



Kureha Corporation Reports Interim Results April - September 2009

Tokyo, Japan – November 2009 – Leading specialty chemicals and plastic products company, Kureha Corporation (“Kureha”), has reported earnings for the half-year period ended September 30, 2009. On a consolidated basis, operating income decreased 91% year-on-year (YoY) to ¥523 million, while recurring income fell 92.6% to ¥405 million on sales of ¥59,717 million, which were down 18.9% YoY. Net income for the period was ¥11 million. Earnings deterioration during the period was in large part due to a slowdown in activity in the Advanced Materials Division.

Commenting on the results Kureha President and Chief Executive Officer, Takao Iwasaki, said, “Although we have experienced considerable earnings deterioration during the interim period, figures were in line with our expectations. While non-cyclical businesses such as pharmaceuticals and household products continued to perform steadily, the advanced materials division suffered due to deterioration in demand from automotive and solar industries, resulting in a significant decline in sales and profits. Our latest earnings estimates for the full fiscal year reflect the severe operating environment faced by the advanced materials division. However, strategic business development continues to progress in line with our new mid-term business plan, *Grow Globally*. Based on our conviction that national borders have no bearing on value-added solutions, we remain firmly focused on securing growth through global business expansion.”

Summary of consolidated half year results

(¥ million, except where stated)

	Sept. 2009	Sept. 2008	Change (%)
Sales	59,717	73,649	-18.9
Operating income	523	5,837	-91.0
Recurring income	405	5,470	-92.6
Net income	11	2,102	-99.5
Earnings per share (EPS) (¥)	0.06	11.65	-

With the overall business environment remaining challenging, Kureha has also revised its full-year earnings estimates downwards. Factors contributing to this decision include an expected temporary decline in solar energy related business activity and a weakened demand outlook for environmental businesses. Revised estimates are outlined in the table below.

Revised full-year estimates

(¥ million, except where stated)

	New As of Nov 2009	Previous As of May 2009	Change (%)
Sales	132,000	145,000	-9.0
Operating income	5,000	7,000	-28.6
Recurring income	4,500	6,000	-25.0
Net income	2,000	2,700	-25.9
Earnings per share (EPS) (¥)	11.16	15.07	-

Consolidated interim performance

(¥ million, except where stated)

Division		Sept. 2009	Sept. 2008	Change (%)
Advanced materials	Sales	13,998	20,278	-31
	Operating income	-911	1,377	-
Specialty chemicals	Sales	14,248	17,419	-18
	Operating income	1,141	2,944	-61
Specialty plastics	Sales	20,978	22,754	-8
	Operating income	829	1,158	-28
Other operations	Sales	10,491	13,196	-21
	Operating income	-289	662	-
	Cancellations	-247	-305	-
Total	Sales	59,717	73,649	-18.9
	Operating profit	523	5,837	-91.0

Performance by division

Advanced Materials Division

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

For the half-year period, Advanced Materials Division sales declined by 31% YoY to ¥14.0 billion, while the division recorded a ¥900 million deficit at the operating level.

Slowdown in carbon fibers business

Sales of carbon products declined from ¥3.9 billion to ¥3.1 billion, in part due to cuts to subsidy programs in Spain and Germany negatively affecting sales of carbon fibers for heat insulation material used in the manufacturing of solar power equipment. However, with global interest in renewable energy sources set to continue expanding and Kureha currently accounting for approximately 50% of the global market for this product, the long-term outlook for carbon fibers remains positive.

Sharp decline in demand for PPS and PVDF

Sales of advanced plastics declined from ¥7.9 billion to ¥5.7 billion. Demand for PPS resin significantly weakened, although signs of expansion have been seen for use in hybrid electronic vehicles (HEVs) in Japan. Demand for PVDF resin also slowed although business performance was somewhat mixed, with demand for use in lithium-ion battery binders gradually recovering, while other industrial applications have remained weak.

Outlook: Divisional sales for the full-year are projected to be ¥27.5 billion, down from ¥32.4 billion, with operating income expected to shift from ¥0.7 billion in the previous fiscal year to a ¥2.9 billion deficit. Carbon fibers business performance is expected to deteriorate due to swelling capital expenditure and sluggish demand, although PPS demand for use in HEVs will continue the high standing. Difficult economic conditions in the U.S. are expected to continue to impede demand for PPS resin, impacting performance at the joint venture in the U.S.

Specialty Chemicals Division

Major product areas – industrial chemicals, agrochemicals, pharmaceuticals

Specialty Chemicals Division sales were down 18% YoY to ¥14.2 billion, with divisional operating income declining 61% to ¥1.1 billion.

Industrial chemicals demand weakens

Sales of industrial chemicals declined 9% YoY to ¥4.8 billion due to slowing demand and low utilization levels, although price increases had a positive impact on performance and helped to somewhat offset these trends.

Agrochemicals hit by Euro

Sales of agrochemicals declined significantly to ¥2.2, down from ¥4.1 billion in the previous year, due to Kureha halting marketing of the rice blast fungicide *Rabcide*; a decline in sales volume and royalty income for *Metconazole*, a fungicide for oilseed rape and wheat; and a weaker than anticipated Euro. Weakening of one yen against the Euro is estimated to improve Kureha's top-line by approximately ¥30 million.

Pharmaceuticals business flat

Sales of *Kremezin*, a therapeutic agent for chronic kidney disease, grew steadily but due to shipment adjustments overall pharmaceutical product sales were down 5% YoY at ¥4.4 billion.

Outlook: Divisional sales are expected to be ¥34.0 billion for the full fiscal year, up marginally from ¥33.9 billion in previous year thanks in part to an increase in sales volume for *Kremezin* and one-off licensing revenue for the product, as well as a stronger than previously anticipated Euro. Operating income is also projected to strengthen to ¥5.8 billion.

Specialty Plastics Division

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

Specialty Plastics Division operating income declined by 28% YoY to ¥0.8 billion for the interim period, while sales declined by 8% YoY to ¥21.0 billion.

Sales of commercial-use packaging materials strengthen

Sales of commercial-use packaging materials increased during the period, up by 5% YoY to ¥5.3 billion, largely due to an increase in PVDC compound exports to China. Domestic sales of commercial-use films and packaging materials declined slightly, while European sales experienced steady growth but saw profits decline due to adverse currency movement.

Household-use packaging materials remain stable

Sales of household products declined to ¥10.8 billion, down 3% YoY. Despite product upgrades benefitting *NEW Krewrap*, higher material costs and swelling fixed costs negatively impacted profits. Sales of fishing line products remained low due to continued weak demand.

Outlook: For the full fiscal year, divisional sales are forecast to decline marginally to ¥42.0 billion, down from ¥43.5 billion during the previous fiscal year. Operating income is forecast to decline to ¥1.3 billion, down from ¥1.7 billion, due to an increase in depreciation and intensifying competition. Despite the recovery of PVDC compound exports to China, the newly launched production facility in Vietnam will result in increased cost levels.

Other Operations Division

Major product areas – construction related businesses

Other Operations Division sales were down 21% YoY to ¥10.5 billion, while the division recorded an operating loss of ¥300 million.

Environmental engineering businesses slow

Sales at environmental engineering businesses declined 38% YoY to ¥2.2 billion, as the slowdown in economic activity resulted in a drop in demand for industrial waste processing operations. In addition, intensifying market competition has also contributed to earnings deterioration.

Construction related businesses weaken

Sales at construction-related businesses declined by 9% YoY to ¥10.5 billion, primarily due to the completion of a large plant project during the previous interim period, suppressed capital expenditure levels, and an increasingly crowded market generating heightened competition.

Decline in logistics and warehousing activity

Sales for logistics and warehousing businesses were ¥5.2 billion; down from ¥6.6 billion in the previous year due to the slowdown in shipping activities. Profit levels, however, have been maintained thanks to cost reduction efforts.

Outlook: Overall divisional sales are expected to be ¥28.0 billion for the full fiscal year, down from ¥33.9 billion in the previous year, with the continued weak outlook for environmental engineering businesses a key contributing factor.

Consolidated capital expenditure, depreciation and R&D

	Sept. 2009	Sept. 2008	Fiscal 2009 (forecast)
Capital expenditure (Capex)	6.6	8.5	18.0
Depreciation	5.3	4.9	11.3
R&D	2.8	3.0	6.5
Interest-bearing debt	47.8	37.7	52.3

(¥ billion)

Capex from ¥8.5 billion to ¥6.6 billion during the half-year period, in part because capacity expansion efforts across all divisions have gradually reached completion. Capex is projected to be ¥18.0 billion for the full year. Depreciation for the period increased slightly from ¥4.9 billion to ¥5.3 billion; a trend that is expected to continue in the full-year results.

R&D expenditure was down slightly from ¥3.0 billion to ¥2.8 billion, but is projected to reach ¥6.5 billion for the full fiscal year. Interest-bearing debt has continued to increase, although this trend is in line with Kureha's expectations.

Outlook for the full year

(¥ million, except where stated)

	Fiscal 2009 (Forecasts)	Fiscal 2008	Change (%)
Sales	132,000	143,741	-8.2
Operating income	5,000	9,456	-47.1
Recurring income	4,500	8,650	-48.0
Net income	2,000	3,373	-40.7
Earnings per share (EPS) (¥)	11.16	18.75	-

The forecast for consolidated sales for the fiscal year ending March 2010 has been revised downward from ¥145.0 billion, announced in May, to ¥132.0 billion. This is primarily due to the continued difficult operating environment facing the carbon fiber businesses and the construction-related businesses, along with slow demand in the domestic environmental engineering businesses. Previous full year projections for operating income and recurring income have also been revised down to ¥5.0 billion and ¥4.5 billion, respectively. Net income is projected to be ¥2.0 billion.

PGA outlook

Kureha's expects its efforts to develop the business and market for PGA (polyglycolic acid) to begin demonstrating results in the near future. Following construction of a new U.S. production facility, commercial operations are due to commence this fall. The primary application for PGA will initially be PET bottles, where adding a layer of PGA can improve carbon dioxide retention for carbonated soft drinks and result in resource and cost savings.

For further information, please contact:

KUREHA CORPORATION
Public Relations Department
Tel. 03-3249-4651

Condensed interim balance sheets

As of 30 September 2009 and 2008

	¥ million	
	Sept. 2009	Sept. 2008
Assets		
Current assets	65,261	72,362
Cash and cash equivalents	7,480	5,633
Fixed assets	116,643	122,935
Property, plant and equipment	77,645	74,804
Intangible assets	882	1,226
Investments and other assets	38,115	46,904
Total Assets	181,904	195,298
Liabilities and Net Assets		
Current liabilities	46,924	57,444
Short-term borrowings	17,358	15,069
Fixed liabilities	37,395	32,968
Corporate bonds	15,000	15,000
Long-term borrowings	15,439	7,638
Total Liabilities	84,320	90,412
Net Assets		
Shareholders' equity	93,119	94,046
Minority interest	406	994
Total Net Assets	97,584	104,885
Total Liabilities and Net Assets	181,904	195,298

Condensed interim income statement

For the fiscal years ended 30 September 2009 and 2008

	¥ million	
	Sept. 2009	Sept. 2008
Sales	59,717	73,649
Cost of goods sold	44,957	52,992
Selling, general and administrative expenses	14,235	14,819
Operating income	523	5,837
Non-operating income	792	801
Non-operating expenses	910	1,168
Recurring income	405	5,470
Extraordinary gains	349	138
Extraordinary losses	413	1,802
Income before income taxes	341	3,806
Taxes and minority interest adjustments	330	1,703
Net income	11	2,102