

Kureha Corporation Reports Growth in Profits for Interim Period Ended September 2007

Tokyo, Japan – November 12, 2007 – Leading specialty chemicals and plastic products company, Kureha Corporation (“Kureha”), posted consolidated operating income of ¥4.86 billion for the interim period ended September 30, 2007, a year-on-year increase of 64.9%, and consolidated recurring income of ¥4.93 billion, an increase of 66.6%. Consolidated sales rose by 6.5% to ¥67.16 billion, while net income rose to ¥1.30 billion, up by 1.4% year-on-year.

Despite Kureha having revised upwards its forecasts for the interim period in August, reported sales and operating income were both significantly higher than previous projections, largely due to a stronger than expected performance by the specialty chemicals division. Reflecting the strong overall performance, Kureha will increase its interim dividend from ¥4.5 to ¥5.0 per share.

Kureha President and Chief Executive Officer, Takao Iwasaki, said, “We are delighted to report such strong interim results, which are ahead of previous predictions for the period and come despite continued challenges in the company’s operating environment, including of course the continued rising price of crude oil. These results again validate the steps taken under the mid-term business plan to radically redefine the way we approach our business. As a result, we remain on course to meet forecasted targets for the full fiscal year and to continue growing our business in the coming years.”

Summary of consolidated interim-results

(¥ million, except where stated)

	Sept. 2007	Sept. 2006	Change (%)
Sales	67,163	63,091	6.5
Operating income	4,861	2,948	64.9
Recurring income	4,934	2,962	66.6
Net income	1,302	1,284	1.4
Earnings per share (EPS) (¥)	7.10	6.94	2.3

Accounting practice changes

As a result of changes in accounting practices for the calculation of depreciation due to taxation changes, Kureha recorded additional operating costs totaling ¥420 million during the interim period. This included ¥80 million as a result of changes in the method of calculating depreciation ratio and further ¥340 million following changes to the method of recording residual value for fixed assets with five years depreciation remaining. However, Kureha was able to offset the impact of these changes and record an increase in consolidated operating income during the interim period. For the full fiscal year, the impact of accounting practice changes on operating income is expected to total ¥840 million.

Consolidated interim performance

(¥ million, except where stated)

Division		Sept. 2007	Sept. 2006	Change (%)
Advanced materials	Sales	18,825	16,654	13
	Operating income	2,105	1,619	30
Specialty chemicals	Sales	15,570	13,859	12
	Operating income	1,945	1,210	61
Specialty plastics	Sales	24,116	22,825	6
	Operating income	1,060	195	444
Other operations	Sales	8,649	9,752	-11
	Operating income	-38	369	-
	Cancellations	-	(447)	-
Total	Sales	67,163	63,091	6.5
	Operating profit	4,861	2,948	64.9

Performance by division

Advanced materials division

Major product areas: advanced plastics (PPS resin, PVDF resin), carbon products

Consolidated sales for the advanced materials division rose by 13% year-on-year to ¥18.8 billion for the interim period, while operating income for the division was up by 30% to ¥2.1 billion (after offsetting the impact of a ¥90 million adjustment due to changes to accounting practices for depreciation). The production of core products at increased capacity levels contributed to the buoyant results, following Kureha's successful efforts to raise production capacity levels during previous years.

Advanced plastics experiencing significant growth

Sales of advanced plastics increased from ¥6.4 billion to ¥8.0 billion, up 24% year-on-year, representing a significant contribution to the positive divisional results. The performance of PPS resin was a key factor in these results, having experienced strong demand for use in auto-related applications. Domestic PPS production is now in full operation at increased capacity levels and, as of October 2007, necessary construction measures have been completed to also raise production capacity at Fortron Industries' PPS plant in the U.S. from 8,600 tonnes per year to 15,000 tonnes per year. As a result, Kureha's global PPS production capacity has now reached 25,000 tonnes per year and is capable of meeting the anticipated high levels of demand. In addition, PVDF resin recorded strong sales on the back of growing demand for use in lithium ion secondary batteries for PCs and cell phones.

Sales of carbon products remain constant

Sales of carbon products remained unchanged from the previous interim period at ¥3.6 billion. Carbon fibers for heat-resistance materials such as heat-treatment furnaces again recorded strong sales, following particularly strong demand for use in solar batteries and semiconductor wafers. However, this was offset by a decline in export sales of activated carbon following a decrease in demand.

Outlook: The advanced materials division's growth prospects for the fiscal year ending March 2008 remain relatively strong. Divisional operating income is expected to be ¥4.5 billion (after offsetting the impact of a ¥190 million depreciation related adjustment) and sales ¥38.0 billion, up from ¥4.3 billion and ¥35.1 billion respectively during the fiscal year ended March 2007.

Specialty chemicals division

Major product areas – pharmaceuticals, agrochemicals, industrial chemicals

The specialty chemicals division recorded sales of ¥15.6 billion, up 12% year-on-year, owing to a higher than anticipated increase in export demand for Metconazole, a fungicide for oilseed rape and wheat. Divisional operating profit increased by 61% to ¥1.9 billion (after offsetting the impact of a ¥120 million depreciation related adjustment). These results were also aided by strong domestic sales of Kremezin, a therapeutic agent for chronic kidney disease, and the increased profitability of industrial chemical products following successful efforts to raise prices during the previous fiscal year.

Industrial chemicals benefit from product price increases

Industrial chemicals recorded sales of ¥5.1 billion for the interim period, a 3% increase year-on-year, as well as a slight increase in profitability having benefited from successful efforts during the fiscal year ended March 2007 to transfer increased raw material costs to product prices.

Agrochemical sales ahead of targets

Sales of agrochemicals for the interim period were ¥2.9 billion, 18% higher than during the same period last year and significantly stronger than the revised forecast announced in August. Kureha saw particularly strong demand from Europe for bulk shipments of Metconazole, which also resulted in additional royalty revenues for the product and therefore also contributed to divisional operating income.

Pharmaceuticals continue to report solid results

Favorable sales of Kremezin during the interim period countered a decline in sales of Krestin, a drug for cancer immunotherapy, and contributed to overall pharmaceutical products sales of ¥4.4 billion, an increase of 12%. In addition, Phase III clinical trials for Kremezin in the U.S. are now being undertaken by Mitsubishi Pharma Corporation, following the agreement with Kureha during the previous fiscal year on development rights for kidney disease applications in the U.S. and Europe.

Outlook: Overall divisional sales are expected to be ¥31.0 billion for the full fiscal year, up from the May forecast of ¥29.5 billion partly due to stronger export sales of Metconazole. Projected operating income remains unchanged at ¥2.9 billion (after offsetting the impact of a ¥240 million depreciation related adjustment).

Specialty plastics division

Major product areas – food packaging materials, household products, fishing lines

Sales for the specialty plastics division increased by 6% to ¥24.1 billion, while operating income for the division rose to ¥1.1 billion (after offsetting the impact of a ¥160 million depreciation related adjustment), representing a year-on-year increase of 444%. Contributing to the growth in divisional earnings was NEW Krewrap following stable pricing trends at the retail level, PVDC compound following continued strong Chinese demand for the product, and sales of machinery for auto-seal food packaging, used to manufacture clip-free food packaging materials for sausages and other products.

NEW Krewrap continues solid earnings

Sales of household products grew by 5%, reaching ¥10.6 billion for the interim period. NEW Krewrap was a key contributor to both sales and profit growth, following continued efforts to renew and upgrade packaging design and functionality, which resulted in the product being presented with the 2006 Good Design Award, and to ensure that these efforts are reflected retail price. In addition, a shift to longer-length wrapping products ensured that increased costs for raw materials used in packaging did not impact overall profitability.

Chinese demand for PVDC compound continues to grow

Sales of food packaging materials also increased for the interim period, up by 5% year-on-year to ¥5.5 billion, largely due to continued strong demand from China for PVDC compound used in packaging materials for food products including sausages.

Sales growth at European subsidiaries

Sales of ML40, a multilayer shrinkable film for meats and cheeses, at European subsidiaries continued to demonstrate stable growth, further contributing to divisional performance.

Seaguar products rebound following voluntary recall

Kureha issued a voluntary recall of some Seaguar series fishing line products from distributors in June 2007, following the discovery of a non-critical defect to fishing line materials. However, overall sales of Seaguar series products rose by 79% during the interim period to ¥0.6 billion.

Outlook: For the full fiscal year, divisional sales are forecast to increase to ¥51.0 billion, up from ¥48.4 billion recorded during the previous fiscal year. Operating income is forecast to be ¥3.6 billion (after offsetting the impact of a ¥320 million depreciation related adjustment), up from ¥2.2 billion, mainly due to improving sales of NEW Krewrap and the expansion of packaging materials sales both in Japan and overseas.

Other operations division

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

The other operations division recorded consolidated sales of ¥8.7 billion for the interim period, a decline of 11%; while divisional operating income was ¥0 (after offsetting the impact of a ¥40 million depreciation related adjustment).

Environmental engineering sales continue to grow

Sales for environmental engineering businesses, including the treatment of industrial waste and medical waste processing, continued to demonstrate stable growth, up by 17% on a year-on-year basis to ¥3.2 billion.

Construction related businesses face difficult operating environment

Construction related businesses, however, did not fare as well. Sales declined by 24% to ¥5.8 billion following a decrease in the completion of engineering related works during the first half of the year.

Logistics and warehousing businesses largely unchanged

Sales for logistics and warehousing businesses increased slightly to ¥6.3 billion, up from ¥6.2 billion recorded during the previous interim period.

Outlook: Due to the difficult operating environment, forecasted full fiscal year sales for construction related businesses have been revised downwards. As a result, divisional operating income is now forecast to be ¥1.9 billion (after offsetting the impact of a ¥80 million depreciation related adjustment), down from ¥2.3 billion, while divisional sales are estimated to be ¥35 billion, up from ¥32.2 billion during the previous fiscal year.

Consolidated capital expenditure, depreciation and R&D

	(¥ billion)		
	Sept. 2007	Sept. 2006	Fiscal 2007 (forecast)
Capital expenditure	4.9	5.4	10.7
Depreciation	4.9	4.3	10.2
R&D	3.1	3.1	7.2
Interest-bearing debt	32.3	36.6	32.7

During the interim period ended September 30, 2007, Kureha's consolidated capital expenditure declined in comparison with the corresponding period from the previous year, during which time the company had allocated financial resources to increasing production capacity for PPS. Consolidated depreciation costs for the interim period increased to come in line with capital expenditure. For the fiscal year ending March 2008, overall capital expenditure is expected to be ¥10.7 billion, lower than during the previous fiscal year.

Outlook for the full year

	(¥ million, except where stated)		
	Fiscal 2007 (Forecasts)	Fiscal 2006	Change (%)
Sales	155,000	146,255	6.0
Operating income	12,600	11,841	6.4
Recurring income	12,100	11,682	3.6
Net income	6,000	5,832	2.9
Earnings per share (EPS) (¥)	32.74	31.58	



The forecast for consolidated sales for the fiscal year ending March 2008 remains unchanged from the previously announced figure of ¥155.0 billion, a 6% year-on-year increase. Consolidated operating income is estimated to be ¥12.6 billion, up 6.4% year-on-year, reflecting the impact of changes to accounting practices for depreciation. Recurring income is expected to rise by 3.6% to ¥12.1 billion while net income is projected to be ¥6.0 billion, a 2.9% year-on-year increase.

For further information, please contact:

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Condensed interim consolidated balance sheets
As of 30 September 2007 and 2006

¥ millions

	Sept. 2007	Sept. 2006
Assets		
Current assets	70,995	65,236
Cash and cash equivalents	4,821	4,397
Fixed assets	120,840	124,301
Property, plant and equipment	71,622	70,549
Intangible assets	1,081	1,568
Investments and other assets	48,136	52,184
Total Assets	191,842	189,555
Liabilities and Net Assets		
Current liabilities	59,942	59,631
Short-term borrowings	17,239	21,839
Fixed liabilities	27,221	27,714
Corporate bonds	5,000	5,000
Long-term borrowings	10,106	9,771
Total Liabilities	87,164	87,345
Net Assets		
Shareholders' equity	90,712	87,497
Minority interest	883	861
Total Net Assets	104,677	102,210
Total Liabilities and Net Assets	191,842	189,555

Condensed interim consolidated statement of income
For the fiscal years ended 30 September 2007 and 2006

¥ millions

	Sept. 2007	Sept. 2006
Sales	67,163	63,091
Cost of goods sold	46,904	45,738
Selling, general and administrative expenses	15,397	14,405
Operating income	4,861	2,948
Non-operating income	870	719
Non-operating expenses	796	706
Recurring income	4,934	2,962
Extraordinary gains	997	1,319
Extraordinary losses	2,106	2,299
Income before income taxes	3,825	1,982
Taxes and minority interest adjustments	2,523	697
Net income	1,302	1,284