



Kureha Corporation Reports Interim Results Q2 FY2011 (April - Sept. 2010)

Tokyo, Japan – November 2010 – Leading specialty chemicals and plastic products company, Kureha Corporation (“Kureha”), has reported earnings for the half-year period ended September 30, 2010. On a consolidated basis, both operating income and recurring income increased significantly year-on-year (YoY), rising 474.9% to ¥3,008 million and 528.1% to ¥2,547 million, respectively. Overall sales also grew 8.2% YoY to ¥64,642 million, while net income was ¥1,253 million. Results exceeded the improved earnings forecast announced by Kureha in September and can be largely attributed to a strong recovery in the Advanced Materials and Specialty Chemicals divisions.

Change in earnings estimates (April-Sept. 2010)

(¥ million, except where stated)

	Actual	New Forecast (Sept. 2, 2010)	Old Forecast (May. 13, 2010)
Sales	64,642	64,000	62,000
Operating income	3,008	2,400	1,300
Recurring income	2,547	2,000	1,000
Net income	1,253	1,000	600
Earnings per share (EPS) (¥)	7.08	5.58	3.35

Commenting on the results Kureha President and Chief Executive Officer, Takao Iwasaki, said, “Thanks to the stronger than anticipated demand recovery for major products in the advanced materials division including PPS, PVDF and negative electrode materials for lithium batteries, along with the steady expansion of specialty chemical products such as fungicide and *Kremezin*, both operating and recurring profits recorded a significant increase, albeit from a comparatively lower base. Kureha expects its efforts to develop the business and market for PGA (polyglycolic acid) to also begin contributing to results in the years to come, with commercial operations due to commence next spring following the construction of a new U.S. production facility. I believe that our focus on developing strategic products globally, such as PGA, is gradually demonstrating results.”

Summary of consolidated half year results

(¥ million, except where stated)

	Sept. 2010	Sept. 2009	Change (%)
Sales	64,642	59,717	8.2
Operating income	3,008	523	474.9
Recurring income	2,547	405	528.1
Net income	1,253	11	-
Earnings per share (EPS) (¥)	7.08	0.06	-

Consolidated interim performance

(¥ million, except where stated)

Division		Sept. 2010	Sept. 2009	Change (%)
Advanced materials	Sales	17,026	13,998	21
	Operating income	109	-911	-
Specialty chemicals	Sales	15,892	14,248	12
	Operating income	2,412	1,141	110
Specialty plastics	Sales	20,813	20,978	-1
	Operating income	1,147	829	38
Other operations	Sales	10,910	10,491	4
	Operating income	-502	-289	-
Total	Sales	64,642	59,717	8.2
	Operating profit	3,167	523	474.9

Performance by division

Advanced Materials Division

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

For the half-year period, the performance of the Advanced Materials Division exceeded the latest company forecast. Divisional sales increased by 21% YoY to ¥17.0 billion, with the division recording operating profit of ¥109 million.

Carbon products business recovering

Sales of carbon products increased from ¥3.1 billion to ¥3.3 billion, due to demand recovery for carbon fibers for heat insulation materials used in the manufacturing of solar power equipment and semiconductors. In addition, Kureha's hard carbon for negative electrode material of lithium ion secondary batteries, *Carbotron*, which displays high durability, has seen growing demand from the automotive sector and strong interest in the product has also been seen in Japan, Korea and China.

Sharp increase in demand for PPS and PVDF

Sales of advanced plastics jumped from ¥5.7 billion to ¥7.5 billion. Demand for PPS resin used in the electrical, electronics and automotive industries, particularly hybrid electronic vehicles (HEVs), steadily improved and provided strong profitability. Earnings from the U.S.-based joint venture, Fortron Industries, have also demonstrated signs of recovery. Demand for PVDF resin, which is used in electrode binders for lithium-ion batteries for EVs, HEVs and consumer electronic appliances, has also experienced strengthening. As a result, production capacity will be increased to 4,000 tons per year by next summer, in particular reflecting stronger demand from the automotive sector.

Outlook: Divisional sales for the full-year are projected to be ¥35.0 billion, up from ¥28.4 billion, with operating losses expected to shrink from ¥3.6 billion in the previous fiscal year to ¥0.4 billion. It is anticipated that major products across the division will record an increase in both sales and profits. PVDF is expected to enjoy strong demand growth, although PPS demand for use in automotive applications is set to decline due to the expiration of a government incentive program aimed to green vehicles. In

addition, PGA is starting to contribute to sales figures, although further progress will be required to offset heavy development costs.

Outlook for PGA business:

Following significant research and analysis, Kureha firmly believes in the potential of PGA to grow into a core strategic product of the future. Kureha is currently targeting two application areas: packaging materials and well stimulation. A global beverage producer has already begun testing of Kureha's PGA bottles in Africa, where the severe environment provides the sternest test of the material's stability. In the oil exploration area, PGA's characteristics means one application is expected to be in crude oil drilling to improve the recovery ratio of residuals.

Currently, mechanical work is expected to be completed by the end of November, with trial production to be launched shortly thereafter and commercial production to begin in March/April 2011. The plant is expected to run at full capacity within four to five years time.

Specialty Chemicals Division

Major product areas – industrial chemicals, agrochemicals, pharmaceuticals

Specialty Chemicals Division sales were up 12% YoY to ¥15.9 billion, with divisional operating income more than doubled at ¥2.4 billion.

Improved performance of industrial chemicals

Sales of industrial chemicals increased 8% YoY to ¥5.2 billion. Inorganic chemicals suffered from unit price decline, although the price of chlorobenzene improved. However, the significant volume growth of both organic and inorganic chemicals was enough to offset weaker pricing, and ensured an increase in sales and profits.

Agrochemicals exports strengthen

Sales of agrochemicals improved to ¥2.9 billion, up from ¥2.2 billion in the previous year. Strong export sales of *Metconazole*, a fungicide for oilseed rape and wheat, more than offset the impact of the weakened Euro. Strengthening of one yen against the Euro is estimated to lower Kureha's top-line by approximately ¥45 million.

Pharmaceuticals business stable

Sales of *Kremezin*, a therapeutic agent for chronic kidney disease, registered strong volume growth despite a drug price cut, while overall sales of pharmaceuticals grew steadily from ¥4.4 billion to ¥4.6 billion. Sales of *Krestin*, a cancer immunotherapy treatment, however, were weaker during the interim period.

Outlook: Divisional sales are projected to be ¥33.0 billion for the full fiscal year, down from ¥35.8 billion in previous year. The anticipated weakening of performance is due to combination of factors, including a one-off payment for domestic marketing rights for *Kremezin*, an official drug price cut and the weakening Euro.

Specialty Plastics Division

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

Specialty Plastics Division operating income improved by 38% YoY to ¥1.1 billion, while sales declined marginally by 1% YoY to ¥20.8 billion.

Sales of commercial-use packaging materials increased

Sales of commercial-use packaging materials including multi-layer shrinkable film, vinylidene chloride film and *Besela*, a high gas barrier film for lamination, increased during the period, up by 9% YoY to ¥5.7 billion, also benefitting from an increase in PVDC compound exports to China. The interim period also saw a reduction in pension related costs at affiliated companies in Europe, but costs associated with a shift in production to Vietnam as well as the weak Euro exerted pressure on profitability.

Household-use packaging materials weaken

Sales of household products declined to ¥9.6 billion from ¥10.8 billion, down 11% YoY. Despite efforts to optimize pricing and customer value for the renewed *NEW Krewrap*, sales declined due to increasingly severe competition. However, a reduction in fixed costs as a result of the expansion in production of raw material vinylidene chloride compound, meant that operating profits for household products improved from the previous year.

Outlook: For the full fiscal year, divisional sales are forecast to increase to ¥45.0 billion, from ¥42.4 billion during the previous fiscal year. Operating income is expected to increase from ¥1.9 billion to ¥2.8 billion thanks to the anticipated contribution from an increase in PVDC compound exports to China, a reduction in pension related costs at affiliated companies in Europe and the removal of PGA-related costs. Increased competition in the household packaging materials sector is set to continue.

Other Operations Division

Major product areas – construction, environment, logistics, trading related businesses

Other Operations Division sales were down 4% YoY to ¥10.9 billion, while the division recorded an operating loss of ¥500 million.

Continued challenges for construction related businesses

Sales at construction related businesses declined by 18% YoY to ¥8.6 billion due to the drop in both public works and private sector construction works. The absence of large plant projects also placed pressure on overall performance.

Environmental engineering sales increase

Sales at environmental engineering businesses increased 35% YoY to ¥2.9 billion on the back of increased orders for industrial waste processing work and the contribution of a new office acquired in Kanagawa prefecture.

Logistics and warehousing activity stable

Sales for logistics and warehousing businesses were ¥5.5 billion, up from ¥5.2 billion in the previous year due to the increase in traffic volume. Profits also increased.

Outlook: Overall divisional sales are projected to be ¥27.0 billion for the full fiscal year, down from ¥27.9 billion in the previous year. With the continued weak outlook for construction related businesses, the division is expected reach approximately breakeven point.

Consolidated capital expenditure, depreciation and R&D

(¥ billion)

	Sept. 2010	Sept. 2009	March 2011 (forecast)
Capital expenditure	4.8	6.6	15.7
Depreciation	5.0	5.3	10.5
R&D	2.6	2.8	6.0
Interest-bearing debt	51.6	47.8	55.4

Capital expenditure declined from ¥6.6 billion to ¥4.8 billion during the half-year period, in part because capacity expansion efforts across all divisions have gradually reached completion. For the full-year, capital expenditure is projected to be ¥15.7, down 7% YoY. Depreciation for the period declined slightly from ¥5.3 billion to ¥5.0 billion; a trend that is expected to continue for the full-year results. R&D expenditure was down slightly from ¥2.8 billion to ¥2.6 billion during the half-year period and is projected to be approximately ¥6.0 billion for the full fiscal year. Interest-bearing debt has been increasing, rising from ¥47.8 billion to ¥51.6 billion during the half-year period and is projected to reach ¥55.4 billion for the full fiscal year, although this trend is in line with Kureha's expectations.

Outlook for the full year

(¥ million, except where stated)

	March 2011 (Forecasts)	March 2010	Change (%)
Sales	140,000	134,606	4.0
Operating income	6,000	5,706	5.1
Recurring income	5,000	5,499	-9.1
Net income	2,400	1,571	52.7
Earnings per share (EPS) (¥)	13.98	8.77	59.4

The forecast for overall sales for the fiscal year ending March 2011 remains unchanged at ¥140.0 billion, although divisional forecasts have been adjusted to reflect the better than expected improvement of the Advanced Materials Division and the deterioration in performance of the Other Operations Division. Projections for operating income and recurring income remain unchanged from May 2010. Net income is projected to expand significantly to ¥2.4 billion.

For further information, please contact:

KUREHA CORPORATION
Public Relations and IR Department
Tel. 03-3249-4651

Condensed interim balance sheets

As of 30 September 2010 and 2009

	¥ million	
	Sept. 2010	Sept. 2009
Assets		
Current assets	62,720	65,261
Cash and cash equivalents	8,138	7,480
Fixed assets	114,815	116,643
Property, plant and equipment	81,124	77,645
Intangible assets	989	882
Investments and other assets	32,701	38,115
Total Assets	177,536	181,904
Liabilities and Net Assets		
Current liabilities	41,172	46,924
Short-term borrowings	12,306	17,358
Fixed liabilities	44,816	37,395
Corporate bonds	20,000	15,000
Long-term borrowings	19,260	15,439
Total Liabilities	85,988	84,320
Net Assets		
Shareholders' equity	90,730	93,119
Minority interest	204	406
Total Net Assets	91,547	97,584
Total Liabilities and Net Assets	177,536	181,904

Condensed interim income statement

For the fiscal years ended 30 September 2010 and 2009

	¥ million	
	Sept. 2010	Sept. 2009
Sales	64,642	59,717
Cost of goods sold	47,976	44,957
Selling, general and administrative expenses	13,657	14,235
Operating income	3,008	523
Non-operating income	651	792
Non-operating expenses	1,113	910
Recurring income	2,547	405
Extraordinary gains	280	349
Extraordinary losses	408	413
Income before income taxes	2,418	341
Taxes and minority interest adjustments	1,165	330
Net income	1,253	11