

Kureha Corporation Reports Fiscal 2019 Results (IFRS)

Special note: Due to the global uncertainty caused by COVID-19, this report does not contain forecasts for FY2020. Kureha will provide forecasts at the earliest opportunity.

Tokyo, Japan – May 2020 – Kureha Corporation (“Kureha”), a leading global supplier of specialty chemicals and plastics, has reported its results for the fiscal year ended March 31, 2020 (FY2019), the first year of the FY2019-2020 mid-term management plan Kureha’s Challenge 2020. On a consolidated basis, revenue fell by 4% year on year to 142.4 billion yen, while operating profit rose by 5.1% to 18.0 billion yen. Profit before income tax rose by 2.9% to 17.9 billion yen, although profit attributable to the owners of Kureha fell to 13.7 billion yen due to increased corporate tax expenses.

Other income and expenses also shaped results for FY2019. In other income, Kureha recorded 13.4 billion yen in profits from the sale of tangible fixed assets, gain on bargain purchases associated with a new consolidation, and gain on business transfer from the blow bottle business. Other expenses totaled 11.4 billion yen. Of these, structural reform expenses related to the polyglycolic acid (PGA) business accounted for 10.6 billion yen, including write-downs of inventory of 5.4 billion yen and an impairment loss on fixed assets of 5.2 billion yen.

Kureha’s business environment in FY2019 was more challenging than that of the previous year. External factors shaping market conditions include slowdowns in the semiconductor and industrial chemicals markets, a reduction in electric vehicle (EV) subsidies in China, plunging crude oil prices, and the unprecedented global economic shock caused by COVID-19. Although performance continued to be strong in the Construction and Other segments, as well as in the home and fiber products businesses in the Specialty Plastics segment, these extraordinary circumstances led to a reduction in Group revenue.

However, as shown by the operating profit increase to 18.0 billion yen and core operating profit of 16.0 billion yen, Kureha’s profit base remains strong. The challenging conditions have also demonstrated the importance of our continuous efforts to reduce costs, raise operating efficiency, and reinforce our capacity for innovation.

Yutaka Kobayashi, President and Chief Executive Officer, commented, “Our strategic direction remains firm and we are moving to implement the five themes set forth in the extended mid-term management plan. First, we must further increase profits in the PGA business, which reached profitability in FY2019. Second, we must improve the polyvinylidene fluoride (PVDF) supply system and maintain and expand Kureha’s 40% market share of this material, which is vitally important for electric vehicles. Third, we will

continue selection and concentration in FY2020 and determine how to best invest resources with a view to portfolio optimization. Fourth, we must speed up the commercialization of promising seeds of research. We have made considerable progress here but can do more. Fifth, we must continue to strengthen our management foundation. We will tackle each of these themes resolutely.”

Regarding the PGA business, which Kureha has positioned as a future growth driver, Mr. Kobayashi, added, “While this business reached profitable territory in FY2019, falling crude oil prices, increasingly stringent customer demands and fierce price competition all pose risks to further expansion. In response, Kureha will build a new, solution-based model for this business that offers non-PGA frac plugs alongside our core PGA frac plugs. We have allocated 10.6 billion yen to implement this strategic change.”

“I’m optimistic about the future of Kureha’s PGA business. Degradable frac plugs account for about 10% of the total North American market of about 600,000 plugs, so there is great scope for expansion. By shifting our strategy, while focusing resources into making frac plugs that are simpler to use, easier to produce and cost-reducing for clients, we will be able to significantly strengthen our competitiveness.”

Summary of Consolidated Full-year Results

(Billions of yen, except where stated)

	FY2018	FY2019	Change (%)	FY2019 (targets)
Revenue	148.3	142.4	-4.0	152.0
Operating profit	17.2	18.0	5.1	26.0
Profit before income tax	17.4	17.9	2.9	26.0
Profit attributable to the owners of Kureha	13.9	13.7	-1.5	19.5
Earnings per share (yen)	679.6	692.6	1.9	962.2
ROE (%)	9.0	8.4	—	—
ROA (%)	7.1	7.3	—	—

Note: Due to the global uncertainty caused by COVID-19, forecasts for FY2020 are not provided.

Consolidated Performance by Segment, Other Income and Expenses

(Billions of yen)

Segment		FY2018	FY2019
Advanced Materials	Revenue	45.7	41.8
	Operating profit (loss)	4.6	3.7
Specialty Chemicals	Revenue	27.3	24.3
	Operating profit (loss)	3.3	2.1
Specialty Plastics	Revenue	45.1	43.5
	Operating profit (loss)	6.7	6.3
Construction	Revenue	12.4	14.5

	Operating profit (loss)	0.7	1.1
Other Operations	Revenue	17.6	18.3
	Operating profit (loss)	2.1	2.7
Segment total	Revenue	148.3	142.4
	Operating profit (loss)	17.4	16.0
Adjustments		0.1	0.0
Other income	Gains on sales of noncurrent assets	0.0	10.2
	Gains on discount business purchase	-	1.5
	Gains on business transfer	-	1.2
	Subsidy income	0.3	0.3
	Other	0.3	0.3
Other expenses	PGA business restructuring cost	-	10.6
	(Write-downs on inventories)	-	(5.4)
	(Impairment loss on fixed assets)	-	(5.2)
	Loss on retirement/sales of noncurrent assets	0.8	0.6
	Other	0.2	0.2
Total	Revenue	148.3	142.4
	Operating profit (loss)	17.2	18.0

Advanced Materials Segment

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

Advanced Materials revenue fell 9% year-on-year to 41.8 billion yen. Operating profit decreased by 19% to 3.7 billion yen.

PGA: Profitability attained, Kureha moving to counter adverse market conditions

In the PGA business, Kureha Energy Solutions (KES) successfully expanded sales volumes of PGA frac plugs for mid- and high-temperature wells. Sales of PGA stock shapes also grew in the second half of the year once destocking was completed in Q1. This positive momentum took the PGA business into the black by a slight margin. Kureha's innovative degradable frac plugs have now been adopted by 32 field operators in the United States, almost doubling year on year, and 51 field trials have been conducted.

However, challenges remain. Slow sales of frac plugs for low-temperature wells means our development of this product will require further effort. In addition, Kureha's expansion of the PGA business faces adverse external factors such as falling crude oil prices, increasingly stringent customer demands, and intensifying price competition. To enhance our competitiveness, Kureha will expand operations beyond our core PGA-based offering into the development and sales of non-PGA frac plugs. We will also seek to improve production efficiency throughout the value chain. Here, a key goal will be to significantly reduce business assets and the fixed cost burden left over from Kureha's initial, PET bottle-focused business development of global scope and create a much more agile organization

capable of sustained growth. To implement this change in strategy, Kureha recorded business restructuring expenses of approximately 10.6 billion yen in Q4 FY 2019.

PVDF: External factors dampen demand growth in Q4

Demand for PVDF, a binder material for lithium-ion batteries (LiBs) that is vitally important for EV production, showed rapid growth for most of the fiscal year, leading Kureha to strengthen its customer base in South Korea and China. However, the reduction of EV subsidies implemented by the Chinese government in June dampened demand for such vehicles over the latter half of 2019 in China and consequently lowered demand for PVDF. Demand was further affected by COVID-19, which led customers in China and South Korea to halt operations and forced us to temporarily stop production at our factory in Changshu, China in February. The pandemic also extended the lead times for raw material delivery to our main factory in Iwaki, Japan, which up until that point had operated at full capacity. As a result, revenue in the PVDF business remained largely flat year on year while operating profit decreased.

However, Kureha is taking steps to meet the fierce demand for this material once markets stabilize. The Iwaki Factory is enhancing its capacity for specialty polymer production in response to growing demand for advanced binder, and the Changshu Factory will begin volume production of specialty polymer for use in LiBs in Q1 FY2020. By end-FY2020, Kureha will also determine the location and production capacity of an additional PVDF plant.

PPS: Slowing automotive industry momentum affects earnings

Revenue and operating profit declined in Kureha's polyphenylene sulfide (PPS) business due to exchange rate fluctuations and shifts in customer applications that we are now incorporating into our marketing strategy. However, Kureha anticipates continued strong demand for automotive applications and is on track to complete a capacity expansion of 5,000 tons / year at the Iwaki Factory in 2020. The combination of light weight and heat stability makes PPS an excellent replacement for metals and the material is finding wide-ranging application as the automotive industry shifts toward CASE (Connected, Autonomous, Shared & Electric) models.

Carbon products: Slowing global semiconductor demand affects revenue and profits

Kureha's carbon products business was affected by lower sales volumes of heat-insulating materials used in the manufacturing of ingots for semiconductors, leading to reduced revenue and operating profit. This was mainly due to the general slowdown in the global semiconductor market seen in 2019.

Specialty Chemicals Segment

Major product areas: industrial chemicals, agrochemicals, pharmaceuticals

Specialty Chemicals revenue fell by 11% to 24.3 billion yen while operating profit decreased by 36% to 2.1 billion yen.

Agrochemicals: Adverse weather conditions affect fungicide sales volumes

In the agrochemicals business, adverse weather conditions in Europe and flood damage in North America in connection with the severe 2019 hurricane season affected sales volumes of the wheat and rapeseed fungicide *Metconazole*. The resulting reduction in revenue and operating profit more than offset continued sales growth of rice seed treatment *Ipconazole*.

Pharmaceuticals: Sales stable year on year, offsetting mandatory drug price revisions

The new tablet version of *Kremezin*, a therapeutic agent for chronic kidney disease, maintained the healthy sales volumes seen in the previous year, offsetting government-mandated drug price revisions. Improved productivity and reduced research costs led to a rise in operating profit.

Industrial chemicals: Revenue and operating profit down on lower sales volumes

Revenue and operating profit decreased due lower sales volumes of both organic and inorganic chemicals, although measures taken over the year to improve the operating margin, including price adjustments and cost reductions, helped to cushion the fall.

Specialty Plastics Segment

Major product areas: household packaging products, food packaging materials, auto-packaging machinery

Specialty Plastics revenue was down by 4% to 43.5 billion yen, while operating profit decreased by 6% to 6.3 billion yen.

Home / fiber products: Continued healthy growth for *New Krewrap* and *Kichinto-san*

Home products continued to see healthy growth due to expanding sales of Kureha's flagship *NEW Krewrap* plastic wrap and increased profitability for the *Kichinto-san* product series. The business saw particularly notable growth during the spring of 2020, with sales rising by over 110% in February and March. During this time, pandemic-related restrictions such as school closures, together with the spread of remote work and people refraining from going out, led to increased meal consumption at home and

higher demand for *NEW Krewrap*. In fiber products, sales volumes of Kureha's popular fishing line *Seaguar* also continued to grow.

Food packaging materials: Lower sales volumes for heat-shrink multilayer film

Slower sales of heat-shrink multilayer film in overseas markets resulted in lower revenue and operating profit for this business. The main factors were intensifying competition in Russia and Eastern Europe and lower meat production in Australia due to drought. The transfer of Kureha's blow bottle business to Kyodo Printing in November 2019 also affected earnings in this business.

Construction and Other Operations

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

Construction: Higher sales volumes in both private and public sectors

Revenue and operating profit rose on the back of an increase in small and medium-sized private sector projects and higher sales volumes for public sector projects, the latter driven by reconstruction in the aftermath of Typhoon Hagibis. Continued cost reductions also contributed to the sound performance. As a result, revenue for Kureha's Construction segment rose by 16% to 14.5 billion yen, while operating profit climbed by 72% to 1.1 billion yen.

Other Operations: Solid growth for the waste treatment business

Kureha's industrial waste treatment business continued to grow due to a significant increase in the number of such projects. Kureha was also entrusted with the management and disposal of waste generated by Typhoon Hagibis. The acquisition and new consolidation of industrial waste treatment business Himeyuri Total Work Co. also contributed to the results. Meanwhile, the logistics business saw revenue and profit growth on a par with the previous year. In the hospital business, operating profit remained largely flat despite a slight revenue growth. As a result, revenue in Other Operations increased by 4% to 18.3 billion yen while operating profit rose by 30% to 2.7 billion yen.

Capex, Depreciation, R&D and Debt

(Billions of yen)

	FY2018	FY2019
Capital expenditure	13.2	14.9
Depreciation	10.3	12.1
R&D	5.3	6.0
Interest-bearing debt	39.0	37.3



Backed by strong financial fundamentals, Kureha continues to invest heavily in future expansion for sustained long-term growth. Capital expenditure in FY2019 increased by 13% to 14.9 billion yen, mainly to upgrade production processes for existing products and to fortify corporate resources for new business development.

Depreciation, mainly due to Kureha's ongoing expansion of production facilities, increased by 17% to 12.1 billion yen in FY2019. Kureha also took further steps to reduce interest-bearing debt, which in FY2019 fell from 39.0 billion yen to 37.3 billion yen, a 4% reduction.

R&D spending rose by 14% to 6.0 billion yen. As a company driven by innovation, Kureha's R&D spending is focused on accelerating the development of new products and promising research themes, and to improve process technologies and develop downstream businesses. Where appropriate, Kureha will seek to collaborate with third-party companies, universities, and other organizations.

For further information, please contact:

KUREHA CORPORATION

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Condensed Consolidated Balance Sheets

As of March 31, 2019 and 2020
(Millions of yen)

	March 2019	March 2020
Assets		
Current assets	78,777	79,011
Cash and cash equivalents	5,989	7,268
Noncurrent assets	168,574	167,879
Property, plant and equipment	117,553	119,782
Intangible assets	1,094	842
Investments and other assets	49,926	47,253
Total assets	247,352	246,890
Liabilities and net assets		
Current liabilities	63,995	54,121
Corporate bonds and Bank loan	23,038	15,549
Fixed liabilities	21,188	26,144
Corporate bonds and Bank Loan	15,514	18,648
Total liabilities	85,184	80,266
Net assets		
Shareholders' equity	160,551	164,990
Minority interest	1,616	1,633
Total net assets	162,167	166,623
Total liabilities and net assets	247,352	246,890

Condensed Consolidated Statement of Income

As of March 31, 2019 and 2020
(Millions of yen)

	March 2019	March 2020
Revenue	148,265	142,398
Cost of goods sold	104,683	100,265
Selling, general and administrative expenses	28,051	28,105
Operating profit	17,172	18,041
Profit before income taxes	17,435	17,944
Taxes and minority interest adjustments	3,435	4,117
Profit attributable to the owners of Kureha	13,933	13,719

FY2019 Financial Results

(Period April 1, 2019 - March 31, 2020)

KUREHA CORPORATION

May 13, 2020

1. FY2019 Results

- FY2019 Financial Summary 2-4
- Performance by Segment 5-9
- Other Income and Expenses 10
- FY2019 Results vs. Guidance 11-12
- Financial Position 13
- Cash Flow 14
- Key Indicators 15-16
- Returning to Shareholders 17
- Consolidated Companies 18-19
- PGA Business Updates 20
- PVDF Business Updates 21
- Impact of COVID-19 Pandemic 22

2. FY2020 Outlook

- Notice regarding FY2020 guidance,
dividend payment & capital
investment 23

FY2019 Financial Summary - 1

KUREHA CORPORATION

(in billions of yen)

	FY2018	FY2019	Change YOY	FY2019 Guidance	Difference vs. Results
Revenue	148.3	142.4	-5.9 (-4.0%)	152.0	-9.6 (-6.3%)
Core operating profit	17.4	16.0	-1.4 (-8.0%)	17.0	-1.0 (-5.8%)
Adjustments	0.1	0.0	-0.1		
Other income	0.6	13.4	12.8	10.0	3.4
Other expenses	0.9	11.4	10.5	1.0	10.4
Operating profit	17.2	18.0	0.9 (5.1%)	26.0	-8.0 (-30.6%)
Financial income	0.7	0.5	-0.1	0.7	-0.2
Financial expenses	0.4	0.6	0.3	0.7	-0.1
Profit before income tax	17.4	17.9	0.5 (2.9%)	26.0	-8.1 (-31.0%)
Profit attributable to owners of Kureha Corp.	13.9	13.7	0.2 (-1.5%)	19.5	-5.8 (-29.6%)

FY2019 vs. FY2018

- Revenue decreased due to declines in advanced products, specialty chemicals and packaging materials, despite steady growth in construction, environment businesses and home products
- Higher operating profit resulted from other income inclusive of gains from land sales and negative goodwill more than offsetting structural expenses
- Profit before income tax increased on higher operating profit
- Profit for the period decreased due to higher tax expenses

FY2019 Financial Summary - 2

KUREHA CORPORATION

(billions of yen)

FY2018	AM	SC	SP	CO	OO	Total
Revenue	45.7	27.3	45.1	12.4	17.6	148.3
Segment operating profit	4.6	3.3	6.7	0.7	2.1	17.4
Intersegment adjustment						0.1
Other income						0.6
Other expenses						0.9
Operating profit						17.2
Finance income						0.7
Finance costs						0.4
Profit before income tax						17.4
Profit for the period						13.9

(Notes)

- Other expenses include losses on retirement of noncurrent assets (¥0.8bn)

FY2019	AM	SC	SP	CO	OO	Total
Revenue	41.8	24.3	43.5	14.5	18.3	142.4
Segment operating profit	3.7	2.1	6.3	1.1	2.7	16.0
Intersegment adjustment						0.0
Other income						13.4
Other expenses						11.4
Operating profit						18.0
Finance income						0.5
Finance costs						0.6
Profit before income tax						17.9
Profit for the period						13.7

- Other income includes gains on sales of noncurrent assets (¥10.2bn), etc.
 - Other expenses include business restructuring expenses (¥10.6bn), etc.
 *See details on page 10

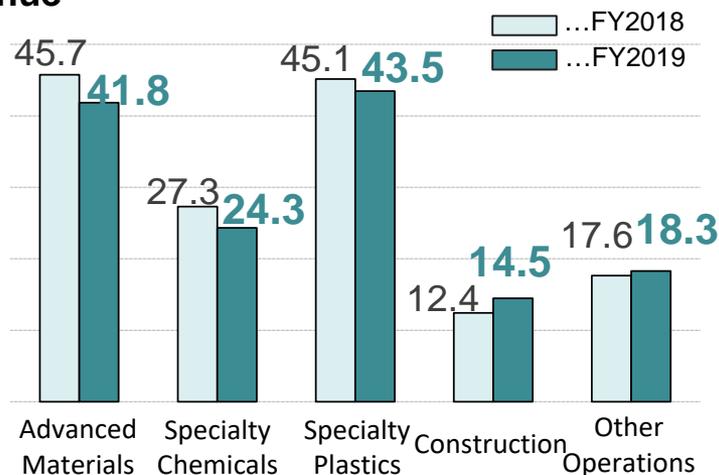
FY2019 Financial Summary - 3

KUREHA CORPORATION

Segment performance (YoY)

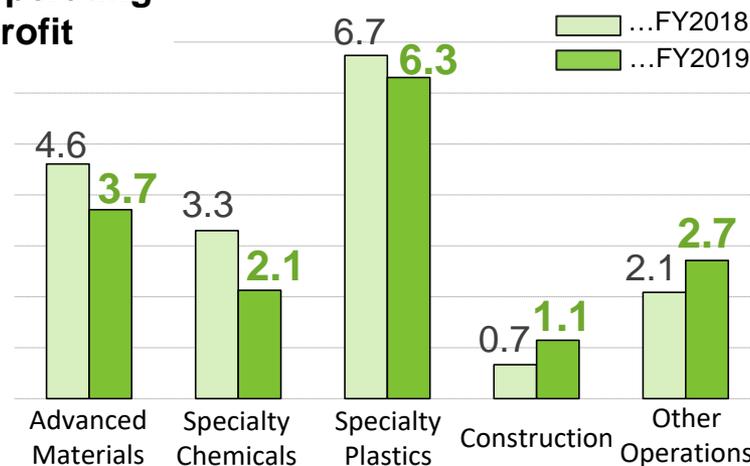
(billions of yen)

Revenue



FY2018: ¥148.3bn FY2019: 142.4bn

Operating Profit



FY2018: ¥17.4bn FY2019: 16.0bn

Factors attributing to operating profit (vs. FY2018)

- AM: Declines in PPS, carbon fiber and other advanced products traded by Kureha subsidiaries; profit generation achieved for PGA
- SC: Declines in agrochemicals and industrial chemicals; profit improved for pharmaceuticals
- SP: Decline in packaging materials; higher home products volumes
- CO: Higher public and private construction volumes
- OO: Higher industrial waste treatment volume, positive effects of new consolidation

Performance by Segment: Advanced Materials

(billions of yen)

	FY2018	FY2019	Change %
Advanced Materials			
Advanced plastics	28.5	27.4	-4%
Carbon products	6.1	5.6	-9%
Other	11.1	8.9	-20%
Segment revenue	45.7	41.8	-9%
Segment operating profit	4.6	3.7	-19%

FY2019 vs. FY2018

Revenue ↓ Operating Profit ↓

Advanced plastics

Revenue down due to declines in PPS and PVDF for industrial applications, partly offset by higher sales volumes of PGA frac plugs and PVDF LiB binder; operating profit up on improved operating loss for PGA

Carbon products

Declines in revenue and profit led by lower carbon fiber sales volume

Other

Revenue and profit down due to declines in other advanced plastic products traded by Kureha subsidiaries

Performance by Segment: Specialty Chemicals

(billions of yen)

	FY2018	FY2019	Change %
Specialty Chemicals			
Agrochemicals	8.3	5.8	-31%
Pharmaceuticals	5.0	4.9	-1%
Industrial chemicals	7.6	6.9	-9%
Other	6.4	6.7	5%
Segment revenue	27.3	24.3	-11%
Segment operating profit	3.3	2.1	-36%

FY2019 vs. FY2018

Revenue ↓ Operating Profit ↓

Agrochemicals

Revenue and profit down on lower fungicides volumes

Pharmaceuticals

Operating profit improved due to fewer expenses despite flat revenue growth

Industrial chemicals

Revenue and profit down due to slower sales of both organic and inorganic chemicals

Performance by Segment: Specialty Plastics

(billions of yen)

	FY2018	FY2019	Change %
Specialty Plastics			
Home products	20.5	21.3	4%
Fiber products	2.9	3.0	4%
Packaging materials	16.2	14.1	-13%
Other	5.5	5.1	-8%
Segment revenue	45.1	43.5	-4%
Segment operating profit	6.7	6.3	-6%

FY2019 vs. FY2018

Revenue ↓ Operating Profit ↓

Home products / Fiber products

Revenue and profit grew on higher NEW Krewrap (plastic wrap) and Seaguar (fishing lines) sales volumes

Packaging materials

Revenue and profit decreased due to slower sales of heat-shrink multilayer film and lost blow bottle sales as a result of business transfer

Performance by Segment: Construction

(billions of yen)

	FY2018	FY2019	Change %
Construction			
Construction	20.3	22.4	10%
Elimination (Intercompany sale)	-7.9	-7.9	--
Segment revenue	12.4	14.5	16%
Segment operating profit	0.7	1.1	72%

FY2019 vs. FY2018

Revenue  Operating Profit 

Construction

Revenue and profit up on higher construction volumes in both private and public sectors

Performance by Segment: Other Operations

(billions of yen)

	FY2018	FY2019	Change %
Other Operations			
Environmental engineering	12.0	12.8	7%
Logistics	8.3	8.2	-2%
Hospital operations	3.7	4.0	8%
Others	1.9	2.2	16%
Elimination (Intercompany sale)	-8.3	-8.9	--
Segment revenue	17.6	18.3	4%
Segment operating profit	2.1	2.7	30%

FY2019 vs. FY2018

Revenue  Operating Profit 

Environmental Engineering

Revenue and profit improved on higher industrial waste treatment volume and due to new consolidation (acquisition of Himeyuri Total Work Co.)

Logistics

Revenue and profit grew on a level equivalent with previous year

Hospital Operations

Operating profit remained flat on revenue growth

Other Income & Expenses

KUREHA CORPORATION

FY2018

Other income **¥0.6 billion**

Subsidy income: ¥0.3bn

*Government's subsidies for post-quake restoration initiatives, etc.

Other: ¥0.3bn

Other expenses **¥0.9 billion**

Loss on retirement/sales of noncurrent assets:
¥0.8bn

Other: ¥0.2bn

FY2019

Other income **¥13.4 billion**

Gains on sales of noncurrent assets: ¥10.2bn

*Sales of the land used for Kureha HQ annex office, etc.

Gains on discount business purchase: ¥1.5bn

*Acquisition and new consolidation of industrial waste treatment business (Himeyuri Total Work Co.)

Gains on business transfer: ¥1.2bn

*Transfer of the blow bottle business

Other: ¥0.6bn

Other expenses **¥11.4 billion**

Business restructuring cost: ¥10.6bn

* Write-downs on inventory and facilities related to PGA

Loss on retirement/sales of noncurrent assets:

¥0.6bn

Other: ¥0.2bn

FY2019 Results vs. Guidance

KUREHA CORPORATION

(billions of yen)

FY2019 Guidance

	AM	SC	SP	CO	OO	Total
Revenue	50.5	27.0	45.0	12.5	17.0	152.0
Segment operating profit	6.0	2.7	6.1	0.4	1.8	17.0
Intersegment adjustment						0.0
Other income						10.0
Other expenses						1.0
Operating profit						26.0
Finance income						0.7
Finance costs						0.7
Profit before income tax						26.0
Profit for the period						19.5

(Notes)

- Other income includes gains on sales of noncurrent assets (¥9.2bn)
- Other expenses include losses on retirement of noncurrent assets (¥0.7bn)

FY2019 Results

	AM	SC	SP	CO	OO	Total
Revenue	41.8	24.3	43.5	14.5	18.3	142.4
Segment operating profit	3.7	2.1	6.3	1.1	2.7	16.0
Intersegment adjustment						0.0
Other income						13.4
Other expenses						11.4
Operating profit						18.0
Finance income						0.5
Finance costs						0.6
Profit before income tax						17.9
Profit for the period						13.7

- Other income includes gains on sales of noncurrent assets (¥10.2bn), etc.
 - Other expenses include business restructuring expenses (¥10.6bn), etc.
- *See details on page 10

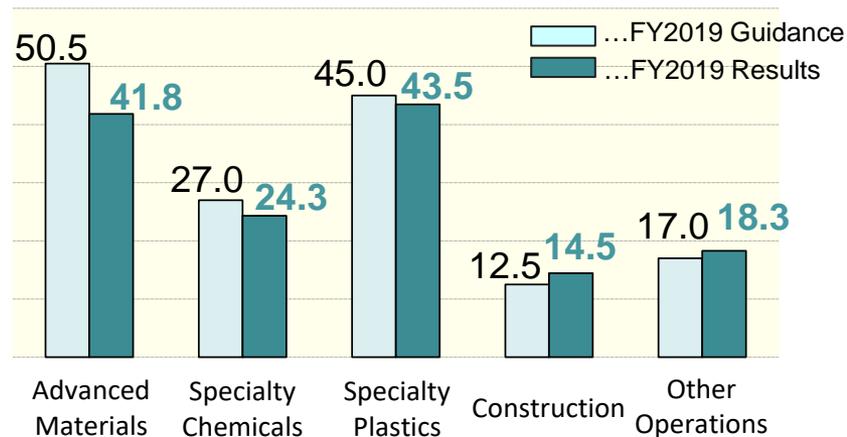
FY2019 Results vs. Guidance

KUREHA CORPORATION

FY2019 Results vs. Guidance (announced May 2019)

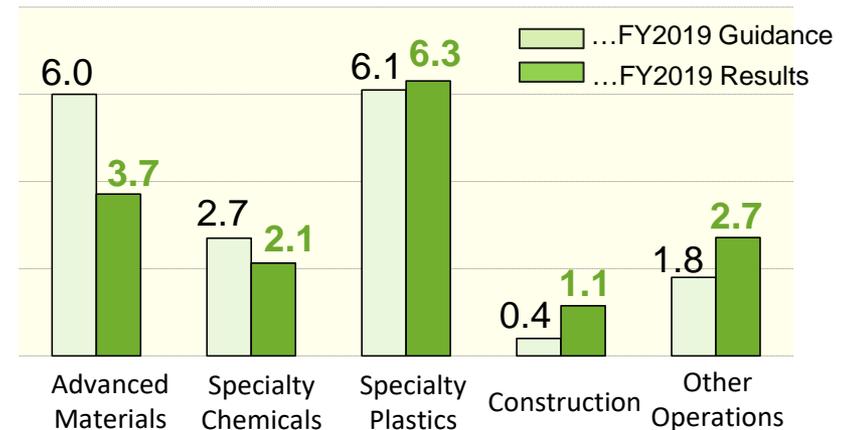
(billions of yen)

Revenue



Guidance: ¥152.0bn Results: 142.4bn

Operating profit



Guidance: ¥17.0bn Results: 16.0bn

Factors attributing to operating profit (vs. Guidance)

- AM: Subsidiaries' advanced products sales impacted by slower economic conditions; PGA performed as expected
- SC: Agrochemicals sales delayed due to weather dented demand
- SP: Better-than-expected performance of home products; a delay in improving the EU packaging business
- CO: Higher construction demand in typhoon-affected areas
- OO: Higher industrial waste treatment volume

Financial Position

KUREHA CORPORATION

Assets

	Mar. 31 2019	Mar. 31 2020	Change
Cash and cash equivalents	6.0	7.3	1.3
Trade and other receivables	30.7	28.3	-2.4
Inventories	38.3	38.2	-0.1
Other current assets	3.7	5.2	1.4
Total current assets	78.8	79.0	0.2
Property, plant and equipment	117.6	119.8	2.2
Intangible assets	1.1	0.8	-0.3
Investments and other assets	49.9	47.3	-2.7
Total non-current assets	168.6	167.9	-0.7
Total assets	247.4	246.9	-0.5

Liabilities and Equity

(billions of yen)

	Mar. 31 2019	Mar. 31 2020	Change
Trade and other payables	24.0	19.4	-4.6
Interest-bearing debt	39.0	37.3	-1.7
Provisions	6.8	7.8	1.0
Other liabilities	15.3	15.7	0.4
Total liabilities	85.2	80.3	-4.9
Shareholders' equity	18.2	18.2	--
Capital surplus	15.0	15.0	--
Less: Treasury stock	-3.7	-8.7	-5.0
Retained earnings	122.4	135.9	13.6
Other components of equity	8.7	4.6	-4.1
Non-controlling interests	1.6	1.6	0.0
Total equity	162.2	166.6	4.5
Total liabilities and equity	247.4	246.9	-0.5

Cash Flow

KUREHA CORPORATION

(billions of yen)

	FY2018	FY2019	Change
Profit before income tax	17.4	17.9	0.5
Depreciation	10.3	12.1	1.8
Other	-4.4	-14.9	-10.5
Cash flow from operating activities	23.4	15.2	-8.2
Cash flow from investing activities	-8.4	5.5	13.8
Cash flow from financing activities	-15.5	-19.4	-3.9
Effect of exchange rate changes on cash and cash equivalents	-0.0	-0.0	0.0
Increase/decrease in cash and cash equivalents	-0.5	1.3	1.8
Cash and cash equivalents at beginning of period	6.5	6.0	-0.5
Cash and cash equivalents at end of period	6.0	7.3	1.3

*Cash flow from investing activities in FY2019 includes gains from the sale of noncurrent assets (¥10.8bn)

Key Indicators

KUREHA CORPORATION

(billions of yen)

	FY2018			FY2019			Change YOY
	1H	2H	Full year	1H	2H	Full year	
Capital expenditure	5.8	7.4	13.2	7.4	7.5	14.9	13%
Depreciation	5.0	5.3	10.3	6.0	6.1	12.1	17%
R&D expenses	2.5	2.8	5.3	2.9	3.1	6.0	14%
Interest-bearing debt	45.9	39.0	39.0	48.9	37.3	37.3	-4%

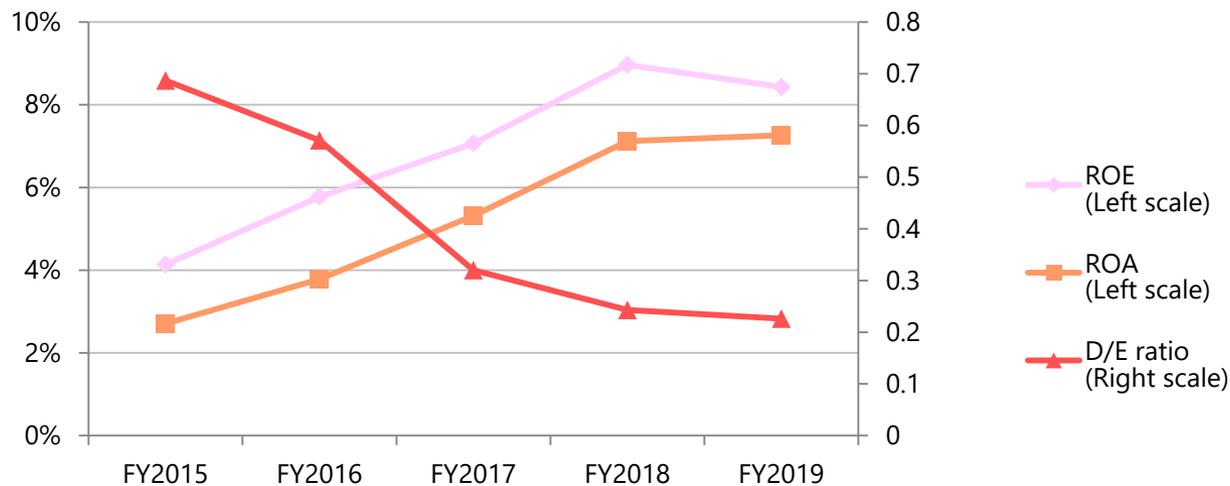
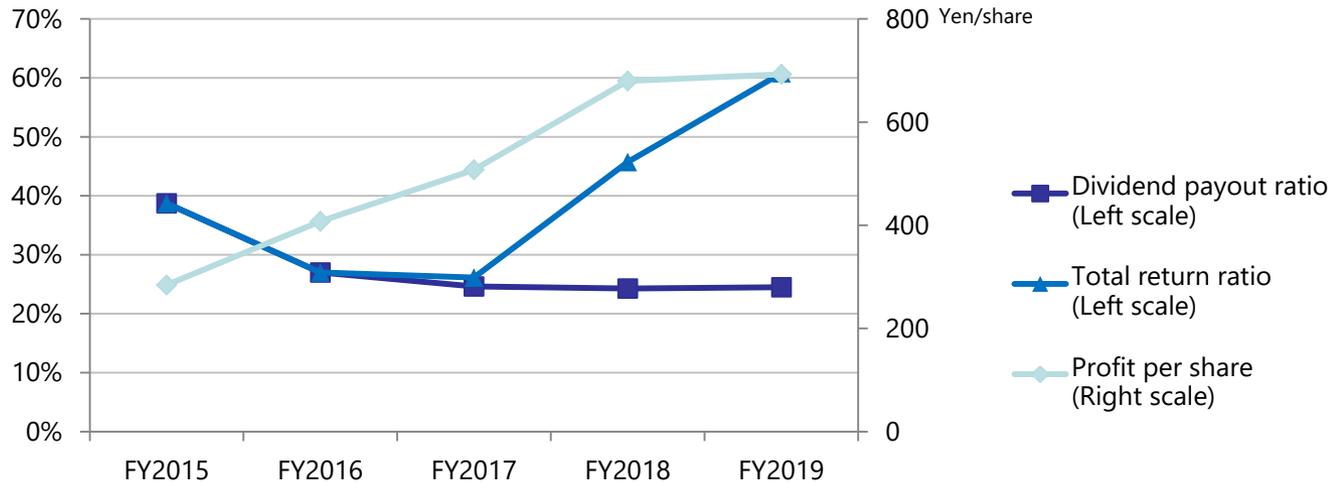
(Currency exchange rates)

1USD:	Term average	¥110.3	¥111.6	¥110.9	¥108.6	¥108.8	¥108.7
	Term end	¥113.6	¥111.0	¥111.0	¥107.9	¥108.8	¥108.8
1EUR:	Term average	¥129.8	¥127.1	¥128.4	¥121.4	¥120.2	¥120.8
	Term end	¥132.1	¥124.6	¥124.6	¥118.0	¥119.6	¥119.6
1CHY:	Term average	¥16.7	¥16.3	¥16.5	¥15.7	¥15.5	¥15.6
	Term end	¥16.5	¥16.5	¥16.5	¥15.1	¥15.3	¥15.3

Key Indicators

KUREHA CORPORATION

Per-share Profit, Dividend Payout Ratio, Total Return Ratio, ROE, ROA, D/E Ratio

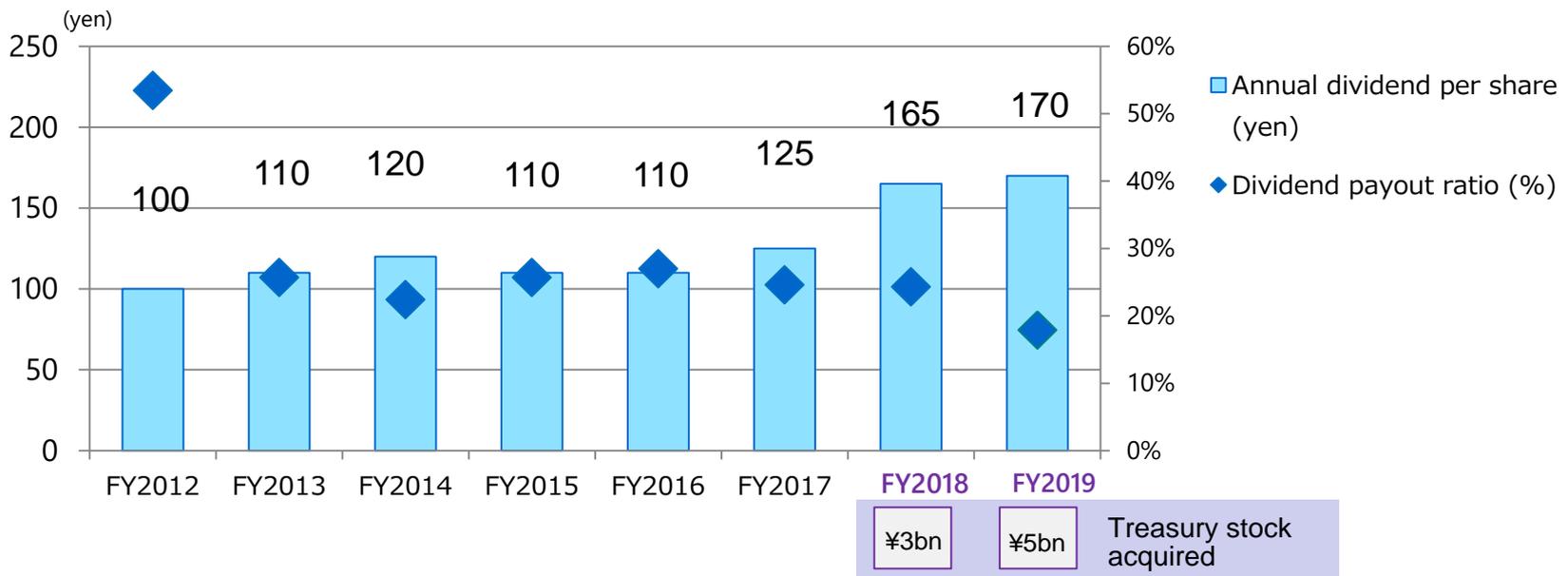


Returning to Shareholders

KUREHA CORPORATION

- Kureha's basic policy for the distribution of earnings is to strengthen the company overall to realize longer-term growth, prepare for future business expansion, enhance retained earnings, and provide a stable and continued dividend.

Recent trend of annual dividend payout and dividend payout ratio



Consolidated Companies

KUREHA CORPORATION

(billions of yen)

		FY2018		FY2019		Change	
		Revenue	Total assets	Revenue	Total assets	Revenue	Total assets
Kureha Corporation		83.0	198.2	76.3	192.3	-6.7	-5.8
Kureha Trading Group (2)		22.7	13.2	21.6	12.3	-1.0	-0.9
Advanced Materials	Kureha Corporation	32.5	--	30.6	--	-1.9	--
	Kureha Trading Group (2)	10.6	--	9.1	--	-1.5	--
	Kureha Extron	4.5	3.7	3.0	4.6	-1.5	0.9
	Kureha Europe Group (4)	2.0	1.1	2.0	0.9	-0.1	-0.2
	Kureha America Group (3)	6.5	26.8	7.5	26.9	1.1	0.0
	Kureha (Shanghai) Carbon Fiber Materials	1.3	1.4	1.1	1.2	-0.3	-0.1
	Kureha China Group (2)	6.4	10.0	5.7	9.2	-0.7	-0.7
	Consolidation adjustments	-18.1	--	-17.2	--	--	--
Total		45.7	--	41.8	--	-3.9	--
Specialty Chemicals	Kureha Corporation	23.5	--	19.8	--	-3.7	--
	Kureha Trading	7.1	--	7.4	--	0.3	--
	Consolidation adjustments	-3.3	--	-2.8	--	--	--
	Total		27.3	--	24.3	--	-3.0
Specialty Plastics	Kureha Corporation	27.1	--	25.9	--	-1.2	--
	Kureha Trading	4.9	--	5.1	--	0.2	--
	Kureha Gohsen	4.4	5.1	4.2	5.1	-0.2	-0.1
	Kureha China Group (2)	0.1	--	0.1	--	0.0	--
	Kureha America Group (3)	1.7	0.8	1.6	1.0	-0.1	0.2
	Kureha Europe Group (4)	9.4	7.3	8.5	7.3	-0.8	0.0
	Kureha Vietnam	3.2	3.1	3.1	3.0	-0.1	-0.1
	Consolidation adjustments	-5.7	--	-5.1	--	--	--
Total		45.1	--	43.5	--	-1.7	--

Consolidated Companies

KUREHA CORPORATION

(billions of yen)

		FY2018		FY2019		Change	
		Revenue	Total assets	Revenue	Total assets	Revenue	Total assets
Construction	Kureha Nishiki Group (4)	17.9	12.0	19.9	11.6	1.9	-0.4
	Kureha Engineering	2.4	1.8	2.5	1.9	0.2	0.1
	Consolidation adjustments	-7.9	--	-7.9	--	--	--
	Total	12.4	--	14.5	--	2.0	--
Other Operations	Kureha Ecology Mgt Group (2)	10.6	10.6	11.5	25.9	0.9	15.4 *
	Kureha Special Laboratory	1.3	0.7	1.3	0.8	-0.1	0.1
	Kureha Unyu Group (2)	8.3	6.5	8.2	5.7	-0.2	-0.8
	Kureha Trading	0.1	--	0.1	--	0.0	--
	Kureha Service Group (2)	1.8	2.0	2.1	2.3	0.3	0.3
	Kureha-Kai Medical Corp.	3.7	3.3	4.0	3.5	0.3	0.3
	Consolidation adjustments	-8.3	--	-8.9	--	--	--
	Total	17.6	--	18.3	--	0.6	--
Kureha Group Total		148.3	247.4	142.4	246.9	-5.9	-0.5
<i>Number of consolidated subsidiaries</i>		<i>29</i>		28			
<i>Number of equity-method affiliates</i>		<i>3</i>		2			

*Increases in revenue and total assets of Kureha Ecology Management Group are due primarily to the acquisition of Himeyuri Total Work Co.

PGA Business Updates

KUREHA CORPORATION

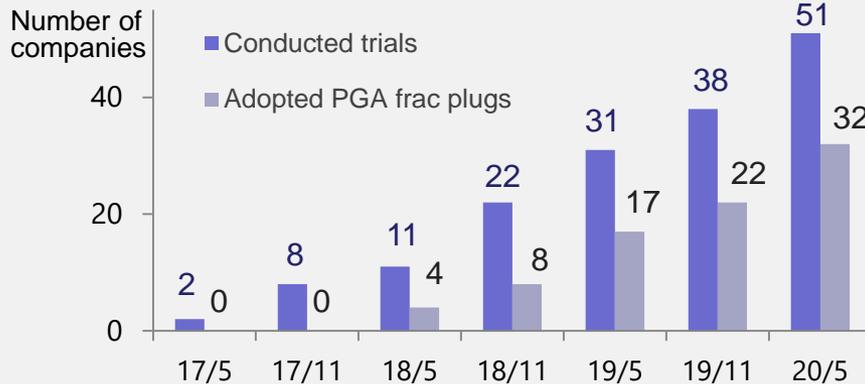
2016-2019 Revenue & Operating Profit



FY2019 market review & our progress

- Shale oil and gas production continued to grow with approximately 600,000 frac plugs used in drilling operations
- Kureha Energy Solutions (KES) expanded the sales of PGA frac plugs for mid/high-temperature well applications; sales expansion for low-temp wells fell behind schedule
- Kureha's sale of PGA frac plug stockshapes improved in the second half of the year after destocking completed in Q1
- Price competition intensified and forced down the prices of PGA frac plugs

KES Customer Base



Strategic changes in Kureha PGA business

- Increasingly difficult market conditions—stringent demands for product performance, intensified price competition and plunging oil prices—are making our business expansion and profit generation difficult
- Decides to extend our shale solution service by developing and selling non-PGA frac plugs in addition to our core offering of PGA frac plugs while reducing costs throughout the value chain
- Business restructuring expenses related to this strategic changes in the PGA business: Approximately ¥10.6bn (incurred in FY2019 4Q)

KUREHA

PVDF Business Updates

KUREHA CORPORATION

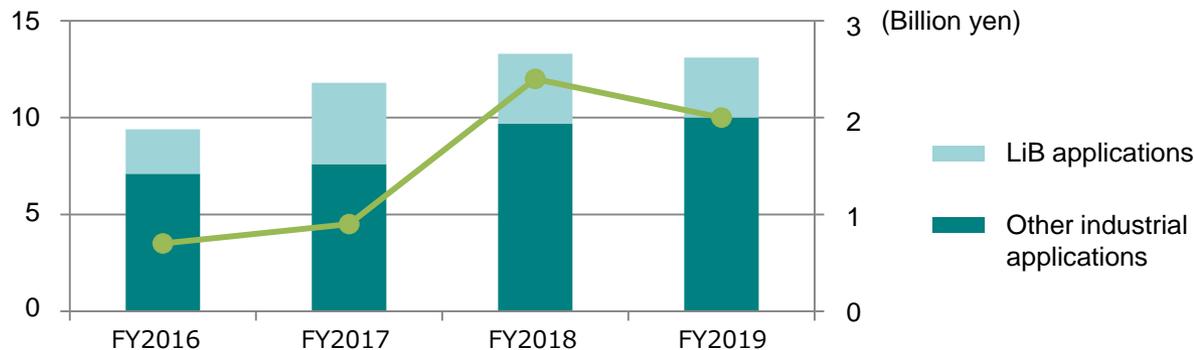
Sales

- Maintained over 40% LiB binder market share with strong customer base in China and South Korea
- Expanded sales and increased product adoption by large LiB makers in China and South Korea, although revenue fell below target due to slower demand as China reduced EV production

Production

- Continued full-capacity production at Iwaki Factory which capability was enhanced in Jan. 2019
- Reduced production at Changshu Factory due to slower EV production and pandemic prevention
- Iwaki Factory-- Initiated monomer process enhancements in order to increase specialty polymer production in response to growing demand for advanced binder; Changshu Factory-- Starts volume production for specialty polymer in FY2020 1Q
- Continues to study for additional PVDF plant (delayed due to the pandemic) and will determine its location and production capacity by end FY2020

PVDF revenue and operating profit FY2016-2019



FY2019: Impact of COVID-19 Pandemic

KUREHA CORPORATION

Production

Kureha Iwaki Factory: Reduced PVDF production due to longer lead time for raw materials exported from China in March

Kureha Plastic Processing Factory: No impact

Other domestic factories: No impact

Overseas factories: **China factories temporarily halted operations from Jan. 30, 2020 under local quarantine order**

- Changshu PVDF plant: Production resumed on Feb. 11

- Shanghai carbon fiber plant: Production resumed on Feb. 13

There was no impact on the production of PGA in US and packaging materials in Netherlands and Vietnam

Presently all factories are operating with pandemic prevention measures advised by local government

Sales activities and performances

Advanced materials: **Profit decreased in the PVDF business** due to slower demand in China and South Korea after Chinese New Year holidays and temporary closures of EV and LiB factories

Specialty chemicals: No impact

Specialty plastics: **Segment profit increased** due to higher home products volumes in February and March (up 10% YOY) and also strong demand for packaging materials

Construction/Other operations: No impact

Impact of the COVID-19 pandemic was limited to Kureha's operations in Asia and was marginal to its consolidated financial results for FY2019

FY2020 financial guidance

- Will not be announced today as we are unable to assess the impact of new coronavirus on our global business operations at this point
- Will be announced promptly when we determine a reasonable forecast

Dividend payment

- Will be announced at the same time when our FY2020 guidance is disclosed

Capital investment

- Will be conducted in accordance with our pre-set mid/long-term growth plan

Disclaimer

KUREHA CORPORATION

- These materials are supplied to provide a deeper understanding of our company, and are not intended to as a solicitation for investment or other actions.
- These materials have been prepared by our company based on the information available at this point in time. However, actual performance may produce results that differ from the plan due to unforeseeable events and factors.
- Please utilize these materials using you own judgment and responsibility.