



KUREHA CORPORATION
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Quarterly Consolidated Financial Results
for the Six Months ended September 30, 2017
[IFRS]



1. Condensed Quarterly Consolidated Financial Statements

(1) Condensed Quarterly Consolidated Statements of Financial Position

	(Millions of yen)	
	Prior fiscal year (As of March 31, 2017)	Current second quarter (As of September 30, 2017)
ASSETS		
Current assets:		
Cash and cash equivalents	6,222	5,829
Trade and other receivables	29,387	30,391
Other financial assets	332	11
Inventories	36,497	36,389
Current assets held for sale	772	—
Other current assets	2,060	2,356
Total current assets	75,272	74,978
Non-current assets:		
Property, plant and equipment, net	115,911	115,584
Intangible assets	1,395	1,324
Investments accounted for using equity method	10,714	11,369
Other financial assets	25,342	28,508
Deferred tax assets	1,350	1,359
Other non-current assets	4,920	5,977
Total non-current assets	159,634	164,124
Total assets	234,907	239,102

	(Millions of yen)	
	Prior fiscal year (As of March 31, 2017)	Current second quarter (As of September 30, 2017)
LIABILITIES AND EQUITY		
Current liabilities:		
Trade and other payables	20,369	18,452
Bonds and loans payable	46,689	26,212
Other financial liabilities	836	556
Accrued income taxes	873	1,597
Provisions	5,742	5,474
Other current liabilities	6,161	6,408
Total current liabilities	80,672	58,700
Non-current liabilities:		
Bonds and loans payable	23,561	29,061
Other financial liabilities	1,291	1,212
Deferred tax liabilities	1,492	2,505
Provisions	386	745
Net defined benefit liability	382	480
Other non-current liabilities	1,147	1,061
Total non-current liabilities	28,261	35,066
Total liabilities	108,934	93,766
Equity:		
Shareholders' equity:		
Capital stock, no par value		
Authorized: March 31, 2017 and September 30, 2017		
- 60,000,000 shares	12,460	16,279
Issued: March 31, 2017 - 18,168,390 shares		
September 30, 2017 - 19,932,440 shares		
Capital surplus	9,430	13,326
Less: Treasury stock, at cost	(4,456)	(680)
Retained earnings	101,731	105,879
Other components of equity	5,132	8,761
Total equity attributable to owners of parent	124,297	143,566
Non-controlling interests	1,674	1,769
Total equity	125,972	145,335
Total liabilities and equity	234,907	239,102

(2) Condensed Quarterly Consolidated Statements of Profit or Loss and Comprehensive Income

Condensed Quarterly Consolidated Statements of Profit or Loss

(Millions of yen)

	Prior second quarter (From April 1, 2016 To September 30, 2016)	Current second quarter (From April 1, 2017 To September 30, 2017)
Revenue	60,228	69,497
Cost of sales	43,472	49,975
Gross profit	16,756	19,522
Selling, general and administrative expenses	13,163	13,051
Share of profit of entities accounted for using equity method	772	1,109
Other income	227	182
Other expenses	81	513
Operating profit	4,512	7,249
Finance income	272	311
Finance costs	1,220	383
Profit before tax	3,564	7,177
Income tax expense	469	1,400
Profit (loss) for the period	3,095	5,776
Profit (loss) attributable to:		
Owners of parent	3,052	5,763
Non-controlling interests	42	12
Total	3,095	5,776
Profit (loss) per share (in Yen):		
Basic	177.61	325.46
Diluted	147.70	278.86

Condensed Quarterly Consolidated Statements of Comprehensive Income

	Prior second quarter (From April 1, 2016 To September 30, 2016)	Current second quarter (From April 1, 2017 To September 30, 2017)
Profit for the period	3,095	5,776
Other comprehensive income (loss):		
Items that will not be reclassified to profit or loss:		
Financial assets measured at fair value through other comprehensive income	536	2,251
Remeasurements of defined benefit plans	(173)	372
Total	363	2,624
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	(2,763)	721
Cash flow hedges	0	—
Share of other comprehensive income of entities accounted for using equity method	(1,041)	—
Total	(3,804)	721
Total other comprehensive income (loss), net of tax	(3,440)	3,345
Comprehensive income (loss)	(345)	9,122
Comprehensive income (loss) attributable to:		
Owners of parent	(386)	9,052
Non-controlling interests	41	69
Comprehensive income (loss)	(345)	9,122

(3) Condensed Quarterly Consolidated Statements of Changes in Equity

Prior fiscal year (From April 1, 2016 To September 30, 2016)

	Total equity attributable to owners of parent						
	Capital, no par value	Capital surplus	Treasury stock, at cost	Retained earnings	Other components of equity		
					Stock acquisition rights	Exchange differences on translating foreign operations	Cash flow hedges
BALANCE-APRIL 1, 2016	12,460	9,430	(4,450)	95,723	304	(2,682)	(2)
Profit for the period				3,052			
Other comprehensive income						(3,793)	0
Comprehensive income	—	—	—	3,052	—	(3,793)	0
Acquisition of treasury stock			(1)				
Share-based payment transaction					7		
Dividends				(945)			
Reclassification from other components of equity to retained earnings				(136)			
Total transactions with owners	—	—	(1)	(1,081)	7	—	—
BALANCE- SEPTEMBER 30, 2016	12,460	9,430	(4,451)	97,694	311	(6,475)	(1)

	Total equity attributable to owners of parent					
	Other components of equity					Total net assets
	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total	Total	Non- controlling interests	
BALANCE-APRIL 1, 2016	7,393	—	5,013	118,177	1,263	119,440
Profit for the period			—	3,052	42	3,095
Other comprehensive income	526	(173)	(3,439)	(3,439)	(1)	(3,440)
Comprehensive income	526	(173)	(3,439)	(386)	41	(345)
Acquisition of treasury stock			—	(1)		(1)
Share-based payment transaction			7	7		7
Dividends			—	(945)	(35)	(981)
Reclassification from other components of equity to retained earnings	(36)	173	136	—		—
Total transactions with owners	(36)	173	143	(939)	(35)	(974)
BALANCE- SEPTEMBER 30, 2016	7,882	—	1,717	116,851	1,268	118,120

Current fiscal year (From April 1, 2017 To September 30, 2017)

	Total equity attributable to owners of parent						
	Capital, no par value	Capital surplus	Treasury stock, at cost	Retained earnings	Other components of equity		
					Stock acquisition rights	Exchange differences on translating foreign operations	Cash flow hedges
BALANCE-APRIL 1, 2017	12,460	9,430	(4,456)	101,731	319	(3,582)	—
Profit for the period				5,763			
Other comprehensive income						720	
Comprehensive income	—	—	—	5,763	—	720	—
Acquisition of treasury stock			(2)				
Disposal of treasury stock			0	0			
Share-based payment transaction		(0)	29	(4)	(17)		
Dividends				(945)			
Conversion of convertible bonds	3,819	3,896	3,748	(116)	(190)		
Capital transactions with Non- controlling interests							
Reclassification from other components of equity to retained earnings.				(549)			
Total transactions with owners	3,819	3,896	3,775	(1,615)	(208)	—	—
BALANCE- SEPTEMBER 30, 2017	16,279	13,326	(680)	105,879	111	(2,862)	—

	Total equity attributable to owners of parent					
	Other components of equity					Total net assets
	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total	Total	Non- controlling interests	
BALANCE-APRIL 1, 2017	8,395	—	5,132	124,297	1,674	125,972
Profit for the period			—	5,763	12	5,776
Other comprehensive income	2,195	373	3,288	3,288	57	3,345
Comprehensive income	2,195	373	3,288	9,052	69	9,122
Acquisition of treasury stock			—	(2)		(2)
Disposal of treasury stock			—	0		0
Share-based payment transaction			(17)	6		6
Dividends			—	(945)	(41)	(986)
Conversion of convertible bonds			(190)	11,157		11,157
Capital transactions with Non- controlling interests			—	—	66	66
Reclassification from other components of equity to retained earnings	922	(373)	549	—		—
Total transactions with owners	922	(373)	340	10,216	24	10,240
BALANCE- SEPTEMBER 30, 2017	11,512	—	8,761	143,566	1,769	145,335

(4) Notes concerning condensed quarterly consolidated financial statements

(Going concern assumption)

Not applicable

(Segment Information)

(1) Overview of the reportable segments

The Group's reportable segments are components for which separate financial information is available and whose operating results are regularly reviewed by the Board of Directors to decide on the allocation of operating resources and assess their performance.

The Group has separate divisions by product, and each division formulates a comprehensive strategy for business activities in domestic and overseas markets.

Accordingly, the Group consists of segments by product and service on the basis of the business divisions, and has the five reportable segments of "Advanced materials," "Specialty chemicals," "Specialty plastics," "Construction-related," and "Other operations."

Major products and services for each segment are as follows:

Segment	Products and services
Advanced materials	polyphenylene sulfide (PPS), polyvinylidene fluoride (PVDF), carbon fiber, bead-shaped activated carbon, anode materials for lithium ion batteries, polyglycolic acid (PGA) and its processed product
Specialty chemicals	therapeutic agent for chronic renal failure, anti-cancer agent, agricultural and horticultural fungicides, caustic soda, hydrochloric acid, sodium hypochlorite, monochlorobenzene, para-dichlorobenzene, ortho-dichlorobenzene
Specialty plastics	household plastic wrap, garbage bags for kitchen sink, food containers and cooking paper, PVDF fishing lines, vinylidene chloride (PVDC) film, multilayer heat-shrinkable film, multilayer bottle, auto-pack machinery (for food packaging)
Construction	civil engineering and construction contracting business, construction and management service
Other operations	environmental engineering, industrial waste management, transport and warehousing, physiochemical and biochemical testing, analysis and measurement services

(2) Segment revenue and performance

The accounting policies for the reportable segments are the same as those of the Group stated in Consolidated Financial Results for the prior fiscal year. Intersegment revenue is principally based on the market price.

The Group's segment information is as follows.

Prior fiscal year (from April 1, 2016 to September 30, 2016)

(Millions of yen)

	Reportable segments						Reconcili- ations (Note)	Consolidated
	Advanced material	Specialty chemicals	Specialty plastics	Construction	Other operations	Total		
Revenue								
Revenue to external customers	14,662	11,200	20,985	5,893	7,487	60,228	—	60,228
Intersegment revenue	280	151	92	2,949	2,746	6,220	(6,220)	—
Total	14,943	11,351	21,077	8,843	10,233	66,449	(6,220)	60,228
Operating income	572	761	2,276	394	355	4,361	150	4,512
Finance income								272
Finance costs								(1,220)
Profit before income tax								3,564

Note:

Operating profit reconciliation consists of 4 million yen of profit by elimination of intersegment transaction, mainly 227 million yen of other income and 81 million yen of other expenses not allocated to reportable segments.

Current fiscal year (from April 1, 2017 to September 30, 2017)

(Millions of yen)

	Reportable segments						Reconcili- ations (Note)	Consolidated
	Advanced material	Specialty chemicals	Specialty plastics	Construction	Other operations	Total		
Revenue								
Revenue to external customers	19,811	12,641	22,228	7,234	7,582	69,497	—	69,497
Intersegment revenue	346	184	189	2,153	2,799	5,673	(5,673)	—
Total	20,157	12,826	22,418	9,387	10,381	75,171	(5,673)	69,497
Operating profit (loss)	1,403	1,909	3,335	217	599	7,464	(215)	7,249
Finance income								311
Finance costs								(383)
Profit before income tax								7,177

Note:

Operating profit reconciliation consists of 115million yen of profit by elimination of intersegment transaction, mainly 182 million yen of other income and 513 million yen of other expenses not allocated to reportable segments.

(Equity and other components of equity)

In the second quarter of the fiscal year, as a result of the exercise of stock acquisition rights of convertible bonds with stock acquisition rights, the Group disposed of 827,167 treasury stocks and issued 1,764,050 new stocks. Consequently, capital stock increased by 3,819 million yen, capital surplus increased by 3,896 million yen, treasury stock decreased by 3,748 million yen, retained earnings decreased by 116 million yen, and stock acquisition rights decreased by 190 million yen.