

## Kureha Corporation Reports Fiscal 2013 Results

**Tokyo, Japan – May 2014** – Kureha Corporation (“Kureha”), a leading global supplier of specialty chemicals and plastics, has reported strong earnings for the fiscal year ended March 31, 2014 (FY2013). On a consolidated basis, sales increased by 13.5% year-on-year to ¥148.1 billion, while operating income was up by 40.7% to ¥11.9 billion. In addition, recurring income grew by 85.8% to ¥12.2 billion, with net income again increasing sharply from the previous year, up 129.3%, to ¥7.37 billion.

Kureha President and Chief Executive Officer, Yutaka Kobayashi, said, “Kureha has been taking steps in recent years to adjust its corporate strategy, to ensure that the Company is able to quickly adapt to the changing business environment and is positioned on a path to global growth. We are very pleased to report the positive upturn in results for FY2013, with consolidated sales and operating income both ahead of the forecasts made in the revised “Grow Globally II” business plan issued in November 2013. This puts us on the right track to meet the target of ¥165 billion in sales by FY2015.”

Kobayashi added, “Although Kureha, like many Japanese companies, may have benefited from the weakening of the yen, this is certainly not the only factor contributing to the strong results. Business performance across a number of segments, including materials for automotive applications, agricultural chemicals, household products and environmental-related, all recorded sales growth. The business environment in certain segments, such as process materials used in solar cell manufacturing, does remain challenging, and in such areas it is critical that we continue to assess the market and adjust strategy accordingly. Across the Company, we continue efforts to further integrate cost and productivity improvements and to develop global human resources. In summary, we remain firmly committed to the strategy set out in the Grow Globally II plan, and believe we can see a clear path ahead.”

### **Summary of Consolidated Full-year Results**

(¥ million, except where stated)

	March 2013	March 2014	Change (%)
Sales	130,550	148,124	13.5
Operating income	8,458	11,902	40.7
Recurring income	6,570	12,207	85.8
Net income	3,212	7,365	129.3
Earnings per share (EPS) (¥)	18.71	42.87	229

## Consolidated Performance by Segment

(¥ million, except where stated)

Division		March 2013	March 2014	March 2015 (Forecast)
Advanced materials	Sales	27,650	32,815	36,000
	Operating income/loss	(2,131)	(2,625)	(1,300)
Specialty chemicals	Sales	32,833	36,615	40,000
	Operating income/loss	6,136	7,341	9,200
Specialty plastics	Sales	40,900	45,291	48,500
	Operating income/loss	2,988	4,519	3,900
Construction	Sales	14,967	17,238	14,000
	Operating income/loss	1,038	833	300
Other operations	Sales	14,197	16,163	16,500
	Operating income/loss	613	1,621	1,400
(Cancellations)	Operating income/loss	(186)	212	0
<b>Total</b>	<b>Sales</b>	<b>130,550</b>	<b>148,124</b>	<b>155,000</b>
	<b>Operating income</b>	<b>8,458</b>	<b>11,902</b>	<b>13,500</b>

## Performance by Division

### Advanced Materials Division

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

Advanced Materials division sales rose 19% year-on-year to ¥32.8 billion. However, the division reported an operating loss of ¥2.6 billion, largely due to continued weak demand for carbon fiber as an insulating material for solar-powered equipment.

#### **Advanced plastics: Operating loss remains flat on sales growth**

Sales of advanced plastics recorded low double-digit growth on the back of rising demand for PPS resin, particularly in the automotive sector, and for PVDF resin for use in lithium-ion battery binders for automotive and other commercial applications. There was also an increase in orders for PGA for use in shale gas extraction applications. However, earnings were mostly offset by increased operation costs.

#### **Carbon materials: Continuing weak demand in solar applications**

Carbon materials sales rose slightly, due to rising sales of carbon materials for use as an anode material in lithium-ion batteries for hybrid-electric vehicles. However carbon fiber demand weakened for use as an insulating material for solar-powered equipment, resulting in a year-on-year widening of the operating loss.

**Outlook:** FY2014 divisional sales are forecast to increase by 10% to ¥36.0 billion, with operating losses halved from ¥2.6 billion to ¥1.3 billion. Sales of advanced plastics are projected to grow further, with Kureha anticipating that the positive growth in demand for PPS resin for automotive applications will continue. With the start of operations at a new plant in Changshu, China, sales of PVDF resin are projected to expand, with further increase in demand for use in lithium-ion battery binders for automotive and other commercial applications. In addition, sales of PGA molded parts are also expected to grow for applications in the oil and gas industry based on the business alliance with Magnum Oil Tools International announced in December 2013. Sales of carbon materials are projected to increase significantly on demand growth for anode materials with the expansion of the market for hybrid electric vehicles. In addition, recovery in the solar-powered equipment sector is anticipated in the second half of the year, bringing additional demand for use as an insulating material.

### **Specialty Chemicals Division**

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

Specialty Chemicals division sales were up 12% year-on-year to ¥36.6 billion from ¥32.8 billion. The division continued to see healthy profit growth, with operating income rising 20% to ¥7.3 billion. This was primarily due to the growth of export sales in the agrochemicals business, supported by the depreciating yen.

#### **Pharmaceuticals: Sales volumes continue to increase**

Sales of pharmaceutical products decreased slightly due to the absence of settlement funds from a patent lawsuit received in the previous period. However, *Kremezin*, a therapeutic agent for chronic renal failure continued to see increasing sales volumes.

#### **Industrial chemicals: Continued sales increase**

Industrial chemicals recorded moderate sales growth. However, the rise in raw materials and fuel costs continued to negatively impact organic chemicals, which resulted in a decline in operating income.

#### **Agrochemicals: Volume growth and a weaker yen drive profit increase**

Sales of agrochemical products *Metconazole*, an agricultural fungicide, and *Ipconazole*, a seed treatment fungicide, rose on strong demand in the North America region. The weaker yen further contributed to positive growth in profits.

**Outlook:** Specialty Chemicals divisional sales are projected to grow by a further 9% in FY2014 to ¥40.0 billion, while operating income is forecast to rise by 26% to ¥9.2 billion. Sales of industrial chemicals are projected to record a marginal increase, while Kureha works to maximize revenue through price adjustments to reflect rising raw materials and fuel prices. In the area of agrochemicals products, research and development costs are expected to increase, but Kureha anticipates that this will be offset by an increase in *Metconazole* volumes. Sales of pharmaceutical products are projected to increase with one-time benefits associated with business contracts as well as *Kremezin* sales growth, offsetting the impact of price revisions under the National Health Insurance system.

## **Specialty Plastics Division**

*Major product areas: food packaging materials, household packaging products*

Specialty Plastics division sales increased by 11% from ¥40.9 billion to ¥45.3 billion, while operating income for the division rose sharply by 51% to ¥4.5 billion, on the back of a demand hike preceding the April 1 consumption tax rise in Japan and improved profitability across major product lines.

### **Consumer products: *NEW Krewrap* drives continued sales growth**

Sales of household products continued to grow, rising 9% in comparison with the previous year. This was due to ongoing efforts to improve profitability across the division as a whole, as well as optimized pricing for *NEW Krewrap*, a key product. *NEW Krewrap* also saw a spike in sales ahead of the April 1 consumption tax increase in Japan.

### **Food packaging materials: Improved sales and profitability**

Sales of food packaging materials grew slightly on a consolidated basis, and profitability improved on the back of continued cost control efforts and enhanced earnings performance in Japan, Vietnam and European markets.

**Outlook:** FY2014 divisional sales are forecast to increase by 7% to ¥48.5 billion, although operating income is projected to decrease by 13% to ¥3.9 billion. Kureha projects a modest increase in sales of food packaging materials, as the company continues to expand global sales of high-performance films alongside ongoing efforts to improve profitability. Sales of packaging materials and *Seaguar* fishing lines by

consolidated subsidiaries in the United States, amounting to approximately ¥1.5 billion, which had previously been recorded by the Advanced Materials division, will be transferred to the Specialty Plastics division from FY2014. In household products, Kureha will continue to optimize prices for *NEW Krewrap*, but slow sales are expected as demand normalizes after the spike seen at the end of FY2013 prior to the consumption tax increase. In addition, the PVDC plant now under construction at the Iwaki Factory is scheduled to come online and begin production in 4Q of FY2014.

## **Construction and Other Operations divisions**

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

Construction sales rose by 15% from ¥15.0 billion to ¥17.2 billion, with operating income decreasing by 20% to ¥0.8 billion. Sales of Other Operations increased 14% from ¥14.2 billion to ¥16.2 billion, with operating income of ¥1.6 billion, a 165% increase.

### **Construction: Rising demand but also rising costs**

While construction businesses saw higher demand due to an increasing number of earthquake reconstruction projects, higher labor expenses and material costs led to a decrease in operating income.

### **Environmental engineering: Continued demand for industrial waste disposal**

Environmental engineering sales rose significantly, due to operational improvements as well as increasing demand for industrial waste treatment.

**Outlook:** FY2014 divisional sales for Construction businesses are projected to decline by 19% to ¥14.0 billion, while operating income is expected to fall by 63% to ¥3.0 billion. Although post-earthquake reconstruction demand is expected to continue, a downturn in plant construction as well as higher labor and materials costs will have a negative impact on operating income. Divisional sales for Other Operations are estimated to increase by 2% to ¥16.5 billion, although operating income is projected to decrease by 13% to ¥14 billion. With disaster-related industrial waste disposal projects coming to an end, Kureha will shift its focus to increasing profitability via high-value operations such as micro-PCB (polychlorinated biphenyls) treatment work.

## **FY2014 Outlook**

(¥ million, except where stated)

	<b>March 2014</b>	<b>March 2015 (Forecast)</b>	<b>Change (%)</b>
Sales	148,124	155,000	4.6
Operating income	11,902	13,500	13.4
Recurring income	12,207	13,000	6.5
Net income	7,365	8,000	8.6
Earnings per share (EPS) (¥)	42.87	46.57	8.6

For FY2014, Kureha forecasts a 4.6% increase in consolidated sales to ¥155.0 billion; operating income of ¥13.5 billion, up 13.4%; recurring income of ¥13.0 billion, up 6.5%; and net income of ¥8.0 billion, up 8.6%.

Growth in sales and operating income is expected to be supported by steady growth in the battery materials business, as well as continued expansion of the PGA, carbon materials and pharmaceuticals businesses. This is to be supplemented by further cost control and savings measures, primarily in relation to the sourcing of raw materials. Global development of markets and operations will continue, in line with the strategy set out in the medium-term management plan.

## **Capex, Depreciation, R&D and Debt**

(¥ billion)

	March 2013	March 2014	March 2015 (forecast)
Capital expenditure	20.0	16.5	26.5
Depreciation	8.9	9.1	9.1
R&D	4.4	4.6	5.3
Interest-bearing debt	68.4	77.2	88.5

Capital expenditure declined during FY2013 to ¥16.5 billion. However, in line with the positive forecast and the Grow Globally II plan, Kureha intends to significantly increase capital expenditure during the coming year to ¥26.5 billion, with major areas of investment including the new PVDC plant and R&D facilities at the Iwaki Factory, along with maintenance and upgrading activities, in order to further strengthen operations and respond to future demand.

Depreciation increased from ¥8.9 billion to ¥9.1 billion in FY2013, and is projected to maintain this level in FY2014, partly as a result of changes to the period of depreciation for fixed assets.

R&D spending grew slightly to ¥4.5 billion and will be increased to ¥5.3 billion during FY2014, reflecting the critical importance of continued investment in both near-term and long-term development.

Interest-bearing debt increased to ¥77.2 billion and is projected to grow to ¥88.5 billion, in line with the expansion of capital expenditure.

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### **For further information, please contact:**

KUREHA CORPORATION

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## <Appendix>

### Condensed Consolidated Balance Sheets

( ¥ millions)

	31 March 2014	31 March 2013
<b>Assets</b>		
Current assets	73,429	68,210
Cash and cash equivalents	8,726	9,954
Fixed assets		
Tangible assets	111,684	99,444
Intangible assets	2,034	1,463
Investments and other assets	37,311	36,166
<b>Total Assets</b>	<b>224,459</b>	<b>205,284</b>
<b>Liabilities</b>		
Current liabilities	57,037	52,877
Short-term borrowings	18,606	18,088
Fixed liabilities	61,231	56,195
Corporate bonds	20,000	20,000
Long-term borrowings	21,619	15,359
<b>Total Liabilities</b>	<b>118,268</b>	<b>109,073</b>
<b>Net Assets</b>		
Shareholders' equity	96,279	90,580
Reevaluation and conversion differences, etc.	7,481	3,303
Minority interest	2,378	2,264
<b>Total Net Assets</b>	<b>106,190</b>	<b>96,211</b>
<b>Total Liabilities and Net Assets</b>	<b>224,459</b>	<b>205,284</b>

### Condensed Consolidated Statement of Income

( ¥ millions)

	March 2014	March 2013
<b>Sales</b>	<b>148,124</b>	<b>130,550</b>
Cost of goods sold	109,034	96,782
Selling, general and administrative expenses	27,187	25,309
<b>Operating income</b>	<b>11,902</b>	<b>8,458</b>
Non-operating income	2,177	1,648
Non-operating expenses	1,872	3,536
<b>Recurring income</b>	<b>12,207</b>	<b>6,570</b>
Extraordinary gains	785	550
Extraordinary losses	2,363	1,654
<b>Income before income taxes</b>	<b>10,629</b>	<b>5,466</b>
Taxes and adjustments	3,023	2,297
Minority interest	240	-44
<b>Net income</b>	<b>7,365</b>	<b>3,212</b>



# 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)

# Financial Highlights

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- 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

<b>Construction</b>		( 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

<b>Other Operations</b>			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
<b>Consolidated recurring income total</b>	<b>65.7</b>	<b>122.1</b>	<b>56.4</b>

## 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			
		<b>75</b>		<b>- 57</b>	<b>18.3</b>
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			
		<b>40</b>		<b>- 2</b>	<b>37.5</b>

# 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
	<b>Total</b>	<b>5.5</b>	<b>7.9</b>	<b>2.5</b>
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
	<b>Total</b>	<b>16.5</b>	<b>23.6</b>	<b>7.1</b>

( 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
<b>Total</b>		<b>2,053</b>	<b>2,245</b>	<b>192</b>
<b>Liabilities and net assets</b>				
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
<b>Total</b>		<b>2,053</b>	<b>2,245</b>	<b>192</b>

( 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
	<b>Total</b>	<b>102</b>	<b>141</b>
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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## 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 3<sup>rd</sup> 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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## 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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## 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 4<sup>th</sup> 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

<b>Construction</b>			<b>FY2013</b>	<b>FY2014</b>	% Increase/ Decrease
		( Unit: 100 million yen)			
Consolidated net sales	Construction business		250	210	- 16%
	Consolidated adjustments		- 78	- 70	---
	<b>Total</b>		<b>172</b>	<b>140</b>	<b>- 19%</b>
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	---
<b>Total</b>			<b>162</b>	<b>165</b>	<b>2%</b>
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
	<b>Total</b>	<b>141</b>	<b>167</b>
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	---
	<b>Total</b>	<b>150</b>	<b>---</b>	<b>172</b>	<b>---</b>	<b>23</b>	<b>---</b>
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	---
<b>Total</b>	<b>142</b>	<b>---</b>	<b>162</b>	<b>---</b>	<b>20</b>	<b>---</b>	
<b>Consolidation Total</b>		<b>1,306</b>	<b>2,053</b>	<b>1,481</b>	<b>2,245</b>	<b>176</b>	<b>192</b>
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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