

FY2017 3Q Results

KUREHA CORPORATION

February 8, 2018

FY2017 3Q Highlights

KUREHA CORPORATION

(in billions of yen)

	FY2016 3Q	FY2017 3Q	Change (%)
Revenue	93.4	110.2	16.8 (18.0%)
Operating profit	9.3	12.5	3.2 (33.8%)
Profit before income tax	9.1	12.6	3.4 (37.4%)
Profit attributable to owners of parent	7.3	9.5	2.2 (30.1%)

FY2017 3Q vs. FY2016 3Q

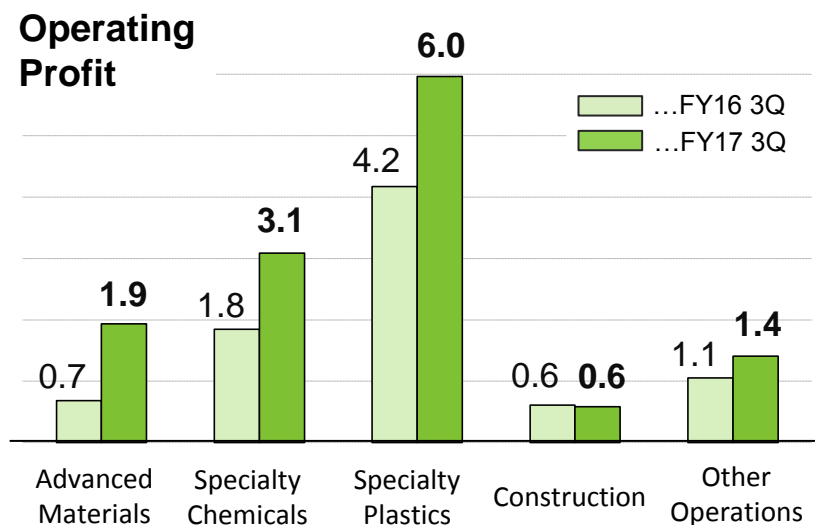
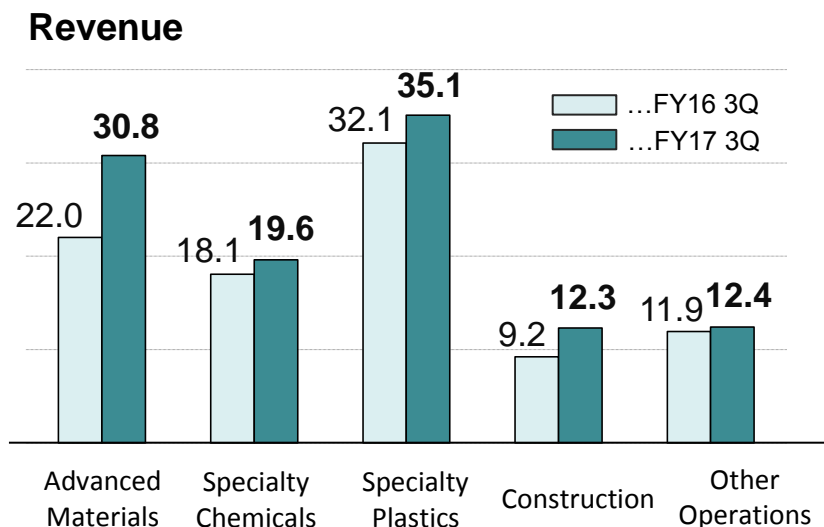
- Revenue increased on volume growth across all segments, particularly in Advanced Materials
- Higher operating profit driven by Advanced Materials, Specialty Chemicals and Specialty Plastics
- Profit before income tax increased on higher operating profit
- Profit for the period increased on higher profit before income tax

FY2017 3Q Highlights

KUREHA CORPORATION

Segment Variance: FY2017 3Q vs. FY2016 3Q

(billions of yen)



Factors for FY2017 3Q segment operating profit (vs. FY2016 3Q)

Advanced Materials: Higher volumes of advanced plastics and carbon products

Specialty Chemicals: Higher agrochemical volume and improved margin for industrial chemicals more than offsetting pharmaceutical volume decline

Specialty Plastics: Volume growth for home products, synthetic fiber and packaging materials

Construction: Lower profit in engineering businesses, despite profit increase in construction

Other Operations: Volume gains in industrial waste treatment

FY2017 3Q Highlights

KUREHA CORPORATION

(billions of yen)

FY2016 3Q

	Advanced Materials	Specialty Chemicals	Specialty Plastics	Construction	Other Operations	Segment Total	Adjustment	Total
Revenue	22.0	18.1	32.1	9.2	11.9	93.4	-----	93.4
Elimination							0.0	-----
Other income	*Includes ¥1bn subsidy income						1.2	-----
Other expenses	*Includes ¥0.2bn loss on retirement of non-current assets						0.3	-----
Operating profit	0.7	1.8	4.2	0.6	1.1	8.4	1.0	9.3
Finance income							0.5	-----
Finance costs							0.7	-----
Profit before income tax								9.1
Profit for the period								7.3

FY2017 3Q

	Advanced Materials	Specialty Chemicals	Specialty Plastics	Construction	Other Operations	Segment Total	Adjustment	Total
Revenue	30.8	19.6	35.1	12.3	12.4	110.2	-----	110.2
Elimination							0.2	-----
Other income							0.2	-----
Other expenses	*Includes ¥0.4bn environment-related expenses and ¥0.4bn loss on retirement of non-current assets						0.9	-----
Operating profit	1.9	3.1	6.0	0.6	1.4	13.0	-0.5	12.5
Finance income							0.6	-----
Finance costs							0.5	-----
Profit before income tax								12.6
Profit for the period								9.5

Segment Performance: Advanced Materials

(billions of yen)

	FY2016 3Q	FY2017 3Q	Change %
Advanced Materials			
Advanced plastics	13.9	17.9	29%
Carbon products	3.2	3.7	17%
Revenue: Kureha Co.	17.1	21.6	27%
Revenue: Subsidiaries	17.5	21.4	22%
Elimination	-12.5	-12.2	--
Kureha-G Revenue	22.0	30.8	40%
Kureha-G Operating Profit	0.7	1.9	183%

FY2017 3Q vs. FY2016 3Q

Revenue  Operating Profit 

- Advanced plastics revenue and profit increased on higher volumes for PVDF (LiB binder applications), PPS (automotive) and PGA (oil/gas exploration applications)
- Carbon products returned to generating profit due to sales growth of carbon fiber and carbon material products

Segment Performance: Specialty Chemicals

(billions of yen)

	FY2016 3Q	FY2017 3Q	Change %
Specialty Chemicals			
Agrochemicals	4.5	6.6	48%
Pharmaceuticals	4.5	3.4	-26%
Industrial chemicals	6.3	7.0	10%
Revenue: Kureha Co.	15.3	17.0	11%
Revenue: Subsidiaries	5.0	4.7	-6%
Elimination	-2.2	-2.0	--
Kureha-G Revenue	18.1	19.6	8%
Kureha-G Operating Profit	1.8	3.1	67%

FY2017 3Q vs. FY2016 3Q

Revenue  Operating Profit 

- Agrochemicals revenue and profit increased on higher fungicide volumes
- Pharmaceuticals declined due to lower Kremezin (therapeutic agent for chronic kidney disease) volume
- Industrial chemicals improved on higher volumes in both organic and non-organic chemical businesses

Segment Performance: Specialty Plastics

(billions of yen)

	FY2016 3Q	FY2017 3Q	Change %
Specialty Plastics			
Home products	15.6	16.7	7%
Packaging materials	5.5	4.9	-11%
Revenue: Kureha Co.	21.2	21.6	2%
Packaging materials (outside Japan)	8.2	9.6	16%
Fiber products	2.8	3.2	16%
Others	5.1	5.5	8%
Revenue: Subsidiaries	16.1	18.3	14%
Elimination	-5.2	-4.8	--
Kureha-G Revenue	32.1	35.1	9%
Kureha-G Operating Profit	4.2	6.0	43%

FY2017 3Q vs. FY2016 3Q

Revenue  Operating Profit 

- Home products continued to improve on steady sales growth of NEW Krewrap (plastic wrap) and Seaguar (fishing lines)
- Packaging materials revenue and profit increased due to volume growth of heat-shrink multilayer film in Japan and global markets

Segment Performance: Construction & Other Operations

(billions of yen)

	FY2016 3Q	FY2017 3Q	Change %
Construction			
Construction	14.3	17.2	20%
Elimination	-5.1	-4.9	--
Kureha-G Revenue	9.2	12.3	34%
Kureha-G Operating Profit	0.6	0.6	-5%
Other Operations			
Environmental engineering	7.2	8.0	11%
Logistics	6.4	6.3	-2%
Hospital operations	2.7	2.7	-2%
Others	1.3	1.4	2%
Revenue: Subsidiaries	17.7	18.3	4%
Elimination	-5.8	-5.9	--
Kureha-G Revenue	11.9	12.4	4%
Kureha-G Operating Profit	1.1	1.4	34%

FY2017 3Q vs. FY2016 3Q

Revenue  Operating Profit 

- Construction segment profit decreased despite revenue growth, due to weak engineering business more than offsetting construction growth

Revenue  Operating Profit 

- Environmental engineering grew on higher volumes in industrial waste treatment business
- Logistics profit improved on lower cost, despite a decline in revenue
- Lower revenue and profit in hospital operations

Balance Sheet

KUREHA CORPORATION

Assets

	Mar. 31 2017	Dec. 31 2017	Change
Cash and cash equivalents	6.2	6.2	-0.1
Trade and other receivables	29.4	33.5	4.1
Inventories	36.5	36.8	0.3
Other current assets	3.2	2.1	-1.1
Total current assets	75.3	78.5	3.2
Property, plant and equipment	115.9	115.8	-0.1
Intangible assets	1.4	1.4	0.0
Investments and other assets	42.3	50.3	7.9
Total non-current assets	159.6	167.5	7.9
Total assets	234.9	246.0	11.1

Liabilities and Equity

(billions of yen)

	Mar. 31 2017	Dec. 31 2017	Change
Trade and other payables	20.4	21.3	0.9
Interest-bearing debt	71.0	50.8	-20.2 *
Provisions	6.1	5.1	-1.0
Other liabilities	11.4	15.1	3.6
Total liabilities	108.9	92.3	-16.7
Shareholders' equity	12.5	18.1	5.7 *
Capital surplus	9.4	15.2	5.8 *
Less: Treasury stock	-4.5	-0.7	3.8 *
Retained earnings	101.7	108.8	7.1
Other components of equity	5.1	10.4	5.2
Non-controlling interests	1.7	1.8	0.2
Total equity	126.0	153.8	27.8
Total liabilities and equity	234.9	246.0	11.1

*For ¥15 billion convertible bonds with stock acquisition rights issued (due March 2018), 99.7% bondholders have elected to convert their bonds into shares as of the end of December 2017. As a result, with share conversion partly settled by the company's treasury shares, the number of shares issued at the end of December 2017 was 20,796,171.

FY2017 Full-Year Forecast (Revised)

KUREHA CORPORATION

Kureha's FY2017 full-year forecast has been most recently revised on February 8, 2018. The previous forecast, which was announced in November 2017, is indicated in blue below.

(billions of yen, except per-share values)

	FY2016	FY2017e	Change (%)
Revenue	132.3	145.0 145.0	12.7 (9.6%) 0 (0%)
Operating profit	9.3	12.5 12.0	3.2 (35.0%) 0.5 (4.2%)
Profit before income tax	9.0	12.5 12.0	3.5 (39.2%) 0.5 (4.2%)
Profit attributable to owners of parent	7.0	9.6 9.3	2.6 (37.1%) 0.3 (3.2%)
Dividend per share			
Interim	¥5.5	¥55.0	
Year-end	¥55.0*	¥55.0	

FY2017e vs. FY2016

- Revenue expected to increase on volume growth for Advanced Materials and Specialty Plastics
- Operating profit to rise on strong gains in Advanced Materials and Specialty Plastics, despite a decline in Construction
- Profit before income tax to improve on higher operating profit
- Profit for the period to improve on higher profit before income tax

Note: FY2017 operating profit forecast is nearly the same amount of FY2017 3Q cumulative operating profit (¥124bn). While our businesses will generate steady revenues during 4Q, we expect to appropriate other expenses associated with sales and administrative operations and losses on retirement of non-current assets for the period.

*Kureha conducted a ten-to-one share consolidation on October 1, 2016.



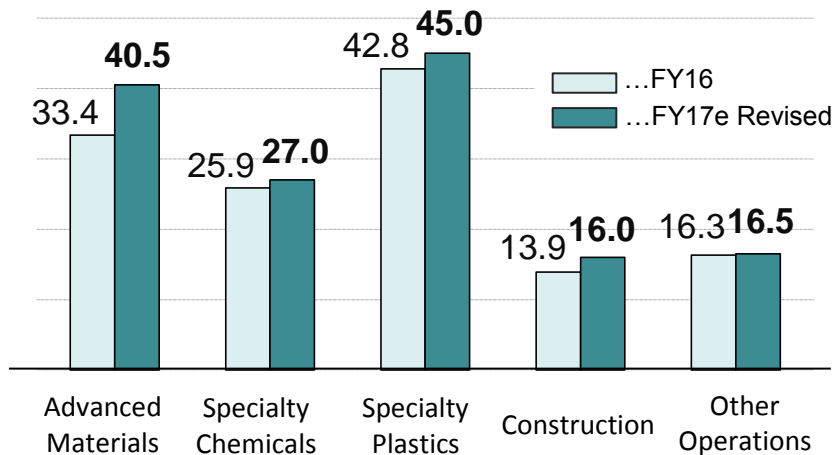
FY2017 Full-Year Forecast (Revised)

KUREHA CORPORATION

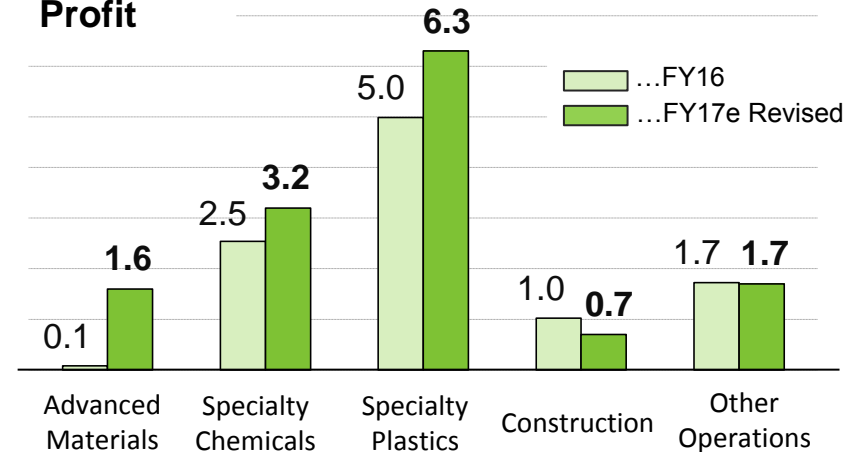
Segment Variance: FY2017 projection (revised Feb. 2018) vs. FY2016

(billions of yen)

Revenue



Operating Profit



Factors for FY2017e segment operating profit (vs. FY2016)

- Advanced Materials: Continued growth for PPS, PVDF and carbon products, combined with improved sales PGA despite a delay in product launch by new US venture
- Specialty Chemicals: Higher agrochemical volume and improved margin for industrial chemicals more than offsetting a decline in pharmaceuticals affected by generic competition
- Specialty Plastics: Continued growth of home products and synthetic fiber businesses
- Construction: Higher labor and raw materials costs partially offset by volume gains
- Other Operations: Performance on par with previous year

FY2017 Full-Year Forecast (Revised)

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	*Includes ¥1bn subsidy income						1.4	-----
Other expenses	*Includes ¥1.9bn business withdrawal and restructuring costs, ¥0.5bn loss on retirement of non-current assets						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

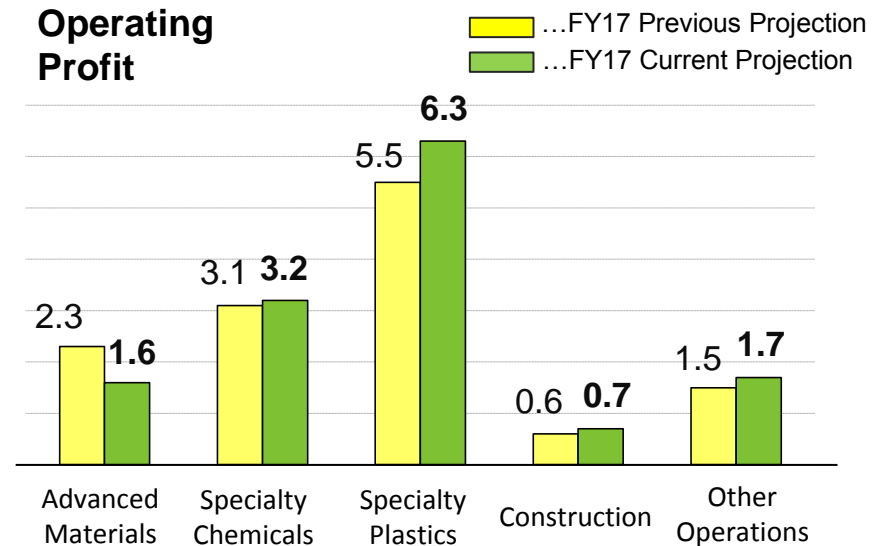
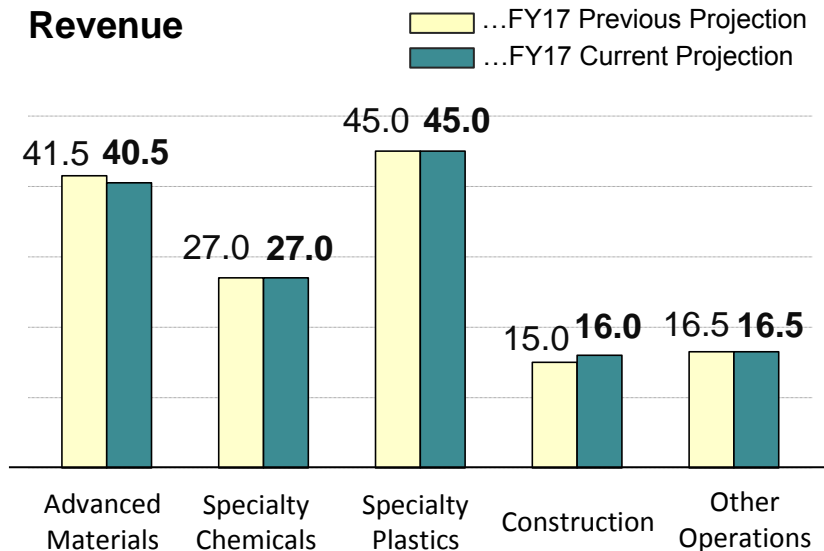
FY2017e Revised (Feb. 8, 2018)

	Advanced Materials	Specialty Chemicals	Specialty Plastics	Construction	Other Operations	Segment Total	Adjustment	Total
Revenue	40.5	27.0	45.0	16.0	16.5	145.0	-----	145.0
Elimination							0.0	-----
Other income							0.4	-----
Other expenses	*Includes ¥1bn loss on retirement of noncurrent assets, ¥0.4bn environment-related expenses						1.4	-----
Operating profit	1.6	3.2	6.3	0.7	1.7	13.5	-1.0	12.5
Finance income							0.6	-----
Finance costs							0.6	-----
Profit before income tax								12.5
Profit for the period								9.6

FY2017 Full-Year Forecast (Current vs. Previous Projection)

Segment Variance: FY2017 Projection, Current (Feb. 2018) vs. Previous (Nov. 2017)

(billions of yen)



Factors for FY2017e segment operating profit (vs. previous projection)

- Advanced Materials: Delayed business expansion for PGA by new US venture
- Specialty Chemicals: (No change from previous projection)
- Specialty Plastics: Robust sales growth of home products and lower cost
- Construction: (No change from previous projection)
- Other Operations: Volume growth in industrial waste treatment business and lower cost

FY2017 Full-Year Forecast (Current vs. Previous Projection)

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KUREHA CORPORATION

(billions of yen)

FY2017e Previous (Nov. 2017)

	Advanced Materials	Specialty Chemicals	Specialty Plastics	Construction	Other Operations	Segment Total	Adjustment	Total
Revenue	41.5	27.0	45.0	15.0	16.5	145.0	-----	145.0
Elimination							0.0	-----
Other income							0.4	-----
Other expenses	*Includes ¥1bn loss on retirement of non-current assets, ¥0.4bn environment-related expenses						1.4	-----
Operating profit	2.3	3.1	5.5	0.6	1.5	13.0	-1.0	12.0
Finance income							0.5	-----
Finance costs							0.5	-----
Profit before income tax								12.0
Profit for the period								9.3

FY2017e Current (Feb. 2018)

	Advanced Materials	Specialty Chemicals	Specialty Plastics	Construction	Other Operations	Segment Total	Adjustment	Total
Revenue	40.5	27.0	45.0	16.0	16.5	145.0	-----	145.0
Elimination							0.0	-----
Other income							0.4	-----
Other expenses	*Includes ¥1bn loss on retirement of non-current assets, ¥0.4bn environment-related expenses						1.4	-----
Operating profit	1.6	3.2	6.3	0.7	1.7	13.5	-1.0	12.5
Finance income							0.6	-----
Finance costs							0.6	-----
Profit before income tax								12.5
Profit for the period								9.6

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- Please utilize these materials using you own judgment and responsibility.