

Kureha Corporation Reports 20% Increase in Profit for the Half Year Period Ended September 2008

Tokyo, Japan – November 2008 – Leading specialty chemicals and plastic products company, Kureha Corporation (“Kureha”), posted consolidated operating income of ¥5,837 million for the second quarter/half-year period ended September 30, 2008, a year-on-year increase of 20.1%. Consolidated recurring income for the period was ¥5,470 million, up 10.9% year-on-year, consolidated sales rose by 9.7% to ¥73,649 million, while net income rose to ¥2,102 million, up by 61.4%. The strong results were in large part due to a better than expected performance by the Specialty Chemicals Division.

Kureha now reports its earnings quarterly. As a result, the cumulative end of second quarter figures are compared with those released for the Interim Period in previous years.

Kureha President and Chief Executive Officer, Takao Iwasaki, said, “We are delighted to report strong end of second quarter results, despite the current global economic turmoil. These results can be attributed to the continued growth in demand for a number of Kureha’s advanced value-added products, including carbon-fibers, agrochemicals and pharmaceuticals, which helped to offset the considerable hike in the price of raw materials and oil in the early part of the six-month period. Despite a challenging business environment, with issues including the gloomy U.S. market outlook and currency and commodity price fluctuations, Kureha will continue to aim for long-term sustained growth by expanding its business globally to meet the targets set out in our recently released mid-term plan, *Grow Globally*.”

Summary of consolidated half year results

(¥ million, except where stated)

	Sept. 2008	Sept. 2007	Change (%)
Sales	73,649	67,163	9.7
Operating income	5,837	4,861	20.1
Recurring income	5,470	4,934	10.9
Net income	2,102	1,302	61.4
Earnings per share (EPS) (¥)	11.65	7.10	64.1

New Mid-Term Plan

Kureha’s new mid-term business plan, *Grow Globally*, is based on the core concept of there being no borders to solutions and markets, and sets out a number of key targets to be achieved by the end of fiscal year 2012. Under the plan, Kureha’s primary objective is to secure growth through expansion of global business operations (for example, increased international sales of carbon fibers, PVDF resin, Kremezin and PVDC film) and sustained results in new business areas (for example PGA, the plant for which is due to begin operations in 2010). At the same time, Kureha is committed to always acting as a global corporate citizen, recognizing corporate social responsibilities and focusing on the environment and needs of daily life. By fiscal year 2012, the new mid-term plan targets annual operating profit of ¥25 billion on sales of ¥210 billion.

Consolidated interim performance

(¥ million, except where stated)

Division		Sept. 2008	Sept. 2007	Change (%)
Advanced materials	Sales	20,278	18,825	8
	Operating income	1,377	2,105	-35
Specialty chemicals	Sales	17,419	15,570	12
	Operating income	2,944	1,945	51
Specialty plastics	Sales	22,754	24,116	-6
	Operating income	1,158	1,060	9
Other operations	Sales	13,196	8,649	53
	Operating income	662	-38	-
	Cancellations	-	-	
Total	Sales	73,649	67,163	9.7
	Operating profit	5,837	4,861	20.1

Performance by division

Advanced Materials Division

Major product areas: advanced plastics (PPS, PVDF), carbon fiber

Sales for the Advanced Materials Division rose by 8% year-on-year to ¥20.3 billion for the cumulative end of second quarter period, while operating income for the division was down by 35% to ¥1.4 billion. The growth in divisional sales came despite the slowing of the PPS resin business at Kureha's U.S. joint venture.

PPS business begins to weaken; PVDF enjoys strong demand

Sales of advanced plastics were down slightly year-on-year from ¥8.0 billion to ¥7.9 billion. PVDF resin recorded strong sales on the back of growing demand for use in solar batteries, lithium-ion battery binders used in PCs and cell phones, and more recently power tools. In addition, PVDF enjoys a strong backlog of orders.

Domestic sales of PPS resin remained stable in comparison with the previous year. However, performance at Kureha's PPS resin joint venture business in the U.S. has weakened, reflecting the rapidly slowing U.S. economy and, more specifically, demand deterioration in the U.S. auto sector, one of the major sources of demand.

Carbon fibers show continued strong growth

Sales of carbon products grew from ¥3.6 billion to ¥3.9 billion. Carbon fibers – used as an insulating material in silicon wafers for semiconductors and solar power equipment – again recorded strong sales, growing by slightly under 10%. Sales of activated carbon fell slightly, in line with previous projections.

Outlook: The Advanced Materials Division's growth prospects for the fiscal year ending March 2009 appear to be relatively weak. Divisional operating income is expected to be ¥3.2 billion, down from ¥4.4 billion in the previous fiscal year, while sales are projected to be ¥42.0 billion, up from ¥38.9 billion. Carbon fibers are expected to be the main driver of sales growth, while the deterioration in operating income is likely to be attributed to continued turmoil in the U.S. market impeding demand for PPS resin.

Specialty Chemicals Division

Major product areas – industrial chemicals, agrochemicals, pharmaceuticals

The Specialty Chemicals Division recorded sales of ¥17.4 billion, up 12% year-on-year, owing to higher than anticipated volume increase and royalty income for Metconazole, a fungicide for oilseed rape and wheat. Divisional operating profit increased by 51% to ¥2.9 billion. Results were also aided by strong domestic sales of Kremezin, a therapeutic agent for chronic kidney disease.

Industrial chemicals profitability hit by oil prices

Industrial chemicals recorded sales of ¥5.3 billion for the cumulative end of second quarter period, a 5% year-on-year increase. Profits, however, deteriorated as a result of the high prices of raw materials and oil, despite efforts over the past year to increase the final product price.

Metconazole enjoys strong demand

Sales of agrochemicals grew significantly to ¥4.1 billion, compared with ¥2.9 billion in the same period last year. Kureha experienced particularly strong demand from Europe for bulk shipments of Metconazole, which also resulted in solid royalty revenues for the product and contributed to divisional operating income. Strong demand for Metconazole, marketed by BASF in Europe, is being seen for use with oilseed rape used in biodiesel fuel, which has seen stronger and faster penetration in European markets than in Japan. The strong Euro also further supported the increase in the product's earnings.

Kremezin continues to experience solid growth

Kremezin saw continued growth in sales and profitability during the period, contributing to overall pharmaceutical product sales of ¥4.6 billion; a year-on-year increase of 6%. Kremezin has also further benefited from a recommendation in Japanese Society of Nephrology guidelines and from research results announced at a recent medical conference held overseas, that Kremezin should be used by those receiving treatment for early-stage chronic kidney disease, in addition to end-stage patients.

Outlook: Overall divisional sales are expected to be ¥34.5 billion for the full fiscal year, up from ¥32.5 billion in the fiscal year ended March 2008 due to the strong sales volume and licensing revenue from Metconazole and an increase orders for Kremezin. Projected operating income is ¥4.8 billion, a 38% year-on-year improvement.

Specialty Plastics Division

Major product areas – food packaging materials, household products, fishing lines

The Specialty Plastics Division's operating income rose slightly to ¥1.2 billion for the period, though sales declined by 6% year-on-year to ¥22.8 billion. NEW Krewrap's strong performance contributed to overall divisional sales and profitability, while PVDC compound sales weakened following a decline in demand in China.

NEW Krewrap experiences sales growth

Sales of household products grew by 5% to ¥11.1 billion for the End of Second Quarter period. NEW Krewrap was a key driver of both sales and profit growth following successful efforts to raise prices as well as a product renewal and upgrades, which

resulted in NEW Krewrap receiving the Good Design Award for a third consecutive year. Despite the increase in the cost of raw materials, the product enjoys above industry-average growth thanks to Kureha's strategic price optimization efforts.

Decline in commercial-use packaging materials revenue; profitability stable

Sales of commercial-use packaging materials decreased during the period, down by 9% year-on-year to ¥5.0 billion, largely due to a drop in export sales from Japan to China following falling demand in the Chinese market. However, high quality packaging materials for fish-based products saw an increase in domestic demand and, as a result, profitability of commercial-use packaging materials businesses remained in-line with results from the previous year.

Seaguar series sales remains flat

Sales of Seaguar series fishing line products declined slightly year-on-year to ¥0.5 billion, affected by factors including the higher price of gasoline needed to run fishing boats.

Outlook: For the full fiscal year, divisional sales are forecast to decline slightly to ¥48.5 billion, down from ¥48.8 billion recorded during the previous fiscal year. Operating income is forecast to be ¥3.2 billion, down from ¥3.4 billion, due to weakening of PVDC compound exports to China and sales of multilayer films in Europe, as well as the overall hike in prices of raw materials and oil. Sales of NEW Krewrap are expected to experience continued stable growth

Other Operations Division

Major product areas – construction related businesses

The Other Operations Division recorded sales of ¥13.2 billion for the cumulative end of second quarter period, an increase of 53% year-on-year; while divisional operating income was ¥700 million.

Environmental engineering businesses continue to grow

Sales for environmental engineering businesses increased by 8% year-on-year to ¥3.5 billion as a result of growth in industrial and medical waste processing operations and an increase in orders for projects such as environmental assessments and soil contamination surveys.

Sales and profit growth at construction related businesses

Construction-related businesses posted a large year-on-year increase in both sales and operating income. Sales increased by 101% to ¥11.6 billion primarily due to an increase in the completion of construction projects previously delayed due to the revised Building Standard Law and also accrual of work-in-progress project revenue.

Logistics and warehousing businesses largely unchanged

Sales for logistics and warehousing businesses increased slightly to ¥6.6 billion, up from the ¥6.3 billion recorded during the corresponding period in the previous fiscal year.

Outlook: Overall divisional sales are expected to be ¥37.0 billion for the full fiscal year, up from ¥29.6 billion during the previous fiscal year due to continued strong growth of construction-related businesses.

Consolidated capital expenditure, depreciation and R&D

(¥ billion)

	Fiscal 2008 H1	Fiscal 2007 H1	Fiscal 2008 (forecast)
Capital expenditure	8.5	4.9	20.0
Depreciation	5.0	4.9	10.6
R&D	3.0	3.1	6.6
Interest-bearing debt	37.7	32.3	44.1

Capital expenditure increased year-on-year to ¥8.5 billion and is projected to be as high as ¥20.0 billion for the full year, following continued capacity expansion efforts across all divisions. Depreciation for the period showed a slight increase, however a more pronounced increase in depreciation is projected from the 2009 fiscal year onward. R&D spending was down slightly year-on-year and is projected to be ¥6.6 billion for the full fiscal year.

Outlook for the full year

(¥ million, except where stated)

	Fiscal 2008 (Forecasts)	Fiscal 2007	Change (%)
Sales	162,000	149,775	8.2
Operating income	13,000	12,722	2.2
Recurring income	12,500	12,661	-1.3
Net income	6,000	6,096	-1.6
Earnings per share (EPS) (¥)	33.30	33.39	

The forecast for consolidated sales for the fiscal year ending March 2009 remains unchanged from the previous figure announced in May 2008, ¥162.0 billion, representing an 8.2% year-on-year increase. Previous full year projections for operating income and recurring income, however, have been revised down to ¥13.0 billion and ¥12.5 billion, respectively. Net income is projected to be ¥6.0 billion, a 1.6% year-on-year decrease due to a delay in raising product prices to offset the higher price of raw materials and oil and the impact of the global economic downturn, including the fall in automobile production.

For further information, please contact:

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Condensed interim balance sheets (consolidated)

As of 30 September 2008 and 2007

	¥ millions	
	Sept. 2008	Sept. 2007
Assets		
Current assets	72,362	70,995
Cash and cash equivalents	5,633	4,821
Fixed assets	122,935	120,840
Property, plant and equipment	74,804	71,622
Intangible assets	1,226	1,081
Investments and other assets	46,904	48,136
Total Assets	195,298	191,842
Liabilities and Net Assets		
Current liabilities	57,444	59,942
Short-term borrowings	15,069	17,239
Fixed liabilities	32,968	27,221
Corporate bonds	15,000	5,000
Long-term borrowings	7,638	10,106
Total Liabilities	90,412	87,164
Net Assets		
Shareholders' equity	94,046	90,712
Minority interest	994	883
Total Net Assets	104,885	104,677
Total Liabilities and Net Assets	195,298	191,842

Condensed interim income statement (consolidated)

For the fiscal years ended 30 September 2008 and 2007

	¥ millions	
	Sept. 2008	Sept. 2007
Sales	73,649	67,163
Cost of goods sold	52,992	46,904
Selling, general and administrative expenses	14,819	15,397
Operating income	5,837	4,861
Non-operating income	801	870
Non-operating expenses	1,168	796
Recurring income	5,470	4,934
Extraordinary gains	138	997
Extraordinary losses	1,802	2,106
Income before income taxes	3,806	3,825
Taxes and minority interest adjustments	1,703	2,523
Net income	2,102	1,302