

Kureha Corporation Reports Fiscal 2017 Results (IFRS)

Tokyo, Japan – June 2018 – Kureha Corporation (“Kureha”), a leading global supplier of specialty chemicals and plastics, has reported its results for the fiscal year ended March 31, 2018 (FY2017). On a consolidated basis, revenue increased by 11.4% year-on-year to 147.3 billion yen, while operating profit climbed by 40.2% to 13.0 billion yen. Profit before income tax rose by 41.2% to 12.7 billion yen, resulting in a 38.5% increase in profit attributable to the owners of Kureha to 9.7 billion yen.

Yutaka Kobayashi, President and Chief Executive Officer, said, “FY2017 was a strong year for Kureha. Revenue and operating profit increased in all business segments, due to strong performance of key products, continued expansion of growth areas and effective structural reforms. The yen’s appreciation added to our momentum during the year, as did our continued group-wide cost reduction efforts. In fact, in the five years since FY2013, we have achieved cost savings of 7.6 billion yen. To show our appreciation to our shareholders for their continued support, this progress has been reflected in an increase in the yearly dividend from 110 yen to 125 yen per share.”

Of particular note is the Advanced Materials segment, which is now firmly in profitable territory following a year-on-year jump in operating profit from 0.1 billion to 1.7 billion yen. Growth in this segment was mainly driven by solid demand for polyvinylidene fluoride (PVDF), which is used in lithium-ion battery (LiB) binder materials for electric vehicles, and better-than-expected gains for carbon products. Demand for polyphenylene sulfide (PPS) also continued to grow for automotive applications.

In the polyglycolic acid (PGA) business, Kureha did not achieve the full-year results originally targeted. However, the year’s expansion efforts yielded significant new insights into the US shale oil and gas industry and its demand for PGA frac plugs. From this year, with newly developed frac plugs that are degradable in lower temperatures and therefore applicable to a broad range of wells, it has finally become possible to expand into all areas of this market, and PGA for oil and gas exploration applications is expected to make a much stronger contribution to the Kureha Group’s performance going forward.

Looking ahead to the final year of Kureha’s three-year mid-term management plan, Kureha’s Challenge 2018, Mr. Kobayashi said, “FY2016-2018 has been designated as a period to lay the foundation for Kureha’s future expansion. While the final year will be

challenging due to factors such as yen appreciation and rising raw material prices, we are on track to reach the targeted operating profit of 14.0 billion yen. Alongside existing businesses, we will focus strongly on new business creation and accelerate commercialization in 11 selected themes. We will also continue our efforts to raise productivity, promote digitization and enhance the ways in which our employees can grow within the Kureha Group.”

Summary of Consolidated Full-year Results

(Billions of yen, except where stated)

	FY2016	FY2017	Change (%)
Revenue	132.3	147.3	11.4
Operating profit	9.3	13.0	40.2
Profit before income tax	9.0	12.7	41.2
Profit attributable to the owners of Kureha	7.0	9.7	38.5
Earnings per share (yen)	407.38	507.48	-
ROE (%)	5.8%	7.1%	-
ROA (%)	3.8%	5.3%	-

Performance by Segment

Consolidated Performance by Segment

(Billions of yen)

Segment		FY2016	FY2017
Advanced Materials	Revenue	33.4	41.6
	Operating profit (loss)	0.1	1.7
Specialty Chemicals	Revenue	25.9	26.2
	Operating profit (loss)	2.5	3.4
Specialty Plastics	Revenue	42.8	45.4
	Operating profit (loss)	5.0	6.9
Construction	Revenue	13.9	17.4
	Operating profit (loss)	1.0	1.0
Other Operations	Revenue	16.3	16.8
	Operating profit (loss)	1.7	1.8
Segment total	Revenue	132.3	147.3
	Operating profit (loss)	10.4	14.9
Adjustments		-1.1	-1.9
Total	Revenue	132.3	147.3
	Operating profit (loss)	9.3	13.0

Advanced Materials Segment

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

Advanced Materials revenue rose 25% year-on-year to 41.6 billion yen while operating profit jumped from 0.1 billion yen to 1.7 billion yen.

Advanced plastics: Continued growth for PVDF and PPS for automotive applications

Kureha continued to see strong performance for PVDF, a LiB binder material for which our company holds a global market share of 40%. This growth was driven by the expanding global market for electric and plug-in hybrid electric vehicles, particularly in China.

In the PPS business, Kureha saw demand growth for automotive applications. PPS, which is both lightweight and has excellent heat stability, has proven to be an excellent replacement for metals. To meet growing market needs, we have decided to enhance production capacity at the Iwaki Plant by 5,000 tons/year to a total of 15,700 tons/year by 2021.

With sales volume increases for PVDF and PPS more than offsetting the slower performance in the PGA business, advanced plastics revenue rose by 24% to 24.4 billion yen.

Carbon products: Better-than-expected return to profitability

Kureha's carbon products business continued its recovery on the back of positive demand, price adjustments and effective structural reforms. The business recorded a 19% increase in revenue to 4.9 billion yen.

Outlook: In FY2018, Kureha expects the PGA business for oil and gas exploration applications to make a stronger contribution to segment performance following the development of a new frac plug type with ultra-low decomposition temperature (50-70° C). With this new frac plug now part of our offering, it has become possible to expand in all areas of the North American market, and a business launch in the Chinese market is also being considered.

Additionally, Kureha expects to see increased sales volumes in the PVDF business, with a further 2,000 tons/year of production capacity coming online in the fall of 2018. The carbon products business will continue to benefit from the successful restructuring conducted in FY2017, although revenue and operating profit are expected to decline slightly. Segment

revenue is expected to increase by 9% to 45.5 billion yen, while operating profit will climb to 3.9 billion yen.

Specialty Chemicals Segment

Major product areas: industrial chemicals, agrochemicals, pharmaceuticals

Specialty Chemicals revenue grew slightly to 26.2 billion yen from 25.9 billion yen while operating profit rose by 35% to 3.4 billion yen.

Pharmaceuticals/agrochemicals: Growth in fungicide sales volumes

Kureha saw continued growth in sales volumes and operating profit driven by the *Ipconazole* fungicide and favorable currency effects. This momentum offset declines in revenue and operating profit in the pharmaceutical business that were mainly caused by lower sales volumes for *Kremezin*, a therapeutic agent for chronic kidney disease, due to competition from generics.

Industrial chemicals: Revenue and operating profit rise on volume growth

Kureha saw healthy volume growth for both organic and non-organic chemicals, resulting in higher revenue and operating profit for this business. The growth was driven by a combination of higher demand and price adjustments.

Outlook: In FY2018, frontloaded shipments in FY2017 are expected to lead to a decline in the sales volumes of agrochemicals, affecting revenue and operating profit for this business. In the pharmaceuticals business, sales volumes and revenue will increase for our newly launched *Kremezin* tablets but operating profit will be affected by national drug price revisions.

In industrial chemicals, revenue and operating profit will remain at the FY2017 level on the back of measures to improve margins, including price adjustments and cost reductions. Segment revenue is forecast to rise by 5% to 27.5 billion yen, but operating profit will decline to an estimated 2.7 billion yen.

Specialty Plastics Segment

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

Specialty Plastics segment revenue rose by 6% from 42.8 billion yen to 45.4 billion yen while operating profit increased by 39% to 6.9 billion yen.

Home products: Strong sales volumes for *NEW Krewrap* and *Seaguar*

The home products business recorded growth in both revenue and operating profit due to strong sales volumes for *Seaguar* fishing lines and *NEW Krewrap* plastic wrap, the latter benefitting from strategic price adjustments and increased sales of high-margin products (50m wrap).

Food packaging materials: Global sales growth for heat-shrink multilayer film

This business benefited from a successful restructuring of Kureha's food packaging sales and production network within the EU, and the launch of a new business expansion strategy. Revenue and operating profit increased, driven particularly by rising global sales of heat-shrink multilayer film.

Outlook: In FY2018, Kureha expects to see continued sales growth for *NEW Krewrap*, *Seaguar* and the *Kitchinto-san* product series. However, higher costs for raw materials and promotion in the home products business are likely to affect operating profit for the segment as a whole, although continued healthy global sales of advanced heat-shrink multilayer film products will soften the decline. Segment revenue is forecast to rise slightly to 46.0 billion yen, but operating profit will decline by 15% to 5.9 billion yen.

Construction and Other Operations

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

Construction: Post-quake reconstruction demand drives growth

The year saw expanded post-quake reconstruction demand, leading to sales volume increases for both public and private sector construction projects. This growth more than offset a slowdown in the engineering business. As a result, revenue for Kureha's Construction segment rose by 25% to 17.4 billion yen, while operating profit increased to 1.0 billion yen.

Other Operations: Continued volume growth in the waste treatment business

Kureha's environmental engineering business saw continued volume growth in the waste treatment business. In the logistics business, effective cost reduction measures

compensated for lower revenue, leading to an increase in operating profit. In the hospital business, operating profit declined due to flat revenue. As a result, revenue in Other Operations increased to 16.8 billion yen while operating income rose to 1.8 billion yen.

Outlook: In FY2018, Kureha expects revenue and operating profit in the Construction segment to be affected by lower demand for post-quake reconstruction as well as higher labor and raw material costs. Revenue is forecast to fall to 14.5 billion yen and operating profit will decline to 0.6 billion yen.

In Other Operations, Kureha expects to see continued demand in the environmental engineering business, but intensifying market competition will affect revenue and operating income. Revenue is expected to fall to 16.5 billion yen while operating profit will decline to 1.4 billion yen.

Outlook for FY2018

(Billions of yen, except where stated)

	FY2017	FY2018	Change (%)
Revenue	147.3	150.0	1.8
Operating profit	13.0	14.0	7.9
Profit before income tax	12.7	14.0	10.4
Profit attributable to the owners of Kureha	9.7	10.5	8.3
Earnings per share (yen)	507.48	508.4	-

FY2018 is forecast to be another year of growth for Kureha, with Advanced Materials being the main performance driver. Full-year revenue is expected to be 150.0 billion yen, a year-on-year increase of 1.8%. This is lower than the figure targeted in the mid-term management plan, Kureha's Challenge 2018, primarily due to the delayed expansion of the PGA business in the North American market. However, with the PGA business gaining speed alongside the strong PVDF business and continued momentum for Specialty Plastics, particularly due to higher sales volumes of *NEW Krewrap*, Kureha will steadfastly work to meet the plan's operating profit target of 14.0 billion yen. Group-wide efforts to raise operational efficiency, expected to achieve a cumulative 8.8 billion yen in cost reductions in FY2018, will contribute to this goal. As a result, profit attributable to the owners of Kureha is forecast to increase 8.3% to 10.5 billion yen for the full fiscal year, resulting in a profit per share of 508.4 yen and rise in the full-year dividend per share to 140 yen.

Capex, Depreciation, R&D and Debt

(Billions of yen)

	FY2016	FY2017	FY2018
Capital expenditure	10.3	9.8	15.0
Depreciation	10.2	9.9	10.3
R&D	4.7	5.0	5.8
Interest-bearing debt	71.0	48.1	49.0

Capital expenditure in FY2017 decreased slightly year-on-year to 9.8 billion yen, and was mainly focused on upgrading facilities related to PVDF production. Looking ahead to FY2018, capital expenditure will be increased to 15.0 billion yen in order to respond to intense demand for PPS in addition to PVDF and to upgrade production processes for existing products. Depreciation, mostly related to expanded production facilities, fell slightly to 9.9 billion yen year-on-year and is expected to rise to 10.3 billion yen in FY2018.

R&D spending rose from 4.7 billion yen to 5.0 billion yen year-on-year and will rise further to 5.8 billion yen in FY2018. While part of this investment will be aimed at upgrading production processes based on the findings of a dedicated process enhancement facility set up in October 2017, significant effort will also be devoted to accelerating the commercialization of 11 promising research themes. As per the direction outlined in Kureha's Challenge 2018, we will seek to develop these research themes into next-generation products. Where appropriate, Kureha will consider collaborating with third-party companies, universities and other organizations.

Interest-bearing debt decreased from 71.0 billion yen to 48.1 billion yen, due to factors including the conversion into shares of 15.0 billion yen in convertible bonds (due March 2018). In FY2018, interest-bearing debt will remain at a similar level.

For further information, please contact:

KUREHA CORPORATION

Public & Investor Relations Department Tel. 03-3249-4651

Condensed Consolidated Balance Sheets

As of March 31, 2017 and 2018
(Millions of yen)

	March 2017	March 2018
Assets		
Current assets	75,272	76,963
Cash and cash equivalents	6,222	6,475
Noncurrent assets	159,634	165,318
Property, plant and equipment	115,911	114,236
Intangible assets	1,395	1,336
Investments and other assets	42,326	49,745
Total assets	234,907	242,281
Liabilities and net assets		
Current liabilities	80,672	62,595
Short-term borrowings	46,689	25,759
Fixed liabilities	28,261	27,644
Corporate bonds	11,969	13,951
Long-term borrowings	11,593	7,707
Total liabilities	108,934	90,240
Net assets		
Shareholders' equity	124,297	150,193
Minority interest	1,674	1,847
Total net assets	125,972	152,041
Total liabilities and net assets	234,907	242,281

Condensed Consolidated Statement of Income

As of March 31, 2017 and 2018
(Millions of yen)

	FY2016	FY2017
Revenue	132,294	147,329
Cost of goods sold	96,791	107,300
Selling, general and administrative expenses	26,632	27,193
Operating profit	9,255	12,973
Profit before income taxes	8,981	12,683
Taxes and minority interest adjustments	1,874	2,869
Profit attributable to the owners of Kureha	7,001	9,697

FY2017 Financial Results

(Period April 1, 2017 – March 31, 2018)

KUREHA CORPORATION

May 11, 2018

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1. FY2017 Results

(April 1, 2017 – March 31, 2018)

FY2017 Highlights

KUREHA CORPORATION

(in billions of yen, except where stated otherwise)

	FY2016	FY2017	Change (%)
Revenue	132.3	147.3	15.0 (11.4%)
Operating profit	9.3	13.0	3.7 (40.2%)
Profit before income tax	9.0	12.7	3.7 (41.2%)
Profit attributable to owners of Kureha Corp.	7.0	9.7	2.7 (38.5%)
ROE	5.8%	7.1%	
ROA	3.8%	5.3%	
ROS	7.0%	8.8%	
Dividend per share	¥110.0	¥125.0	

FY2017 vs. FY2016

- Revenue grew across all segments, with largest growth led by Advanced Materials
- Operating profit increased in all segments, especially in Specialty Plastics and Advanced Materials
- Profit before income tax increased on higher operating profit
- Profit for the period increased on higher profit before income tax

Note

ROE=Profit attributable to owners of Kureha/Shareholder's equity

ROA=Profit before tax/Total assets

ROS=Operating profit/Revenue

Dividend per share: Kureha conducted a ten-to-one share consolidation on October 1, 2016.

Per share values above are represented on the post-consolidation basis for comparison purpose.

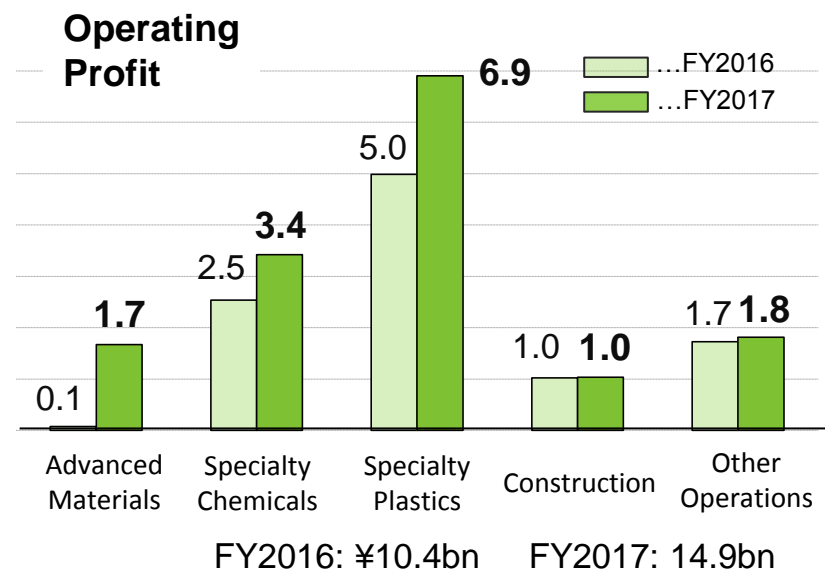
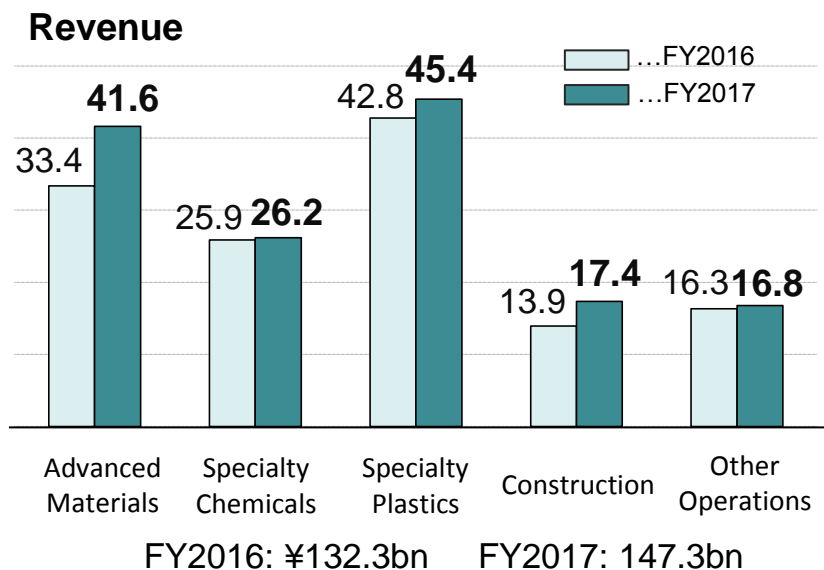


FY2017 Highlights

KUREHA CORPORATION

Segment Variance: FY2017 vs. FY2016

(billions of yen)



Factors affecting FY2017 segment operating profit (vs. FY2016)

- Advanced Materials: Higher advanced plastics volumes, improved profitability for carbon products
- Specialty Chemicals: Higher agrochemicals volumes and improved margin for industrial chemicals more than offsetting a volume decline for pharmaceuticals
- Specialty Plastics: Higher volumes of home products, synthetic fiber and heat-shrink multilayer film
- Construction: Higher profit gains in construction, despite a decline in engineering
- Other Operations: Improved cost management for logistics, higher volumes in environment businesses

FY2017 Highlights

KUREHA CORPORATION

(billions of yen)

FY2016	Advanced Materials	Specialty Chemicals	Specialty Plastics	Construction	Other Operations	Segment Total	Adjustment	Total
Revenue	33.4	25.9	42.8	13.9	16.3	132.3	-----	132.3
Elimination							0.1	-----
Other income	*Subsidy income: ¥1bn						1.4	-----
Other expenses	*Business withdrawal and restructuring costs: ¥1.9bn, Loss on retirement of noncurrent assets: ¥0.5bn						2.6	-----
Operating profit	0.1	2.5	5.0	1.0	1.7	10.4	-1.1	9.3
Finance income							0.6	-----
Finance costs							0.9	-----
Profit before income tax								9.0
Profit for the period								7.0

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 retirement of non-current assets: ¥1.3bn, Loss on non-current asset impairment: ¥0.7bn, Environment-related 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

FY2017 Highlights

KUREHA CORPORATION

Other Income and Expenses

FY2016

Other income **¥1.4 billion**

Subsidy income: ¥1.0bn

=¥7.8bn (Fukushima Recovery Subsidy) - ¥6.9bn
(Loss on reduction of noncurrent assets)

Other: ¥0.4bn

Other expenses **¥2.6 billion**

Loss on retirement of noncurrent assets: ¥0.5bn

Restructuring cost: ¥1.2bn

*Related to Advanced Materials processed
products and carbon fibers

Loss on business withdrawal: ¥0.7bn

*Termination of KRESTIN manufacturing & sales

Other: ¥0.2bn

FY2017

Other income **¥0.5 billion**

Subsidy income: ¥0.3bn

*Including subsidies for post-quake restoration
initiatives

Other: ¥0.2bn

Other expenses **¥2.6 billion**

Loss on retirement of noncurrent assets: ¥1.3bn

Impairment loss: ¥0.7bn

*Related to former PVDC plant and China carbon
fiber facilities

Provision for environmental measures: ¥0.4bn

Other: ¥0.2bn

Segment Performance: Advanced Materials

(billions of yen)

	FY2016	FY2017	Change %
Advanced Materials			
Advanced plastics	19.7	24.4	24%
Carbon products	4.1	4.9	19%
Revenue: Kureha Co.	23.9	29.4	23%
Revenue: Subsidiaries	24.3	29.6	22%
Elimination	-14.8	-17.3	--
Kureha-G Revenue	33.4	41.6	25%
Kureha-G Operating Profit	0.1	1.7	1994%

FY2017 vs. FY2016

Revenue  Operating Profit 

Advanced plastics:

Operating profit increased on revenue growth driven by PVDF (LiB binder applications), PPS (automotive) and PGA (oil/gas exploration applications)

Carbon products

Returned to generating profit with improved revenue for carbon fibers and materials

Segment Performance: Specialty Chemicals

(billions of yen)

	FY2016	FY2017	Change %
Specialty Chemicals			
Agrochemicals	7.2	9.2	27%
Pharmaceuticals	5.6	3.8	-31%
Industrial chemicals	8.8	9.4	8%
Revenue: Kureha Co.	21.5	22.4	4%
Revenue: Subsidiaries	6.9	6.5	-6%
Elimination	-2.5	-2.7	--
Kureha-G Revenue	25.9	26.2	1%
Kureha-G Operating Profit	2.5	3.4	35%

FY2017 vs. FY2016

Revenue  Operating Profit 

Agrochemicals

Operating profit increased on higher fungicides sales volume

Pharmaceuticals

Revenue and operating profit declined due to lower Kremezin (therapeutic agent for chronic kidney disease) volume

Industrial chemicals

Higher revenue and operating profit driven by volume growth for both organic and non-organic chemicals

Segment Performance: Specialty Plastics

(billions of yen)

	FY2016	FY2017	Change %
Specialty Plastics			
Home products	19.5	20.7	6%
Packaging materials	7.0	6.3	-9%
Revenue: Kureha Co.	26.5	27.0	2%
Packaging materials	11.1	13.1	19%
Fiber products	3.7	4.2	13%
Others	6.9	7.4	8%
Revenue: Subsidiaries	21.6	24.8	14%
Elimination	-5.4	-6.4	--
Kureha-G Revenue	42.8	45.4	6%
Kureha-G Operating Profit	5.0	6.9	39%

FY2017 vs. FY2016

Revenue  Operating Profit 

Home products

Operating profit grew on increased revenue from NEW Krewrap (plastic wrap) and Seaguar (fishing lines)

Packaging materials

Higher revenue and operating profit supported by global sales growth of heat-shrink multilayer film

Segment Performance: Construction & Other Operations

(billions of yen)

	FY2016	FY2017	Change %
Construction			
Construction	21.2	23.9	13%
Elimination	-7.2	-6.6	--
Kureha-G Revenue	13.9	17.4	25%
Kureha-G Operating Profit	1.0	1.0	1%
Other Operations			
Environmental engineering	10.2	11.0	8%
Logistics	8.5	8.3	-2%
Hospital operations	3.6	3.6	-0%
Others	1.8	1.8	1%
Revenue: Subsidiaries	24.1	24.7	2%
Elimination	-7.8	-7.9	--
Kureha-G Revenue	16.3	16.8	3%
Kureha-G Operating Profit	1.7	1.8	5%

FY2017 vs. FY2016

Revenue  Operating Profit 

Construction

Construction volume increased in both public and private sectors more than offsetting a decline in engineering business

Revenue  Operating Profit 

Environmental Engineering

Operating profit increased on higher volume in industrial waste treatment

Logistics

Operating profit improved on reduced cost, despite lower revenue

Hospital Operations

Operating profit declined on flat revenue

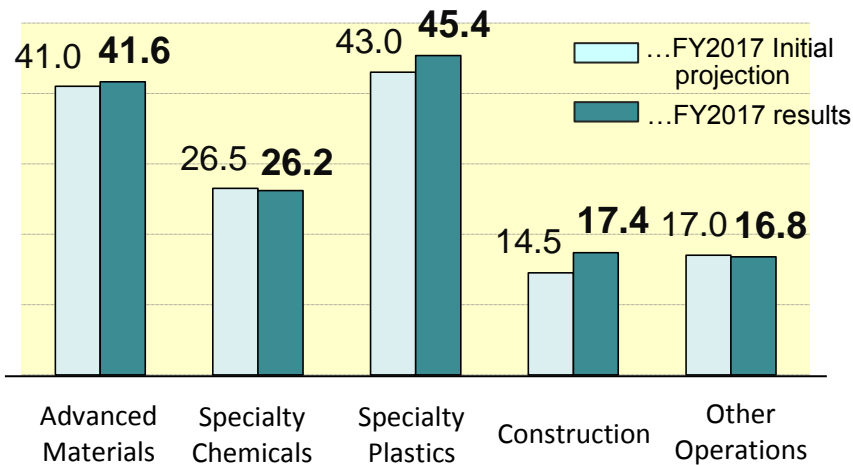
FY2017 vs. Initial Projection

KUREHA CORPORATION

Segment Variance: FY2017 Results vs. Initial projection

(billions of yen)

Revenue



Initial projection: ¥142.0bn Results: ¥147.3bn

Operating profit



Initial projection: ¥11.5bn Results: ¥14.9bn

*Exchange rates (initial projection): ¥110.9 (¥110)/1USD, ¥129.7(¥115)/1EUR, ¥16.7(¥15.5)/1CHY

Factors affecting FY2017 segment operating profit (vs. Initial projection)

- Advanced Materials: A delay in PGA sales expansion, despite better-than-expected gains in carbon fiber
- Specialty Chemicals: Improved margins for industrial chemicals, favorable currency effect of for agrochemicals
- Specialty Plastics: Higher home products volumes, lower expenses
- Construction: Higher sales volume
- Other Operations: Higher volume in environmental businesses

Key Indicators

KUREHA CORPORATION

(billions of yen)

	FY2016			FY2017			Change YOY
	1H	2H	Full year	1H	2H	Full year	
Capital expenditure	4.8	5.5	10.3	4.0	5.8	9.8	-5%
Depreciation	5.1	5.1	10.2	4.9	5.0	9.9	-3%
R&D expenses	2.2	2.5	4.7	2.3	2.7	5.0	6%
Interest-bearing debt	77.8	71.0	71.0	56.0	48.1	48.1	-32%

(Currency exchange rates)

1USD:	Term average	¥105.2	¥111.5	¥108.3	¥111.0	¥110.7	¥110.9
	Term end	¥101.1	¥112.2	¥112.2	¥112.7	¥106.2	¥106.2
1EUR:	Term average	¥118.0	¥119.5	¥118.7	¥126.3	¥133.1	¥129.7
	Term end	¥113.4	¥119.8	¥119.8	¥132.9	¥130.5	¥130.5
1CHY:	Term average	¥15.9	¥16.3	¥16.1	¥16.4	¥17.1	¥16.7
	Term end	¥15.1	¥16.3	¥16.3	¥17.0	¥16.9	¥16.9

Financial Position

KUREHA CORPORATION

Assets

	Mar. 31 2017	Mar. 31 2018	Change
Cash and cash equivalents	6.2	6.5	0.3
Trade and other receivables	29.4	32.7	3.3
Inventories	36.5	36.0	-0.5
Other current assets	3.2	1.8	-1.4
Total current assets	75.3	77.0	1.7
Property, plant and equipment	115.9	114.2	-1.7
Intangible assets	1.4	1.3	-0.1
Investments and other assets	42.3	49.7	7.4
Total non-current assets	159.6	165.3	5.7
Total assets	234.9	242.3	7.4

Liabilities and Equity

(billions of yen)

	Mar. 31 2017	Mar. 31 2018	Change
Trade and other payables	20.4	21.5	1.2
Interest-bearing debt	71.0	48.1	-22.9*
Provisions	6.1	6.6	0.5
Other liabilities	11.4	14.0	2.6
Total liabilities	108.9	90.2	-18.7
Shareholders' equity	12.5	18.2	5.7*
Capital surplus	9.4	15.3	5.8*
Less: Treasury stock	-4.5	-0.7	3.8*
Retained earnings	101.7	108.7	7.0
Other components of equity	5.1	8.7	3.6
Non-controlling interests	1.7	1.8	0.2
Total equity	126.0	152.0	26.1
Total liabilities and equity	234.9	242.3	7.4

*¥15 billion convertible bonds with stock acquisition rights (due March 2018) have been all converted into shares by February 2018. As a result, with share conversion partly settled by the company's treasury shares, the number of shares issued are 20,805,407.

Cash Flow

KUREHA CORPORATION

(billions of yen)

	FY2016	FY2017	Change
Profit before income tax	9.0	12.7	3.7
Depreciation	10.2	9.9	-0.3
Other	-6.8	-2.4	4.4
Cash flow from operating activities	12.4	20.2	7.8
Cash flow from investing activities	-1.1	-9.7	-8.6
Cash flow from financing activities	-11.7	-10.4	1.3
Effect of exchange rate changes on cash and cash equivalents	-0.0	0.2	0.2
Increase/decrease in cash and cash equivalents	-0.5	0.3	0.7
Cash and cash equivalents at beginning of period	6.7	6.2	-0.5
Cash and cash equivalents at end of period	6.2	6.5	0.3

2. FY2018 Outlook

(April 1, 2018 – March 31, 2019)

FY2018 Forecast

KUREHA CORPORATION

(billions of yen, except where stated otherwise)

	FY2017	FY2018e 1H 2H	Change YOY (%)
Revenue	147.3	150.0 72.0 78.0	2.7 (1.8%)
Operating profit	13.0	14.0 5.0 9.0	1.0 (7.9%)
Profit before income tax	12.7	14.0 5.0 9.0	1.3 (10.4%)
Profit attributable to owners of Kureha Corp.	9.7	10.5 3.5 7.0	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	

FY2018e vs. FY2017

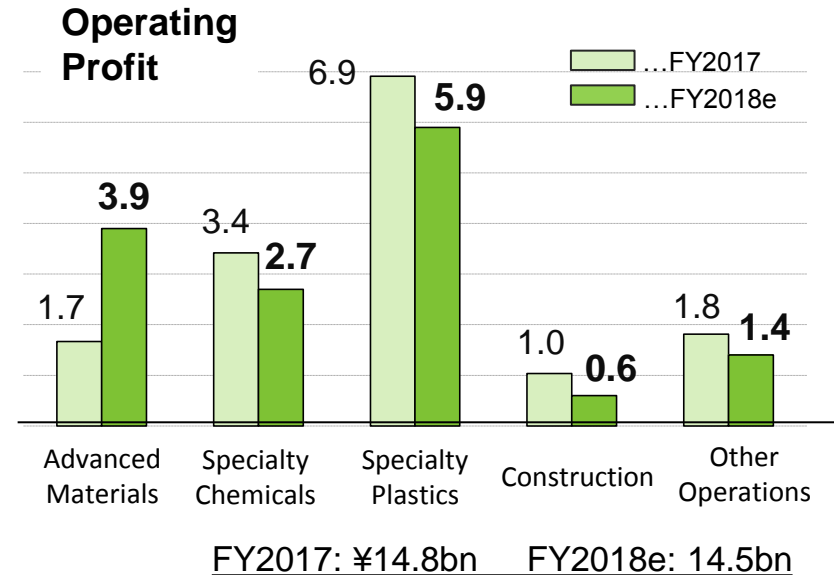
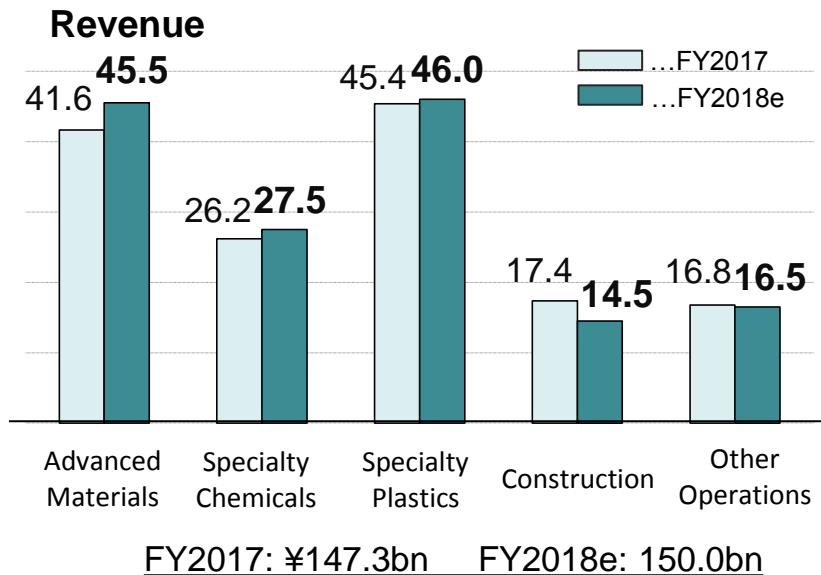
- Revenue growth driven by Advanced Materials
- Operating profit to increase on strong gains in Advanced Materials, lower operating loss for PGA and fewer 'other expenses' more than offsetting declines in other segments and higher cost
- Profit before income tax to improve on higher operating profit
- Profit for the period to improve on higher profit before income tax

FY2018 Forecast

KUREHA CORPORATION

Segment Variance: FY2018e vs. FY2017

(billions of yen)



Factors affecting FY2018e segment operating profit (vs. FY2017)

- Advanced Materials: Improved margin for PGA business through sales expansion
- Specialty Chemicals: Lower agrochemicals volumes and negative effects of national drug price revision for pharmaceuticals offsetting volume growth for newly launched Kremezin tablets
- Specialty Plastics: Higher promotion cost for home products
- Construction: Higher labor and raw materials costs
- Other Operations: Intensified market competition for environmental businesses

FY2018 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 retirement of non-current assets: ¥1.3bn, Loss on non-current asset impairment: ¥0.7bn, Environment-related 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 retirement of non-current 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

Segment Outlook: Advanced Materials

(billions of yen)

	FY2017	FY2018e	Change %
Advanced Materials			
Advanced plastics	24.4	28.0	15%
Carbon products	4.9	4.5	-9%
Revenue: Kureha Co.	29.4	32.5	11%
Revenue: Subsidiaries	29.6	36.0	22%
Elimination	-17.3	-23.0	--
Kureha-G Revenue	41.6	45.5	9%
(1H)	(19.8)	(22.0)	(11%)
Kureha-G Operating Profit	1.7	3.9	134%
(1H)	(1.4)	(0.2)	(-86%)

FY2018 vs. FY2017

Revenue  Operating Profit 

Advanced plastics

Higher revenue & operating profit driven by strong growth of PGA for oil/gas exploration applications, increased volumes of PVDF (for LiB binder), PPS (for automotive parts)

Carbon products

Lower revenue & operating profit, despite continued price adjustment and cost cutting

Segment Outlook: Specialty Chemicals

(billions of yen)

	FY2017	FY2018e	Change %
Specialty Chemicals			
Agrochemicals	9.2	8.0	-13%
Pharmaceuticals	3.8	5.0	30%
Industrial chemicals	9.4	9.5	1%
Revenue: Kureha Co.	22.4	22.5	0%
Revenue: Subsidiaries	6.5	7.5	16%
Elimination	-2.7	-2.5	--
Kureha-G Revenue (1H)	26.2 (12.6)	27.5 (13.0)	5% (3%)
Kureha-G Operating Profit (1H)	3.4 (1.9)	2.7 (1.4)	-21% (-27%)

FY2018 vs. FY2017

Revenue  Operating Profit 

Agrochemicals

Lower revenue & operating profit due to a decline in fungicide volume (front-loaded shipment in prior year)

Pharmaceuticals

Revenue expected to increase on volume growth for new Kremezin tablets, operating profit to level off as impacted by national drug price revisions

Industrial chemicals

Revenue & operating profit to maintain at previous year level, continued focus on margin improvement

Segment Outlook: Specialty Plastics

(billions of yen)

	FY2017	FY2018e	Change %
Specialty Plastics			
Home products	20.7	21.0	1%
Packaging materials	6.3	6.0	-5%
Revenue: Kureha Co.	27.0	27.0	0%
Packaging materials	13.1	14.5	11%
Fiber products	4.2	4.3	2%
Others	7.4	7.2	-3%
Revenue: Subsidiaries	24.8	26.0	5%
Elimination	-6.4	-7.0	--
Kureha-G Revenue	45.4	46.0	1%
(1H)	(22.2)	(22.5)	(1%)
Kureha-G Operating Profit	6.9	5.9	-15%
(1H)	(3.3)	(2.8)	(-16%)

FY2018e vs. FY2017

Revenue  Operating Profit 

Home products

Revenue expected to increase on volume growth of NEW Krewrap and Kitchinto-san series products, operating profit to decrease due to increased cost for sales promotion, etc.

Packaging materials

Higher revenue & operating profit driven by expanding global sales of advanced heat-shrink multilayer film products

Segment Outlook: Construction & Other Operations

(billions of yen)

	FY2017	FY2017e	Change %
Construction			
Construction	23.9	20.5	-14%
Elimination	-6.6	-6.0	--
Kureha-G Revenue (1H)	17.4 (7.2)	14.5 (7.0)	-16% (-3%)
Kureha-G Operating Profit (1H)	1.0 (0.2)	0.6 (0.2)	-42% (-8%)
Other Operations			
Environmental engineering	11.0	10.7	-3%
Logistics	8.3	8.6	4%
Hospital operations	3.6	3.7	3%
Others	1.8	1.8	1%
Revenue: Subsidiaries	24.7	24.8	0%
Elimination	-7.9	-8.3	--
Kureha-G Revenue (1H)	16.8 (7.6)	16.5 (7.5)	-2% (-1%)
Kureha-G Operating Profit (1H)	1.8 (0.6)	1.4 (0.4)	-23% (-33%)

FY2018e vs. FY2017

Revenue ↓ Operating Profit ↓

Construction

Revenue & operating profit to decrease due to a decline in post-quake demand, higher labor and raw materials costs

Revenue ↓ Operating Profit ↓

Other Operations

Revenue & operating profit to decrease due to intensified competition in environment business

Key Indicators

KUREHA CORPORATION

(billions of yen)

	FY2017	FY2018e	Change YOY(%)
Capital expenditure	9.8	15.0	5.2 (54%)
Depreciation	9.9	10.3	0.4 (4%)
R&D expenses	5.0	5.8	0.8 (16%)
Interest-bearing debt	48.1	49.0	0.9 (2%)

(Currency exchange rates)

1USD:	Term average	¥110.9	¥105.0
	Term end	¥106.2	¥105.0
1EUR:	Term average	¥129.7	¥130.0
	Term end	¥130.5	¥130.0
1CHY:	Term average	¥16.7	¥16.5
	Term end	¥16.9	¥16.5

Cash Flow

KUREHA CORPORATION

(billions of yen)

	FY2017	FY2018e	Change YOY
Profit before income tax	12.7	14.0	1.3
Depreciation	9.9	10.3	0.4
Other	-2.4	-4.2	-1.8
Cash flow from operating activities	20.2	20.1	0.0
Cash flow from investing activities	-9.7	-18.0	-8.3
Cash flow from financing activities	-10.4	-2.1	8.3
Effect of exchange rate changes on cash and cash equivalents	0.2	0.0	-0.2
Increase/decrease in cash and cash equivalents	0.3	0.0	-0.2
Cash and cash equivalents at beginning of year	6.2	6.5	0.3
Cash and cash equivalents at end of year	6.5	6.5	0.0

3. Updates on ‘Kureha’s Challenge 2018’ Mid-Term Management Plan

Kureha's Challenge 2018: Strategic Positioning

'Kureha's Challenge 2018'

The FY2016-2018 mid-term management plan

Business goals

- Enhance competitiveness and earnings capacity of existing businesses
- Expand the PGA business
- Explore new business themes

Promote CSR-based management

Strengthen the management foundation

Strategic direction

As a **company built on technology**, Kureha will develop **differentiated products** in the field of specialty chemicals and become a **high value-added enterprise** that continually contributes to global society

*FY2016-2018 is a period to lay the foundation
for Kureha's future expansion*

Quantitative targets

Mid-term plan vs. Outlook

(billions of yen)

	FY2018e	Mid-term plan FY2018 targets	Difference
Revenue	150.0	160.0	-10.0
Operating profit	14.0	14.0	0.0
Profit attributable to owners of Kureha Corp.	10.5	9.0	1.5

Assumption for currency exchange rates

1USD:	¥105	¥120
1EUR:	¥130	¥130
1CHY:	¥16.5	¥18.0

FY2018e vs. Mid-term plan targets

- Revenue lower than targeted in Advanced Materials (a delay in PGA business expansion) and Other Operations (revising business strategies for environment and logistics)
- Operating profit growth in Specialty Plastics (higher NEW Krewrap volume) and Specialty Chemicals (higher agrochemical volume) to compensate shortfalls in Advanced Materials and Other Operations
- Profit attributable to owners of Kureha to increase due to changes in tax expense assumption (effective tax rate: 35%→25%)

Segment Performance

Mid-term plan vs. Outlook

	FY2018e		Mid-term plan FY2018 targets		Difference	
	Revenue	Ope. Profit	Revenue	Ope. profit	Revenue	Ope. profit
Advanced Materials	45.5	3.9	50.0	7.0	-4.5	-3.1
Specialty Chemicals	27.5	2.7	28.0	2.0	-0.5	0.7
Specialty Plastics	46.0	5.9	47.0	4.5	-1.0	1.4
Construction	14.5	0.6	13.0	0.3	1.5	0.3
Other Operations	16.5	1.4	22.0	1.7	-5.5	-0.3
Other income & Expenses		-0.5		-1.5		1.0
Total	150.0	14.0	160.0	14.0	-10.0	0.0

Factors for differences

- Performing above target
- Performing as planned
- △ Performing below target

Advanced Materials

- PGA △ △
- PPS △
- PVDF △
- Carbon products ○

Specialty Chemicals

- Pharmaceuticals --
- Agrochemicals ○
- Industrial chemicals --

Specialty Plastics

- Home products ○○
- Packaging materials △

Key Indicators: Mid-term plan vs. Outlook

KUREHA CORPORATION

	Mid-term plan FY2016-2018	FY2016	FY2017	FY2018e	FY2016- 2018e Total	Difference
Capital expenditure	50.0	10.3	9.8	15.0	35.1	-14.9
Depreciation	35.0	10.2	9.9	10.3	30.4	-4.6
R&D expenses	20.0	4.7	5.0	5.8	15.5	-4.5

	Mid-term plan FY2016-2018		FY2018e	Difference
ROE	6.0%		6.8%	
DE ratio	0.5		0.3	
Interest-bearing debt	¥70bn		¥49bn	-¥21bn

Progress on Kureha's Challenge 2018 Initiatives

Enhance competitiveness & Enhance earnings capacity

Progress in FY2016-2017

Challenges in FY2018

AM

P P S

Resolved to enhance annual production by 5000 tons (operational in 2021)

Study for additional production enhancement

P V D F

2000t enhancement project underway (operational in Fall 2018)

Study for production enhancement in China, Promote quality differentiation

Carbon products

Retuned to generating profit through streamlining and strategic reforms

Continue to generate profit, Promote quality differentiation

SC

Phama/Agro

Launched fast-dissolving Kremezin tablets, Achieved steady growth for agrochemicals

Expand sales of new Kremezin tablets, Develop new drugs and agrochemicals

SP

Home products

Advanced penetration strategy with higher prices and increased sale of 50m wrap

Expand global markets, Improve profitability for Kichinto-san products

Packaging

Reformed EU sales/production framework, Launched new business expansion strategy

Expand ML film sales by focusing on functional differentiation

Synthetic fiber

Expanded PVDF processed product business

Start full operation at new extrusion facility

CST

Construction

Expanded business for post-quake restoration demand

Promote cost reduction programs

Other

Environment

Expanded industrial waste treatment business

Improve competitiveness for industrial waste treatment

Expand the PGA business

Established Kureha Energy Solutions in US, Realigned sales/marketing framework, Launched low-temp dissolving frac plugs, Developed super low-temp frac plugs

Accelerate US business expansion with new super low-temp frac plugs, Business launch in China market

Progress on Kureha's Challenge 2018 Initiatives

Progress in FY2016-2017

Challenges in FY2018

Explore new business themes

Explored potential themes responding to market needs in collaboration with external parties

Work on selected 11 themes with proper gate controls and accelerate their commercialization

Promote CSR management

Executed appropriate CSR management in line with Kureha corporate governance guidelines

Maintain the effectiveness of governance

Improved CSR promotion system

Enhance safety and quality assurance systems

Strengthen the management foundation

Established a process experiment lab and pilot plant to improve production technology

Promote new production process developments

Reduced ¥7.6bn in cost over 5 years (FY2013-2017) through group-wide reforms

Achieve effective and cumulative cost reductions of ¥8.8bn

Launched productivity improvement projects for manufacturing and administrative departments

Improve productivity and enhance departmental functions under individual projects

Followed up on the Shine-Up Project to promote human resource development and improve our working environment

Execute measures devised through the follow-up

3. Consolidated Companies

Revenues & Assets

KUREHA CORPORATION

(billions of yen)

		FY2016		FY2017		Change	
		Revenue	Total assets	Revenue	Total assets	Revenue	Total assets
Kureha Corporation		71.9	188.4	78.9	192.7	7.0	4.3
Kureha Trading Group (2)		20.3	13.6	22.5	14.1	2.2	0.5
Advanced Materials	Kureha Corporation	23.9	--	29.4	--	5.5	--
	Kureha Trading Group (2)	8.6	--	10.7	--	2.1	--
	Kureha Extron Co.	2.3	2.0	2.2	2.1	-0.1	0.1
	Kureha Extech Co.	1.7	1.6	1.9	1.4	0.1	-0.3
	Kureha Battery Materials Japan Co.	--	0.2	--	--	--	-0.2
	Kureha Europe Group (4)	1.4	1.1	2.2	0.8	0.7	-0.3
	Kureha America Group (4)	5.4	27.2	6.2	25.3	0.7	-1.9
	Kureha (Shanghai) Carbon Fiber Materials Co.	1.1	1.5	1.1	1.5	0.0	0.0
	Kureha China Group (2)	3.8	13.6	5.4	10.6	1.6	-3.1
	Consolidation adjustments	-14.8	--	-17.3	--	--	--
Total		33.4	--	41.6	--	8.3	--
Specialty Chemicals	Kureha Corporation	21.5	--	22.4	--	0.9	--
	Kureha Trading Co.	6.9	--	6.5	--	-0.4	--
	Consolidation adjustments	-2.5	--	-2.7	--	--	--
	Total	25.9	--	26.2	--	0.3	--
Specialty Plastics	Kureha Corporation	26.5	--	27.0	--	0.5	--
	Kureha Trading Co.	4.8	--	5.2	--	0.4	--
	Kureha Gohsen Co.	3.7	4.0	4.2	4.9	0.5	0.9
	Kureha China Group (2)	0.3	--	0.2	--	-0.1	--
	Kureha America Group (4)	1.7	1.0	2.0	0.9	0.3	-0.1
	Kureha Europe Group (4)	8.0	6.4	9.7	7.9	1.8	1.6
	Kureha Vietnam Co.	3.1	3.8	3.4	3.4	0.3	-0.4
	Consolidation adjustments	-5.4	--	-6.4	--	--	--
Total		42.8	--	45.4	--	2.6	--

Revenues & Assets

KUREHA CORPORATION

(billions of yen)

		FY2016		FY2017		Change	
		Revenue	Total assets	Revenue	Total assets	Revenue	Total assets
Construction	Kureha Nishiki Group (4)	18.2	10.8	21.9	11.3	3.8	0.4
	Kureha Engineering Co.	3.0	2.1	2.0	2.1	-1.0	0.0
	Consolidation adjustments	-7.2	--	-6.6	--	--	--
	Total	13.9	--	17.4	--	3.4	--
Other Operations	Kureha Ecology Management Co.	8.9	8.4	9.7	9.2	0.8	0.8
	Kureha Special Laboratory Co.	1.3	0.6	1.3	0.7	0.0	0.1
	Kureha Unyu Group (2)	8.5	6.3	8.3	6.1	-0.2	-0.2
	Kureha Trading Co.	0.1	--	0.1	--	--	--
	Kureha Service Co.	0.6	1.2	0.5	1.2	0.0	0.0
	Kureha-Kai Medical Corporation	3.6	3.6	3.6	3.4	0.0	-0.2
	Kureha Staff Service Co.	1.1	0.6	1.2	0.6	0.1	0.0
	Consolidation adjustments	-7.8	--	-7.9	--	--	--
Total	16.3	--	16.8	--	0.4	--	
Kureha Group Total		132.3	234.9	147.3	242.3	15.0	7.4
<i>Number of consolidated subsidiaries</i>		<i>34</i>		<i>29</i>			
<i>Number of equity- method affiliates</i>		<i>2</i>		<i>3</i>			

*Parenthesized numbers indicate the number of consolidated companies for each group.

Disclaimer

KUREHA CORPORATION

- These materials are supplied to provide a deeper understanding of our company, and are not intended to as a solicitation for investment or other actions.
- These materials have been prepared by our company based on the information available at this point in time. However, actual performance may produce results that differ from the plan due to unforeseeable events and factors.
- Please utilize these materials using you own judgment and responsibility.