

November 2020

Kureha Corporation

FY2020 2Q Earnings Briefing Q&A Summary

Q. You are projecting PGA sales to double in the 2nd half of FY2020. Is PGA demand improving? How are customers reacting to your new prices?

A. We are expecting sales recovery for PGA frac plugs via the US subsidiary Kureha Energy Solutions LLC in 3Q and onwards. Also, reactions to new prices are mostly positive, and so we believe our pricing is relevant and appealing to our customers.

Sales of PGA stock shapes (semi-finished products for frac plugs, etc) will likely recover in the latter half of 3Q as customers' inventory adjustments will continue into early 3Q.

Q. To what levels do you expect the frac plug market to bounce back in FY2021?

A. We still have unknown factors such as crude oil prices, but if oil prices pull back around \$50/bbl, we'll probably see the demand for frac plugs returning to near the 2019 level of 600,000 plugs.

Q. Can you tell us about your new non-PGA frac plug in terms of cost competitiveness, targeted market share and sales prospect? Also, is it possible for the PGA business to reach FY2019 sales levels around ¥4.5 billion in FY2021?

A. It's difficult to answer for these questions at this point, as again there are many uncertainties related to oil prices, customer evaluation for our new products, and effects of new policies under a Biden presidency in the US. We can probably show you a clearer picture and outlook for the PGA business in the next earnings briefing (scheduled for May 2021).

Q. Is the PVDF business growing in proportion as electric cars expand?

A. China's New Energy Vehicle is somewhat losing its momentum, but the European electric vehicle (EV) market is now booming. In fact, our South Korean customers are continuing full-capacity production at all their lithium-ion battery (LiB) manufacturing plants in Europe for the growing EV market, and we expect this trend to continue in the region. We are also looking to growth opportunities in the US where EV policies are likely enhanced under a new presidency, and we are expecting to see similar market trends in other countries including Japan.

As EV and LiB markets continue to expand, our PVDF binder business will steadily grow while keeping a current market share.

Q. Are there any new players in the automotive LiB binder market?

A. A binder material is critical for the performance of LiB. Thus, LiB makers will not adopt a new binder material unless they have absolute trust for its quality. So, it's quite challenging for new players. We are also running ahead and constantly developing new advanced binder grades, so it wouldn't be easy to come near to where we now stand.

Q. What's driving the environment business growth? Is this a temporary trend, or is the business continuing to grow at the current pace?

A. We have developed the treatment technology for industrial wastes with low PCB concentration ahead of other companies and built our business as one of first waste service providers certified by the Environment Ministry—this is certainly our advantage in the market. Our business has expanded on commissioned PCB-related work, which must be completed in a certain time frame set by the Ministry. Last year, we acquired full ownership of Himeyuri Total Works that run a final waste disposal site, and this also contributed to the business growth significantly. Our recent performance reflects the effect of one-off post-typhoon wastes treatment, and our FY2021 projection is currently under review.

Q. Why do you estimate lower operating profit for the Specialty Plastics segment in the 2nd half year?

A. In the Specialty Plastics segments, we have two main product categories, home products and packaging materials. For the latter half of this year, we are projecting slower packaging materials sales due to resurging COVID-19 in Europe.