

Fiscal 2014 Results

KUREHA CORPORATION

May 15, 2015

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1. FY2014 Full-Year Results

(April 1, 2014 – March 31, 2015)

(in 100 million yen except per-share values)

	FY2014	FY2013	% Change
Net Sales	1,502	1,481	1.4%
Operating income	146	119	22.3%
Recurring income	154	122	26.4%
Net income	92	74	24.9%
Total assets	2,497	2,245	11.2%
Net assets	1,206	1,062	13.6%
Earnings per share (yen)	53.53	42.87	25%
Net assets per share (yen)	687.8	604	14%
Equity ratio	47.3%	46.2%	--
Dividend per share (yen)	12	11	1
Dividend ratio	22.4%	25.7%	--

Advanced Materials

In 100 million yen		FY2014	FY2013	% Change
Kureha Sales	Carbon products	60	52	16%
	Advanced plastics	202	171	18%
	Other	5	1	489%
Subsidiaries Sales	Carbon products (China)	19	9	110%
	Battery materials	61	56	8%
	Other	241	224	8%
Consolidated adjustment		-227	-184	--
Kureha Group Sales Total		362	328	10%
Kureha Group Operating Income Total		4	-26	---

- Carbon products: Carbon insulation materials operating loss narrowed on improved volume, but costs increased in hard carbon Li-battery anode materials
- Advanced plastics: Continued demand for PPS in automotive, PVDF in Li-battery, and PGA in shale gas/oil fields

Specialty Chemicals

In 100 million yen		FY2014	FY2013	% Change
Kureha Sales	Industrial chemicals	106	98	8%
	Agrochemicals	98	118	-17%
	Pharmaceuticals	99	95	4%
Subsidiaries Sales		88	88	0%
Consolidated adjustment		-35	-32	---
Kureha Group Sales Total		355	366	-3%
Kureha Group Operating Income Total		79	73	8%

- Industrial chemicals: Increased profit on volume growth
- Agrochemicals: Slow demand for *Metconazole* fungicides in North America
- Pharmaceuticals: Slower sales affected by national drug price revisions and increased competition from generic drugs, one-time income related to *Kremezin* (chronic kidney failure treatment drug)

Specialty Plastics

In 100 million yen		FY2014	FY2013	% Change
Kureha Sales	Packaging materials	118	99	20%
	Consumer products	175	191	-8%
Subsidiaries Sales	Packaging materials (overseas)	124	127	-3%
	Other	148	130	14%
Consolidated adjustment		-100	-93	---
Kureha Group Sales Total		465	453	3%
Kureha Group Operating Income Total		37	45	-19%

- Packaging materials: Profit growth driven by packaging machinery despite sales decrease in heat shrink film
- Consumer products: Strong *Seaguar* fishing lines performance, but *Krewrap* film volume declined due to demand fallout after the consumer tax hike in Japan

Construction

In 100 million yen		FY2014	FY2013	% Change
Subsidiaries Sales	Construction	257	250	2%
Consolidated adjustment		-89	-78	---
Kureha Group Sales Total		167	172	-3%
Kureha Group Operating Income Total		11	8	30%

- Increase in public construction projects related to post-earthquake reconstruction

Other Operations

In 100 million yen		FY2014	FY2013	% Change
Subsidiaries Sales	Environmental engineering	104	107	-3%
	Logistics, transportation	98	102	-4%
	Trading	23	21	8%
	Other	20	20	2%
Consolidated adjustment		-92	-88	---
Kureha Group Sales Total		152	162	-6%
Kureha Group Operating Income Total		18	16	10%

- Operating gains driven by environmental engineering (industrial waste treatment) business

(In 100 million yen)

	FY2014	FY2013	% Change
Capital expenditure	176	165	7%
Depreciation	83	91	-9%
R&D expenses	50	45	10%
Interest-bearing debt	866	772	12%
Net interest expense	-0	-1	---
Exchange rate	¥109.90/\$1 ¥138.84/€1	¥100.29/\$1 ¥134.44/€1	---
Number of employees	4,123	4,080	1%

Extraordinary Income/Losses

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(In 100 million yen)

		FY2014	FY2013	Change
Extraordinary income	Compensation income	3.1	0.8	2.4
	Gain on sales of investment securities	0.7	1.9	-1.2
	Gain on sales of noncurrent assets	0.4	0.2	0.2
	Subsidy income	--	4.8	-4.8
	Others	0.1	0.2	-0.1
	Total	4.3	7.9	-3.6
Extraordinary losses	Loss on sales and retirement of noncurrent assets	10.6	11.8	-1.2
	Loss on liquidation of subsidiaries	7.5	--	7.5
	Loss on valuation of investments in capital	4.0	--	4.0
	Loss on reduction of noncurrent assets	--	4.2	-4.2
	Loss on debt forgiveness of subsidiaries and affiliates	--	3.0	-3.0
	Impairment loss	--	1.3	-1.3
	Loss on disaster	--	1.2	-1.2
	Others	0.5	2.1	-1.6
	Total	22.6	23.6	-1.0

KUREHA

(In 100 million yen)

		March 31 2015	March 31 2014	Change
Assets	Cash and cash equivalents	78	87	-10
	Accounts and notes receivable-trade	290	304	-15
	Inventories	328	281	47
	Other current assets	64	62	3
	Property, plant and equipment	1,232	1,117	115
	Intangible assets	24	20	4
	Investments and other assets	481	373	108
	Total	2,497	2,245	252
Liabilities and Net assets	Accounts and notes payable-trade	138	165	-27
	Interest-bearing debt	866	772	93
	Reserves	35	34	1
	Other liabilities	252	212	40
	Capital stock	125	125	0
	Capital surplus	100	100	0
	Retained earnings	842	783	59
	Treasury stock	-45	-45	-0
	Accumulated comprehensive income	160	75	85
	Subscription rights to shares	1	1	0
	Minority interests	24	24	0
	Total	2,497	2,245	252

		FY2014	FY2013
Cash flow from operating activities	Pre-depreciation profit	219	199
	Increase/decrease in assets and liabilities	-63	-38
	Payments of corporation tax	-41	-30
	Other-net	11	8
Total		125	141
Cash flow from investing activities		-188	-204
Cash flow from financing activities		50	47
Effect of exchange rate changes on cash and cash equivalents		4	4
Increase/decrease in cash and cash equivalents		-8	-13
Cash and cash equivalents at beginning of year		87	100
Increase/decrease in cash and cash equivalents resulting from fiscal year change of subsidiaries		-2	--
Increase in cash and cash equivalents from newly consolidated subsidiaries		--	1
Increase in cash and cash equivalents from consolidated subsidiaries' merger with unconsolidated subsidiaries		0	--
Cash and cash equivalents at end of year		78	87

2. FY2015 Full-Year Forecasts

(April 1, 2015 – March 31, 2016)

FY2015 Full-Year Outlook

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In 100 million yen	FY2015e	FY2014	% Change
Net Sales	1,550	1,502	3.2%
Operating income	130	146	-10.7%
Recurring income	125	154	-19.0%
Net income	80	92	-13.0%
Dividend per share (yen)	¥11 Interim ¥5.5 Year-end ¥5.5	¥12 Interim ¥5.5 Year-end ¥5.5 Commemorative ¥1.0	_____
Dividend payment ratio	23.6%	22.4%	_____

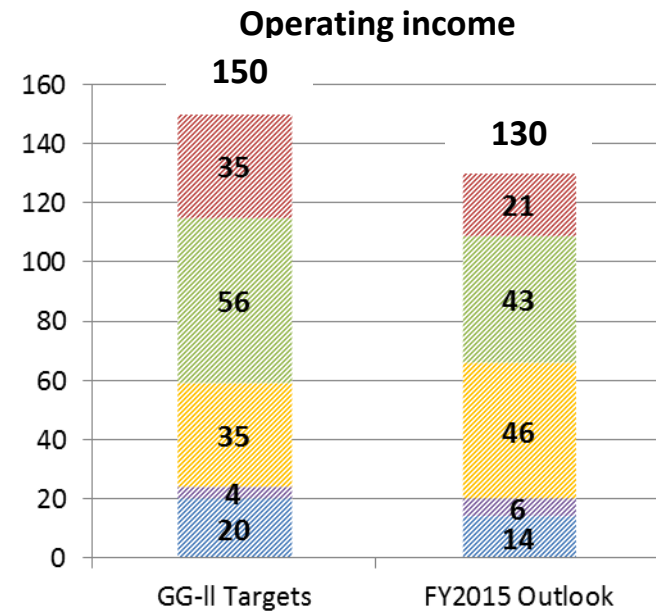
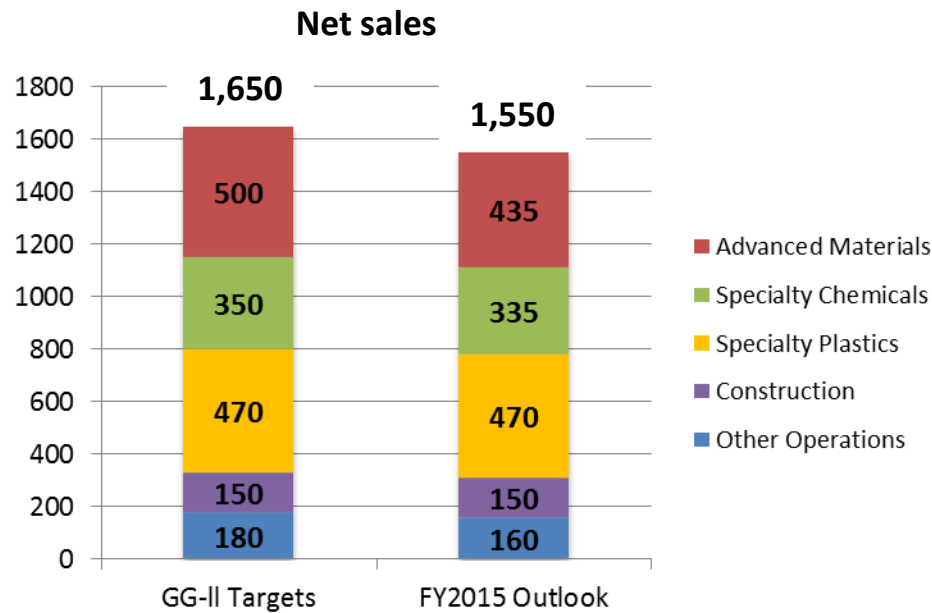
- Marginal profitability to improve in PGA (Advanced Materials) and Krewrap (Specialty Plastics) businesses
- Continuing cost control and savings
- Lack of pharmaceuticals-related onetime income
- Depreciation costs likely to increase with new PVDC and PVDF plants
- No foreign exchange translation gains/losses expected
- Extraordinary losses around ¥1.7B including losses on fixed asset retirements

Mid-term Business Plan (“GG-II”) vs. FY2015 Outlook

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(In 100 million yen)



- FY2015 sales outlook is ¥10 billion lower than the GG-II mid-term business targets due to:
 - Slower growth in solar cell-related and LiB-related markets
 - Pharmaceuticals sales sliding due to generics
 - Limited growth expected in the environmental business
- FY2015 operating income outlook is ¥2 billion lower than the GG-II targets despite PGA and Home Products businesses are expected to improve profit and nearly ¥2.8 billion cost savings

Advanced Materials

In 100 million yen		FY2015e	FY2014	% Change
Kureha Sales	Carbon products	60	60	0%
	Advanced plastics	266	202	32%
	Other	4	5	-25%
Subsidiaries Sales	Carbon products (China)	22	19	16%
	Battery materials	78	61	28%
	Other	290	242	20%
Consolidated adjustment		-285	-227	--
Kureha Group Sales Total		435	362	20%
Kureha Group Operating Income Total		21	4	378%

- Demand for carbon products (carbon fiber insulation materials for solar cell manufacturing and Li-battery anode materials for hybrid electric vehicles) likely to remain at a FY2014 level
- In advanced plastics;
 - Significant growth in PGA sales prompted by expanding the value chain in shale gas fields
 - Continuing demand for PPS in automotive
 - PVDF profit to slide due to depreciation cost, despite volume growth for Li-battery application

Specialty Chemicals

In 100 million yen		FY2015e	FY2014	% Change
Kureha Sales	Industrial chemicals	98	106	-8%
	Agrochemicals	107	98	10%
	Pharmaceuticals	75	99	-24%
Subsidiaries Sales		90	88	3%
Consolidated adjustment		-35	-35	--
Kureha Group Sales Total		335	355	-6%
Kureha Group Operating Income Total		43	79	-46%

- Industrial chemicals to secure profit by properly responding to market trends and fuel costs
- Demand for *Metconazole* fungicides expected to recover in North America
- Pharmaceuticals earnings to decline from a lack of one-time income and also more competition from generics

Specialty Plastics

In 100 million yen		FY2015e	FY2014	% Change
Kureha Sales	Packaging materials	92	118	-22%
	Consumer products	198	175	13%
Subsidiaries Sales	Packaging materials (overseas)	135	124	9%
	Other	150	148	1%
Consolidated adjustment		-105	-100	---
Kureha Group Sales Total		470	465	1%
Kureha Group Operating Income Total		46	37	26%

- Packaging materials to secure profit on global sales expansion of heat-shrink multilayer films and offset volume decline in packaging machinery
- NEW Krewrap likely to increase profit on stable demand and continual value promotion

Construction

In 100 million yen		FY2015e	FY2014	% Change
Subsidiaries Sales	Construction	210	257	-18%
Consolidated adjustment		-60	-89	---
Kureha Group Sales Total		150	167	-10%
Kureha Group Operating Income Total		6	11	-45%

- Earthquake recovery-related projects expected to decrease

Other Operations

In 100 million yen		FY2015e	FY2014	% Change
Subsidiaries Sales	Environmental engineering	114	104	10%
	Logistics, transportation	97	98	-1%
	Trading	18	23	-20%
	Other	16	20	-21%
Consolidated adjustment		-85	-92	---
Kureha Group Sales Total		160	152	5%
Kureha Group Operating Income Total		14	18	-22%

- Volume growth in high-margin PCB treatment services, but increasing cost related to facility enhancement and renovation

(In 100 million yen)

	FY2015e	FY2014	% Change
Capital expenditure	175	176	0%
Depreciation	100	83	21%
R&D expenses	57	50	15%
Interest-bearing debt	892	866	3%
Net interest expense	- 1	-0	---
Exchange rate	¥115/\$1 ¥135/€1	¥109.90/\$1 ¥138.84/€1	---
Number of Employees	4,213	4,123	2%

		FY2015e	FY2014
Cash flow from operating activities	Pre-depreciation profit	208	219
	Increase/decrease in assets and liabilities	-45	-63
	Payments of corporation tax	-28	-41
	Other-net	17	11
Total		152	125
Cash flow from investing activities		-164	-188
Cash flow from financing activities		5	50
Effect of exchange rate changes on cash and cash equivalents		--	4
Increase/decrease in cash and cash equivalents		-7	-8
Cash and cash equivalents at beginning of year		78	87
Increase/decrease in cash and cash equivalents resulting from fiscal year change of subsidiaries		--	-2
Increase in cash and cash equivalents from newly consolidated subsidiaries		--	--
Increase in cash and cash equivalents from consolidated subsidiaries' merger with unconsolidated subsidiaries		--	-0
Cash and cash equivalents at end of year		71	78

3. Consolidated Companies

		FY2014		FY2013		Change	
		Net sales	Total assets	Net sales	Total assets	Net sales	Total assets
Kureha Corporation		899	1,930	824	1,760	74	170
Kureha Trading Group (2)		286	132	288	134	-3	-2
Advanced Materials	Kureha Corporation	268	--	224	--	44	--
	Kureha Trading Group (2)	98	--	98	--	0	--
	Kureha Battery Materials Japan Co. (2)	61	42	56	51	5	-9
	Kureha Extech Co.	22	27	20	25	2	1
	Kureha Extron Co.	22	21	14	16	8	5
	Kureha GmbH	14	11	17	11	-2	-0
	Kureha America Group (4)*	76	298	74	289	3	9
	Kureha Chemicals Shanghai Co.	19	38	9	32	10	6
	Kureha China Group (3)*	9	151	1	105	1	46
	Consolidation adjustments	-227	--	-185	--	-42	--
Total		362	--	328	--	34	--
Specialty Chemicals	Kureha Corporation	303	--	311	--	-8	--
	Kureha Trading Co.	88	--	88	--	0	--
	Consolidation adjustments	-35	--	-32	--	-3	--
	Total	355	--	366	--	-11	--
Specialty Plastics	Kureha Corporation	293	--	290	--	4	--
	Kureha Trading Co.	77	--	82	--	-4	--
	Kureha Gohsen Co.	37	34	37	31	-0	2
	Kureha America Group (4)*	16	9	--	--	16	9
	Kureha Europe Group (4)*	86	66	94	57	-7	9
	Kureha Vietnam Co.	37	50	33	46	4	5
	Consolidated adjustments	-82	--	-82	--	0	--
Total		465	--	453	--	12	--

		FY2014		FY2013		Change	
		Net sales	Total assets	Net sales	Total assets	Net sales	Total assets
Construction	Kureha Nishiki Group (4)*	218	114	184	96	33	17
	Kureha Engineering Co.	39	25	66	36	-27	-11
	Consolidation adjustments	-89	--	-78	--	-11	--
	Total	167	--	172	--	-5	--
Other Operations	Kureha Ecology Management Co.	89	77	93	79	-4	-2
	Kureha Special Laboratory Co.	15	6	14	7	1	-0
	Kureha Unyu Group (7)*	98	61	102	61	-4	0
	Kureha Trading Co.	23	--	21	--	2	--
	Kureha Service Co.	5	10	5	10	0	1
	Kureha Staff Service Co.	15	6	15	6	-0	0
	Consolidation adjustments	-92	--	-88	--	-4	--
Total		152	--	162	--	-9	--
[Total Number of Consolidated Subsidiaries]		[37]		[36]			
Consolidation Total		1,502	2,497	1,481	2,245	21	252
Equity-method affiliates	Nangtong SKT New Material Co.	38	--	35	--	3	--

*Parenthesized numbers indicate the number of subsidiaries in the group

As of March 31, 2015, Kureha Corporation had 37 consolidated subsidiaries and one affiliated company accounted for by the equity method, including a new consolidated subsidiary, Kureha Battery Materials Shanghai Co., which was established in July 2014.

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