



## Kureha Corporation Reports Fiscal 2016 Results

*This report has been prepared in accordance with International Financial Reporting Standards (IFRS), which Kureha adopted from FY2016.*

**Tokyo, Japan – May 2017** – Kureha Corporation (“Kureha”), a leading global supplier of specialty chemicals and plastics, has reported its results for the fiscal year ended March 31, 2017 (FY2016). On a consolidated basis, sales decreased by 6.0% year-on-year to 132.3 billion yen, while operating income increased by 25.3% to 9.3 billion yen. Income before income tax rose 36.5% to 9.0 billion yen, resulting in a 43.4% increase in net income attributable to the owners of Kureha to 7.0 billion yen.

Yutaka Kobayashi, President and Chief Executive Officer, said, “In FY2016, Kureha’s business environment was affected by global factors such as a slowdown in China, the Brexit situation in the EU and uncertainty in the US, as well as by the appreciating yen. However, earnings received a significant boost from continued strong performance in the Specialty Plastics segment, which counteracted lower volumes in Advanced Materials, Specialty Chemicals and Construction. Our results also benefited from a 2.6 billion yen reduction in temporary expenses set aside for group-wide structural reform.”

In Advanced Materials, demand continued to be strong for polyvinylidene fluoride (PVDF), a key binder material for lithium-ion batteries for which Kureha holds a global market share of 50%. Demand is largely driven by the growing global market for electric and plug-in hybrid electric vehicles, a trend that will transform the automotive industry in years to come, and Kureha is now expanding capacity at its Iwaki Plant in Japan.

In the polyglycolic acid (PGA) business, FY2016 results were temporarily affected by a delay in the expected demand recovery and by the realignment of Kureha’s strategy toward the North American shale oil and gas extraction market, where the company long depended on a business partner for access. The start of operations in early 2017 of Kureha Energy Solutions LLC, a Texas-based joint venture between Kureha and JGC Corporation, gave Kureha direct market access and drastically improved its ability to deliver differentiated solutions to customer needs. Over June and July, Kureha Energy Solutions will be field testing a new range of PGA-based downhole tools that have been designed and developed by Kureha.

The underlying market trends are promising. The turn-around in crude oil prices seen since mid-2016 has benefited the US shale oil industry, which after a year of consolidation is now more efficient and technologically adept than ever. With US oil production becoming increasingly dependent on shale oil, analysts predict a strong outlook for the sector.

Mr. Kobayashi commented, “Kureha is now able to offer frac plug solutions with a totally different level of added value. We are, in short, at the right place at the right time with the right product, and we forecast a strong return to growth for the PGA business in the coming fiscal year. Importantly, the development of these tools is already feeding into our broader R&D efforts, bringing us new seeds of innovation.”

### Summary of Consolidated Full-year Results

(Billions of yen, except where stated)

	March 2016	March 2017	Change (%)
Sales	140.8	132.3	-6.0
Operating income	7.4	9.3	25.3
Income before income tax	6.6	9.0	36.5
Net income	4.9	7.0	43.4
Earnings per share (yen)	284.05	407.38	-
ROE (%)	4.1%	5.8%	-
ROA (%)	2.7%	3.8%	-

### Performance by Segment

#### Consolidated Performance by Segment

(Billions of yen)

Segment		March 2016	March 2017
Advanced Materials	Sales	35.6	33.4
	Operating income (loss)	1.4	0.1
Specialty Chemicals	Sales	30.6	25.9
	Operating income (loss)	4.8	2.5
Specialty Plastics	Sales	42.3	42.8
	Operating income (loss)	3.2	5.0
Construction	Sales	16.2	13.9
	Operating income (loss)	1.5	1.0
Other Operations	Sales	16.1	16.3
	Operating income (loss)	1.5	1.7
<b>Segment total</b>	<b>Sales</b>	<b>140.8</b>	<b>132.3</b>
	<b>Operating income (loss)</b>	<b>12.4</b>	<b>10.4</b>
Adjustments		-5.0	-1.1
<b>Total</b>	<b>Sales</b>	<b>140.8</b>	<b>132.3</b>
	<b>Operating income (loss)</b>	<b>7.4</b>	<b>9.3</b>

## **Advanced Materials Segment**

*Major product areas: advanced plastics (PPS, PVDF, PGA), carbon materials*

Advanced Materials segment sales fell 6.2% year-on-year to 33.4 billion yen while operating income decreased to 0.1 billion yen.

### **Advanced plastics: Continued growth for PVDF, temporary slowdown for PGA**

While PVDF resin for use in lithium-ion battery binders continued to perform well on the back of solid demand for automotive applications, this growth was offset by slow sales of PPS resin and the impact of Kureha's strategy realignment in North America in the PGA business.

### **Carbon materials: Production optimizations narrow operating loss**

Sales decreased for both carbon fiber and special carbon materials, mainly due to Kureha's shift to a profitability strategy based on higher pricing. However, efforts to optimize and streamline production systems, alongside continued cost reductions, further narrowed the operating loss.

**Outlook:** Advanced Materials segment sales are forecast to increase by 23% to 41.0 billion yen in FY2017. Operating income will make a solid recovery, rising to 3.0 billion yen from 0.1 billion yen. These results will primarily be driven by the advanced plastics business, in which a new business structure for PGA solutions will begin to perform in earnest following the completion of our strategy realignment in North America. Additionally, Kureha foresees continued solid demand for PVDF lithium-ion battery binder materials for automotive applications, as well as improved performance for PPS. In carbon products, pricing adjustments and cost reductions will further improve operating income, despite lower sales volumes.

## **Specialty Chemicals Segment**

*Major product areas: industrial chemicals, agrochemicals, pharmaceuticals*

Specialty Chemicals sales fell by 15.5% year-on-year to 25.9 billion yen from 30.6 billion yen while operating income decreased by 46.7% to 2.5 billion yen. Segment results were particularly affected by slower performance in the pharmaceuticals business.

## **Pharmaceuticals / agrochemicals: Earnings fall due to lower sales volumes**

Earnings in the pharmaceuticals business were mainly impacted by mandatory drug price revisions, stiffening competition from government-promoted generic drugs, and slower sales of *Kremezin*, a therapeutic agent for chronic kidney disease. In agrochemicals, inventory adjustments and continuing low market prices for agricultural produce impacted on fungicide demand, with more farmers opting to not add fungicide to their crop protection.

## **Industrial chemicals: Decreased sales and income**

Lower raw material prices for organic and inorganic chemicals necessitated lower product pricing, resulting in decreases in sales and operating income.

**Outlook:** Specialty Chemicals segment sales are projected to increase by 2% in FY2017 to 26.5 billion yen. Operating income is forecast to rise 2.0% to 2.6 billion yen. Kureha expects this growth to be driven by a strong recovery in the sales of agrichemicals and horticultural fungicides following the end of inventory adjustments in the market, offsetting a continued sales decline in pharmaceuticals mainly caused by competition from generic drugs. In industrial chemicals, sales will remain at a level similar to FY2016, but product price increases will improve operating income slightly.

## **Specialty Plastics Segment**

*Major product areas: household packaging products, food packaging materials, auto-packaging machinery*

Specialty Plastics segment sales rose slightly from 42.3 billion yen to 42.8 billion yen while operating income increased by 56.4% to 5.0 billion yen. The results were mainly driven by strong growth in the consumer products business.

## **Consumer products: Continued strong performance for *NEW Krewrap* and *Seaguar***

In consumer products, both *NEW Krewrap* wrapping film and *Seaguar* fishing lines continued their robust performance, leading to increases in both sales and income for this business. This growth, underpinned by expanding sales of high-margin *NEW Krewrap* products, contributed significantly to Kureha's overall results for FY2016.

## **Food packaging materials: Cost reductions offset slower sales of heat-shrink film**

Sales of high-performance heat-shrinkable multilayer film declined. However, continued cost reduction efforts produced a slight increase in operating income.

**Outlook:** Specialty Plastics segment sales are expected to improve slightly to 43.0 billion yen. Operating income is forecast to fall 18% to 4.1 billion yen. This is mainly due to increased marketing costs in the consumer products business, which is expected to affect operating income despite continued growth in the sales volumes of *NEW Krewrap*. In food packaging materials, we forecast increased sales and operating income driven by global sales volume growth of heat-shrink film.

## **Construction and Other Operations**

*Major product areas: construction, environmental engineering, transport/warehousing, and trading-related businesses*

### **Construction: Slowdown in both private and public construction projects**

The construction business was affected by a slowdown in private construction projects as well as declining demand for earthquake reconstruction, alongside higher labor and material costs. As a result, sales fell by 14.1% to 13.9 billion yen while operating income decreased by 33.2% to 1.0 billion yen.

### **Other Operations: Growth in micro-PCB waste treatment, continued cost reductions**

Kureha's environmental engineering business continued to perform steadily, driven by further volume growth in the micro-PCB (polychlorinated biphenyls) waste treatment business. In the logistics business, sales slowed but successful cost reduction measures boosted operating income. In the hospital business, Kureha successfully narrowed the operating loss through increased sales and cost reductions. As a result, sales increased slightly to 16.3 billion yen while operating income rose from 1.5 billion yen to 1.7 billion yen.

**Outlook:** While sales in the Construction business are projected to grow 4% to 14.5 billion yen due to an increase in both public and private projects, operating income is expected to fall to 0.6 billion yen as a result of higher labor and material costs.

Sales in Other Operations are estimated to increase 4% to 17.0 billion yen due to continued demand for micro-PCB waste treatment services in the environmental engineering business. However, due to worsening market competition, operating income is projected to fall 30% to 1.2 billion yen.

## FY2017 Outlook

(Billions of yen, except where stated)

	March 2017	March 2018	Change (%)
Sales	132.3	142.0	7.3
Operating income	9.3	11.0	18.8
Income before income tax	9.0	11.0	22.5
Net income	7.0	8.4	20.0
Earnings per share (yen)	407.38	488.8	-

While uncertainties will persist in the global economy and in the Japanese domestic market, FY2017 is forecast to be a strong year for Kureha. The Advanced Materials segment is expected to make a particularly strong recovery, with marked rises in sales and operating income. This growth will be driven primarily by accelerated market development and sales expansion of high-margin processed PGA resin products for the North American shale oil and gas extraction market.

Other segments are also expected to see sales increases across the board, although segment-specific factors will impact on operating income in Specialty Plastics, Construction and Other Operations.

As a result of the above business developments, and due to Kureha's continuing drive to reduce costs and enhance operational efficiency, sales are forecast to rise by 7.3% to 142.0 billion yen and operating income to increase 18.8% to 11.0 billion yen. Net income is forecast to improve by 20% to 8.4 billion yen.

## Capex, Depreciation, R&D and Debt

(Billions of yen)

	March 2016	March 2017	March 2018
Capital expenditure	11.4	10.3	14.0
Depreciation	10.3	10.2	10.5
R&D	4.9	4.7	5.5
Interest-bearing debt	81.2	71.0	58.6

Capital expenditure in FY2016 decreased year-on-year to 10.3 billion yen. Kureha focused capital expenditure mainly on upgrading facilities at the Iwaki Plant related to PVDF and PPS production. In FY2017, we aim to increase capital expenditure to 14.0 billion yen to boost PVDF production and to develop advanced production processes for existing products. Depreciation, mainly related to new production facilities, fell slightly from 10.3 billion yen to 10.2 billion yen year-on-year, and will remain at a similar level in FY2017.

R&D spending decreased slightly from 4.9 billion yen to 4.7 billion yen. However, in FY2017, we forecast an increase in R&D spending to 5.5 billion yen. This investment will be aimed at improving existing products and processes, as well as developing new “seeds” for research into next-generation products that will ensure Kureha’s long-term growth.

Interest-bearing debt fell to 71.0 billion yen in FY2016, mainly due to a Fukushima Recovery Initiative subsidy amounting to 7.8 billion yen. In FY2017, we expect to drastically lower interest-bearing debt to 58.6 billion yen on the assumption that 15.0 billion yen in Kureha convertible bonds due 4Q FY2017 will be fully converted to shares of common stock.

\*\*\*\*\*

## Condensed Consolidated Balance Sheets

As of March 31, 2016 and 2017  
(Millions of yen)

	March 2016	March 2017
<b>Assets</b>		
Current assets	72,894	75,272
Cash and cash equivalents	6,695	6,222
Noncurrent assets	166,913	159,634
Property, plant and equipment	124,987	115,911
Intangible assets	1,666	1,395
Investments and other assets	40,258	42,326
<b>Total assets</b>	<b>239,807</b>	<b>234,907</b>
<b>Liabilities and net assets</b>		
Current liabilities	69,578	80,672
Short-term borrowings	33,986	46,689
Fixed liabilities	50,788	28,261
Corporate bonds and Long-term borrowings	46,324	23,562
<b>Total liabilities</b>	<b>120,366</b>	<b>108,934</b>
<b>Net assets</b>		
Shareholders' equity	118,177	124,297
Minority interest	1,263	1,674
<b>Total net assets</b>	<b>119,440</b>	<b>125,972</b>
<b>Total liabilities and net assets</b>	<b>239,807</b>	<b>234,907</b>

## Condensed Consolidated Statement of Income

As of March 31, 2016 and 2017  
(Millions of yen)

	March 2016	March 2017
<b>Sales</b>	<b>140,779</b>	<b>132,294</b>
Cost of goods sold	102,064	96,791
Selling, general and administrative expenses	28,056	26,632
<b>Operating income</b>	<b>7,384</b>	<b>9,255</b>
<b>Income before income taxes</b>	<b>6,580</b>	<b>8,981</b>
Taxes and minority interest adjustments	1,762	1,874
<b>Net income</b>	<b>4,881</b>	<b>7,001</b>



# FY2016 Financial Results

**KUREHA CORPORATION**

May 12, 2017

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

(April 1, 2016 – March 31, 2017)

(in billion yen )	FY2015	<b>FY2016</b>	Change
Net sales	140.8	<b>132.3</b>	-6.0%
Operating income	7.4	<b>9.3</b>	25.3%
Income before income tax	6.6	<b>9.0</b>	36.5%
Net income attributable to owners of Kureha	4.9	<b>7.0</b>	43.4%
ROE	4.1%	<b>5.8%</b>	
ROA	2.7%	<b>3.8%</b>	
ROS	5.2%	<b>7.0%</b>	
Dividend per share	¥110.0	<b>¥110.0</b>	

## FY2016 vs. FY2015

- Net sales declined due to lower volumes in Specialty Chemicals, Advanced Materials and Construction
- Higher operating income driven by Specialty Plastics and reduced expenditures including restructuring cost
- Higher income before income tax partly attributable to lower financial expenses

Note:

ROE=Net income attributable to owners of Kureha/Equity attributable to owners of Kureha

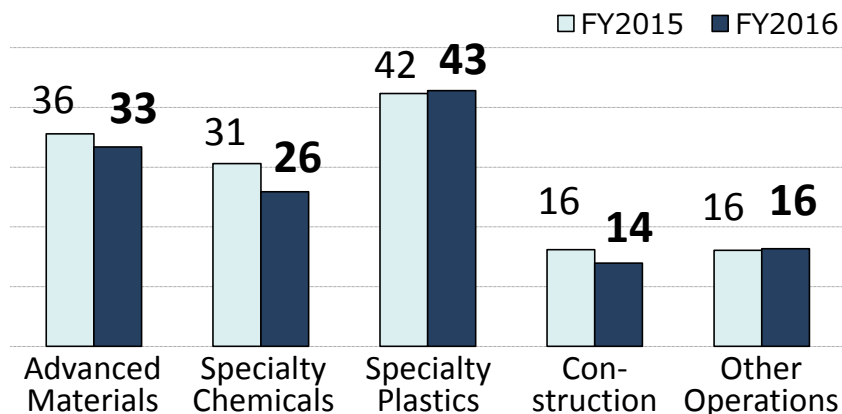
ROA=Income before income tax/Total asset

ROS=Income before income tax/Net sales

Dividend per share has been calculated based on a post-consolidation common share basis, effective October 1, 2016

(in billion yen)

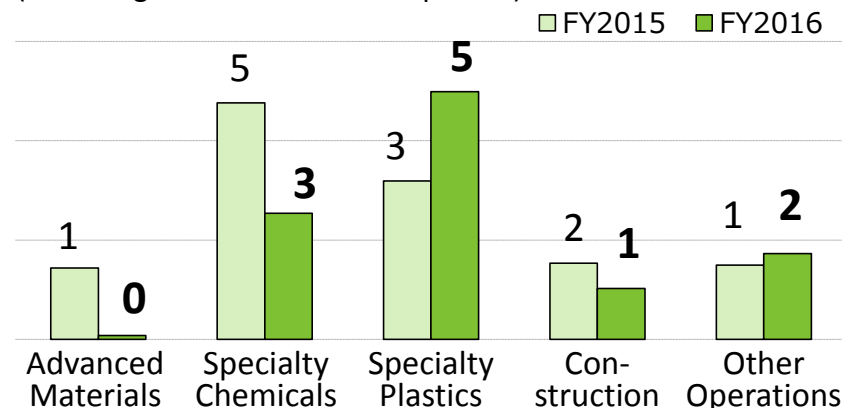
## Sales



**FY2015: ¥140.8B    FY2016: ¥132.3B**

## Operating income

(excluding other income and expenses)



**FY2015: ¥12.4B    FY2016: ¥10.4B**

### Factors affecting FY2016 Segment Operating Income:

- Advanced Materials: Weak performance of PPS and PGA, more than offsetting growth in PVDF and carbon products
- Specialty Chemicals: Lower volumes in Pharmaceuticals and Agrochemicals, a negative impact of the mandatory drug price revisions
- Specialty Plastics: Steady growth of Home products and Fishing lines businesses
- Construction: Fewer construction projects in both public and private sectors
- Other Operations: Steady growth of Environmental engineering, reduced operational cost in Logistics

# FY2016 Highlights

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KUREHA CORPORATION

<b>FY2015</b>	Advanced Materials	Specialty Chemicals	Specialty Plastics	Construction	Other Operations	Segment Total	Adjustment	Group Total
Net sales	35.6	30.6	42.3	16.2	16.1	140.8		140.8
Adjustment							-0.1	
Other income							0.9	
Other expenses	<i>Includes ¥4.5B restructuring cost and ¥1.1B loss on retirement of noncurrent assets</i>						5.9	
Operating income	1.4	4.8	3.2	1.5	1.5	12.4	-5.0	7.4
Financial income							0.8	
Financial expenses	<i>Includes ¥0.9B loss on currency transaction</i>						1.6	
Income before income tax								6.6
Net income attributable to Kureha								4.9

<b>FY2016</b>	Advanced Materials	Specialty Chemicals	Specialty Plastics	Construction	Other Operations	Segment Total	Adjustment	Group Total
Net sales	33.4	25.9	42.8	13.9	16.3	132.3		132.3
Adjustment							0.1	
Other income	<i>Includes ¥1B subsidy income</i>						1.4	
Other expenses	<i>Includes ¥1.9B business withdrawal/restructuring costs and ¥0.5B loss on retirement of noncurrent assets</i>						2.6	
Operating income	0.1	2.5	5.0	1.0	1.7	10.4	-1.1	9.3
Financial income							0.6	
Financial expenses							0.9	
Income before income tax								9.0
Net income attributable to Kureha								7.0

## Other Income and Expenses

### FY2015

**Other income**      **¥0.9 billion**

Subsidy income: ¥0.2b

\*Subsidy for Fukushima Recovery Initiative

Compensation received: ¥0.2b

Other: ¥0.5b

**Other expenses**      **¥5.9 billion**

Loss on reduction of noncurrent assets: ¥1.1b

Restructuring cost: ¥4.5b

\*Related to LiB anode materials, carbon fiber and PV battery backsheet businesses

Other: ¥0.2b

### FY2016

**Other income**      **¥1.4 billion**

Subsidy income: ¥1.0b

\*Deducting ¥6.9b for reduced value of related noncurrent assets from ¥7.8b subsidy for Fukushima Recovery Initiative

Other: ¥0.4b

**Other expenses**      **¥2.6 billion**

Loss on reduction of noncurrent assets: ¥0.5b

Restructuring cost: ¥1.2b

\*Related to advanced materials processed products and carbon fiber businesses

Loss on business withdrawal: ¥0.7b

\*Krestin (pharmaceuticals) business\*

Other: ¥0.2b

\* Interim measures for the discontinuance of Krestin production, as set by the Pharmaceutical Affairs Act, are effective until the end of March 2018

## Advanced Materials

(in billion yen)

	FY2015	FY2016	Change
Sales			
Advanced plastics	21.4	19.4	-9%
Carbon products	5.2	4.1	-21%
Other	0.4	0.3	-23%
Non-consolidated sales total	27.0	23.9	-12%
Subsidiaries sales total	32.9	24.3	-26%
Adjustment	-24.3	-14.8	--
<b>Kureha Group sales</b>	<b>35.6</b>	<b>33.4</b>	<b>-6%</b>
<b>Kureha Group operating income</b>	<b>1.4</b>	<b>0.1</b>	<b>-95%</b>

- Advanced Plastics declined due to lower volumes in PGA (for oil/gas extraction) and PPS (bag filter), despite PVDF volume growth (LiB applications)
- Carbon Products operating loss narrowed on lower sales, thanks to improved cost management



## Specialty Chemicals

(in billion yen)

	FY2015	FY2016	Change
Sales			
Agrochemicals	9.5	7.2	-24%
Pharmaceuticals	7.4	5.6	-25%
Industrial chemicals	9.5	8.8	-8%
Non-consolidated sales total	26.3	21.5	-18%
Subsidiaries sales total	7.6	6.9	-10%
Adjustment	-3.3	-2.5	--
<b>Kureha Group sales</b>	<b>30.6</b>	<b>25.9</b>	<b>-16%</b>
<b>Kureha Group operating income</b>	<b>4.8</b>	<b>2.5</b>	<b>-47%</b>

- Agrochemicals declined on lower volumes in fungicides
- Pharmaceuticals declined with a negative impact of mandatory drug price revisions and a volume decrease in Kremezin (therapeutic medicine for chronic kidney failure)
- Industrial chemicals declined on weak volumes in both organic and inorganic chemicals

## Specialty Plastics

(in billion yen)

	FY2015	FY2016	Change
Sales			
Home products	18.5	19.5	6%
Packaging materials	8.0	7.0	-13%
<b>Non-consolidated sales total</b>	<b>26.5</b>	<b>26.5</b>	<b>-0%</b>
Packaging materials (overseas)	12.5	11.1	-12%
Fiber products	3.6	3.7	5%
Other	7.1	6.9	-3%
<b>Subsidiaries sales total</b>	<b>23.1</b>	<b>21.6</b>	<b>-6%</b>
Adjustment	-7.3	-5.4	--
<b>Kureha Group sales</b>	<b>42.3</b>	<b>42.8</b>	<b>1%</b>
<b>Kureha Group operating income</b>	<b>3.2</b>	<b>5.0</b>	<b>56%</b>

- Home Products improved on volume growth in 'NEW Krewrap' (home-use wrap film) and 'Seaguar' (fishing lines), as well as expansion of high-margin NEW Krewrap products
- Packaging Materials sales decreased due to lower heat-shrink film volumes, but operating income improved slightly on reduced cost

# Segment Performance

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(in billion yen)

	FY2015	FY2016	Change
<b>Construction</b>			
Sales			
Construction	24.6	21.2	-14%
Adjustment	-8.4	-7.2	--
<b>Kureha Group sales</b>	<b>16.2</b>	<b>13.9</b>	<b>-14%</b>
<b>Kureha Group operating income</b>	<b>1.5</b>	<b>1.0</b>	<b>-33%</b>
<b>Other Operations</b>			
Sales			
Environmental engineering	9.9	10.2	4%
Logistics	8.9	8.5	-5%
Hospital operations	3.6	3.6	1%
Other	1.7	1.8	4%
<b>Subsidiaries sales total</b>	<b>24.1</b>	<b>24.1</b>	<b>0%</b>
Adjustment	-8.0	-7.8	--
<b>Kureha Group sales</b>	<b>16.1</b>	<b>16.3</b>	<b>2%</b>
<b>Kureha Group operating income</b>	<b>1.5</b>	<b>1.7</b>	<b>15%</b>

- Construction declined due to fewer construction projects in both public and private sectors

- Environmental engineering continued steady growth
- Logistics operating income improved on reduced cost despite slower sales
- Hospital operations narrowed operating loss on higher sales and by improved cost management

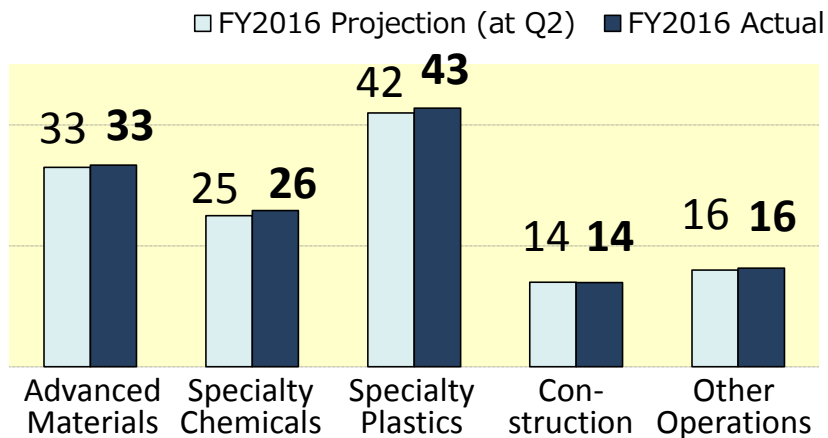
# Difference from FY2016 Projection (announced at FY2016 2Q)

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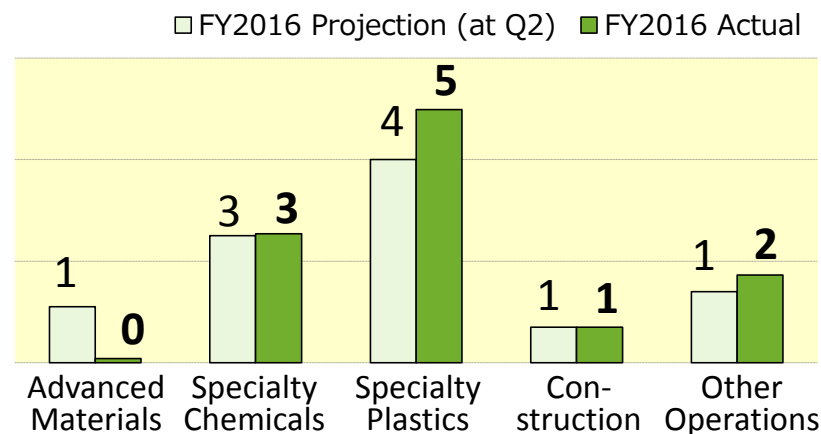
(in billion yen )

## Sales



**Projection: ¥130B Actual: ¥132.3B**

## Operating income\*excluding other income and expenses



**Projection: ¥9.7B Actual: ¥10.4B**

### Segment Operating Income: FY2016 Actual vs. Projection

- Advanced Materials: Failed expectations due to delayed market development for PGA after strategic changes and increasing competition for PPS
- Specialty Chemicals: Pharmaceuticals and Agrochemicals performed as expected.
- Specialty Plastics: Outperformed with more-than-expected growth of Home products while Packaging materials business fell behind
- Construction: Outperformed slightly owing to reduced cost
- Other Operations: Outperformed due to increased sales in high-margin Environmental engineering business

# Difference from FY2016 Projection (announced at FY2016 2Q)

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<b>FY2016 Projection (at Q2)</b>	Advanced Materials	Specialty Chemicals	Specialty Plastics	Con- struction	Other Operations	Segment Total	Adjustment	Group Total
Net sales	33.0	25.0	42.0	14.0	16.0	130.0		130.0
Adjustment							0.0	
Other income	<i>Includes ¥7.8B subsidy income</i>						8.0	
Other expenses	<i>Includes ¥6.9B loss on retirement and ¥1.5B loss on reduction of noncurrent assets</i>						8.7	
Operating income	1.1	2.5	4.0	0.7	1.4	9.7	-7.0	9.0
Financial income							0.6	
Financial expenses							1.1	
Income before income tax								8.5
Net income attributable to Kureha								6.5

<b>FY2016</b>	Advanced Materials	Specialty Chemicals	Specialty Plastics	Con- struction	Other Operations	Segment Total	Adjustment	Group Total
Net sales	33.4	25.9	42.8	13.9	16.3	132.3		132.3
Adjustment							0.1	
Other income	<i>Includes ¥1B subsidy income</i>						1.4	
Other expenses	<i>Includes ¥1.9B business withdrawal/restructuring costs and ¥0.5B loss on retirement of noncurrent assets</i>						2.6	
Operating income	0.1	2.5	5.0	1.0	1.7	10.4	-1.1	9.3
Financial income							0.6	
Financial expenses							0.9	
Income before income tax								9.0
Net income attributable to Kureha								7.0

# Key Indicators

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(in billion yen)

	FY2015			FY2016			Change YOY
	1H	2H	Full year	1H	2H	Full year	
Capital expenditure	5.4	6.0	<b>11.4</b>	4.8	5.5	<b>10.3</b>	-10%
Depreciation	5.0	5.4	<b>10.3</b>	5.1	5.1	<b>10.2</b>	-1%
R&D expenses	2.3	2.6	<b>4.9</b>	2.2	2.5	<b>4.7</b>	-4%
Interest-bearing debt	87.7	81.2	<b>81.2</b>	77.8	71.0	<b>71.0</b>	-13%

(Currency exchange rates)

1USD:	Term average	¥121.9	¥118.4	<b>¥120.1</b>	¥105.2	¥111.5	<b>¥108.3</b>
	Term end	¥120.0	¥112.7	<b>¥112.7</b>	¥101.1	¥112.2	<b>¥112.2</b>
1EUR:	Term average	¥135.1	¥130.1	<b>¥132.6</b>	¥118.0	¥119.5	<b>¥118.7</b>
	Term end	¥135.0	¥127.7	<b>¥127.7</b>	¥113.4	¥119.8	<b>¥119.8</b>
1CHY:	Term average	¥19.5	¥18.3	<b>¥18.9</b>	¥15.9	¥16.3	<b>¥16.1</b>
	Term end	¥19.0	¥17.4	<b>¥17.4</b>	¥15.1	¥16.3	<b>¥16.3</b>

(in billion yen)

## Assets

	Mar. 31 2016	Mar. 31 2017	Change
Cash and cash equivalents	6.7	6.2	-0.5
Accounts and notes receivable-trade	30.9	29.4	-1.5
Inventories	33.1	36.5	3.4
Other current assets	2.2	3.2	1.0
<b>Current assets total</b>	<b>72.9</b>	<b>75.3</b>	<b>2.4</b>
Property, plant and equipment	125.0	115.9	-9.1
Intangible assets	1.7	1.4	-0.3
Investments and other assets	40.3	42.3	2.1
<b>Noncurrent assets total</b>	<b>166.9</b>	<b>159.6</b>	<b>-7.3</b>
<b>Assets total</b>	<b>239.8</b>	<b>234.9</b>	<b>-4.9</b>

## Liabilities and Net Assets

	Mar. 31 2016	Mar 31 2017	Change
Accounts and notes payable-trade	19.8	20.4	0.6
Interest-bearing debt	81.2	71.0	-10.2
Reserves	6.3	6.1	-0.2
Other liabilities	13.0	11.4	-1.6
<b>Liabilities total</b>	<b>120.4</b>	<b>108.9</b>	<b>-11.4</b>
Capital stock	12.5	12.5	0.0
Capital surplus	9.4	9.4	0.0
Treasury stock	-4.5	-4.5	0.0
Retained earnings	95.7	101.7	6.0
Other equities	5.0	5.1	0.1
Minority interests	1.3	1.7	0.4
<b>Net assets total</b>	<b>119.4</b>	<b>126.0</b>	<b>6.5</b>
<b>Liabilities and Net assets total</b>	<b>239.8</b>	<b>234.9</b>	<b>-4.9</b>

(in billion yen)

		FY2015	FY2016	Change
Cash flow from operating activities	Income before income tax	6.6	9.0	2.4
	Depreciation	10.3	10.2	-0.1
	Other	-2.4	-6.8	-4.5
		<b>14.6</b>	<b>12.4</b>	<b>-2.2</b>
Cash flow from investing activities		<b>-6.0</b>	<b>-1.1</b>	<b>5.0</b>
Cash flow from financing activities		<b>-9.9</b>	<b>-11.7</b>	<b>-1.8</b>
Effect of exchange rate changes on cash and cash equivalents		0.2	-0.0	-0.2
Increase/decrease in cash and cash equivalents		-1.2	-0.5	0.7
Cash and cash equivalents at beginning of year		7.9	6.7	-1.2
Cash and cash equivalents at end of year		6.7	6.2	-0.5



## 2. FY2017 Outlook

(April 1, 2017 – March 31, 2018)

(in billion yen)

	FY2016	FY2017			Change YOY
		1H	2H	Full-year	
Net sales	132.3	66.0	76.0	142.0	7.3%
Operating income	9.3	5.0	6.0	11.0	18.9%
Income before income tax	9.0	5.0	6.0	11.0	22.5%
Net income attributable to owners of Kureha	7.0	4.0	4.4	8.4	20.0%
EPS	¥407.4			¥488.8	
Dividend per share	¥110.0			¥110.0	
Dividend ratio	27.0%			22.5%	
# Employees	4,426			4,492	

## FY2017e vs. FY2016

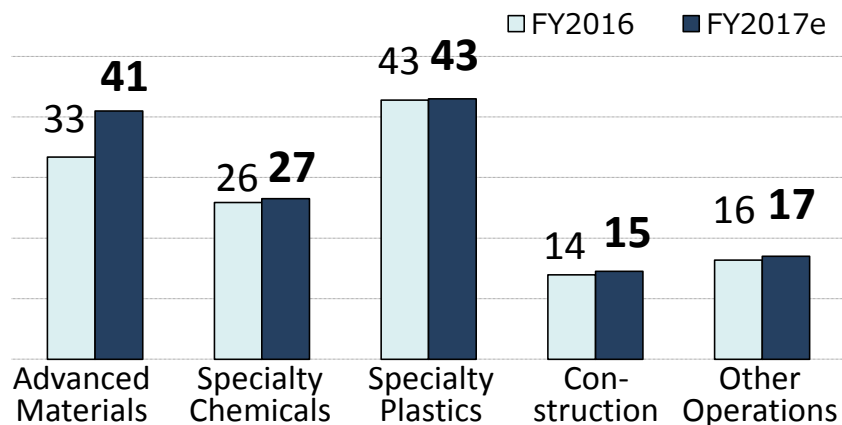
- Net sales to increase largely by the growth of Advanced Materials
- Operating income to improve with robust growth of PGA and other products in Advanced Materials
- Overall 20% improvement in net income projected by enhancing core business operations

Note:

EPS and per-share dividend have been calculated based on a post-consolidation common share basis, effective October 1, 2016

(in billion yen)

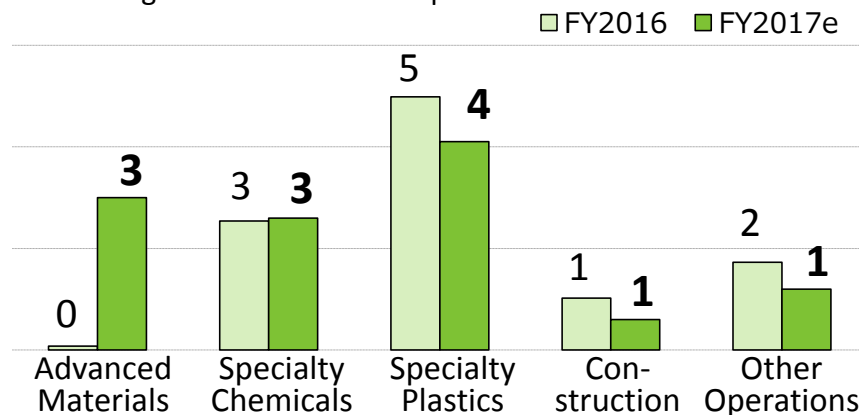
## Sales



**FY2016: ¥132.3B    FY2017: ¥142.0B**

## Operating income

\*excluding other income and expenses



**FY2016: ¥10.4B    FY2017: ¥11.5B**

### Factors affecting FY2017e Segment Operating Income:

- Advanced Materials: Improvements in all product businesses (PGA, PVDF, PPS and Carbon Products); particularly strong growth expected for PGA which will operate with a new marketing scheme
- Specialty Chemicals: Agrochemicals to pick up and compensate a loss in Pharmaceuticals slowed by generic drugs
- Specialty Plastics: Increasing promotional expenses for Home products
- Construction: Rise in labor and raw materials costs
- Other Operations: Increasing market competition for Environmental engineering businesses

<b>FY2016</b>	Advanced Materials	Specialty Chemicals	Specialty Plastics	Construction	Other Operations	Segment Total	Adjustment	Group Total
Net sales	33.4	25.9	42.8	13.9	16.3	132.3		132.3
Adjustment							0.1	
Other income	<i>Includes ¥1B subsidy income</i>						1.4	
Other expenses	<i>Includes ¥1.9B business withdrawal/restructuring costs, ¥0.5B loss on reduction of noncurrent assets</i>						2.6	
Operating income	0.1	2.5	5.0	1.0	1.7	10.4	-1.1	9.3
Financial income							0.6	
Financial expenses							0.9	
Income before income tax								9.0
Net income attributable to Kureha								7.0

<b>FY2017e</b>	Advanced Materials	Specialty Chemicals	Specialty Plastics	Construction	Other Operations	Segment Total	Adjustment	Group Total
Net sales	41.0	26.5	43.0	14.5	17.0	142.0		142.0
Adjustment							0.1	
Other income							0.2	
Other expenses	<i>Includes ¥0.8B loss on reduction of noncurrent assets</i>						0.8	
Operating income	3.0	2.6	4.1	0.6	1.2	11.5	-0.5	11.0
Financial income							0.5	
Financial expenses							0.5	
Income before income tax								11.0
Net income attributable to Kureha								8.4

(in billion yen)

	FY2016	FY2017e	Change
Capital expenditure	10.3	14.0	36%
Depreciation	10.2	10.5	3%
R&D expenses	4.7	5.5	17%
Interest-bearing debt	71.0	58.6*	-17%

(Currency exchange rates)

1USD:	Term average	¥108.3	¥110.0
	Term end	¥112.2	¥110.0
1EUR:	Term average	¥118.7	¥115.0
	Term end	¥119.8	¥115.0
1CHY:	Term average	¥16.1	¥15.5
	Term end	¥16.3	¥15.5

\* Based on the assumption that Kureha's ¥15B convertible bonds due 4Q FY2017 were fully converted to shares of its common stock

## Advanced Materials

(in billion yen)	FY2016	FY2017e	Change
Sales			
Advanced plastics	19.4	26.3	36%
Carbon products	4.1	3.9	-6%
Other	0.3	0.3	-4%
<b>Non-consolidated sales total</b>	<b>23.9</b>	<b>30.5</b>	<b>28%</b>
<b>Subsidiaries sales total</b>	<b>24.3</b>	<b>33.0</b>	<b>36%</b>
Adjustment	-14.8	-22.5	--
<b>Kureha Group sales</b>	<b>33.4</b>	<b>41.0</b>	<b>23%</b>
<b>(1H)</b>	<b>(14.7)</b>	<b>(18.0)</b>	<b>(23%)</b>
<b>Kureha Group operating income</b>	<b>0.1</b>	<b>3.0</b>	<b>3697%</b>
<b>(1H)</b>	<b>(0.6)</b>	<b>(1.1)</b>	<b>(92%)</b>

- Advanced Plastics to improve by strong growth of PGA (for use in oil/gas extraction) in addition to PVDF (LiB binder) and PPS (automotive) businesses
- Carbon Products to continually improve operating income with higher prices and additional cost reduction, despite lower sales volumes

## Specialty Chemicals

(in billion yen)	FY2016	FY2017e	Change
Sales			
Agrochemicals	7.2	9.0	25%
Pharmaceuticals	5.6	4.3	-23%
Industrial chemicals	8.8	8.7	-1%
<b>Non-consolidated sales total</b>	<b>21.5</b>	<b>22.0</b>	<b>2%</b>
<b>Subsidiaries sales total</b>	<b>6.9</b>	<b>7.5</b>	<b>9%</b>
Adjustment	-2.5	-3.0	--
<b>Kureha Group Sales</b>	<b>25.9</b>	<b>26.5</b>	<b>2%</b>
(1H)	(11.2)	(12.0)	(7%)
<b>Kureha Group operating income</b>	<b>2.5</b>	<b>2.6</b>	<b>2%</b>
(1H)	(0.8)	(1.2)	(58%)

- Agrochemicals to improve with demand recovery after farmers' inventory adjustment
- Pharmaceuticals to continually decline in competition with generic drugs
- Industrial Chemicals sales are likely at previous year's level but with improved operating profit on higher prices

## Specialty Plastics

(in billion yen)	FY2016	FY2017e	Change
Sales			
Home products	19.5	19.9	2%
Packaging materials	7.0	6.1	-12%
<b>Non-consolidated sales total</b>	<b>26.5</b>	<b>26.0</b>	<b>-2%</b>
Packaging materials (overseas)	11.1	12.2	10%
Fiber products	3.7	3.7	0%
Other	6.9	7.3	6%
<b>Subsidiaries sales total</b>	<b>21.6</b>	<b>23.2</b>	<b>7%</b>
Adjustment	-5.4	-6.2	--
<b>Kureha Group sales</b>	<b>42.8</b>	<b>43.0</b>	<b>0%</b>
(1H)	(21.0)	(21.0)	(0%)
<b>Kureha Group operating income</b>	<b>5.0</b>	<b>4.1</b>	<b>-18%</b>
(1H)	(2.3)	(2.2)	(-3%)

- Home Products operating profit expected to decline with increased promotional activities despite volume growth of NEW Krewrap and Seaguar fishing line products
- Packaging Materials to improve with enhanced global sales of heat-shrink film, while expecting no compound sales to China



(in billion yen)	FY2016	FY2017e	Change
<b>Construction</b>			
Sales			
Construction	21.2	21.5	2%
Adjustment	-7.2	-7.0	--
<b>Kureha Group sales</b>	<b>13.9</b>	<b>14.5</b>	<b>4%</b>
(1H)	(5.9)	(7.0)	(19%)
<b>Kureha Group operating income</b>	<b>1.0</b>	<b>0.6</b>	<b>-42%</b>
(1H)	(0.4)	(0.2)	(-49%)

- Construction to improve sales slightly with increased number of public and private projects but reduce profit due to higher labor and raw materials costs

<b>Other Operations</b>			
Sales			
Environmental engineering	10.2	10.6	4%
Logistics	8.5	8.8	3%
Hospital operations	3.6	3.6	1%
Other	1.8	1.7	-2%
<b>Subsidiaries sales total</b>	<b>24.1</b>	<b>24.8</b>	<b>3%</b>
Adjustment	-7.8	-7.8	--
<b>Kureha Group sales</b>	<b>16.3</b>	<b>17.0</b>	<b>4%</b>
(1H)	(7.5)	(8.0)	(7%)
<b>Kureha Group operating income</b>	<b>1.7</b>	<b>1.2</b>	<b>-30%</b>
(1H)	(0.4)	(0.4)	(13%)

- Environmental Engineering will enhance its micro-level PCB treatment business but expects lower profit due to increasing market competition, overall lowering operating income for this segment

(in billion yen)

		FY2016	FY2017e	Change
Cash flow from operating activities	Income before income tax	9.0	11.0	2.0
	Depreciation	10.2	10.5	0.3
	Other	-6.8	-7.1	-0.3
		<b>12.4</b>	<b>14.3</b>	<b>2.0</b>
Cash flow from investing activities		<b>-1.1</b>	<b>-15.0</b>	<b>-13.9</b>
Cash flow from financing activities		<b>-11.7</b>	<b>0.6</b>	<b>12.3</b>
Effect of exchange rate changes on cash and cash equivalents		-0.0	0.0	0.0
Increase/decrease in cash and cash equivalents		-0.5	0.0	0.5
Cash and cash equivalents at beginning of year		6.7	6.2	-0.5
Cash and cash equivalents at end of year		6.2	6.1	-0.1

## 3. Consolidated Companies

# Sales and Assets

27

KUREHA CORPORATION

( In billion yen)

		FY2015		FY2016		Change	
		Net sales	Total assets	Net sales	Total assets	Net sales	Total assets
Kureha Corporation		79.9	190.2	71.9	188.4	-8.0	-1.8
Kureha Trading Group (2)		20.3	12.1	20.3	13.6	0.0	1.5
Advanced Materials	Kureha Corporation	27.0		23.9		-3.2	
	Kureha Trading Group (2)	8.1		8.6		0.5	
	Kureha Extron Co.	2.5	2.2	2.3	2.0	-0.2	-0.3
	Kureha Extech Co.	2.1	1.9	1.7	1.6	-0.4	-0.2
	Kureha Battery Materials Japan Co.	6.8	1.9		0.2	-6.8	-1.7
	Kureha GmbH	1.4	1.1	1.4	1.1	0.1	0.0
	Kureha America Group (5)	5.7	28.0	5.4	27.2	-0.2	-0.8
	Kureha (Shanghai) Carbon Fiber Materials Co.	1.6	2.5	1.1	1.5	-0.5	-1.0
	Kureha China Group (2)	4.7	14.0	3.8	13.6	-0.9	-0.3
	Consolidation adjustments	-24.3		-14.8			
<b>Total</b>		<b>35.6</b>		<b>33.4</b>		<b>-2.2</b>	
Specialty Chemicals	Kureha Corporation	26.3		21.5		-4.8	
	Kureha Trading Co.	7.6		6.9		-0.8	
	Consolidation adjustments	-3.3		-2.5			
	<b>Total</b>	<b>30.6</b>		<b>25.9</b>		<b>-4.8</b>	
Specialty Plastics	Kureha Corporation	26.5		26.5		0.0	
	Kureha Trading Co.	4.6		4.8		0.2	
	Kureha Gohsen Co.	3.6	3.5	3.7	4.0	0.2	0.5
	Kureha China Group (2)	0.4		0.3		-0.1	
	Kureha America Group (5)	2.1	1.0	1.7	1.0	-0.4	0.0
	Kureha Europe Group (5)	9.3	6.5	8.0	6.4	-1.3	-0.1
	Kureha Vietnam Co.	3.2	4.1	3.1	3.8	-0.1	-0.3
	Consolidation adjustments	-7.3		-5.4			
<b>Total</b>		<b>42.3</b>		<b>42.8</b>		<b>0.5</b>	

( In billion yen)

		FY2015		FY2016		Change	
		Net sales	Total assets	Net sales	Total assets	Net sales	Total assets
Construction	Kureha Nishiki Group (4)	21.2	11.9	18.2	10.8	-3.0	-1.0
	Kureha Engineering Co.	3.5	2.9	3.0	2.1	-0.5	-0.8
	Consolidation adjustments	-8.4		-7.2			
	<b>Total</b>	<b>16.2</b>		<b>13.9</b>		<b>-2.3</b>	
Other Operations	Kureha Ecology Management Co.	8.5	8.1	8.9	8.4	0.5	0.3
	Kureha Special Laboratory Co.	1.4	0.6	1.3	0.6	-0.1	0.1
	Kureha Unyu Group (3)	8.9	6.1	8.5	6.3	-0.4	0.2
	Kureha Trading Co.	0.1		0.1		0.0	
	Kureha Service Co.	0.5	1.1	0.6	1.2	0.1	0.1
	Kureha-Kai Medical Corporation	3.6	4.1	3.6	3.6	0.0	-0.5
	Kureha Staff Service Co.	1.1	0.6	1.1	0.6	0.0	0.0
	Consolidation adjustments	-8.0		-7.8			
<b>Total</b>	<b>16.1</b>		<b>16.3</b>		<b>0.3</b>		
<b>Consolidated Kureha Group Total</b>		<b>140.8</b>	<b>239.8</b>	<b>132.3</b>	<b>234.9</b>	<b>-8.5</b>	<b>-4.9</b>
[Number of consolidated subsidiaries]		[39]		[34]			
[Number of equity- method affiliates]		[2]		[2]			

\*Parenthesized numbers indicate the number of companies in each group.

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