



KUREHA CORPORATION
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Quarterly Consolidated Financial Results
for the Nine Months ended December 31, 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 third quarter (As of December 31, 2017)
ASSETS		
Current assets:		
Cash and cash equivalents	6,222	6,162
Trade and other receivables	29,387	33,471
Other financial assets	332	44
Inventories	36,497	36,805
Current assets held for sale	772	—
Other current assets	2,060	2,027
Total current assets	75,272	78,511
Non-current assets:		
Property, plant and equipment, net	115,911	115,796
Intangible assets	1,395	1,444
Investments accounted for using equity method	10,714	11,895
Other financial assets	25,342	30,548
Deferred tax assets	1,350	1,317
Other non-current assets	4,920	6,513
Total non-current assets	159,634	167,516
Total assets	234,907	246,027

	(Millions of yen)	
	Prior fiscal year (As of March 31, 2017)	Current third quarter (As of December 31, 2017)
LIABILITIES AND EQUITY		
Current liabilities:		
Trade and other payables	20,369	21,287
Bonds and loans payable	46,689	26,658
Other financial liabilities	836	964
Accrued income taxes	873	2,283
Provisions	5,742	4,350
Other current liabilities	6,161	6,583
Total current liabilities	80,672	62,128
Non-current liabilities:		
Bonds and loans payable	23,561	23,397
Other financial liabilities	1,291	1,240
Deferred tax liabilities	1,492	3,240
Provisions	386	760
Net defined benefit liability	382	440
Other non-current liabilities	1,147	1,059
Total non-current liabilities	28,261	30,138
Total liabilities	108,934	92,267
Equity:		
Shareholders' equity:		
Capital stock, no par value		
Authorized: March 31, 2017 and December 31, 2017		
- 60,000,000 shares	12,460	18,149
Issued: March 31, 2017 - 18,168,390 shares		
December 31, 2017 - 20,796,171 shares		
Capital surplus	9,430	15,247
Less: Treasury stock, at cost	(4,456)	(683)
Retained earnings	101,731	108,837
Other components of equity	5,132	10,360
Total equity attributable to owners of parent	124,297	151,911
Non-controlling interests	1,674	1,849
Total equity	125,972	153,760
Total liabilities and equity	234,907	246,027

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

Condensed Quarterly Consolidated Statements of Profit or Loss

(Millions of yen)

	Prior third quarter (From April 1, 2016 To December 31, 2016)	Current third quarter (From April 1, 2017 To December 31, 2017)
Revenue	93,411	110,248
Cost of sales	66,451	78,853
Gross profit	26,959	31,394
Selling, general and administrative expenses	19,712	19,788
Share of profit of entities accounted for using equity method	1,160	1,560
Other income	1,224	225
Other expenses	294	894
Operating profit	9,337	12,497
Finance income	511	566
Finance costs	704	501
Profit before tax	9,144	12,562
Income tax expense	1,734	2,963
Profit (loss) for the period	7,409	9,598
Profit (loss) attributable to:		
Owners of parent	7,317	9,518
Non-controlling interests	92	79
Total	7,409	9,598
Profit (loss) per share (in Yen):		
Basic	425.80	511.90
Diluted	354.09	460.54

Condensed Quarterly Consolidated Statements of Comprehensive Income

	Prior third quarter (From April 1, 2016 To December 31, 2016)	Current third quarter (From April 1, 2017 To December 31, 2017)
Profit for the period	7,409	9,598
Other comprehensive income (loss):		
Items that will not be reclassified to profit or loss:		
Financial assets measured at fair value through other comprehensive income	1,143	3,688
Remeasurements of defined benefit plans	192	661
Total	1,335	4,349
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	99	973
Cash flow hedges	0	—
Share of other comprehensive income of entities accounted for using equity method	169	—
Total	269	973
Total other comprehensive income (loss), net of tax	1,605	5,322
Comprehensive income (loss)	9,015	14,921
Comprehensive income (loss) attributable to:		
Owners of parent	8,860	14,778
Non-controlling interests	154	142
Comprehensive income (loss)	9,015	14,921

(3) Condensed Quarterly Consolidated Statements of Changes in Equity

Prior fiscal year (From April 1, 2016 To December 31, 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				7,317			
Other comprehensive income						258	0
Comprehensive income	—	—	—	7,317	—	258	0
Acquisition of treasury stock			(3)				
Disposal of treasury stock		0	0				
Share-based payment transaction					11		
Dividends				(1,890)			
Increase of subsidiaries							
Reclassification from other components of equity to retained earnings				266			
Total transactions with owners	—	0	(3)	(1,623)	11	—	—
BALANCE- DECEMBER 31, 2016	12,460	9,430	(4,453)	101,418	315	(2,424)	(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			—	7,317	92	7,409
Other comprehensive income	1,091	192	1,542	1,542	62	1,605
Comprehensive income	1,091	192	1,542	8,860	154	9,015
Acquisition of treasury stock			—	(3)		(3)
Disposal of treasury stock			—	0		0
Share-based payment transaction			11	11		11
Dividends			—	(1,890)	(35)	(1,926)
Increase of subsidiaries			—	—	159	159
Reclassification from other components of equity to retained earnings	(74)	(192)	(266)	—		—
Total transactions with owners	(74)	(192)	(255)	(1,882)	123	(1,758)
BALANCE- DECEMBER 31, 2016	8,410	—	6,300	125,155	1,541	126,697

Current fiscal year (From April 1, 2017 To December 31, 2017)

	Total equity attributable to owners of parent						
					Other components of equity		
	Capital, no par value	Capital surplus	Treasury stock, at cost	Retained earnings	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				9,518			
Other comprehensive income						971	
Comprehensive income	—	—	—	9,518	—	971	—
Acquisition of treasury stock			(4)				
Disposal of treasury stock			0	0			
Share-based payment transaction		(0)	29	(4)	(14)		
Dividends				(2,033)			
Conversion of convertible bonds	5,689	5,806	3,748	(116)	(254)		
Capital transactions with Non- controlling interests						(20)	
Reclassification from other components of equity to retained earnings.				(257)			
Total transactions with owners	5,689	5,816	3,773	(2,412)	(268)	(20)	—
BALANCE- DECEMBER 31, 2017	18,149	15,247	(683)	108,837	50	(2,631)	—

	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			—	9,518	79	9,598
Other comprehensive income	3,626	661	5,259	5,259	63	5,322
Comprehensive income	3,626	661	5,259	14,778	142	14,921
Acquisition of treasury stock			—	(4)		(4)
Disposal of treasury stock			—	0		0
Share-based payment transaction			(14)	9		9
Dividends			—	(2,033)	(41)	(2,075)
Conversion of convertible bonds			(254)	14,873		14,873
Capital transactions with Non- controlling interests			(20)	(10)	73	63
Reclassification from other components of equity to retained earnings	919	(661)	257	—		—
Total transactions with owners	919	(661)	(31)	12,834	31	12,866
BALANCE- DECEMBER 31, 2017	12,941	—	10,360	151,911	1,849	153,760

(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 December 31, 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	22,033	18,090	32,138	9,225	11,922	93,411	—	93,411
Intersegment revenue	448	224	134	3,883	4,173	8,864	(8,864)	—
Total	22,482	18,315	32,273	13,108	16,096	102,275	(8,864)	93,411
Operating income	685	1,846	4,174	614	1,054	8,376	961	9,337
Finance income								511
Finance costs								(704)
Profit before income tax								9,144

Note:

Operating profit reconciliation consists of 30 million yen of profit by elimination of intersegment transaction, mainly 1,224 million yen of other income (mainly 957 million yen of Income from government grants, which consists of 7,849 million yen of proceeds from subsidy income and 6,891 million yen of reduction of non-current assets) and 294 million yen of other expenses not allocated to reportable segments.

Current fiscal year (from April 1, 2017 to December 31, 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	30,787	19,623	35,112	12,321	12,403	110,248	—	110,248
Intersegment revenue	522	248	248	3,373	4,289	8,683	(8,683)	—
Total	31,310	19,872	35,361	15,695	16,692	118,931	(8,683)	110,248
Operating profit (loss)	1,938	3,090	5,966	583	1,408	12,987	(490)	12,497
Finance income								566
Finance costs								(501)
Profit before income tax								12,562

Note:

Operating profit reconciliation consists of 178 million yen of profit by elimination of intersegment transaction, mainly 225 million yen of other income and 894 million yen of other expenses not allocated to reportable segments.

(Equity and other components of equity)

In the third 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 2,627,781 new stocks. Consequently, capital stock increased by 5,689 million yen, capital surplus increased by 5,806 million yen, treasury stock decreased by 3,748 million yen, retained earnings decreased by 116 million yen, and stock acquisition rights decreased by 254 million yen.

(Impairment on non-financial assets)

1) Impairment loss

The Group recognizes impairment losses when the carrying amount of an asset or a cash-generating unit exceeds its estimated recoverable amount.

In the third quarter of the fiscal year, the Group recognizes impairment losses on fixed assets, and estimates it at ¥192 million.

2) Explanation of main events and circumstances that led to recognition of impairment loss

Current fiscal year (From April 1, 2016 To March 31, 2017)

(Millions of yen)

Segment	Purpose of use	Location	Type of assets	Amount
Advanced materials	Manufacturing facility	Shanghai, PRC	Machinery and equipment	192

In principle, the Group has grouped the operating assets by business units and by company, and idle assets and Assets for lease by individual properties.

Recoverable value is the higher of value in use and fair value less costs of disposal. Value in use is the present value of future cash flows calculated by using pre-tax weighted average cost of capital (13%) of a cash-generating unit. Fair value less costs of disposal is evaluated either by the estimated disposal amount or the amount reasonably calculated based on assessed values of non-current assets for property tax.

Under carbon products business in the Advanced materials segment which was affected by the weak demand and increasingly fierce competition, the Group conducted a thorough review and assessment of business, including its future operating environment and projected earnings. Consequently, for the above mentioned manufacturing facility, the Group wrote down the carrying amount of fixed assets associated with carbon products business to their recoverable value and recognized the reduction of ¥192 million as other expenses. In addition, the Group applies value in use for recoverable value and estimates it at ¥764 million.