Kuraray to Divest Its Shares in Kureha Battery Materials Japan, Terminating a Lithium Ion Battery Business Joint Venture

Kuraray Co., Ltd. (Headquarters: Chiyoda-ku, Tokyo; President: Masaaki Ito; hereinafter “Kuraray”), Kureha Corporation (Headquarters: Chuo-ku, Tokyo; President: Yutaka Kobayashi; hereinafter “Kureha”), Itochu Corporation (Headquarters: Minato-ku, Tokyo; President: Masahiro Okafuji; hereinafter “Itochu”) and the Innovation Network Corporation of Japan (Headquarters: Chiyoda-ku, Tokyo; President Mikihide Katsumata; hereinafter “INCJ”) hereby announce that they have agreed to dissolve Kureha Battery Materials Japan Co., Ltd. (Headquarters: Chuo-ku, Tokyo; President: Futoshi Saito; hereinafter “KBMJ”), the joint venture handling materials for lithium ion batteries (LiBs). Under the agreement, Kuraray, Itochu and INCJ will sell their shares in KBMJ to Kureha.

In addition, KBMJ’s operations related to BIOCARBOTRON, a plant-based hard carbon anode material, will be taken over by Kuraray on January 1, 2016.

Meanwhile, KBMJ will become a wholly owned subsidiary of Kureha, to which it will transfer its operations related to the production and sale of lithium ion battery (LiB) hard carbon anode material CARBOTRON P as well as LiB binders on April 1, 2016. Once the business transfer has been completed, KBMJ will be subject to corporate dissolution procedures.

1. Background
   Established by Kureha and Itochu as a joint venture, KBMJ initiated the production and sale of the LiB hard carbon anode material CARBOTRON P in October 2011 in addition to the marketing of LiB binders. In August 2012, KBMJ welcomed two new investors, namely, Kuraray, which intends to commercialize BIOCARBOTRON, a plant-based hard carbon anode material, and INCJ, a public-private partnership that aims to promote business innovation through investment. Since then, the four companies have helped KBMJ boost its operations related to LiB materials and expand into markets worldwide. Simultaneously, their efforts have led to the establishment of a fundraising framework to procure as much as ¥20 billion in order to secure a financial base capable of developing a global supply structure.

   Although the parent companies have judged their efforts to date to expand KBMJ’s operations and develop new products successful, they now recognize the need to review the joint venture’s business strategies in light of the changing business
environment and cloudy outlook. Specifically, they expect demand for LiB hard carbon anode materials to remain sluggish as growth in the automotive LiB market has been weaker than anticipated. Accordingly, they see no immediate need for further capital investment. The parent companies have thus agreed to dissolve the joint venture. Going forward, Kuraray and Kureha will leverage their unique strengths as they engage in the LiB material business independently.

2. Details of Dissolution
Kuraray and Itochu will transfer their shares in KBMJ by December 31, 2015, while INCJ will transfer its shares by January 31, 2016, with Kureha taking over all these shares and making KBMJ a wholly owned subsidiary.

3. Future Operations
The Kuraray Group boasts a wide lineup of materials for electricity storage devices, including the plant-based LiB hard carbon anode material BIOCARBOTRON, electric double-layer capacitor carbon materials and aqueous type LiB anode binders. Today, manufacturers of such devices are facing ever more stringent customer requirements along with diversifying market needs. Simultaneously, active R&D efforts are now under way to verify the effectiveness of combinations of different devices. Employing LiBs as a key business pillar, the Kuraray Group will rally its resources to meet market demand for electricity storage devices and secure its ability to accommodate a growing breadth of applications while remaining attentive to the latest market trends and customer needs. In these ways, we will expand LiB-related operations.

In addition, KBMJ had invested in Bio Hard Carbon Co., Ltd. (Headquarters: Bizen, Okayama; President: Yasuhiro Yamamoto), a joint venture producing plant-based anode materials, in tandem with Kuraray’s wholly owned subsidiary Kuraray Chemical Co., Ltd. (Headquarters: Kita-ku, Osaka; President: Yasuhiro Yamamoto). KBMJ’s shares in this joint venture will be transferred to Kuraray by December 31, 2015. This will better position the Kuraray Group to promote LiB-related operations employing an integrated business structure comprising production, marketing and R&D functions.

4. Impact on Operating Results
The impact of the dissolution of this joint venture on Kuraray’s consolidated and non-consolidated business performance will be insignificant.
Reference

Company name: Kureha Battery Materials Japan Co., Ltd.
Established: April 2011
Headquarters: 3-3-2, Nihonbashi-Hamacho, Chuo-ku, Tokyo 103-8552
Representative: Futoshi Saito
Capital: ¥1,039 million
Voting rights ratios: Kureha Corporation: 50.1%; Itochu Corporation: 20%; Kuraray Co., Ltd.: 20%; the Innovation Network Corporation of Japan: 9.9%
End of fiscal year: March 31
Annual net sales: ¥6.1 billion (year ended March 31, 2015)

Company name: Kuraray Chemical Co., Ltd.
Established: December 1940
Headquarters: 39F Umeda Hankyu Bldg. Office Tower, 8-1 Kakuda-cho, Kita-ku, Osaka
Representative: Yasuhiro Yamamoto*
Capital: ¥600 million (100% owned by Kuraray Co., Ltd.)
End of fiscal year: December 31
Principal businesses: Production and sale of activated carbon and other chemicals

Company name: Bio Hard Carbon Co., Ltd.
Established: August 2012
Headquarters and production site: 4342 Tsurumi, Bizen, Okayama Prefecture (on the grounds of Kuraray Chemical’s Tsurumi Plant)
Representative: Yasuhiro Yamamoto*
Capital: ¥425 million (88% owned by Kuraray Chemical Co., Ltd. and 12% owned by KBMJ)
End of fiscal year: December 31
Principal businesses: Production of plant-based LiB hard carbon anode materials

* Serving concurrently