

Fiscal 2015 Interim Results

(Period April 1 – September 30, 2015)

KUREHA CORPORATION

November 13, 2015

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1. **FY2015 Half-Year Results**

(April 1 – September 30, 2015)

- Sales contract 6%, Operating income down 13% YOY
 - Volume declines in pharmaceuticals, agrochemicals, packaging machinery and construction
 - Increased depreciation costs associated with PVDC and PVDF facilities
 - Continued PGA growth in shale oil/gas markets
- Unfavorable currency impact, decreased non-operating income

	FY2015 2Q	FY2014 2Q	% Change
Net Sales	688.6	734.5	-6.2%
Operating income	50.3	57.6	-12.6%
Recurring income	50.3	60.4	-16.7%
Net income	33.6	43.8	-23.4%
Total assets	2,474	2,357	--
Net assets	1,231	1,100	--
Earnings per share (yen)	19.53	25.51	--
Net assets per share (yen)	702.20	626.28	--
Equity ratio	48.8%	45.6%	--
Dividend per share (yen)	5.5	5.5	--

(in 100 million yen except per-share values)

Advanced Materials

In 100 million yen		FY2015 1H	FY2014 1H	% Change
Kureha Sales	Carbon products	30	32	-8%
	Advanced plastics	115	96	20%
	Other	1	3	-65%
Subsidiaries Sales	Carbon products (China)	8	11	-25%
	Battery materials	33	31	8%
	Other	119	114	5%
Consolidated adjustment		-119	-105	--
Kureha Group Sales Total		188	182	3%
Kureha Group Operating Income Total		1	-4	---

- Carbon products: Operating loss improved due to optimization despite lower sales volume
- Advanced plastics: PGA continued to perform strongly in shale oil/gas markets, more than offsetting lower PPS sales volume and increased depreciation cost for PVDF

Specialty Chemicals

In 100 million yen		FY2015 1H	FY2014 1H	% Change
Kureha Sales	Industrial chemicals	48	55	-11%
	Agrochemicals	36	52	-30%
	Pharmaceuticals	42	46	-8%
Subsidiaries Sales		39	44	-11%
Consolidated adjustment		-15	-18	---
Kureha Group Sales Total		151	178	-15%
Kureha Group Operating Income Total		24	33	-26%

- Industrial chemicals: Both organic and inorganic chemicals profits decreased on lower sales volumes
- Agrochemicals: Profits slide on lower Metconazole fungicides volumes
- Pharmaceuticals: Sales volume declined in competition with generic drugs

Specialty Plastics

In 100 million yen		FY2015 1H	FY2014 1H	% Change
Kureha Sales	Packaging materials	39	55	-30%
	Consumer products	91	91	0%
Subsidiaries Sales	Packaging materials (overseas)	62	61	3%
	Other	68	74	-9%
Consolidated adjustment		-40	-52	---
Kureha Group Sales Total		220	230	-4%
Kureha Group Operating Income Total		17	22	-24%

- Packaging materials: Packaging film performed firmly, but auto packing machine recorded a sharp drop in sales
- Consumer products: Profit decreased on flat Krewrap sales and increased depreciation cost for new PVDC plant

Construction

In 100 million yen		FY2015 1H	FY2014 1H	% Change
Subsidiaries Sales	Construction	98	120	-18%
Consolidated adjustment		-35	-47	---
Kureha Group Sales Total		63	74	-14%
Kureha Group Operating Income Total		3	4	-14%

- Post-quake reconstruction projects increased, but private construction projects declined

Other Operations

In 100 million yen		FY2015 1H	FY2014 1H	% Change
Subsidiaries Sales	Environmental engineering	44	46	-6%
	Logistics, transportation	47	49	-5%
	Trading	10	11	-4%
	Other	8	11	-19%
Consolidated adjustment		-43	-45	---
Kureha Group Sales Total		67	72	-7%
Kureha Group Operating Income Total		4	5	-21%

- Industrial waste treatment business slowed due to facility (incinerator) maintenance

(In 100 million yen)

	FY2015 1H	FY2014 1H	% Change
Capital expenditure	53	92	-43%
Depreciation	48	39	23%
R&D expenses	23	23	-2%
Interest-bearing debt	858	845	2%
Net interest expense	1	0	---
Exchange rate	¥121.87/\$1 ¥135.27/€1	¥103.04/\$1 ¥138.92/€1	---
Number of employees	4,140	4,159	0%

Extraordinary Income/Losses

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KUREHA CORPORATION

		(In 100 million yen)		
		FY2015 1H	FY2014 1H	Change
Extraordinary income	Gain on sales of investment securities	3.2	0.7	2.5
	Compensation income	0.4	0.4	-0.1
	Gain on transfer of business	--	--	--
	Others	0.1	0.1	0.0
	Total	3.6	1.2	2.4
Extraordinary losses	Loss on sales and retirement of noncurrent assets	2.4	1.7	0.7
	Loss on valuation of investment securities	--	--	--
	Others	0.3	0.1	0.2
	Total	2.7	1.8	0.9

(In 100 million yen)

		September 30 2015	March 31 2015	Change
Assets	Cash and cash equivalents	56	78	-22
	Accounts and notes receivable-trade	288	290	-2
	Inventories	330	328	3
	Other current assets	70	64	6
	Property, plant and equipment	1,231	1,232	-1
	Intangible assets	24	24	-0
	Investments and other assets	475	481	-6
	Total	2,474	2,497	-23
Liabilities and Net assets	Accounts and notes payable-trade	148	138	11
	Interest-bearing debt	858	866	-7
	Reserves	38	35	3
	Other liabilities	198	252	-54
	Capital stock	125	125	--
	Capital surplus	100	100	--
	Retained earnings	864	842	22
	Treasury stock	-44	-45	0
	Accumulated comprehensive income	163	160	3
	Subscription rights to shares	0	1	-0
	Minority interests	24	24	-0
	Total	2,474	2,497	-23

		FY2015 1H	FY2014 1H
Cash flow from operating activities	Pre-depreciation profit	99	99
	Increase/decrease in assets and liabilities	-14	-29
	Payments of corporation tax	-25	-25
	Other-net	-5	-4
Total		55	41
Cash flow from investing activities		-56	-103
Cash flow from financing activities		-21	51
Effect of exchange rate changes on cash and cash equivalents		0	-2
Increase/decrease in cash and cash equivalents		-22	-14
Cash and cash equivalents at beginning of year		78	87
Cash and cash equivalents at end of year		56	73

2. FY2015 Full-Year Forecasts

(April 1, 2015 – March 31, 2016)

In 100 million yen	FY2016	FY2015	% 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 and Krewrap
- Continuing cost control and savings
- Lack of pharmaceuticals-related onetime income
- Depreciation costs related to new PVDC and PVDF facilities to increase
- No foreign exchange translation gains/losses expected
- Extraordinary losses around ¥1.7B including losses on fixed asset retirements

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)	19	19	0%
	Battery materials	78	61	28%
	Other	288	241	19%
Consolidated adjustment		-280	-227	--
Kureha Group Sales Total		435	362	20%
Kureha Group Operating Income Total		21	4	378%

- Carbon products will further improve operating loss with higher price and optimization
- Advanced plastics:
 - PGA is expected to turn profitable on growing demand in shale fields (as a material to promote cost and yield improvements)
 - PPS demand is likely to continue for automobile
 - PVDF profit will slide due to depreciation cost increases, despite volume growth in LiB and other industrial markets

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 will secure profit through fuels/raw materials cost management
- Agrochemicals will focus on *Metconazole* volume growth, responding to market demand
- Pharmaceuticals profit is likely to decrease reflecting the absence of onetime income as well as advancement of competitive 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 will secure profit by globally expanding heat-shrink multilayer films sales and offset volume decline in auto packing machinery
- In Consumer products, profit growth is aimed through continuing value promotion for Krewrap while paying off depreciation cost increase

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%

- Fewer construction projects, increased labor and materials costs

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%

- Growing micro PCB treatment businesses but increased facility enhancement costs

(In 100 million yen)

	FY2015e	FY2014	% Change
Capital expenditure	160	176	-9%
Depreciation	100	83	21%
R&D expenses	57	50	15%
Interest-bearing debt	897	866	4%
Net interest expense	-2	-0	---
Exchange rate	(2 nd half) ¥120/\$1 ¥135/€1	¥109.90/\$1 ¥138.84/€1	---
Number of Employees	4,146	4,123	1%

		FY2015e	FY2014
Cash flow from operating activities	Pre-depreciation profit	208	219
	Increase/decrease in assets and liabilities	-50	-63
	Payments of corporation tax	-28	-41
	Other-net	13	11
Total		143	125
Cash flow from investing activities		-154	-188
Cash flow from financing activities		10	50
Effect of exchange rate changes on cash and cash equivalents		--	4
Increase/decrease in cash and cash equivalents		-1	-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 consolidated subsidiaries' merger with unconsolidated subsidiaries		--	0
Cash and cash equivalents at end of year		76	78

3. Consolidated Companies

		FY2015 1H		FY2014 1H		Change	
		Net sales	Total assets	Net sales	Total assets	Net sales	Total assets
Kureha Corporation		402	1,951	429	1,845	-27	106
Kureha Trading Group (2)		124	119	145	133	-21	-14
Advanced Materials	Kureha Corporation	146	--	131	--	15	--
	Kureha Trading Group (2)	39	--	52	--	-13	--
	Kureha Extron Co.	12	25	10	20	2	5
	Kureha Extech Co.	13	30	11	25	2	5
	Kureha Battery Materials Japan Co. (2)	33	38	31	47	3	-9
	Kureha GmbH	8	11	8	12	-0	-1
	Kureha America Group (4)	23	291	31	296	-8	-5
	Kureha Chemicals Shanghai Co.	8	37	11	36	-3	1
	Kureha China Group (3)	25	158	1	133	23	25
	Consolidation adjustments	-119	--	-105	--	-14	--
Total		188	--	182	--	6	--
Specialty Chemicals	Kureha Corporation	127	--	152	--	-25	--
	Kureha Trading Co.	39	--	44	--	-5	--
	Consolidation adjustments	-15	--	-18	--	3	--
	Total	151	--	178	--	-27	--
Specialty Plastics	Kureha Corporation	130	--	146	--	-16	--
	Kureha Trading Co.	36	--	39	--	-3	--
	Kureha Gohsen Co.	19	35	19	33	-1	2
	Kureha China Group (3)	3	--	10	--	-7	--
	Kureha America Group (4)	11	--	7	--	4	--
	Kureha Europe Group (4)	45	68	44	67	1	1
	Kureha Vietnam Co.	17	47	17	47	0	-0
	Consolidated adjustments	-40	--	-52	--	12	--
Total		220	--	230	--	-10	--

		FY2015 1H		FY2014 1H		Change	
		Net sales	Total assets	Net sales	Total assets	Net sales	Total assets
Construction	Kureha Nishiki Group (4)	80	97	94	107	-14	-10
	Kureha Engineering Co.	18	28	26	29	-8	-1
	Consolidation adjustments	-35	--	-47	--	12	--
	Total	63	--	74	--	-10	--
Other Operations	Kureha Ecology Management Co.	37	75	40	77	-2	-2
	Kureha Special Laboratory Co.	6	7	7	6	-0	1
	Kureha Unyu Group (7)	47	60	49	60	-2	0
	Kureha Trading Co.	10	--	11	--	-0	--
	Kureha Service Co.	3	9	3	8	0	1
	Kureha Staff Service Co.	6	6	8	6	-2	-0
	Consolidation adjustments	-43	--	-45	--	2	--
Total	67	--	72	--	-5	--	
[Total Number of Consolidated Subsidiaries]		[37]		[37]			0
Consolidation Total		689	--	735	--	-46	--
Equity-method affiliates	Nangtong SKT New Material Co.	21	--	16	--	5	--

*Parenthesized numbers indicate the number of subsidiaries in the group

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