees are performing their duties in compliance with laws and regulations, Articles of Incorporation, and internal rules, and prevents violations of laws and regulations, the Articles of Incorporation, and internal rules through regular audits.

- (2) System for preserving and managing information regarding the execution of duties by Directors
The Company shall appropriately retain and manage information regarding the execution of duties by Directors in accordance with the Regulations of the Board of Directors and Document Management Rules and allow access to such information.
- (3) Rules and other systems concerning management of risks that may cause losses
The Company has established systems for preventing risks of crises and losses in all production, sales, research, and management divisions based on the Risk Management Regulations, as well as minimizing losses in case of a crisis by establishing the Central Crisis Management Headquarters.

In addition, the Company has built a system for reporting immediately to the Board of Directors should any act that may cause losses due to violation of laws and regulations and the Articles of Incorporation, or other reasons detected by audits, etc.

(4) Systems to ensure efficient execution of duties by Directors

The Board of Directors' meetings shall be held once a month in principle mainly to conduct deliberations and pass resolutions on important management matters, and oversee the progress of operations.

The Company has adopted the Executive Officer System, which separates the responsibilities for executing operations to speed up decision-making and strengthen the supervisory function with regard to the execution of operations by the Board of Directors, thus realizing greater efficiency in the management.

(5) Systems to ensure appropriateness of operations of the Corporate Group composed of the Company and its parent company and subsidiaries

To ensure the appropriateness of operations of the Corporate Group, the Company nominates departments to be responsible for executing operations of its parent company and other related companies. In addition, the Company nominates and sends Directors and Audit & Supervisory Board Members, etc. to its subsidiaries and associated companies to be responsible for ensuring the appropriateness of their business operations.

(6) Matters concerning employees to assist Audit & Supervisory Board Members with their duties and matters regarding the independence of such employees from Directors, in the event that Audit & Supervisory Board Members request the assignment of such employees

When Audit & Supervisory Board Members request assignment of an employee to assist them in the performance of their duties, the Company shall appoint personnel to assist Audit & Supervisory Board Members upon consultation with and due consideration of opinions of Audit & Supervisory Board Members. Appointment of an employee to assist Audit & Supervisory Board Members in the performance of their duties shall require approval of Audit & Supervisory Board Members, and such employee shall work under the supervision of Audit & Supervisory Board Members.

(7) System for reporting by Directors or employees to Audit & Supervisory Board Members, and other systems regarding reports to Audit & Supervisory Board Members

The Company has established a system for Directors and employees to report to Audit & Supervisory Board Members on the following: 1) matters resolved at Board of Directors' meetings, 2) matters that could cause significant damage to the Company, 3) important matters concerning business conditions each month, 4) status of internal audit, and 5) important matters concerning violation of laws and regulations and the Articles of Incorporation and other compliance-related matters.

(8) System to ensure that audits are conducted effectively by Audit & Supervisory Board Members
Directors share information with Audit & Supervisory Board Members on business conditions of the Company, as well as exchange opinions on matters concerning the overall management of the Company with Audit & Supervisory Board Members at Board of Directors' meetings, Executive Officers' meetings, and other occasions.

The Business Audit Office has established an effective audit system by setting up opportunities to cooperate and discuss with Audit & Supervisory Board Members.

Non-Consolidated Balance Sheet

(As of March 31, 2014)

(Thousands of yen)

Assets		Liabilities	
Item	Amount	Item	Amount
Current Assets	50,260,043	Current Liabilities	106,873,708
Cash and deposits	364,361	Notes payable - trade	338,535
Notes receivable - trade	3,647,730	Accounts payable - trade	30,987,123
Accounts receivable - trade	29,741,945	Short-term loans payable	72,790,550
Goods purchased	650,521	Lease obligations	14,008
Finished goods	10,615,741	Accounts payable - other	269,003
Work in process	579,279	Accrued expenses	788,360
Raw materials	446,401	Income taxes payable	48,169
Supplies	931,751	Provision for bonuses	337,084
Prepaid expenses	447,358	Provision for repairs	1,052,000
Accounts receivable - other	80,773	Others	248,874
Short-term loans receivable	1,984,718	Non-current Liabilities	3,711,054
Income taxes receivable	69,867	Long-term loans payable	1,998,800
Consumption taxes receivable	633,405	Lease obligations	13,309
Other	106,326	Long-term accounts payable - other	67,675
Allowance for doubtful accounts	(40,141)	Provision for retirement benefits	1,451,808
Non-current Assets	5,213,272	Provision for directors' retirement benefits	27,000
Property, plant and equipment	970,914	Deferred tax liabilities	152,460
Buildings	2,876	Total Liabilities	110,584,762
Structures	29,748	Net Assets	
Machinery and equipment	901,144	Item	Amount
Vehicles	-	Shareholders' equity	(55,386,765)
Tools, furniture and fixtures	30,242	Capital stock	11,500,200
Land	-	Capital surplus	12,500
Leased assets	6,801	Legal capital surplus	12,500
Construction in progress	102	Retained earnings	(66,899,465)
Intangible assets	3,105	Legal retained earnings	570,269
Right of using facilities	-	Other retained earnings	(67,469,734)
Patent right	-	General reserve	9,600,000
Software	3,105	Retained earnings brought forward	(77,069,734)
Leased assets	-	Valuation and translation adjustments	275,319
Investments and other assets	4,239,252	Valuation difference on available-for-sale securities	275,319
Investment securities	1,197,302	Total net assets	(55,111,446)
Shares of subsidiaries and associates	199,203	Total Liabilities and Net Assets	55,473,316
Investments in capital of subsidiaries and associates	2,813,160		
Long-term loans receivable	186,354		
Long-term prepaid expenses	361,884		
Other	192,944		
Allowance for doubtful accounts	(25,080)		
Allowance for investment loss	(686,517)		
Total Assets	55,473,316		

Note: Amounts are rounded down to the nearest thousand yen.

Non-Consolidated Statement of Income

From April 1, 2013 to March 31, 2014

(Thousands of yen)

Item	Amount	
Net sales		111,530,314
Cost of sales		97,524,035
Gross profit		14,006,278
Selling, general and administrative expenses		12,367,777
Operating income		1,638,501
Non-operating income		
Interest and dividend income	403,663	
Foreign exchange gains	985,790	
Other	270,044	1,659,497
Non-operating expenses		
Interest expenses	744,133	
Other	86,508	830,642
Ordinary income		2,467,357
Extraordinary income		
Reversal of allowance for investment loss	478,226	
Insurance income	18,409	496,636
Income before income taxes		2,963,993
Income taxes - current	40,944	
Income taxes - deferred	-	40,944
Net income		2,923,049

Note: Amounts are rounded down to the nearest thousand yen.

Non-Consolidated Statement of Changes in Equity

From April 1, 2013 to March 31, 2014

(Thousands of yen)

	Shareholders' equity							
	Capital stock	Capital surplus		Retained earnings				Total shareholders' equity
		Legal capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings	
					General reserve	Retained earnings brought forward		
Balance as of April 1, 2013	11,500,200	12,500	12,500	570,269	9,600,000	(79,992,783)	(69,822,514)	(58,309,814)
Changes of items during period								
Net income						2,923,049	2,923,049	2,923,049
Net changes of items other than shareholders' equity								
Total changes of items during period	-	-	-	-	-	2,923,049	2,923,049	2,923,049
Balance as of March 31, 2014	11,500,200	12,500	12,500	570,269	9,600,000	(77,069,734)	(66,899,465)	(55,386,765)

	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance as of April 1, 2013	203,216	203,216	(58,106,598)
Changes of items during period			
Net income			2,923,049
Net changes of items other than shareholders' equity	72,102	72,102	72,102
Total changes of items during period	72,102	72,102	2,995,151
Balance as of March 31, 2014	275,319	275,319	(55,111,446)

Note: Amounts are rounded down to the nearest thousand yen.

Notes to Non-Consolidated Financial Statements

1. Notes to Significant Accounting Policies

(1) Basis and method of valuing assets

i) Basis and method of valuing securities

Shares of subsidiaries and associates: Stated at cost using the moving-average method

Other available-for-sale securities

Securities with fair market value: Stated at market value based on quoted market price and other factors at the end of fiscal year. (Valuation difference is reported as a component of net assets, and cost of securities sold is calculated by the moving-average method.)

Securities without fair market value: Stated at cost using the moving-average method.

ii) Basis and method of valuing inventories

Stated at cost determined by the monthly gross average method (Book value stated on the balance sheet is written down in accordance with a decline in profitability.)

iii) Basis and method of valuing derivatives

Derivative transactions: The market value method is applied.

(2) Method of depreciation and amortization of non-current assets

i) Property, plant and equipment (excluding leased assets)

Depreciation of property, plant and equipment is calculated by the declining-balance method.

For buildings (excluding accessory equipment), however, the straight-line method is applied.

The estimated useful lives of principal items are as follows:

Buildings:	3-50 years
Structures:	2-60 years
Machinery and equipment:	3-8 years

ii) Intangible assets

Amortization of intangible assets is calculated by the straight-line method. Amortization of software for internal use is calculated based on estimated useful lives (5-8 years).

iii) Leased assets

Depreciation of lease assets related to finance lease transactions without transfer of ownership is calculated by the straight-line method, with the lease period of such assets being useful lives and residual values being zero.

Finance lease transactions without transfer of ownership that commenced on or before March 31, 2008 are accounted for by the accounting procedures used for ordinary lease transactions.

(3) Accounting standards for significant allowances and provisions

i) Allowance for doubtful accounts

To prepare for possible losses on receivables, such as notes and accounts receivable - trade and loans receivable, the Company sets aside an amount that is expected to be irrecoverable, after it considers recoverability of (a) general accounts receivable, by actual default ratio, and (b) specific accounts receivable such as those whose recoverability is in doubt, on a case-by-case basis.

- ii) Allowance for investment loss
The Company provides an allowance for investment loss relating to investments in subsidiaries and associates to an amount deemed necessary after taking into account the financial conditions of such companies and other factors.
 - iii) Provision for bonuses
To prepare for the provision of bonuses for employees, the Company sets aside an estimated amount for the provision of bonuses for the fiscal year under review in which such amounts shall be disbursed.
 - iv) Provision for repairs
To prepare for future regular repairs, the Company sets aside an estimated amount attributable to the fiscal year under review.
 - v) Provision for retirement benefits
To prepare for the provision of retirement benefits for employees, the Company sets aside an estimated amount for retirement benefit obligations and pension assets as of the end of the fiscal year under review.
Variances occurring due to changes to accounting standards are amortized principally over 15 years using the straight-line method. Past service costs are amortized on a straight-line method over 13 years beginning with the fiscal year in which they arise, and actuarial differences are amortized by the straight-line method over 13 years beginning with the fiscal year following the fiscal year in which they arise.
 - vi) Provision for directors' retirement benefits
To prepare for the provision of retirement benefits for Directors and Audit & Supervisory Board Members, the Company sets aside the amount necessary at the end of the fiscal year under review based on the Company's internal rules.
- (4) Other significant matters forming the basis for preparing financial statements
Accounting procedures for consumption taxes
Consumption taxes are not included in listed amounts. However, non-deductible consumption taxes related to assets are recorded as expenses for the fiscal year in which they arise.

2. Notes to Non-Consolidated Balance Sheet

- (1) Assets pledged as collateral and secured obligations
Not applicable.
- (2) Accumulated depreciation of property, plant and equipment: 73,631,979 thousand yen
- (3) Guarantee liabilities, etc.
Guarantee liabilities for loans payable
Nippon Polyurethane (Ruian) Co., Ltd.: 1,146,750 thousand yen
- (4) Monetary receivables from, and monetary payables to, subsidiaries and associates
Short-term monetary receivables: 10,634,664 thousand yen
Short-term monetary payables: 75,997,374 thousand yen
Long-term monetary receivables: 69,145 thousand yen

3. Notes to Non-Consolidated Statement of Income

(1) Transactions with subsidiaries and associates

Operating transactions	
Net sales	26,986,462 thousand yen
Purchases	78,896,079 thousand yen
Transactions other than operating transactions	1,329,962 thousand yen

(2) Valuation of inventories

The carrying amount of inventories on the balance sheet is written off in accordance with decline in profitability, and cost of sales includes reversal of loss on valuation of inventories of 70,956 thousand yen.

4. Notes to Non-Consolidated Statement of Changes in Equity

(1) Number of shares issued as of the end of the fiscal year under review

Common stock:	3,600 thousand shares
---------------	-----------------------

(2) Matters related to dividend

- i) Dividend paid
Not applicable.

- ii) Dividends for which the record date is in the fiscal year under review, but which come into effect in the next fiscal year
Not applicable.

5. Notes to Tax-Effect Accounting

Significant components of deferred tax assets and liabilities

Loss brought forward	24,224,169 thousand yen
Impairment loss	4,311,447 thousand yen
Provision for retirement benefits	519,196 thousand yen
Provision for repairs	374,932 thousand yen
Allowance for investment loss	244,674 thousand yen
Loss on valuation of shares	190,602 thousand yen
Provision for bonuses	120,136 thousand yen
Voluntary adjustment for deteriorated assets	44,072 thousand yen
Others	114,772 thousand yen
Subtotal deferred tax assets	30,144,004 thousand yen
Valuation allowance	(30,144,004 thousand yen)
Total deferred tax assets	– thousand yen

Valuation difference on available-for-sale securities	152,460 thousand yen
Total deferred tax liabilities	152,460 thousand yen
Net deferred tax liabilities	152,460 thousand yen

6. Notes to Financial Instruments

(1) Matters concerning the status of financial instruments

i) Policies for using financial instruments

The Company uses only short-term deposits, etc. for fund management, and raises funds from financial institutions such as banks and from the parent company. The Company uses derivatives to hedge interest rate risk on borrowings and does not engage in derivative transactions for speculative purposes.

ii) Details of financial instruments and their risk management system

Notes and accounts receivable - trade, which are operating receivables, are exposed to credit risk of customers. To minimize credit risk, the Company performs due-date controls and balance controls for each customer in accordance with its credit management standard and checks customers' credit status every fiscal year.

Equity shares, which are investment securities, are exposed to the risk of market price fluctuations. However, they are principally shares of companies that have business relationships with the Company, and the Company verifies market values of such shares on a quarterly basis.

Maturities of notes and accounts payable - trade, which are operating payables, are within one year.

Of loans payable, short-term loans payable are principally for fund procurement related to business transactions, and long-term loans payable are principally for fund procurement related to capital investment.

The Company manages operating payables and loans payable, which are exposed to liquidity risk, by creating a cash management schedule on a monthly basis.

(2) Matters concerning fair values of financial instruments

The carrying amounts on the balance sheet and fair values as of March 31, 2014, and differences are as follows. In addition, financial instruments whose fair values are extremely difficult to determine are not included in the following table. (Please refer to Note 2.)

(Thousands of yen)

	Carrying amount on the balance sheet (*)	Fair value (*)	Difference
(1) Cash and deposits	364,361	364,361	–
(2) Notes and accounts receivable - trade	33,389,676	33,389,676	–
(3) Investment securities and available-for-sale securities	636,054	636,054	–
(4) Short-term loans receivable	1,784,720	1,784,720	–
(5) Long-term loans receivable	386,352	387,181	829
(6) Notes and accounts payable - trade	(31,325,658)	(31,325,658)	–
(7) Short-term loans payable	(70,620,000)	(70,620,000)	–
(8) Long-term loans payable	(4,169,350)	(4,217,297)	(47,947)

(*) Items in the liability section of the balance sheet are stated in parentheses.

Note 1: Matters concerning the method of calculating fair value of financial instruments and securities

(1) Cash and deposit, (2) Notes and accounts receivable - trade, and (4) Short-term loans receivable

The fair value of these accounts approximates their book value because these accounts are settled within a short period. Thus, book value is deemed to be their fair value.

(3) Investment securities

The fair value of equity shares is based on prices at exchange markets.

The Company did not hold trading securities and bonds held to maturity at the end of the

fiscal year under review, nor did it engage in trading thereof during the fiscal year under review.

(5) Long-term loans receivable

The fair value of long-term loans receivable is measured as present value obtained by discounting the future cash flows at the long-term prime rate with credit-spread taken into account, for all loans classified by certain period and credit rating under credit management.

(6) Notes and accounts payable - trade and (7) Short-term loans payable

The fair value of these accounts approximates their book value because they are settled within a short period. Thus, book value is used as their fair value.

(8) Long-term loans payable

The fair value of long-term loans payable is obtained by discounting total amount of principle and interest at an assumed rate for similar new borrowings.

Note 2: Unlisted equity securities (carrying amount on the balance sheet: 760,451 thousand yen) are not included in “(3) Investment securities and available-for-sale securities” because they have no market price and their future cash flow cannot be estimated, thus their fair values are extremely difficult to determine.

Note 3: Monetary claims scheduled to be due after the settlement of accounts

(Thousands of yen)

	Within one year	After one year through five years	After five years through 10 years	After 10 years
Cash and deposits	364,361	–	–	–
Notes and accounts receivable-trade	33,389,676	–	–	–
Short-term loans receivable	1,784,720	–	–	–
Long-term loans receivable	199,998	94,982	59,048	32,323
Total	35,738,755	94,982	59,048	32,323

Note 4: Repayment of long-term loans payable scheduled to be due after the settlement of accounts

(Thousands of yen)

	Within one year	After one year through five years	After five years through 10 years	After 10 years
Long-term loans payable	2,170,550	1,998,800	–	–

7. Notes to Transactions with Related Parties

(1) Parent company

(Thousands of yen)

Attribute	Name of company, etc.	Percentage of voting rights, etc.	Relationship with related parties	Details of transaction	Transaction amount (Note 4)	Item	Balance at the end of the fiscal year
Parent company	Tosoh Corporation	Owned directly 100%	Entity from which the Company purchases goods and borrows funds, and where Company's Directors have concurrent positions	Purchase of raw materials, etc. (Note 1)	66,229,209	Accounts payable - trade	24,718,995
				Borrowing of funds	7,700,000	Short-term loans payable	48,880,000
				Payment of interest on loans (Note 2)	411,462	Accrued expenses	6,262
				Debt guarantee (Note 3)	25,909,350	—	—

(Transaction conditions, policies to decide transaction conditions, and other information)

Note 1: The Company decides transaction conditions such as purchase price through price negotiations considering market price and total cost.

Note 2: The Company determines the borrowing interest rate rationally considering market interest rate.

Note 3: The Company does not pay a guarantee fee as a consideration for receiving a debt guarantee.

Note 4: Transaction amount does not include consumption taxes. Balance at the end of the fiscal year includes consumption taxes.

(2) Subsidiaries and others

(Thousands of yen)

Attribute	Name of company, etc.	Percentage of voting rights, etc.	Relationship with related parties	Details of transaction	Transaction amount (Note 4)	Item	Balance at the end of the fiscal year
Subsidiary	Nippon Polyurethane (Ruian) Co., Ltd.	Owning directly 100%	Entity to which the Company commissions manufacturing and offers loans of funds	Sale of products, etc. (Note 1)	14,123,474	Accounts receivable - trade	4,805,498
				Loan of funds	1,598,480	Short-term loans receivable	1,646,720
				Receipt of interest on loans (Note 2)	27,677	Accounts receivable - other	19,420
				Debt guarantee (Note 3)	1,146,750	—	—
Subsidiary	Nippon Polyurethane (Shanghai) Co., Ltd.	Owning directly 100%	Entity to which the Company sells goods	Sale of products, etc. (Note 1)	3,399,417	Accounts receivable - trade	1,519,049
Associate	Nanyo Kasei K.K.	Owning directly 50%	Entity with which the Company purchases and sells goods and loans funds	Purchase of raw material, etc. (Note 1)	8,223,971	Accounts payable-trade	2,032,253
				Sale of products, etc. (Note 1)	6,785,961	Accounts receivable - trade	1,445,022
				Loan of funds	4,764,694	Short-term loans receivable	325,813
						Long-term loans receivable	67,675
Receipt of interest on loans (Note 2)	21,117	Accounts receivable - other	—				

(Transaction conditions, policies to decide transaction conditions, and other information)

Note 1: The Company decides transaction conditions such as sales and purchase prices through price negotiations considering market price and total cost.

Note 2: The Company decides loan interest rate rationally considering market interest rate.

Note 3: The Company does not receive a guarantee fee because it provides a debt guarantee on bank loans.

Note 4: Transaction amount does not include consumption taxes. Balance at the end of the fiscal year includes consumption taxes.

8. Notes to Per Share Information

(1) Net assets per share

(15,308.74) yen

(2) Net income per share

811.96 yen

9. Notes to Other Matters

Notes to retirement benefits

- i) Outline of retirement benefit scheme adopted
The Company has a retirement benefit system based on the Regulations for Retirement Benefits and defined benefit corporate pension system based on the Regulations for Defined Benefit Corporate Pension set forth therein.
- ii) Matters concerning retirement benefit obligations
- | | |
|--|------------------------------|
| Retirement benefit obligations | (3,463,304 thousand) yen |
| Pension asset | 1,540,303 thousand yen |
| Unrecognized past service cost | (44,382 thousand) yen |
| Unrecognized actuarial differences | 552,255 thousand yen |
| Unrecognized difference arising as a result of
a change to accounting standards | <u>(36,679 thousand) yen</u> |
| Provision for retirement benefits | (1,451,808 thousand) yen |
- iii) Matters concerning retirement benefit expenses
- | | |
|---|------------------------------|
| Service cost | 188,682 thousand yen |
| Interest expenses | 71,195 thousand yen |
| Expected return on assets | – yen |
| Unrecognized past service cost amortized | (6,341 thousand) yen |
| Unrecognized actuarial differences amortized | 158,159 thousand yen |
| Unrecognized differences arising as a result of
a change to accounting standards amortized | <u>(36,680 thousand) yen</u> |
| Retirement benefit expenses | 375,016 thousand yen |
- iv) Matters forming the basis of calculating retirement benefit obligations, etc.
- | | |
|--|----------------------------------|
| Discount rate | 2.0% |
| Long-term expected rate of return on assets | – % |
| Method of allocating expected retirement benefit expenses | Straight-line method over period |
| Period for amortizing past service cost | 13 years |
| Period for amortizing actuarial differences | 13 years |
| Period for amortizing differences arising
as a result of a change to accounting standards | 15 years |

10. Notes to Significant Subsequent Events

Not applicable.

Independent Auditor's Report

May 7, 2014

Nippon Polyurethane Industry Co., Ltd.
The Board of Directors

KPMG AZSA LLC

Designated Limited Liability Partner Managing Partner Certified Public Accountant	Junji Ono	Seal
Designated Limited Liability Partner Managing Partner Certified Public Accountant	Teruo Watanuma	Seal
Designated Limited Liability Partner Managing Partner Certified Public Accountant	Tomoki Kasama	Seal

Pursuant to the provisions of Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the Non-Consolidated Financial Statements of Nippon Polyurethane Industry Co., Ltd. for the 59th business term from April 1, 2013 to March 31, 2014. These statements consist of the Non-Consolidated Balance Sheet, Non-Consolidated Statement of Income, Non-Consolidated Statement of Changes in Equity, Notes to Non-Consolidated Financial Statements, and supplementary schedules thereof.

Responsibility of management for the Non-Consolidated Financial Statements and others

Management is responsible for the preparation and fair presentation of the Non-Consolidated Financial Statements and supplementary schedules thereof in accordance with accounting principles generally accepted in Japan. Responsibility includes designing and implementing internal controls, judged by the management as necessary for the preparation and fair presentation of Non-Consolidated Financial Statements and supplementary schedules thereof that are free from material misstatement due to fraud or error.

Responsibility of the auditor

Our responsibility is to express an opinion on the Non-Consolidated Financial Statements and supplementary schedules thereof based on our audit from an independent point of view. 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 as to whether the Non-Consolidated Financial Statements and supplementary schedules thereof are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Non-Consolidated Financial Statements and supplementary schedules thereof. The audit procedures selected and applied depend on the auditor's judgment based on the assessment of the risks of material misstatement of the Non-Consolidated Financial Statements and supplementary schedules thereof due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the Non-Consolidated Financial Statements and supplementary schedules thereof, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used, method of their application, and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Non-consolidated Financial Statements and supplementary schedules thereof.

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

Audit opinion

In our opinion, the Non-Consolidated Financial Statements and supplementary schedules thereof referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2014, and the results of its operations for the fiscal year then ended, in accordance with accounting principles generally accepted in Japan.

Interest

We have no interest in the Company that should be disclosed pursuant to the provisions of the Certified Public Accountant Act of Japan.

Audit Report

Audit & Supervisory Board Members audited the Directors' performance of duties for the 59th business term from April 1, 2013 to March 31, 2014. Audit & Supervisory Board Members report the method and the results as follows.

1. Audit Methods and Details

In compliance with the audit policy, each Audit & Supervisory Board Member, communicating and exchanging information with other Audit & Supervisory Board Members, held dialogues with Directors, the internal audit division, and other staff, made efforts to establish an environment for collecting information and auditing, attended the Board of Directors' and other important meetings, received reports from Directors, employees, and other staff on the performance of their duties, requested explanations whenever necessary, inspected important written approvals and other documents, and examined the status of operations and assets at the head office and principal offices. Each Audit & Supervisory Board Member also received reports from Directors and other staff, and when necessary requested explanations and expressed opinions thereof with respect to matters mentioned in the business report. Such matters consist of the details of resolutions of the Board of Directors concerning the development of systems necessary to ensure that execution of duties by Directors complies with laws and regulations and the Articles of Incorporation, and other systems provided for in Article 100, paragraph 1 and paragraph 3 of the Ordinance for Enforcement of the Companies Act as systems necessary to ensure the appropriateness of the operations of a Stock Company, and the status of developing and operating systems established based on the above resolution of the Board of Directors (internal control system). Regarding subsidiaries of the Company, each Audit & Supervisory Board Member held dialogues and exchanged information with Directors and Audit & Supervisory Board Members, etc. of subsidiaries, and received reports on business results from subsidiaries whenever necessary. Based on the above methods, each Audit & Supervisory Board Member examined the business report and its supplementary schedule for the fiscal year under review.

In addition, each Audit & Supervisory Board Member monitored and verified whether the Accounting Auditor maintains an independent position and executes an appropriate audit, and received reports and explanations as necessary on the status of the execution of the Accounting Auditor's duties. Furthermore, each Audit & Supervisory Board Member received notice from the Accounting Auditor that "systems necessary to ensure that duties are executed properly" (matters set forth in each item of Article 131 of the Ordinance on Accounting of Companies) had been developed in accordance with the Quality Control Standards for Audits (Business Accounting Council; October 28, 2005) and other standards, and requested explanations when necessary. Based on the above method, each Audit & Supervisory Board Member examined the Non-Consolidated Financial Statements (Non-Consolidated Balance Sheet, Non-Consolidated Statement of Income, Non-Consolidated Statement of Changes in Equity, and Notes to Non-Consolidated Financial Statements) and the supplementary schedules thereof for the fiscal year under review.

2. Audit Results

(1) Audit Results of Business Report and Others

- 1) Audit & Supervisory Board Members confirm that the business report and the supplementary schedules thereof correctly present the Company's situation in accordance with laws and regulations and the Articles of Incorporation.
- 2) With regard to the execution of duties by Directors, Audit & Supervisory Board Members confirm that there was no significant instance of wrongful acts, nor violations of laws or regulations, or the Articles of Incorporation.
- 3) Audit & Supervisory Board Members acknowledge that the content of the resolution of the Board of Directors concerning the internal control system is appropriate. In addition, Audit & Supervisory Board Members find no matter on which to remark with regard to the content of the business report and the performance of duties by Directors regarding the internal control system.

- (2) Audit Results on the Non-Consolidated Financial Statements and the Supplementary Schedules thereof
Audit & Supervisory Board Members confirm that the audit method of the Accounting Auditor, KPMG AZSA LLC, and the results of audit thereof are appropriate and adequate.

May 8, 2014

Nippon Polyurethane Industry, Co., Ltd.

Audit & Supervisory Board Member	Takao Fukami	Seal
Audit & Supervisory Board Member	Shinhachiro Emori	Seal
Audit & Supervisory Board Member	Toru Adachi	Seal

Proposal 2: Partial Amendments to the Articles of Incorporation

Following the merger between the Company and NPU, the urethane business will become one of the core businesses of the Company.

Accordingly, we propose the approval of partial amendments to the Articles of Incorporation, in order to clarify the purpose of business in advance of the aforesaid merger.

- 1. Reasons for amendments
The Company will clearly define the urethane business in Article 2 (Purpose) of the Articles of Incorporation, and renumber items in accordance with the amendment.
- 2. Details of amendments
Details of the amendments are as follows.

(Changes are underlined.)

Current Articles of Incorporation	Proposed Amendments
<p>(Purpose) Article 2. The purpose of the Company shall be to engage in the following businesses.</p> <p>1. Manufacture, processing, and sale of the following products and various related chemical products</p> <p>i) Soda, cement, fertilizer, and other inorganic and organic industrial products and industrial gas products</p> <p style="text-align: center;">(New)</p> <p style="text-align: center;"><u>ii) – x)</u> (Omitted)</p>	<p>(Purpose) Article 2. The purpose of the Company shall be to engage in the following businesses.</p> <p>1. Manufacture, processing, and sale of the following products and various related chemical products</p> <p>i) Soda, cement, fertilizer, and other inorganic and organic industrial products and industrial gas products</p> <p style="text-align: center;"><u>ii) Raw materials for polyurethane foam and raw materials for polyurethane-based coatings and resins</u></p> <p style="text-align: center;"><u>iii) – xi)</u> (Unchanged)</p>

Proposal 3: Election of Thirteen (13) Directors

The terms of office of all thirteen (13) Directors will expire at the conclusion of this meeting. Accordingly, we propose the election of thirteen (13) Directors, including one (1) new candidate for Director. The candidates for Directors are as follows:

No.	Name (Date of birth)	Career summary, position and areas of responsibility in the Company, and significant concurrent positions outside the Company	Number of the Company's shares held
1	Kenichi Udagawa (April 5, 1949)	Apr. 1972 Joined the Company Jun. 2001 Associate Director Jun. 2004 Director Jun. 2008 Managing Director Jun. 2009 President (Current Position)	239,564
2	Shinhachiro Emori (February 2, 1953)	Apr. 1975 Joined the Company Jun. 2007 Associate Director Jun. 2010 Director Jun. 2011 Managing Director (Current Position) (Also currently General Manager of Corporate Strategy and President of the Engineering Group)	68,265
3	Yasuyuki Koie (July 19, 1953)	Apr. 1981 Joined the Company Jun. 2005 Associate Director Jun. 2008 Director Jun. 2011 Managing Director (Current Position) (Also currently President of the Specialty Group, Senior General Manager of the Advanced Materials Division, and Team Leader of the CM Project)	27,006
4	Toshinori Yamamoto (June 21, 1955)	Apr. 1979 Joined the Company Jun. 2007 Associate Director Jun. 2009 Director Jun. 2011 Managing Director (Current Position) (Also currently President of the Chlor-Alkali Group, China Operations, and General Manager of Purchase and Distribution) [Significant concurrent positions outside the Company] Chairman of Tosoh (Guangzhou) Chemical Industries, Inc.	63,620
5	Sukehiro Itoh (June 19, 1955)	Apr. 1979 Joined The Industrial Bank of Japan, Limited Apr. 2007 Executive Officer of Mizuho Corporate Bank, Ltd. Apr. 2009 Managing Executive Officer of Kowa Real Estate Co., Ltd. Jul. 2009 Managing Director and Managing Executive Officer May 2010 Advisor Jun. 2010 Director of the Company Jun. 2012 Managing Director (Current Position) (Also currently President of the Petrochemical Group)	14,806
6	Eiji Inoue (January 28, 1956)	Apr. 1980 Joined the Company Jun. 2007 Associate Director Jun. 2010 Director Jun. 2013 Managing Director (Current Position) (Also currently Senior General Manager of Nanyo Complex)	40,506
7	Masaki Uchikura (August 6, 1954)	Apr. 1982 Joined the Company Jun. 2010 Associate Director Jun. 2011 Director (Current Position) (Also currently General Manager of Legal & Patents)	22,221
8	Keiichiro Nishizawa (February 28, 1956)	Apr. 1981 Joined the Company Jun. 2009 Associate Director Jun. 2011 Director (Current Position) (Also currently General Manager of Research and Development Planning)	52,118

No.	Name (Date of birth)	Career summary, position and areas of responsibility in the Company, and significant concurrent positions outside the Company	Number of the Company's shares held
9	Katsushi Tashiro (September 2, 1956)	Apr. 1981 Joined the Company Jun. 2009 Associate Director Jun. 2013 Director (Current Position) (Also currently Deputy Senior General Manager, Manager of Senior General Manager's Office, and Safety Promotion Team Leader of Yokkaichi Complex)	23,730
10	Yasuo Yamamoto (July 28, 1956)	Apr. 1980 Joined the Company Jun. 2010 Associate Director Jun. 2013 Director (Current Position) (Also currently Senior General Manager of the Chlor- Alkali Division)	48,233
11	Koji Kawamoto (July 28, 1957)	Apr. 1980 Joined the Company Jun. 2010 Associate Director Jun. 2013 Director (Current Position) (Also currently Manager of Corporate Control & Accounting and IT Strategy)	29,341
12	Masayuki Yamada (January 7, 1959)	Apr. 1985 Joined the Company Jun. 2011 Associate Director Jun. 2013 Director (Current Position) (Also currently Senior General Manager of Bioscience Division and Manager of Planning and Development)	12,008
13	*Hiroto Murata (April 24, 1948)	Apr. 1972 Joined Onoda Cement Co. Apr. 2000 General Manager of Group Strategies Department of Taiheiyou Cement Corporation Jun. 2002 Director Apr. 2004 Director, Executive Officer Jun. 2004 Executive Officer Apr. 2006 Managing Executive Officer Jun. 2006 Director, Managing Executive Officer Jun. 2010 Director, Senior Executive Officer Apr. 2012 Director Jun. 2012 Retired from Director of Taiheiyou Cement Corporation Jun. 2012 Outside Audit & Supervisory Board Member of the Company (Current Position)	4,035

Notes:

- Candidate Toshinori Yamamoto concurrently serves as Chairman of Tosoh (Guangzhou) Chemical Industries, Inc., with which the Company has business relations including selling that company's products and being a guarantor of part of its debt.
- Other candidates have no special interests in the Company.
- Candidate Hiroto Murata is a candidate for Outside Director.
- The Candidate is being considered for the post of Outside Director because of his extensive experience and achievements in, and broad knowledge and discernment of, corporate management, etc.
- Although the Candidate is currently serving as Outside Audit & Supervisory Board Member, his term of office as Outside Audit & Supervisory Board Member will have been two (2) years at the conclusion of this meeting.
- The Company has submitted notice to the Tokyo Stock Exchange, Inc. to specify the Candidate as an independent officer confirmed by the said exchange. However, we plan to resubmit the notice to the said exchange to specify him as an independent officer.
- If the Candidate is elected as a Director, it is planned that he will enter into a limitation of liability contract with the Company as an Outside Director. An outline of that contract is as follows.
If damage is incurred due to the Outside Director having been negligent in his duty, he shall be liable for damage within the limit of the minimum liability amount provided for in Article 425, paragraph 1 of the Companies Act, as long as he has performed his duties in good faith and there has been no serious negligence in the performance of his duties.
- All candidates have expressed the intent to continue the "Policy on the Large-Scale Purchase of the Company's Stock Certificates, Etc." that was approved at the 107th Ordinary General Meeting of Shareholders on June 29, 2006.
- The candidate marked with an asterisk (*) is a new candidate for Director.

Proposal 4: Election of Two (2) Audit & Supervisory Board Members

The term of office of Audit & Supervisory Board Member Toshihiko Sasahira will expire, and Audit & Supervisory Board Member Hiroto Murata will retire at the conclusion of this meeting. Accordingly, we propose the election of two (2) Audit & Supervisory Board Members.

The Audit & Supervisory Board has consented to this proposal.

The candidates for Audit & Supervisory Board Members are as follows:

No.	Name (Date of birth)	Career summary, position in the Company and significant concurrent positions outside the Company	Number of the Company's shares held
1	*Tetsuya Teramoto (September 28, 1947)	Mar. 1970 Joined EIKEN CHEMICAL CO., LTD. Jun. 1996 Director Jun. 2005 Director, Vice President Executive Officer Jun. 2006 Director, Senior Vice President Executive Officer Apr. 2007 Director, President & CEO (Current Position)	1,000
2	*Tsuneyasu Ozaki (June 24, 1969)	Apr. 1996 Public Prosecutor Jul. 2004 Assistant Division Chief, Office of Administrative Procedure, Planning and Coordination Division, Administrative Management Bureau of the Ministry of Internal Affairs and Communications Jul. 2005 Retired from Public Prosecutor Aug. 2005 Registered as Attorney at law Jan. 2008 Partner of Nishimura & Asahi LPC Jul. 2013 President of Fukuoka Office of Nishimura & Asahi LPC (Current Position)	0

Notes:

- Candidates Tetsuya Teramoto and Tsuneyasu Ozaki have no special interests in the Company.
- Candidates Tetsuya Teramoto and Tsuneyasu Ozaki are candidates for Outside Audit & Supervisory Board Members.
- Candidate Tetsuya Teramoto serves as Director, President & CEO of EIKEN CHEMICAL CO., LTD., with which the Company has business relations including sales of products; however the scale of such trade is insignificant.
- Candidate Tetsuya Teramoto is being considered for the post of Outside Audit & Supervisory Board Member as he can be expected to perform an auditing role with neutrality and fairness because of his extensive experience and achievements in, and broad knowledge and discernment of, corporate management, etc.
- Candidate Tsuneyasu Ozaki is being considered for the post of Outside Audit & Supervisory Board Member as he can be expected to perform an auditing role with neutrality and fairness because of his specialist knowledge and extensive experience as an attorney at law.
- The Company plans to submit notice to the Tokyo Stock Exchange, Inc. to specify Candidates Tetsuya Teramoto and Tsuneyasu Ozaki as independent officers confirmed by the said exchange.
- If the Candidates Tetsuya Teramoto and Tsuneyasu Ozaki are elected as Audit & Supervisory Board Members, it is planned that they will enter into a limitation of liability contract with the Company as Outside Audit & Supervisory Board Members. An outline of that contract is as follows.

If, after entering into the contract, damage is incurred due to the Outside Audit & Supervisory Board Members having been negligent in their duties, they shall be liable for damage within the limit of the minimum liability amount provided for in Article 425, paragraph 1 of the Companies Act, as long as they have performed their duties in good faith and there has been no serious negligence in the performance of their duties.

- Candidates marked with an asterisk (*) are new candidates for Outside Audit & Supervisory Board Members.

Proposal 5: Election of Two (2) Substitute Audit & Supervisory Board Members

The validity of the assignment of Substitute Audit & Supervisory Board Members ends at the start of this meeting. Therefore, we propose the election of two (2) Substitute Audit & Supervisory Board Members in advance in case the number of Audit & Supervisory Board Members is less than that provided for in laws and regulations and in the Company's Articles of Incorporation.

The candidates for Substitute Audit & Supervisory Board Members are listed below, and we propose that Setsuo Iwabuchi be elected as a substitute for Audit & Supervisory Board Members Katsumi Ishikawa and Shinji Tanaka. We also propose that Tsutomu Matsuoka be elected as a substitute for Outside Audit & Supervisory Board Members Tetsuya Teramoto and Tsuneyasu Ozaki provided "Proposal 4: Election of Two (2) Audit & Supervisory Board Members" is approved.

The Audit & Supervisory Board has consented to this proposal.

The candidates for Substitute Audit & Supervisory Board Members are as follows:

No.	Name (Date of birth)	Career summary, position in the Company and significant concurrent positions outside the Company	Number of the Company's shares held
1	Setsuo Iwabuchi (March 3, 1943)	Apr. 1968 Joined the Company Jun. 1997 Associate Director Jun. 1998 Directors Jun. 2000 Senior Managing Director of Lonseal Corporation Jun. 2001 Chief Executive Officer Jun. 2007 Retired from Chief Executive Officer of Lonseal Corporation Jun. 2007 Full-Time Audit & Supervisory Board Member of the Company Jun. 2011 Retired from Full-Time Audit & Supervisory Board Member	10,000
2	Tsutomu Matsuoka (November 13, 1949)	Apr. 1973 Joined Onoda Cement Co. Apr. 2006 Counselor to Taiheiyo Cement Corporation Apr. 2008 Executive Officer Apr. 2011 Adviser to Taiheiyo Cement Corporation and Pacific Insurance Service Incorporated Jun. 2011 Adviser to Taiheiyo Cement Corporation and President of Pacific Insurance Service Incorporated Apr. 2012 President of Pacific Insurance Service Incorporated (Current Position)	5,000

Notes:

1. The candidates for Substitute Audit & Supervisory Board Members have no special interests in the Company.
2. Candidate Tsutomu Matsuoka is a candidate for Substitute Outside Audit & Supervisory Board Members.
3. The Candidate is being considered for the post of Substitute Outside Audit & Supervisory Board Member because of his extensive experience and achievements in, and broad knowledge and discernment of, corporate management, etc.
4. If the Candidate is elected as an Audit & Supervisory Board Member, it is planned that he will enter into a limitation of liability contract with the Company as an Outside Audit & Supervisory Board Member. An outline of that contract is as follows:

If, after entering into the contract, damage is incurred due to the Outside Audit & Supervisory Board Member having been negligent in his duty, he shall be liable for damage within the limit of the minimum liability amount provided for in Article 425, paragraph 1 of the Companies Act, as long as he has performed his duties in good faith and there has been no serious negligence in the performance of his duties.

Guide for Exercising Voting Rights Electronically via the Internet, etc.

When exercising voting rights via the Internet, etc., please be aware of the following before casting your vote.

1. The Company website for exercising voting rights

You may exercise your voting rights via the Internet only by accessing the website for exercising voting rights designated by the Company. We do not have a website that is accessible by mobile phone.

Voting website URL: <http://www.web54.net>

2. Exercising your voting rights

(a) When voting via the Internet, input the “voting right exercise code” and “password” supplied on the enclosed Voting Rights Exercise Form and follow the on-screen instructions to enter your vote for each proposal.

(b) The deadline for voting is 5:00 p.m., Thursday, June 26, 2014. Early voting is appreciated.

(c) In the event votes are submitted by both post and Internet, only the Internet vote shall be deemed valid.

(d) If you exercise your voting rights multiple times via the Internet, only the last vote shall be deemed valid.

(e) You are responsible for paying any fees, such as connection fees to Internet providers and communication fees to telecommunications providers in order to use the website for exercising your voting rights.

3. Use of the password and voting right exercise code

(a) The password is a very important means to verify the identity of persons exercising their voting right as the shareholders in question. Please be sure to keep the password, as well as your registered seal and security code, in a safe place.

(b) If you repeatedly enter the wrong password, the Internet-based voting system will be locked after a designated number of incorrect entries, rendering further operation unavailable. To have your password reissued, follow the instructions shown on the screen.

(c) The voting right exercise code supplied on the enclosed Voting Rights Exercise Form is valid only for this General Meeting of Shareholders.

4. System requirements

The following system environment is required in order to exercise your voting rights via the Internet.

(a) Monitor resolution: 800 × 600 (SVGA) or higher.

(b) Required applications:

i) Web browser: Microsoft® Internet Explorer (Ver. 5.01 SP2 or later)

ii) PDF file browser:

Adobe® Acrobat® Reader® (Ver. 4.0 or later) or Adobe® Reader® (Ver. 6.0 or later)

* Internet Explorer is a registered trademark, and product name of Microsoft Corporation in the United States and other countries. Adobe® Acrobat® Reader® and Adobe® Reader® are registered trademarks, and product names of Adobe Systems Incorporated in the United States and other countries.

* The software is available free of charge on the website of each company.

5. Computer-related technical inquiries, etc.

(a) If you have any technical inquiries regarding the operation of a personal computer, etc., for voting on this site, contact the following:

Dedicated Phone Line of Stock Transfer Agency “Web Support”, Sumitomo Mitsui Trust Bank, Limited
[Toll Free within Japan] 0120-652-031

(Business hours: 9:00 a.m. to 9:00 p.m.)

(b) In case of other inquiries, please contact the following:

i) Shareholders who have accounts at trading companies

Please contact your trading company.

ii) Shareholders who do not have accounts at trading companies (special account holders)

Stock Transfer Agency Operation Center, Sumitomo Mitsui Trust Bank, Limited

[Toll Free within Japan] 0120-782-031

(Business hours: 9:00 a.m. to 5:00 p.m., except Saturdays, Sundays and official holidays)

*For institutional investors

Institutional investors may use the “Voting Rights Electronic Exercise Platform” operated by ICJ Inc. for this General Meeting of Shareholders as a means of exercising voting rights electromagnetically.