

Results for the Year ended March 31, 2014

KUREHA CORPORATION

May 16, 2014

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1. FY2013 Results

(April 1, 2013 – March 31, 2014)

- Net sales increased 13% to ¥148 billion on volume growth in all business segments
 - Strong performance in automotive, agrochemicals and environment businesses
 - Home products sales surged before tax hike in Japan
- A 129% rise in net income, to ¥7.4 billion
 - Favorable currency effects by weakened Japanese yen
 - Lower tax obligations: Special disaster-zone tax, R&D stimulus measures

(Unit: 100 million yen)	FY2012			FY2013			% Increase/Decrease	
	Consolidated	Non-Consolidated	Ratio	Consolidated	Non-Consolidated	Ratio	Consolidated	Non-Consolidated
Net Sales	1,306	738	1.8	1,481	824	1.8	13%	12%
Operating income	85	73	1.2	119	87	1.4	41%	19%
Recurring income	66	75	0.9	122	94	1.3	86%	24%
Net income	32	41	0.8	74	57	1.3	129%	41%
Earnings per share (yen)	18.71 yen	23.64 yen	0.8	42.87 yen	33.21 yen	1.3	129%	40%
Net assets per share (yen)	546.69 yen	518.93 yen	1.1	604 yen	541.82 yen	1.1	10%	4%
Dividend per share (yen)	¥10 (interim ¥5, year end ¥5)			¥11 (interim ¥5, year end ¥6)			_____	

Consolidated Net Sales and Operating Income by Segment

Advanced Materials

(Unit: 100 million yen)

		FY2012	FY2013	% Increase/ Decrease	
Consolidated net sales	Kureha	Carbon products	44	52	19%
		Advanced plastics	137	171	25%
		Others	4	1	- 80%
		Total	185	224	21%
		Consolidated subsidiaries	221	289	31%
		Consolidated adjustments	- 129	- 184	---
		Total	277	328	19%
Consolidated operating income		- 21	- 26	---	

Sales up 19%, but operating loss widened due to sagging solar cell industry

- Carbon Products sales grew on demand recovery in LiB anode materials but declined significantly in solar cell markets, resulting in larger operating loss
- Steady demand growth in PPS for automotive, PGA for shale gas/oil field applications and PVDF for lithium-ion batteries used in vehicles and electric products. Advanced Plastics earnings offset by increased operational cost

Consolidated Net Sales and Operating Income by Segment

Specialty Chemicals

(Unit: 100 million yen)

		FY2012	FY2013	% Increase/ Decrease	
Consolidated net sales	Kureha	Industrial chemicals	94	98	4%
		Agrochemicals	83	118	42%
		Pharmaceuticals	98	95	- 4%
		Total	275	311	13%
		Consolidated subsidiaries	83	88	6%
		Consolidated adjustments	- 29	- 32	---
		Total	328	366	12%
Consolidated operating income		61	73	20%	

Agrochemicals leading segment growth; sales up 13%, operating income up 20%

- Lower Industrial Chemicals operating income due to higher raw materials and fuel costs
- Continued volume growth in fungicides (Metconazole, Ipconazole), favorable currency
- Pharmaceuticals (chronic kidney disease agent Kremezin) volume increase but lack of proceeds from pharmaceutical patent lawsuit settlement

Consolidated Net Sales and Operating Income by Segment

Specialty Plastics

		(Unit: 100 million yen)	FY2012	FY2013	% Increase/ Decrease
Consolidated net sales	Kureha	Food packaging	79	76	- 3%
		Household products	176	191	9%
		Others	23	23	- 2%
		Total	278	290	4%
		Consolidated subsidiaries	215	257	19%
		Consolidated adjustments	- 84	- 94	---
		Total	409	453	11%
Consolidated operating income			30	45	51%

Solid sales growth, operating earnings improved 51%

- Cost control and improved earnings for Food packaging business, including operations in Japan, Vietnam and Europe
- Household products sales and earnings increased on rush demand before tax hike in Japan

Consolidated Net Sales and Operating Income by Segment

Construction		(Unit: 100 million yen)	FY2012	FY2013	% Increase/ Decrease
Consolidated net sales	Construction business		247	250	1%
	Consolidated adjustments		- 98	- 78	---
	Total		150	172	15%
Consolidated operating income			10	8	- 20%

- Disaster-related construction work increased but lower operating income due to higher materials and labor costs

Other Operations			FY2012	FY2013	% Increase/ Decrease
Consolidated net sales	Environmental engineering		88	107	21%
	Logistics & warehousing		103	102	- 1%
	Trading		23	21	- 10%
	Other businesses		21	20	- 4%
	Consolidated adjustments		- 94	- 88	---
Total			142	162	14%
Consolidated operating income			6	16	165%

- Continued growth in Environmental Engineering, particularly industrial waste treatment businesses

Analysis of Recurring Income

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KUREHA CORPORATION

Consolidated Recurring Income

(Unit: 100 million yen)	FY2012	FY2013	Change
Kureha Corporation	75.3	93.6	18.3
Consolidated subsidiaries	- 1.3	36.2	37.5
Equity-method affiliates	2.8	3.3	0.5
Consolidation adjustments	- 5.5	- 11.0	- 5.5
Consolidated recurring income total	65.7	122.1	56.4

Reasons for earnings increase/decrease

(Unit: 100 million yen)

	Reasons for increase	Amount	Reasons for decrease	Amount	Total
Kureha Corporation	Increased sales volume	46	Absence of proceeds from pharmaceutical patent settlement Increased unit price of fuels and raw materials Increased manufacturing fixed costs Differing inventory levels Other	- 10 - 15 - 2 - 17 - 13	
	Increased unit sales price	20			
	Decreased general and administrative costs	4			
	Decreased direct selling costs	1			
	Decreased other non-operating expenses	4			
		75		- 57	18.3
Consolidated subsidiaries	Domestic Advanced Materials business	3	Construction business	- 2	
	Overseas Advanced Materials business	17			
	Domestic Specialty Plastics business	1			
	Overseas Specialty Plastics business	9			
	Other businesses	10			
		40		- 2	37.5

Breakdown of Extraordinary Income/Losses

(Unit: 100 million yen)

		FY2012	FY2013	Change
Extraordinary income	Subsidy income	3.1	4.8	1.7
	Compensation for damage	1.5	0.8	- 0.7
	Gain on sales of investment securities	0.0	1.9	1.9
	Gain on sales of noncurrent assets	0.1	0.2	0.1
	Others	0.8	0.2	- 0.6
	Total	5.5	7.9	2.5
Extraordinary losses	Loss on sales and retirement of noncurrent assets	8.1	11.8	3.7
	Provision for environmental measures	2.6	---	- 2.6
	Loss on reduction of noncurrent investment	1.5	4.2	2.8
	Loss on debt write-offs for subsidiaries and affiliates	---	3.0	3.0
	Impairment loss	---	1.3	1.3
	Loss on disaster	---	1.2	1.2
	Others	4.3	2.1	- 2.3
	Total	16.5	23.6	7.1

(Unit: 100 million yen)

	FY2012	FY2013	% Increase/ Decrease
Capital expenditure	200	165	- 18%
Depreciation	89	91	2%
R&D expenses	44	45	3%
Interest-bearing debt	684	772	13%
Net interest expense	- 2	- 1	---
Exchange rate	¥82.98/US\$1 ¥107.00/€1	¥100.29/US\$1 ¥134.44/€1	
# Employees	4,046	4,080	1%

Assets	(Unit: 100 million yen)	As of March 31, 2013	As of March 31, 2014	Change
Cash and cash equivalents		100	87	- 12
Accounts and notes receivable-trade		275	304	30
Inventories		253	281	28
Other current assets		55	62	7
Sub total		682	734	52
Property, plant and equipment		994	1,117	122
Intangible assets		15	20	6
Investments and other assets		362	373	11
Sub total		1,371	1,510	140
Total		2,053	2,245	192
Liabilities and net assets				
Accounts and notes payable-trade		159	165	5
Interest-bearing debt		684	772	88
Reserves		37	34	- 3
Other liabilities		210	212	2
Sub total		1,091	1,183	92
Common stock		125	125	0
Capital reserves		100	100	- 0
Retained earnings		726	783	57
Treasury stock, at cost		- 45	- 45	0
Valuation and translation adjustment		33	75	42
Share warrant		1	1	- 0
Minority interests		23	24	1
Sub total		962	1,062	100
Total		2,053	2,245	192

(Unit: 100 million yen)

		As of March 31, 2013	As of March 31, 2014
Cash flow from operating activities	Pre-depreciation profit	143	199
	Increase/decrease in assets and liabilities	- 25	- 38
	Payments of corporation tax	- 12	- 30
	Other-net	- 4	8
	Total	102	141
Cash flow from investing activities		- 196	- 204
Cash flow from financing activities		102	47
Effect of exchange rate changes on cash and cash equivalents		2	4
Increase/decrease in cash and cash equivalents		11	- 13
Cash and cash equivalents at beginning of year		89	100
Increase in cash and cash equivalents from newly consolidated subsidiary		---	1
Cash and cash equivalents at end of year		100	87

2. FY2014 Forecasts

(April 1, 2014 – March 31, 2015)

(Unit: 100 million yen)	FY2013			FY2014			% Increase/Decrease	
	Consolidated	Non-Consolidated	Ratio (%)	Consolidated	Non-Consolidated	Ratio (%)	Consolidated	Non-Consolidated
Net Sales	1,481	824	1.8	1,550	890	1.7	4.6%	8.0%
Operating income	119	87	1.4	135	100	1.4	13.4%	14.8%
Recurring income	122	94	1.3	130	105	1.2	6.5%	12.2%
Net income	74	57	1.3	80	65	1.2	8.6%	14.0%
Dividend per share (yen)	¥11 (interim ¥5, year end ¥6)			¥11 (interim ¥5.5, year end ¥5.5)			_____	

- Modest increase in sales and operating income
 - Steady growth in battery materials, PGA, carbon fiber and pharmaceuticals
 - Cost control and savings (mainly raw materials)
 - Increased costs for R&D, overhead, safety measures, construction businesses
- Depreciation costs to be at FY2013 levels
- Lower non-operating income from foreign exchange
- Extraordinary losses expected to increase by ¥200M to total ¥1.8B largely from loss on fixed asset retirements

Consolidated Net Sales and Operating Income by Segment

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KUREHA CORPORATION

Advanced Materials

(Unit: 100 million yen)

		FY2013	FY2014	% Increase/ Decrease	
Consolidated net sales	Kureha	Carbon products	52	70	35%
		Advanced plastics	171	174	2%
		Others	1	1	0%
	Total		224	245	9%
	Consolidated subsidiaries		289	360	25%
	Consolidated adjustments		- 184	- 245	---
	Total		328	360	10%
Consolidated operating income		- 26	- 13	---	

Steady sales growth, reducing operating loss by half

- Carbon products: LiB anode materials growth expected on increasing hybrid electric vehicles, Insulation materials used for manufacturing solar cells likely to recover after 3rd quarter
- Advanced plastics: Continuing demand for PPS in automotive; new PVDF plant starting operation in China with expected demand growth in LiB binders of vehicles and electric products; PGA molded parts sales expected to increase in shale gas/oil extraction through business alliance with Magnum Oil Tools

Consolidated Net Sales and Operating Income by Segment

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KUREHA CORPORATION

Specialty Chemicals

(Unit: 100 million yen)

			FY2013	FY2014	% Increase/ Decrease
Consolidated net sales	Kureha	Industrial chemicals	98	99	1%
		Agrochemicals	118	124	5%
		Pharmaceuticals	95	122	28%
		Total	311	345	11%
		Consolidated subsidiaries	88	89	1%
		Consolidated adjustments	- 32	- 34	---
		Total	366	400	9%
Consolidated operating income			73	92	26%

Sales up moderately, operating earnings improved substantially

- Industrial Chemicals: Profit to be secured by transferring materials cost increase to selling price
- Agrochemicals: Steady volume growth in Metconazole fungicide, R&D expenses to increase
- Pharmaceuticals: Continuing volume growth in Kremezin (agent for chronic kidney disease) offsetting negative effects of NHI price revision

Consolidated Net Sales and Operating Income by Segment

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KUREHA CORPORATION

Specialty Plastics

(Unit: 100 million yen)

		FY2013	FY2014	% Increase/ Decrease	
Consolidated net sales	Kureha	Food packaging	76	84	11%
		Household products	191	182	- 5%
		Others	21	34	62%
	Total		290	300	3%
	Consolidated subsidiaries		257	285	11%
	Consolidated adjustments		- 94	- 100	---
	Total		453	485	7%
Consolidated operating income		45	39	- 13%	

Sales increase modestly, operating earnings slide

- Food Packaging: Volume growth in global markets, improved profitability
- Household Products: Slower sales for NEW Krewrap after pre-tax hike demand
- New PVDC plant starting operation from 4th quarter

*Specialty Plastics will include food packaging and fishing lines sales (approx. ¥1.5B) generated by US subsidiaries from FY2014 (formally recorded in Advanced Materials)

Consolidated Net Sales and Operating Income by Segment

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KUREHA CORPORATION

Construction			FY2013	FY2014	% Increase/ Decrease
		(Unit: 100 million yen)			
Consolidated net sales	Construction business		250	210	- 16%
	Consolidated adjustments		- 78	- 70	---
	Total		172	140	- 19%
Consolidated operating income			8	3	- 63%

- Decreased sales and operating earnings: Decreasing plant construction and rise in materials and labor costs

Other Operations

Consolidated net sales	Environmental engineering		107	107	0%
	Logistics & warehousing		102	103	1%
	Trading		21	23	10%
	Other businesses		20	20	0%
	Consolidated adjustments		- 88	- 88	---
Total			162	165	2%
Consolidated operating income			16	14	- 13%

- Flat sales and improved profits: Public quake-related waste management jobs to be terminated, focusing on high-earning businesses such as low-level PCB treatment

(Unit: 100 million yen)

	FY2013	FY2014	% Increase/ Decrease
Capital expenditure	165	265	61%
Depreciation	91	91	0%
R&D expenses	46	53	15%
Interest-bearing debt	772	885	15%
Net interest expense	- 1	- 2	---
Exchange rate	¥100.29/US\$1 ¥134.44/€1	¥100/US\$1 ¥135/€1	
# Employees	4,080	4,215	3%

(Unit: 100 million yen)

		As of March 31, 2014	As of March 31, 2015
Cash flow from operating activities	Pre-depreciation profit	199	203
	Increase/decrease in assets and liabilities	- 38	- 19
	Payments of corporation tax	- 30	- 32
	Other-net	8	16
	Total	141	167
Cash flow from investing activities		- 204	- 282
Cash flow from financing activities		47	93
Effect of exchange rate changes on cash and cash equivalents		4	0
Increase/decrease in cash and cash equivalents		- 13	- 22
Cash and cash equivalents at beginning of year		100	87
Increase in cash and cash equivalents from newly consolidated subsidiary		1	0
Cash and cash equivalents at end of year		87	65

3. Consolidated Companies

Consolidated Companies

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KUREHA CORPORATION

(Unit: 100 million yen)

		FY2012		FY2013		Increase/Decrease	
		Net sales	Total assets	Net sales	Total assets	Net sales	Total assets
Kureha Corporation		738	1,665	824	1,760	86	95
Kureha Trading Group (2)		275	136	288	134	13	- 3
Advanced Materials	Kureha Corporation	185	---	224	---	39	---
	Kureha Trading Group (2)	91	---	98	---	7	---
	Kureha Battery Materials Japan Co.	41	48	56	51	15	4
	Kureha Extech Co.	16	25	20	25	4	1
	Extron Japan Co.	13	15	14	16	1	1
	Kureha GmbH	17	9	17	11	0	3
	Kureha America Group (4)	34	246	74	289	40	44
	Kureha Chemicals Shanghai Co.	9	25	9	32	0	8
	Kureha (China) Investment Group (3)	1	61	1	105	1	44
	Consolidation adjustments	- 129	---	- 185	---	- 55	---
Total		277	---	328	---	52	---
Specialty Chemicals	Kureha Corporation	275	---	311	---	36	---
	Kureha Trading Co.	83	---	88	---	5	---
	Consolidation adjustments	- 29	---	- 32	---	- 3	---
	Total		328	---	366	---	38
Specialty Plastics	Kureha Corporation	278	---	290	---	12	---
	Kureha Trading Co.	79	---	82	---	3	---
	Kureha Gohsen Co.	36	32	37	31	1	- 0
	Kureha Europe Group (4)	73	46	94	57	20	11
	Kureha Vietnam Co.	27	41	33	46	6	5
	Consolidated adjustments	- 84	---	- 82	---	2	---
	Total		409	---	453	---	44

(Unit: 100 million yen)		FY2012		FY2013		Increase/Decrease	
		Net sales	Total assets	Net sales	Total assets	Net sales	Total assets
Construct- ion	Kureha Nishiki Group (4)	190	92	184	96	- 6	5
	Kureha Engineering Co.	57	34	66	36	9	2
	Consolidation adjustments	- 98	---	- 78	---	20	---
	Total	150	---	172	---	23	---
Other Operations	Kureha Ecology Management Co.	75	76	93	79	18	3
	Kureha Special Laboratory Co.	13	8	14	7	1	- 1
	Kureha Unyu Group (7)	103	63	102	61	- 2	- 2
	Kureha Trading Co.	23	---	21	---	- 2	---
	Kureha Service Co.	5	8	5	10	0	2
	Kureha Staff Service Co.	16	6	15	6	- 1	- 0
	Consolidation adjustments	- 94	---	- 88	---	6	---
Total	142	---	162	---	20	---	
Consolidation Total		1,306	2,053	1,481	2,245	176	192
Equity- method affiliates	Nangtong SKT New Material Co.	30	---	35	---	5	---

Note: Parenthesized number indicates the number of subsidiaries of the company contributing to segment performance

As at March 31, 2014, Kureha Corporation had 36 consolidated subsidiaries (37 in FY2012) and one affiliate accounted for by the equity method (2 in FY2012), following the changes below:

- Kureha Battery Materials Japan Co. acquired and merged its two subsidiaries
- A subsidiary of Kureha (China) Investment Co). has been newly consolidated
- Bio Hard Carbon Co. has been changed to an affiliate not accounted for by the equity method

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