

FY2018 1Q Results

KUREHA CORPORATION

August 8, 2018

FY2018 1Q Highlights

KUREHA CORPORATION

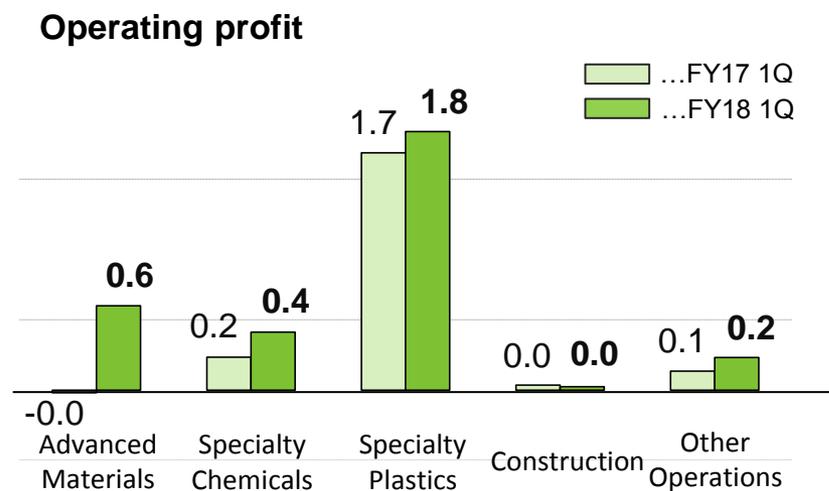
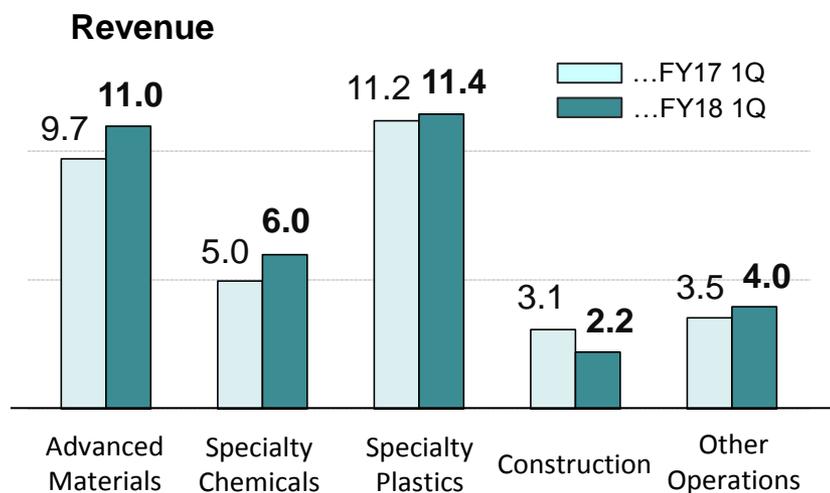
(in billions of yen)

	FY2017 1Q	FY2018 1Q	Change YOY
Revenue	32.4	34.6	2.1 (6.5%)
Operating profit	2.2	3.2	1.0 (44.9%)
Profit before income tax	2.3	3.5	1.2 (50.2%)
Profit attributable to owners of Kureha	1.6	2.5	0.9 (56.1%)

[vs. FY2017 1Q]

- Revenue grew on higher sales volumes in Advanced Materials and Specialty Chemicals
- Operating profit increased on revenue growth driven by Advanced Materials and Specialty Chemicals
- Higher profit before income tax due to higher operating profit
- Higher profit attributable to owners of Kureha due to higher profit before income tax

[Segment performance]



Segment Performance: Advanced Materials

(billions of yen)

	FY2017 1Q	FY2018 1Q	Change YOY
Advanced Materials			
Advanced plastics	5.8	6.3	9%
Carbon products	1.1	1.3	17%
Revenue: Kureha Co.	7.0	7.7	10%
Revenue: Subsidiaries	5.5	7.1	28%
Elimination	-2.8	-3.8	--
Kureha-G Revenue	9.7	11.0	13%
Kureha-G Operating Profit	-0.0	0.6	--

FY2018 1Q vs. FY2017 1Q

Revenue  Operating Profit 

Advanced plastics

- Revenue increased on higher PVDF (use as LiB binder) and PGA (for oil/gas exploration) volumes, more than offsetting a decline for PPS
- Returned to generating operating profit on revenue growth

Carbon products

- Revenue and profit increased on higher carbon fiber volumes for use in high-heat furnace insulation

Segment Performance: Specialty Chemicals

(billions of yen)

	FY2017 1Q	FY2018 1Q	Change %
Specialty Chemicals			
Agrochemicals	0.9	1.3	46%
Pharmaceuticals	0.9	1.4	53%
Industrial chemicals	2.4	2.5	4%
Revenue: Kureha Co.	4.2	5.2	23%
Revenue: Subsidiaries	1.5	1.6	9%
Elimination	-0.7	-0.8	--
Kureha-G Revenue	5.0	6.0	21%
Kureha-G Operating Profit	0.2	0.4	76%

FY2018 1Q vs. FY2017 1Q

Revenue  Operating Profit 

Agrochemicals

- Strong revenue and profit growth driven by higher fungicide volumes

Pharmaceuticals

- Revenue and profit improved with newly launched Kremezin tablets (therapeutic agent for chronic kidney disease), despite negative effects of drug price revisions

Industrial chemicals

- Revenue grew on higher inorganic chemicals volumes more than offsetting a volume decline in organic chemicals
- Operating profit decreased due to higher fuel and raw materials prices

Segment Performance: Specialty Plastics

(billions of yen)

	FY2017 1Q	FY2018 1Q	Change %
Specialty Plastics			
Home products	5.3	5.1	-2%
Packaging materials	1.6	1.6	-3%
Revenue: Kureha Co.	6.9	6.7	-3%
Packaging materials (outside Japan)	2.9	3.2	12%
Fiber products	1.1	1.2	5%
Others	1.8	1.8	1%
Revenue: Subsidiaries	5.7	6.1	7%
Elimination	-1.4	-1.4	--
Kureha-G Revenue	11.2	11.4	2%
Kureha-G Operating Profit	1.7	1.8	9%

FY2018 1Q vs. FY2017 1Q

Revenue  Operating Profit 

Home products

- Revenue decreased on lower Krewrap (plastic wrap) volume, despite steady volume growth for Seaguar (fishing lines)
- Operating profit remained at prior-year level

Packaging materials

- Revenue and profit rose on volume growth of heat-shrink multilayer film

Segment Performance: Construction & Other Operations

(billions of yen)

	FY2017 1Q	FY2018 1Q	Change %
Construction			
Construction	4.7	3.7	-21%
Elimination	-1.7	-1.5	--
Kureha-G Revenue	3.1	2.2	-28%
Kureha-G Operating Profit	0.0	0.0	-35%
Other Operations			
Environmental engineering	2.0	2.5	24%
Logistics	2.1	2.1	-0%
Hospital operations	0.9	0.9	3%
Others	0.5	0.5	4%
Revenue: Subsidiaries	5.4	6.0	10%
Elimination	-1.9	-2.0	--
Kureha-G Revenue	3.5	4.0	12%
Kureha-G Operating Profit	0.1	0.2	73%

FY2018 1Q vs. FY2017 1Q

Revenue ↓ Operating Profit ↓

Construction

- Revenue and profit declined due to lower construction volumes, despite steady growth of civil engineering business

Revenue ↑ Operating Profit ↑

Environmental engineering

- Revenue and profit improved on volume growth for industrial waste treatment business

Logistics

- Operating profit remained at prior-year level on slightly lower revenue

Hospital operations

- Increased revenue and profit

Balance Sheet

KUREHA CORPORATION

(billions of yen)

Assets

	Mar. 31 2018	Jun. 30 2018	Change
Cash and cash equivalents	6.5	5.6	-0.9
Trade and other receivables	32.7	28.5	-4.2
Inventories	36.0	35.4	-0.6
Other current assets	1.8	5.1	3.3
Total current assets	77.0	74.5	-2.5
Property, plant and equipment	114.2	114.6	0.3
Intangible assets	1.3	1.3	-0.0
Investments and other assets	49.7	52.4	2.7
Total non-current assets	165.3	168.3	3.0
Total assets	242.3	242.8	0.5

Liabilities and Equity

	Mar. 31 2018	Jun. 30 2018	Change
Trade and other payables	21.5	20.6	-0.9
Interest-bearing debt	48.1	47.9	-0.2
Provisions	6.6	5.0	-1.6
Other liabilities	14.0	14.0	0.0
Total liabilities	90.2	87.5	-2.7
Shareholders' equity	18.2	18.2	--
Capital surplus	15.3	15.3	--
Less: Treasury stock	-0.7	-0.7	-0.0
Retained earnings	108.7	110.0	1.3
Other components of equity	8.7	10.8	2.0
Non-controlling interests	1.8	1.7	-0.1
Total equity	152.0	155.2	3.2
Total liabilities and equity	242.3	242.8	0.5

Key Indicators

KUREHA CORPORATION

(billions of yen)

	FY2017		FY2018		
	1Q	Full-year	1Q	Full-year Estimate*	
Capital expenditure	1.7	9.8	2.3	15.0	
Depreciation	2.4	9.9	2.5	10.3	
R&D expenses	1.2	5.0	1.2	5.8	
Interest-bearing debt	67.8	48.1	47.9	49.0	
Currency exchange rates					
1USD:	Term average	¥111.1	¥110.9	¥109.1	¥105.0
	Term end	¥112.0	¥106.2	¥110.5	¥105.0
1EUR:	Term average	¥122.3	¥129.7	¥130.0	¥130.0
	Term end	¥128.0	¥130.5	¥127.9	¥130.0
1CHY:	Term average	¥16.2	¥16.7	¥17.1	¥16.5
	Term end	¥16.5	¥16.9	¥16.7	¥16.5

*Key indicators announced on May 11, 2018

FY2018 Full-Year Forecast

KUREHA CORPORATION

*Our FY2018 full-year forecast has been unchanged since last announced on May 11, 2018.

(billions of yen, except where stated)

	FY2017	FY2018e			Change YOY
	Full-year	1H	2H	Full-year	
Revenue	147.3	72.0	78.0	150.0	2.7 (1.8%)
Operating profit	13.0	5.0	9.0	14.0	1.0 (7.9%)
Profit before income tax	12.7	5.0	9.0	14.0	1.3 (10.4%)
Profit attributable to owners of parent	9.7	3.5	7.0	10.5	0.8 (8.3%)
Profit per share	¥507.5			¥508.4	
Dividend per share	¥125			¥140	
Dividend payout ratio	24.6%			27.5%	
Number of employees	4,374			4,387	

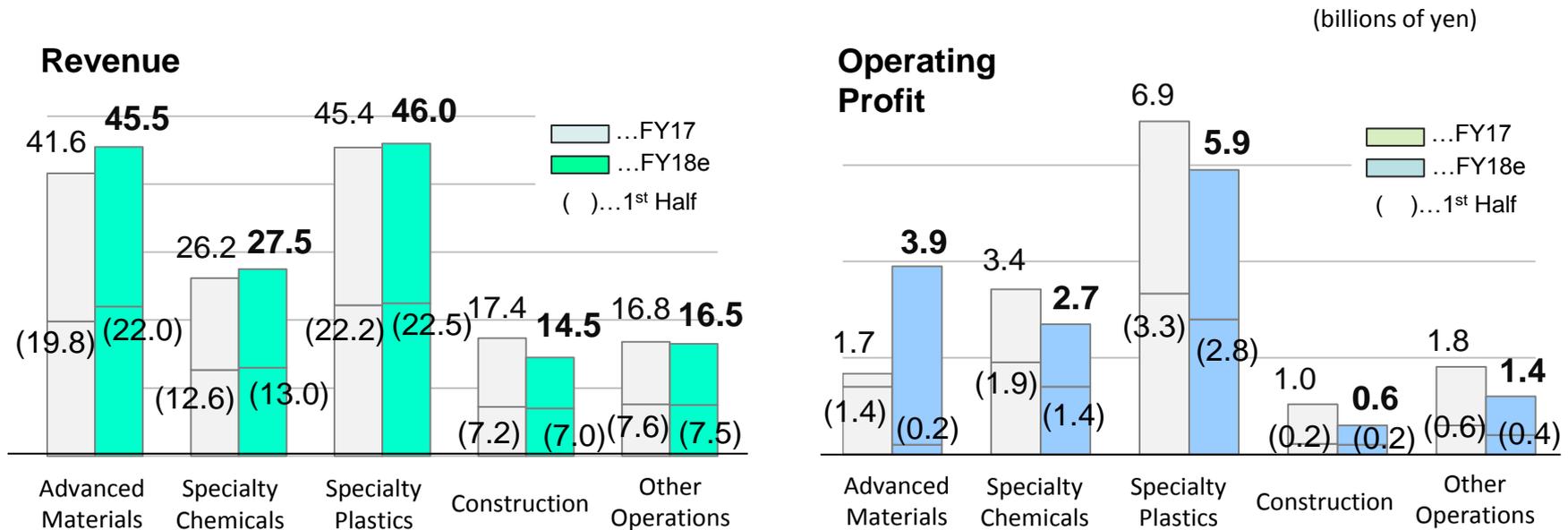
vs. FY2017

- Revenue expected to increase on higher sales volumes in Advanced Materials
- Operating profit to rise due to improved profit in PGA business (Advanced Materials) and less spending as Other Expenses, more than offsetting volume declines and higher expenses in other segments
- Profit before income tax to improve on higher operating profit
- Profit for the period to improve on higher profit before income tax

FY2018 Full-Year Forecast

KUREHA CORPORATION

Segment Performance FY2018e vs. FY2017



Factors affecting FY2018 operating profit (vs. FY2017)

Advanced Materials: Profit growth driven by PGA business expansion

Specialty Chemicals: Lower agrochemicals revenue, negative effects of drug price revision for pharmaceuticals more than offsetting volume growth of new drug tablets

Specialty Plastics: Higher promotional expenses for home products

Construction: Higher labor and raw materials costs

Other Operations: Market competition intensified for environment businesses

FY2018 Full-Year Forecast

KUREHA CORPORATION

(billions of yen)

FY2017

	Advanced Materials	Specialty Chemicals	Specialty Plastics	Construction	Other Operations	Segment Total	Adjustment	Total
Revenue	41.6	26.2	45.4	17.4	16.8	147.3	-----	147.3
Elimination							0.2	-----
Other income	*Subsidy income:¥0.3bn						0.5	-----
Other expenses	*Loss on sales and retirement of noncurrent assets:¥1.3bn, Impairment of noncurrent assets:¥0.7bn, Environmental expenses:¥0.4bn						2.6	-----
Operating profit	1.7	3.4	6.9	1.0	1.8	14.9	-1.9	13.0
Finance income							0.6	-----
Finance costs							0.9	-----
Profit before income tax								12.7
Profit for the period								9.7

FY2018e

	Advanced Materials	Specialty Chemicals	Specialty Plastics	Construction	Other Operations	Segment Total	Adjustment	Total
Revenue	45.5	27.5	46.0	14.5	16.5	150.0	-----	150.0
Elimination							0.0	-----
Other income							0.1	-----
Other expenses	*Loss on sales and retirement of noncurrent assets:¥0.5bn						0.6	-----
Operating profit	3.9	2.7	5.9	0.6	1.4	14.5	-0.5	14.0
Finance income							0.6	-----
Finance costs							0.6	-----
Profit before income tax								14.0
Profit for the period								10.5

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