



Kureha Corporation Reports Fiscal 2008 Results

Tokyo, Japan – May 2009 – Leading specialty chemicals and plastic products company, Kureha Corporation (“Kureha”), has reported earnings for the fiscal year ended March 2009 (FY2008). On a consolidated basis, operating income declined by 25.7% year-on-year to ¥9.45 billion, while recurring income was down 31.7% to ¥8.65 billion on sales of ¥143.7 billion (down 4.0%). Net income declined by 44.7% to ¥3.37 billion, in part due to losses incurred on valuations of inventories and marketable securities.

Results were approximately in line with the Company’s revised forecast in February 2009. Kureha’s annual dividend has remained at the projected ¥10.0 per share.

Kureha President and Chief Executive Officer, Takao Iwasaki, said, “FY 2008 results demonstrated that Kureha, like so many other companies, has been affected by the global economic turmoil, despite our continued efforts to focus on specialty products and build a non-cyclical business foundation.”

A number of Kureha’s core products have displayed sustainable demand in spite of the difficult operating environment, with carbon fibers showing promising demand growth for use in solar power equipment and *Kremezin*, a therapeutic agent for chronic kidney disease, set to expand sales globally. Iwasaki commented, “If we analyze Kureha’s current business portfolio, most core products relate to the environmental, energy-efficiency and healthcare areas, all of which are essential to the development of a sustainable society. I would like to consider the current situation not as a crisis, but as an opportunity.”

Iwasaki added, “In addition, Kureha has completed development of breakthrough technology and intellectual property in relation to PGA (polyglycolic acid) and is constructing a new U.S. production facility in partnership with DuPont. With characteristics ideally suited to high-performance packaging and industrial applications, PGA is expected to become a centerpiece of the Company’s strategy of focusing on value-added, highly differentiated products.” A high-performance polymer, PGA will initially be used as an application for carbonated drinks bottles as well as surgical suture.

“Therefore, despite current setbacks, the business scenario envisaged in Kureha’s mid-term business plan, *Grow Globally*, remains intact. The fact that the Company remains committed to maintaining its planned high level of capital expenditure is evidence of our confidence in the strategy outlined in the mid-term plan,” said Iwasaki.

Summary of consolidated full year results

(¥ million, except where stated)

	March 2008	March 2009	Change (%)
Sales	149,775	143,741	-4.0
Operating income	12,722	9,456	-25.7
Recurring income	12,661	8,650	-31.7
Net income	6,096	3,373	-44.7
Earnings per share (EPS) (¥)	33.39	18.75	-43.8

Consolidated performance by segment

(¥ million, except where stated)

Division		March 2008	March 2009	March 2010 (Forecast)
Advanced materials	Sales	38,914	32,423	33,000
	Operating income	4,378	678	-1,000
Specialty chemicals	Sales	32,521	33,898	34,000
	Operating income	3,482	5,731	4,900
Specialty plastics	Sales	48,764	43,538	44,000
	Operating income	3,358	1,654	1,900
Other operations	Sales	29,573	33,881	34,000
	Operating income	1,619	2,104	1,600
	Cancellations	-116	-712	-400
Total	Sales	149,775	143,741	145,000
	Operating income	12,722	9,456	7,000

Performance by division

Advanced materials division

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

Advanced materials division sales were down 17% year-on-year to ¥32.4 billion, while operating income declined by 85% to ¥0.7 billion. PPS resin for automotive and electronics applications experienced a sharp drop in sales, resulting in earnings deterioration both in Japan and the U.S., while carbon fibers experienced growth in demand during the period.

Carbon fiber business to expand

Kureha has increased production capacity for carbon fiber products at the Iwaki Factory and also at Kureha Chemicals Shanghai to meet continued growth in demand for use as an insulating material in silicon wafers for semiconductors and solar powered equipment. Sales of carbon fiber products in FY2008 grew slightly from ¥7.7 billion to ¥7.8 billion, but the increase in depreciation and the stronger yen impacted operating profit.

Advanced plastics decline sharply

Sales of advanced plastics were down 28% from ¥16.3 billion to ¥11.8 billion. In particular, this was due to the fall in auto sales, which also impacted profits. PVDF resin, which in recent years has experienced strong demand for use in lithium ion secondary batteries for use in PCs and cell phones, also recorded a sharp fall in sales on the back of slower demand and inventory adjustments in the electronics sector.

Outlook: FY2009 divisional sales are projected to be almost constant at ¥33.0 billion, but operating income is expected to shift to a ¥1.0 billion deficit. The outlook for the advanced materials division is likely to remain uncertain as long as the global recession and suppressed demand in the auto industry continues. The carbon fiber business, however, is expected to experience strong growth with sales projected to increase from ¥7.7 billion to ¥9.8 billion in FY2009.

Specialty chemicals division

Major product areas – industrial chemicals, agrochemicals, pharmaceuticals

Specialty chemicals division sales were up 4% year-on-year to ¥33.9 billion. Divisional operating income recorded a 65% increase to ¥5.7 billion, thanks to the stable performance of agrochemical and pharmaceutical businesses.

Kremezin continues to perform well

Sales of pharmaceutical products increased from ¥8.6 billion to ¥10.1 billion in FY2008 as a result of a strong performance by *Kremezin* offsetting a decline in sales of *Krestin*, a drug for cancer immunotherapy.

Industrial chemicals benefitted from price adjustment

Sales of industrial chemicals declined marginally to ¥10.3 billion. Despite the decrease in sales volume, however, initiatives to transfer the impact of rising raw materials and oil prices to the final product resulted in an increase in operating income.

Agrochemical products continued to grow

Sales of agrochemicals were up 7% year-on-year to ¥7.4 billion, with *Metconazole* continuing to enjoy strong overseas demand. Benefitting from stable licensing revenue and the strong Euro during the first half, the agrochemicals business also recorded growth in operating profits.

Outlook: FY2009 divisional sales are expected to stay at ¥34.0 billion, but operating income is projected to decline by 15% to ¥4.9 billion. Expected sales growth of *Kremezin* and *Krestin* will be impacted by a rising depreciation burden following *Kremezin* production capacity increases, while growth in sales of *Metconazole* in Europe and North America is expected to be negated by exchange rate fluctuations. The contribution made by licensing revenue to the divisional sales figure is expected to decline, while industrial chemicals should enjoy stable earnings.

Specialty plastics division

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

Specialty plastics division sales dropped by 11% year-on-year to ¥43.5 billion, while operating income for the division halved to ¥1.7 billion. Earnings deterioration was mainly due to a decline in sales volume of PVDC compound to China and of fishing line products, as well as exchange rate losses on sales of packaging materials on Europe. Continuous improvements to *NEW Krewrap* product functionality, however, resulted in growth in household product sales.

Packaging materials business remains stable

Sales of food packaging materials were down by 9% to ¥10.0 billion. Domestic sales of PVDC film and multilayer films increased, while sales of large-lot machinery for food packaging machines slowed due to decline in demand.

NEW Krewrap continues solid earnings

Sales of household products grew by 7% to reach ¥22.9 billion. *NEW Krewrap* posted an improved sales figure due to an increase to the average unit price, although the overall sales volume remained flat. Rising raw material prices, however, had a negative impact on operating income.

Fishing line product sales slow

Sales of *Seaguar* series products were hit by weak private consumption.

Outlook: FY2009 divisional sales are forecast to increase by 1% to ¥44.0 billion, with operating income projected to grow by 15% to ¥1.9 billion. This improvement should primarily be the result of an increase in packaging materials sales volume in Europe, as well as the recovery of PVDC compound sales to China. Sales of *NEW Krewrap* are expected to be stable, while fishing line sales should bottom out.

Other operations division

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

Other operations division sales increased by 15% year-on-year to ¥33.9 billion, with operating income also up, by 30%, to ¥2.1 billion thanks to the completion of large-scale plant construction projects.

Environmental engineering profits to improve

In the environmental engineering area, overall sales were down by 4% to ¥6.5 billion. Sales from medical waste processing declined while costs associated with furnace repair and analysis work increased, resulting in a drop in profits.

Construction related businesses enjoy earnings boost

Sales at construction related businesses improved significantly, up 34% to ¥34.8 billion due to the completion of large-scale plant construction projects.

Logistics and warehousing businesses largely unchanged

Logistics and warehousing business sales presented a mixed picture and overall declined slightly to ¥12.4 billion. Logistics business activity declined and faced increased competition.

Outlook: FY2009 divisional sales are projected to be flat at ¥34.0, with operating income expected to be down 24% to ¥1.6 billion. Environmental engineering is forecast to remain stable through efforts to efficiently match operational capacity to demand.

FY2009 Outlook

(¥ million, except where stated)

	March 2009	March 2010 (Forecast)	Change (%)
Sales	143,741	145,000	0.9
Operating income	9,456	7,000	-26.0
Recurring income	8,650	6,000	-30.6
Net income	3,373	2,700	-20.0
Earnings per share (EPS) (¥)	18.75	15.07	-19.6

Kureha forecasts the decline of both sales and profits to continue in FY2009. The Company anticipates sales of ¥145.0 billion, down 0.9%; operating income of ¥7.0

billion, down 26.0%; recurring income of ¥6.0 billion, down 30.6%; and net income of ¥2.7 billion, down 20.0%. Kureha expects the advanced materials business to pick up gradually and agrochemical shipments to improve from the second half. Kureha's strategy of focusing on high value-added strategic products while streamlining operational efficiency will help the Company weather the current economic turmoil.

Capex, Depreciation, R&D and Debt level

(¥ billion)

	March 2008	March 2009	March 2010 (forecast)
Capital expenditure	10.1	17.8	22.0
Depreciation	10.1	10.3	12.2
R&D	6.5	6.1	6.5
Interest-bearing debt	32.0	44.0	55.0

As planned, Kureha boosted capital expenditure from ¥10.1 billion in FY2007 to ¥17.8 billion in FY2008. The increase came primarily from 1) carbon fiber production capacity expansion, 2) capacity increase for *Kremezin*, 3) expansion of the packaging materials business in Europe, and 4) the establishment of Kureha Vietnam Co., Ltd.

It is important to note that despite the current difficult operating environment, Kureha aims to maintain a high level of capital expenditure and is planning to spend ¥22.0 billion in FY2009. Major areas of investment will be 1) further capacity expansion of carbon fiber production in Iwaki, Shanghai, and Pennsylvania, and 2) PGA plant construction in the U.S.

Depreciation increased slightly from ¥10.1 billion to ¥10.3 billion and is projected to increase to ¥12.2 billion for FY2009. R&D spending during FY2008 was ¥6.1 billion, down slightly from the previous year. However, R&D expenditure remains vital to Kureha, a fact reflected in the projected increase to ¥6.5 billion for FY2009.

On the back of Kureha's aggressive capital expenditure program, interest-bearing debt set to increase, from ¥44.0 billion in FY2008, to ¥55.0 billion in FY2009, assuming that the Company will conduct further capital funding during this fiscal year.

For further information, please contact:

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<Appendix>

Condensed Consolidated Balance Sheets

(¥ millions)

	31 March 2009	31 March 2008
Assets		
Current assets	68,592	69,487
Cash and cash equivalents	7,264	6,120
Fixed assets	113,631	117,861
Property, plant and equipment	77,363	71,763
Intangible assets	1,108	935
Investments and other assets	35,159	45,162
Total Assets	182,224	187,349
Liabilities		
Current liabilities	52,436	58,274
Short-term borrowings	17,353	18,542
Fixed liabilities	32,713	24,492
Corporate bonds	15,000	5,000
Long-term borrowings	11,680	8,498
Total Liabilities	85,149	82,766
Net Assets		
Shareholders' equity	93,988	93,138
Reevaluation and conversion differences, etc.	1,586	10,248
Minority interest	1,452	1,175
Total Net Assets	97,074	104,582
Total Liabilities and Net Assets	182,224	187,349

Condensed Consolidated Statement of Income

(¥ millions)

	March 2009	March 2008
Sales	143,741	149,775
Cost of goods sold	105,193	106,195
Selling, general and administrative expenses	29,091	30,858
Operating income	9,456	12,722
Non-operating income	1,351	1,719
Non-operating expenses	2,156	1,780
Recurring income	8,650	12,661
Extraordinary gains	358	2,087
Extraordinary losses	2,999	3,614
Income before income taxes	6,009	11,135
Taxes and minority interest adjustments	2,636	5,038
Net income	3,373	6,096