

# Fiscal 2016 Interim Results

(Period April 1 – September 30, 2016)

**KUREHA CORPORATION**

November 14, 2016

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## Notice

Kureha has adopted the International Financial Reporting Standards (IFRS) from the fiscal year ending March 31, 2017 (FY2016). In this report, data of the previous year (FY2015) are also provided in accordance with IFRS for comparison purposes.

# 1. **FY2016 Half-Year Results**

## **(April 1 – September 30, 2016)**

# FY2016 1H Highlights

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KUREHA CORPORATION

(in 100 million yen except where stated)

	FY2016 1H	FY2015 1H	%Change
Net sales	602	670	-10.1%
Operating income	45	50	-9.9%
Income before income tax	36	48	-25.8%
Net income attributable to owners of Kureha	31	35	-11.6%
EPS*	¥177.61	¥200.99	
Equity attributable to owners of Kureha per share*	¥6,799	¥7,011	
Ratio of equity attributable to owners of Kureha to total assets	50.7%	49.3%	
Dividend per share	¥5.5	¥5.5	
	Sept 30 2016	Mar 31 2016	
Total assets	2,305	2,398	
Total equity attributable to owners of Kureha	1,169	1,182	

- Net sales down due to weak volumes in Advanced Materials and Specialty Chemicals
- Lower operating income driven primarily by declined Specialty Chemicals
- Increased financial expenses
- Lower tax expenses

\* Per-share values are provided on a post-consolidation common share basis, in which every ten pre-consolidation common shares were consolidated to one post-consolidation common share, effective October 1, 2016.

**KUREHA**

# FY2016 1H Highlights

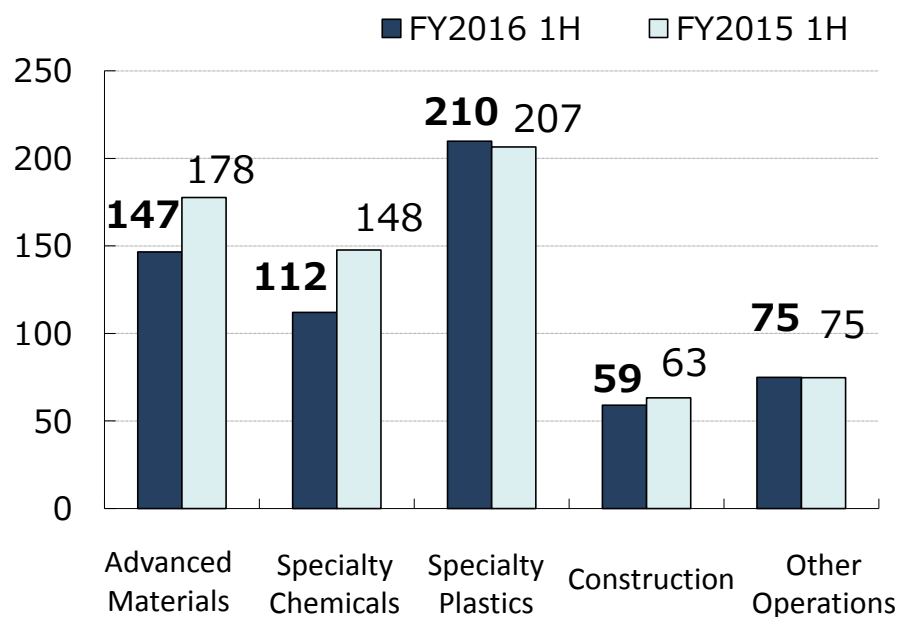
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KUREHA CORPORATION

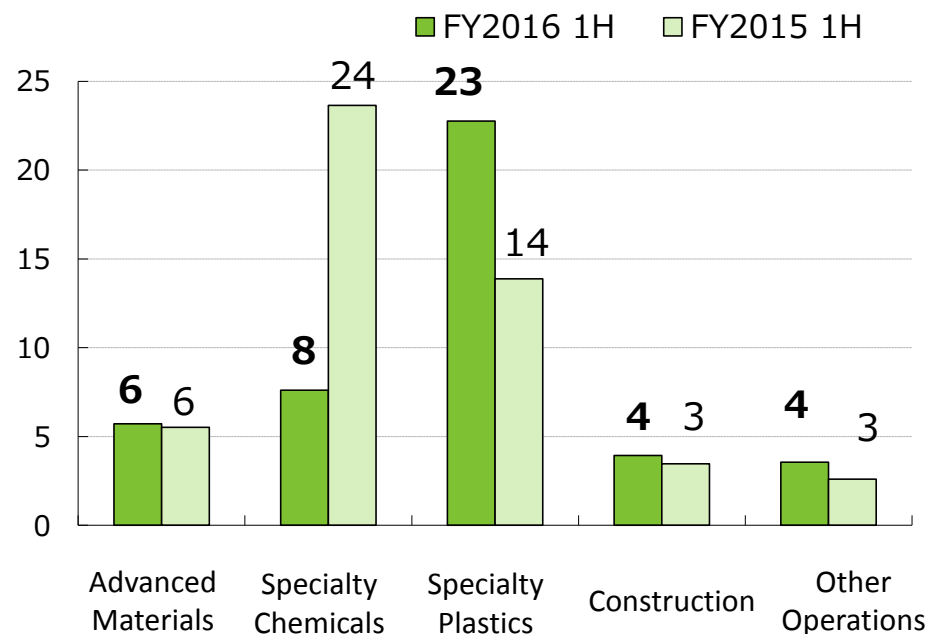
<b>FY2016 1H</b>	Advanced Materials	Specialty Chemicals	Specialty Plastics	Const- ruction	Other Operations	Segment Total	Adjustment	Total
Net sales	147	112	210	59	75	602		602
Elimination							0	
Other income							2	
Other expenses							1	
Operating income	6	8	23	4	4	44	2	45
Financial income							3	
Financial expenses							12	
Income before income tax								36
Net income attributable to Kureha								31

<b>FY2015 1H</b>	Advanced Materials	Specialty Chemicals	Specialty Plastics	Const- ruction	Other Operations	Segment Total	Adjustment	Total
Net sales	178	148	207	63	75	670		670
Elimination							1	
Other income							4	
Other expenses							4	
Operating income	6	24	14	3	3	49	1	50
Financial income							4	
Financial expenses							6	
Income before income tax								48
Net income attributable to Kureha								35

## Net sales



## Operating income



### Factors affecting segment operating income

**[Advanced Materials]** Improved PVDF and carbon products offsetting a decline in PGA

**[Specialty Chemicals]** Lower volumes in pharmaceuticals and agrochemicals, negative effect of drug price revision

**[Specialty Plastics]** Steady growth of home products

**[Construction]** Cost reduction

**[Other Operations]** Cost reduction

## Advanced Materials

(in 100 million yen)	FY2016 1H	FY2015 1H	%Change
Sales			
Advanced plastics	90	115	-22%
Carbon products	22	30	-28%
Other	1	1	-18%
Non-consolidated sales total	112	146	-23%
Subsidiaries sales total	122	152	-20%
Adjustment	-88	-120	--
<b>Kureha Group sales</b>	<b>147</b>	<b>178</b>	<b>-17%</b>
<b>Kureha Group operating income</b>	<b>6</b>	<b>6</b>	<b>4%</b>

### Advanced plastics

Declined on lower PGA volumes (extruded products used for oil and gas exploration) more than offsetting the growth of PVDF for lithium-ion battery applications

### Carbon products

Improved operating loss by streamlining domestic and global operations despite lower volume sales

## Specialty Chemicals

(in 100 million yen)	FY2016 1H	FY2015 1H	%Change
Sales			
Agrochemicals	19	36	-48%
Pharmaceuticals	32	42	-24%
Industrial chemicals	42	48	-13%
Non-consolidated sales total	93	127	-27%
Subsidiaries sales total	32	38	-14%
Adjustment	-13	-17	--
<b>Kureha Group sales</b>	<b>112</b>	<b>148</b>	<b>-24%</b>
<b>Kureha Group operating income</b>	<b>8</b>	<b>24</b>	<b>-68%</b>

### Agrochemicals

Weak demand for fungicides

### Pharmaceuticals

Lower volume and lower price of Kremezin (therapeutic medicine for chronic kidney failure) affected by the impact of the national drug price revision

### Industrial chemicals

Lower volumes in both organic and inorganic chemicals



## Specialty Plastics

(in 100 million yen)	FY2016 1H	FY2015 1H	%Change
Sales			
Home products	101	89	14%
Packaging materials	36	39	-9%
<b>Non-consolidated sales total</b>	<b>137</b>	<b>128</b>	<b>7%</b>
Packaging materials overseas	53	63	-16%
Fiber products	18	19	-3%
Other	34	35	-3%
<b>Subsidiaries sales total</b>	<b>104</b>	<b>116</b>	<b>-10%</b>
Adjustment	-31	-37	--
<b>Kureha Group sales</b>	<b>210</b>	<b>207</b>	<b>2%</b>
<b>Kureha Group operating income</b>	<b>23</b>	<b>14</b>	<b>64%</b>

### Home products

Continued strong growth of home-use wrap film 'NEW Krewrap'

### Packaging materials

Decreased sales on lower heat-shrink film volumes but narrowed operating loss on improved efficiency

# Segment Performance

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KUREHA CORPORATION

(in 100 million yen)

	FY2016 1H	FY2015 1H	%Change
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## Construction

### Sales

Construction	96	98	-2%
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Adjustment	-37	-35	--
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<b>Kureha Group sales</b>	<b>59</b>	<b>63</b>	<b>-7%</b>
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<b>Kureha Group operating income</b>	<b>4</b>	<b>3</b>	<b>14%</b>
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### Construction

Sales slightly down due to weak demand for post-quake public reconstruction, but operating income upped on lower costs

## Other Operations

### Sales

Environmental engineering	43	43	0%
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Logistics	42	45	-6%
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Hospital operations	18	18	3%
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Other	9	9	1%
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<b>Subsidiaries sales total</b>	<b>113</b>	<b>115</b>	<b>-2%</b>
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Adjustment	-38	-40	--
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<b>Kureha Group sales</b>	<b>75</b>	<b>75</b>	<b>0%</b>
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<b>Kureha Group operating income</b>	<b>4</b>	<b>3</b>	<b>37%</b>
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### Other operations

- Environmental engineering leveled off
- Logistics operating profit improved through cost reduction
- Hospital operations turned profitable on improved sales

(in 100 million yen)

## Assets

	Sept. 30 2016	Mar. 30 2016	%Change
Cash and cash equivalents	61	67	-6
Accounts and notes receivable-trade	259	309	-51
Inventories	327	331	-4
Other current assets	30	22	8
<b>Current assets total</b>	<b>677</b>	<b>729</b>	<b>-52</b>
Property, plant and equipment	1,214	1,250	-36
Intangible assets	15	17	-1
Investments and other assets	399	403	-3
<b>Noncurrent assets total</b>	<b>1,628</b>	<b>1,669</b>	<b>-41</b>
<b>Assets total</b>	<b>2,305</b>	<b>2,398</b>	<b>-93</b>

## Liabilities and Net Assets

	Sept. 30 2016	Mar. 30 2016	%Change
Accounts and notes payable-trade	188	198	-10
Interest-bearing debt	778	812	-34
Reserves	55	58	-4
Other liabilities	104	135	-32
<b>Liabilities total</b>	<b>1,124</b>	<b>1,204</b>	<b>-80</b>
Capital stock	125	125	0
Capital surplus	94	94	0
Treasury stock	-45	-45	0
Retained earnings	977	957	20
Other equities	17	50	-33
Minority interests	13	13	0
<b>Net assets total</b>	<b>1,181</b>	<b>1,194</b>	<b>-13</b>
<b>Liabilities and Net assets total</b>	<b>2,305</b>	<b>2,398</b>	<b>-93</b>

(in 100 million yen)

	FY2016 1H	FY2015 1H	Change
Pre-depreciation profit	86	98	-12
Increase/decrease n assets and liabilities	46	11	35
Payments of corporation tax	-14	-25	10
Other-net	-38	-28	-9
<b>Cash flow from operating activities total</b>	<b>80</b>	<b>55</b>	<b>25</b>
<b>Cash flow from investing activities total</b>	<b>-56</b>	<b>-58</b>	<b>1</b>
<b>Cash flow from financing activities total</b>	<b>-31</b>	<b>-21</b>	<b>-10</b>
Effect of exchange rate changes on cash and cash equivalents	2	0	1
Increase/decrease in cash and cash equivalents	-6	-23	17
Cash and cash equivalents at beginning of year	67	79	-12
Cash and cash equivalents at end of year	61	57	5

## **2. FY2016 Full-Year Forecasts**

**(April 1, 2016 – March 31, 2017)**

(in 100 million yen)	FY2016e	FY2015	YoY Change	Changes from FY2016 projection as of May 2016
Net sales	1,300	1,408	-108 (-8%)	-120 (-9%)
Operating income	90	74	16 (22%)	-15 (-14%)
Income before income tax	85	66	19 (29%)	-20 (-19%)
Net income attributable to owners of Kureha	65	49	16 (33%)	-15 (-19%)
<hr/>				
Dividend per share (yen)				
Interim	¥5.5	¥5.5		
End-year	¥55.0*	¥5.5		

\* According to a post-consolidation common share basis effective October 1, 2016

## YoY changes

- Sales decline in all segments, with a sharp drop in Specialty Chemicals
- Increased operating income on strong growth of Specialty Plastics and due to lack of last year's reconstruction cost, more than offsetting declines in Specialty Chemicals and Construction

## Factors for changes from May 2016 projection

- Sales down across all segments, primarily in Advanced Materials, partly affected by negative currency
- Increased operating income in Specialty Plastics and Construction, owing partly to reduced cost, more than offset by negative currency effects and decline in Advanced Materials
- Increased financial expenses

# FY2016 Full-Year Outlook

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KUREHA CORPORATION

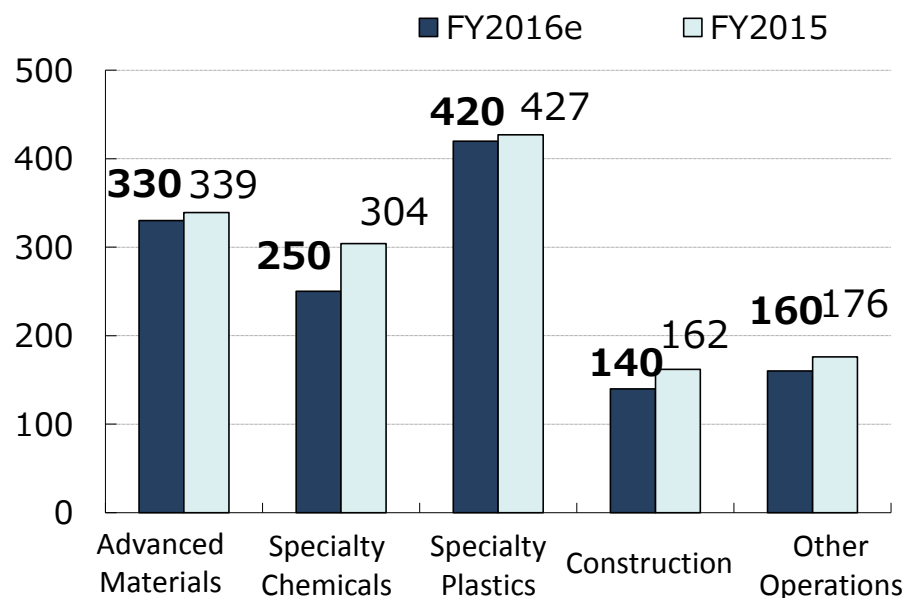
<b>FY2016e</b> (in ¥100M yen)	Advanced Materials	Specialty Chemicals	Specialty Plastics	Construction	Other Operations	Segment Total	Adjustment	Total
Net sales	330	250	420	140	160	1,300		1,300
Elimination							0	
Other income	<i>*Incl. ¥7.8B subsidy income</i>						80	
Other expenses	<i>*Incl. ¥6.9B loss on reduction and ¥1.5B loss on retirement of noncurrent assets</i>						87	
Operating income	11	25	40	7	14	97	-7	90
Financial income							6	
Financial expenses							11	
Income before income tax								85
Net income attributable to Kureha								65

<b>FY2015</b> (in ¥100M yen)	Advanced Materials	Specialty Chemicals	Specialty Plastics	Construction	Other Operations	Segment Total	Adjustment	Total
Net sales	339	304	427	162	176	1,408		1,408
Elimination							-1	
Other income							9	
Other expenses	<i>*Incl. ¥4.5B restructuring cost</i>						59	
Operating income	14	47	33	15	16	124	-50	74
Financial income							8	
Financial expenses							16	
Income before income tax								66
Net income attributable to Kureha								49

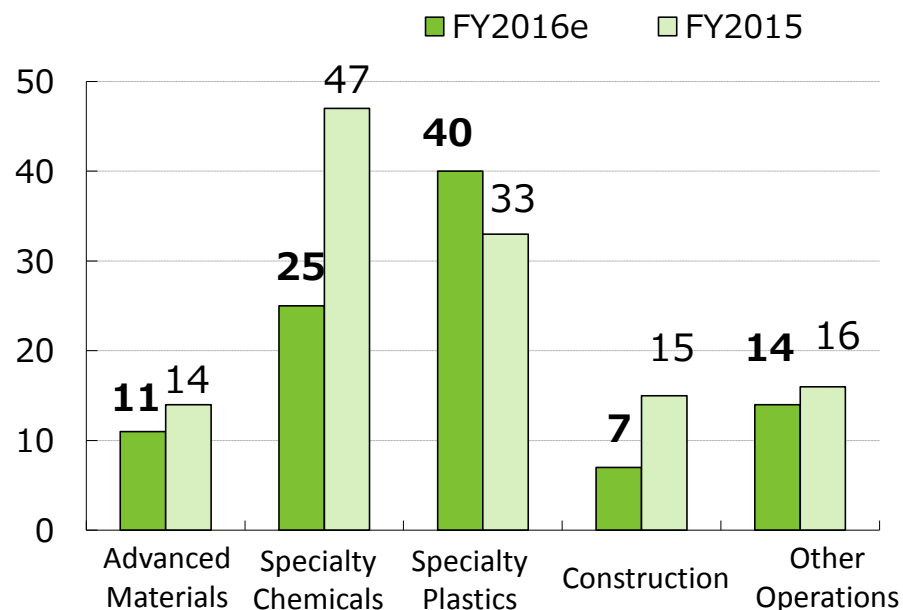
## Present FY2016 Outlook vs. FY2015 Performance

(in 100 million yen)

### Net sales



### Operating income



### YoY changes for segment operating income

**[Advanced Materials]** Decline due to delayed PGA business development resulting from strategic changes and intensified competition for PPS, despite improvements in PVDF and Carbon Products

**[Specialty Chemicals]** Decline due to negative effects of drug price revision and generic drugs on pharmaceuticals and inventory adjustments for agrochemicals

**[Specialty Plastics]** Improve on steady growth of Home Products more than offsetting a decline in Packaging Materials

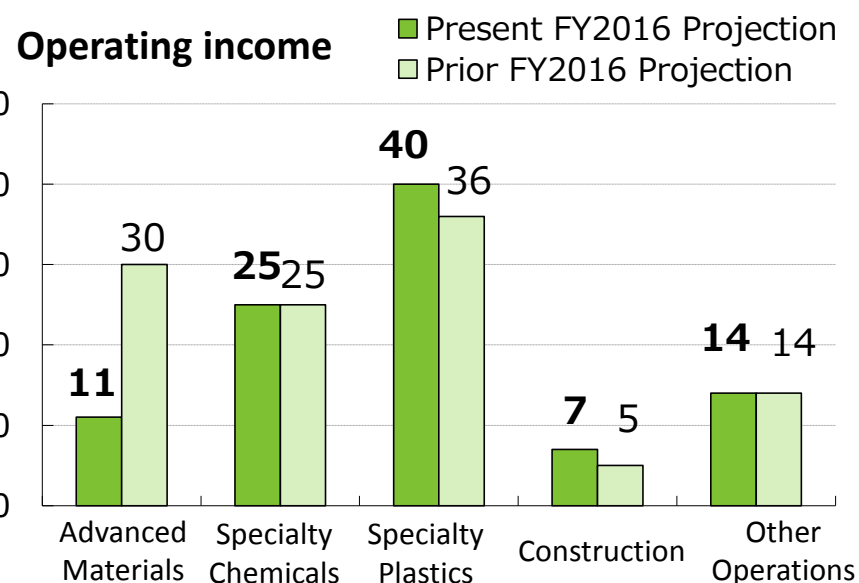
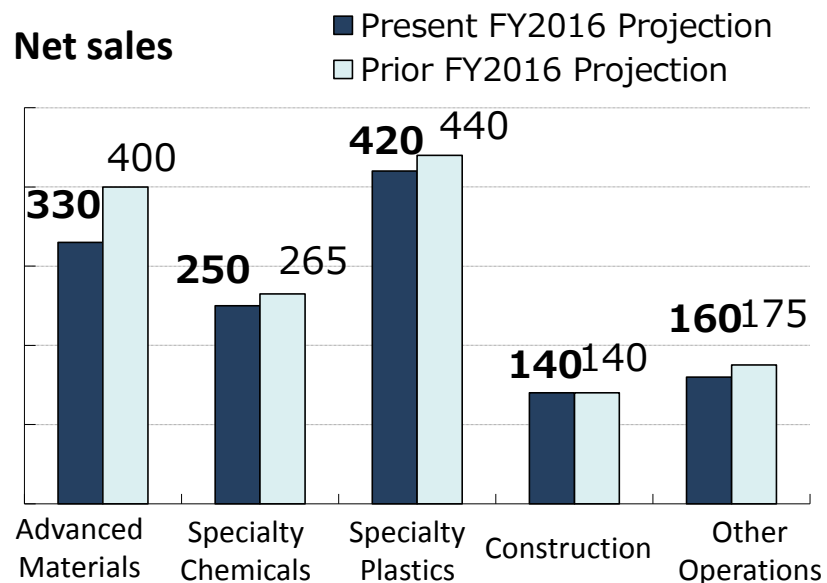
**[Construction]** Decline due to low demand for post-quake reconstruction and increased labor/raw materials cost

**[Other Operations]** Decline due to increased competition and R&D cost for Environmental Engineering



## Present FY2016 Outlook vs. Previous FY2016 Projection (in May 2016)

(in 100 million yen)



### [FY2016 Operating Income Outlook]

Previous projection: ¥11,000 mil → Present (Revised) projection: ¥9,700 mil

\*Factors include negative currency effect (¥500mil), reduced sales (¥2000mil), increased cost (1200mil)

### Factors for changes in segment operating income projection

**[Advanced Materials]** Delayed PGA business growth due to strategic changes, intensified competition for PPS

**[Specialty Chemicals]** Benefits of cost reduction offsetting negative currency effect

**[Specialty Plastics]** Growth in Home Products more than offsetting delayed sales expansion and negative currency effect for Packaging Materials

**[Construction]** Lower operating income on projected sales

**[Other Operations]** Benefits of cost reduction offsetting sales decline in Environmental Engineering

## Advanced Materials

(in 100 million yen)	FY2016	FY2015	%Change
Sales			
Advanced plastics	211	213	-1%
Carbon products	40	52	-23%
Other	4	4	2%
Non-consolidated sales total	255	270	-5%
Subsidiaries sales total	290	311	-7%
Adjustment	-215	-242	--
<b>Kureha Group sales</b>	<b>330</b>	<b>339</b>	<b>-3%</b>
<b>Kureha Group operating income</b>	<b>11</b>	<b>14</b>	<b>-20%</b>

### Advanced plastics

PGA and PPS decline to more than offset the growth of PVDF

### Carbon products

Operating loss decreases on higher price and restructuring efforts

## Specialty Chemicals

(in 100 million yen)	FY2016	FY2015	%Change
Sales			
Agrochemicals	75	95	-21%
Pharmaceuticals	55	74	-26%
Industrial chemicals	85	94	-10%
Non-consolidated sales total	215	263	-18%
Subsidiaries sales total	65	70	-7%
Adjustment	-30	-30	--
<b>Kureha Group sales</b>	<b>250</b>	<b>304</b>	<b>-18%</b>
<b>Kureha Group operating income</b>	<b>25</b>	<b>47</b>	<b>-47%</b>

### Agrochemicals

Declines on continued slow demand and inventory adjustment

### Pharmaceuticals

Declines on lower volumes and lower prices affected by the impact of generic drugs and drug price revision

### Industrial chemicals

Negatively affected by lower market prices reflecting lower raw materials prices

## Specialty Plastics

(in 100 million yen)	FY2016	FY2015	%Change
Sales			
Home products	194	186	4%
Packaging materials	71	79	-10%
<b>Non-consolidated sales total</b>	<b>265</b>	<b>265</b>	<b>0%</b>
Packaging materials (overseas)	114	125	-9%
Fiber products	36	36	1%
Other	67	74	-10%
<b>Subsidiaries sales total</b>	<b>217</b>	<b>235</b>	<b>-8%</b>
Adjustment	-62	-73	--
<b>Kureha Group sales</b>	<b>420</b>	<b>427</b>	<b>-2%</b>
<b>Kureha Group operating income</b>	<b>40</b>	<b>33</b>	<b>21%</b>

### Home products

Continued growth of home-use wrap film 'NEW Krewrap'

### Packaging materials

Flat heat-shrink film sales, decline in operating income due to negative currency effect

(in 100 million yen)	FY2016	FY2015	%Change
<b>Construction</b>			
Sales			
Construction	210	246	-15%
Adjustment	-70	-84	--
<b>Kureha Group sales</b>	140	162	-14%
<b>Kureha Group operating income</b>	7	15	-54%
<b>Other Operations</b>			
Sales			
Environmental engineering	102	99	3%
Logistics	84	89	-6%
Hospital operations	37	36	4%
Other	17	17	-1%
<b>Subsidiaries sales total</b>	240	241	0%
Adjustment	-80	-65	--
<b>Kureha Group sales</b>	160	176	-9%
<b>Kureha Group operating income</b>	14	16	-10%

## Construction

Operating income decrease on weak volumes in post-quake reconstruction and with higher labor and raw materials costs

## Other operations

Segment sales and operating income negatively affected intensified competition and technology development costs in the environmental engineering business, despite growth in low-concentration PCB treatment sector

# Key Indicators

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KUREHA CORPORATION

			FY2016 1H	FY2016 2H	FY2016 Full year	FY2015 1H	FY2015 2H	FY2015 Full year	FY15-16 %Change
Capital expenditure			48	97	<b>145</b>	53	68	<b>121</b>	35%
Depreciation			51	51	<b>102</b>	48	51	<b>99</b>	6%
R&D expenses			22	32	<b>54</b>	23	26	<b>49</b>	19%
Interest-bearing debt			778	808	<b>808</b>	877	812	<b>812</b>	-0%
Exchange rates	JP¥/US\$	Average	105.2	105.0	<b>105.1</b>	121.9	118.4	<b>120.1</b>	
		Term end	101.1	105.0	<b>105.0</b>	120.0	112.7	<b>112.7</b>	
	JP¥/EUR€	Average	118.0	115.0	<b>116.5</b>	135.1	130.1	<b>132.6</b>	
		Term end	113.4	115.0	<b>115.0</b>	135.0	127.7	<b>127.7</b>	
	JP¥/CH¥	Average	15.9	15.5	<b>15.7</b>	19.5	18.3	<b>18.9</b>	
		Term end	15.1	15.5	<b>15.5</b>	19.0	17.4	<b>17.4</b>	

(in 100 million yen)

	FY2016	FY2015	Change
Pre-depreciation profit	187	169	18
Increase/decrease in assets and liabilities	-47	-22	-25
Payments of corporation tax	-20	-43	23
Other-net	69	41	28
<b>Cash flow from operating activities total</b>	<b>189</b>	<b>146</b>	<b>43</b>
<b>Cash flow from investing activities total</b>	<b>-166</b>	<b>-60</b>	<b>-106</b>
<b>Cash flow from financing activities total</b>	<b>-22</b>	<b>-99</b>	<b>77</b>
Effect of exchange rate changes on cash and cash equivalents	0	2	-2
Increase/decrease in cash and cash equivalents	1	-12	13
Cash and cash equivalents at beginning of year	67	79	-12
Cash and cash equivalents at end of year	68	67	1

## 3. Consolidated Companies



# Subsidiaries Sales and Assets

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KUREHA CORPORATION

		FY2016 1H		FY2015 1H		Change	
		Net sales	Total assets	Net sales	Total assets	Net sales	Total assets
Kureha Corporation		286	1,883	310	1,963	-24	-80
Kureha Trading Group (2)		77	122	76	118	1	4
Advanced Materials	Kureha Corporation	112	-	146	-	-33	-
	Kureha Trading Group (2)	41	-	35	-	6	-
	Kureha Extron Co.	8	19	12	25	-4	-6
	Kureha Extech Co.	12	17	13	30	-1	-12
	Kureha Battery Materials Japan Co. (2)	-	2	33	38	-33	-36
	Kureha GmbH	7	10	8	11	0	-1
	Kureha America Group (4)	29	244	17	286	11	-41
	Kureha (Shanghai) Carbon Fiber Materials Co.	7	20	8	37	-2	-17
	Kureha China Group (3)	19	126	25	154	-7	-28
	Consolidation adjustments	-88	-	-120	-	32	-
<b>Total</b>		<b>147</b>	<b>-</b>	<b>178</b>	<b>-</b>	<b>-31</b>	<b>-</b>
Specialty Chemicals	Kureha Corporation	93	-	127	-	-34	-
	Kureha Trading Co.	32	-	38	-	-5	-
	Consolidation adjustments	-13	-	-17	-	3	-
	<b>Total</b>	<b>112</b>	<b>-</b>	<b>148</b>	<b>-</b>	<b>-36</b>	<b>-</b>
Specialty Plastics	Kureha Corporation	137	-	128	-	9	-
	Kureha Trading Co.	23	-	21	-	2	-
	Kureha Gohsen Co.	18	34	19	36	-1	-1
	Kureha China Group (3)	2	-	3	-	-1	-
	Kureha America Group (4)	9	7	11	10	-2	-2
	Kureha Europe Group (5)	39	56	45	68	-6	-12
	Kureha Vietnam Co.	14	36	18	47	-4	-11
	Consolidated adjustments	-31	-	-37	-	6	-
<b>Total</b>		<b>210</b>	<b>-</b>	<b>207</b>	<b>-</b>	<b>3</b>	<b>-</b>

# Subsidiaries Sales and Assets

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KUREHA CORPORATION

		FY26016 1H		FY2015 1H		Change	
		Net sales	Total assets-38	Net sales	Total assets	Net sales	Total assets
Construction	Kureha Nishiki Group (4)	78	97	80	95	-3	1
	Kureha Engineering Co.	19	26	18	28	1	-2
	Consolidation adjustments	-37	-	-35	-	-2	-
	<b>Total</b>	<b>59</b>	<b>-</b>	<b>63</b>	<b>-</b>	<b>-4</b>	<b>-</b>
Other Operations	Kureha Ecology Management Co.	38	83	38	74	0	8
	Kureha Special Laboratory Co.	6	5	6	6	-1	-1
	Kureha Unyu Group (7)	42	62	45	61	-3	1
	Kureha Trading Co.	0	-	0	-	0	-
	Kureha Service Co.	3	9	3	9	0	1
	Kureha-kai Medical Co.	18	38	18	42	1	-5
	Kureha Staff Service Co.	6	7	6	6	0	0
	Consolidation adjustments	-38	-	-41	-	3	-
<b>Total</b>	<b>75</b>	<b>-</b>	<b>75</b>	<b>-</b>	<b>0</b>	<b>-</b>	
<b>Consolidation Total</b>		<b>602</b>		<b>670</b>		<b>-68</b>	
[Total Number of Consolidated Subsidiaries]		[41]		[40]			

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