KUREHA

November 14, 2013

# Kureha Revised ‘Grow Globally ll’ Medium-Term Management Plan

Kureha Corporation has revised its four-year ‘Grow Globally ll’ management plan in view of the changes in its business environment subsequent to the launch of the plan in April 2012. The revised plan is outlined below, including new quantitative targets for fiscal 2015.

## 1. Review of the ‘Grow Globally-ll’ management plan

In the medium-term ‘Grow Globally ll’ management plan (“GG-ll”), Kureha aims to “develop and promote new businesses while further strengthening existing businesses with a competitive advantage” and “accelerate global growth by enhancing production capability and new investments.”

Since the GG-II plan was implemented in April 2012, our business environment has changed significantly, mainly with a downturn in the solar power generation market and slower-than-expected growth in the large lithium-ion battery market. While the direction of our medium-term management remains unchanged, operational strategies for key businesses have been reviewed and revised to better respond to changing environments and ensure sustainable growth. Quantitative targets for fiscal 2015 were also reset, taking into account advancements in our strategic measures and the prospect of the relative markets.

## 2. New qualitative goals and quantitative targets

### Qualitative goals

The following qualitative goals are in place to guide the revised GG-ll plan.

1) In Advanced Materials, including new businesses (high-performance polymers, battery materials, PGA), we secure sales growth by responding to volatile market conditions swiftly and flexibly.
2) In other existing businesses, we pursue cost reduction in all operation levels and improve profitability.
3) R&D is focused on further strengthening existing original technologies, and also developing new technologies that will meet future needs.

### Quantitative targets

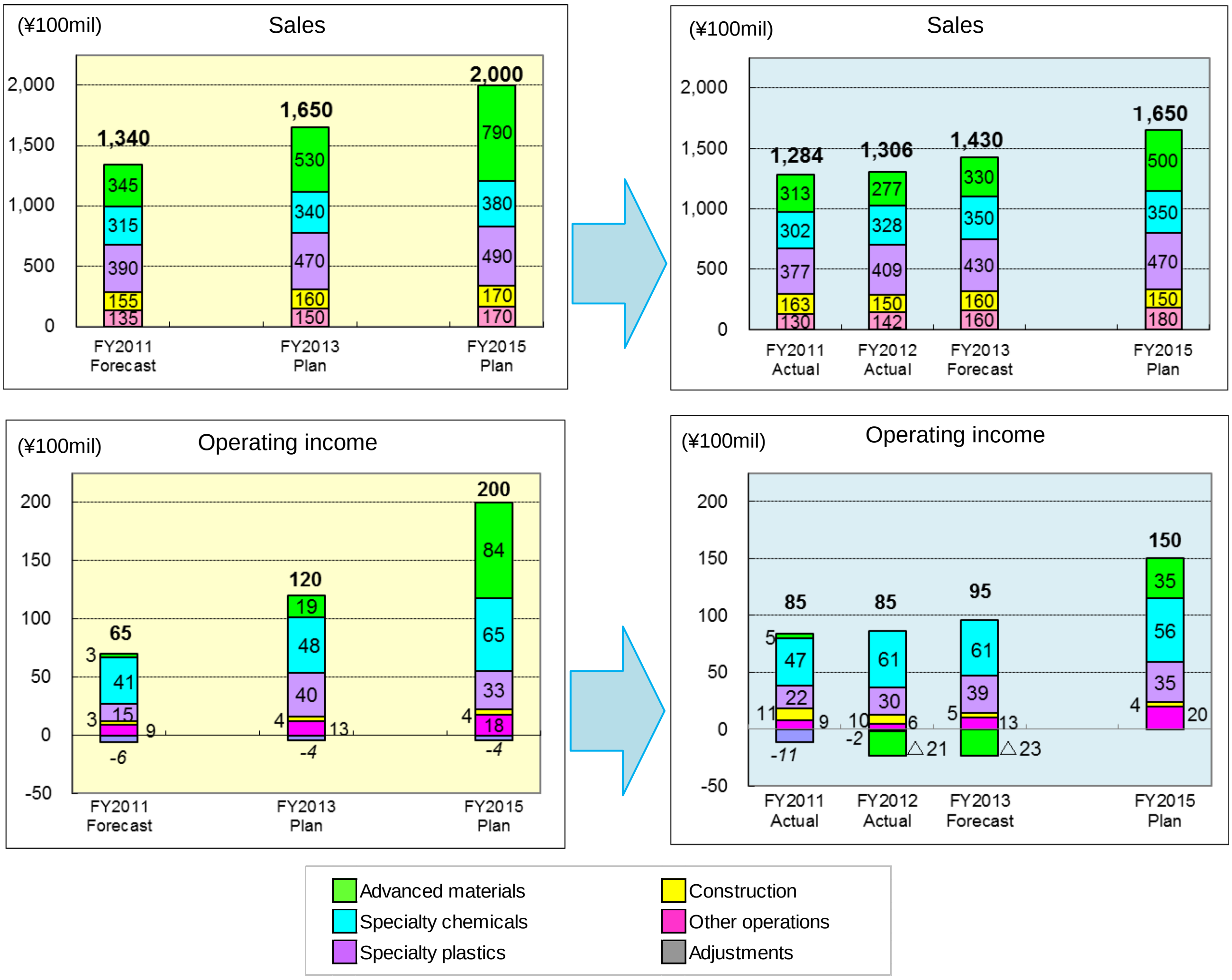
<u>Sales, Operating Income and Operating Margin</u>

FY2015 Plan: Sales ¥165bn, operating income ¥15bn, operating margin 9%

(Initial FY2015 plan announced in January 2012: Sales ¥200bn, operating income ¥20bn, operating margin 10%)

## Sales and Operating Income by Segment (comparison with the initial plan)

< Initial Plan > < Revised Plan >




*Preconditions for Quantitative Targets*

Exchange rates: 95 JPY/USD; 125 JPY/EUR

(80 JPY/USD; 100 JPY/EUR for initial plan)

*Revised Plan vs. Initial Plan*

- Quantitative targets were downgraded in the revised plan, due largely to variant factors in Advanced materials (solar power equipment-related materials, LiB materials and PGA resins) and Specialty chemicals (pharmaceuticals). Other segments are expected to meet the targets set in the initial plan. Recovery and growth of our advanced materials business is thus a key to achieving the FY2015 targets.
- Reflecting on the fact there was a significant divergence from the initial plan, we have newly prepared multiple operational strategies for the segments that are subject to changes in the business environment, enabling us to adapt flexibly to changing conditions and meet the targets.

*Principal Management Benchmarks*

1) Foreign sales ratio: FY2015 32% (original plan 33%, FY2012 actual 24.7%)
2) Capital expenditure program: ¥80 billion over FY2012 - 2015 (original plan ¥90bn)
   → Part of capital investment in advanced materials is rescheduled, with more focus on equipment upgrade and environmental/safety measures to ensure safe, stable production.
3) Depreciation cost: FY2013 target ¥9.1 billion, FY2015 target ¥12.5 billion
4) Interest-bearing debt: ¥80.4 billion at end FY2013, ¥90 billion at end FY2015

3. **Growth drivers in key businesses**

*Underlined are points which were reviewed/revised for the new GG-ll plan

**Advanced materials**

1. Advanced plastics: Expand the business for PVDF for LiB binders and solar cell backsheets (<u>delayed recovery of photovoltaic and LiB markets</u>), Increase applications of PGA for shale gas/oil extraction (<u>focus on molded product applications</u>)
2. Carbon products: Expand the business for insulating materials for silicon production equipment for solar cells (<u>delayed recovery of photovoltaic market</u>), expand anode materials sales for large LiBs (<u>slow market growth for electric vehicles</u>)

**Specialty chemicals**

1. Pharmaceuticals: Expand the business for *KREMEZIN* (therapeutic agent for chronic renal failure) primarily in the domestic market (<u>development discontinued in Europe and the Americas</u>)
2. Agrochemicals: Expand the business for *Metconazole* agricultural fungicide

**Specialty plastics**

1. Secure stable earnings for *New Krewrap* household wrap films
2. Enhance the cost competitiveness of commercial-use wrapping/casing films and expand sales in Asia (<u>adapt to market conditions in China</u>)

**Other businesses**

1. Expand the industrial waste processing business of Kureha Ecology Management Co., Ltd.

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