

FY2020 3Q Results

KUREHA CORPORATION

February 5, 2021

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I. Highlights

□ FY2020 3Q results (year-on-year analysis)

- Delivered core operating profit of ¥14.6bn (+12.1%, ¥1.6bn) driven by PVDF (LiB binder applications), agrochemicals, home products, fishing lines and environmental businesses; lower fuel and raw materials cost; and fewer SG&A expenses
- Operating profit decreased to ¥14.6bn (-43.5%, ¥11.2bn) for the absence of other income such as a gain from land sales
- ✓ Limited impact of the coronavirus pandemic on sales and production operations
- ✓ Advanced Materials: continued demand for PVDF in automotive LiB binder applications in EU and China; PGA frac plug volumes improved with new flexible prices while shale fracking activities gradually returned with crude oil prices going over \$50/bbl
- ✓ Specialty Plastics: continued robust sales of home products and fishing lines; slower demand for multilayer shrink film in EU; negative effects of business divestment related to blow bottles

□ FY2020 full-year outlook

- Upgraded FY2020 guidance based on higher sales volumes expected in Advanced Materials and environmental businesses and less-than-expected SG&A expenses

	Current guidance	Previous guidance	Change
Revenue	¥140.0bn	¥138.0bn	+1.4%
Operating profit	¥16.5bn	¥14.5bn	+13.8%
Profit attributable to owners of Kureha	¥13.3bn	¥11.5bn	+15.7%
Basic profit per share	¥681.42	¥589.19	

II. FY2020 3Q Results

(Period April 1, 2020 – December 31, 2020)

FY2020 3Q Overview

KUREHA CORPORATION

(in billions of yen except per-share values)

	FY2019 3Q	FY2020 3Q	Change YOY
Revenue	105.4	105.7	0.2 (0.2%)
Core operating profit	13.0	14.6	1.6 (12.1%)
Adjustments	-0.0	0.0	0.1
Other income	13.1	0.5	-12.6
Other expenses	0.3	0.6	0.3
Operating profit	25.8	14.6	-11.2 (-43.5%)
Financial income	0.5	0.5	-0.0
Financial expenses	0.4	0.2	-0.2
Profit before income tax	25.9	14.9	-11.0 (-42.5%)
Profit for the period attributable to owners of the Company	20.7	11.8	-8.9 (-43.1%)
Basic profit per share	1,041.10	603.64	

Vs. FY2019 3Q

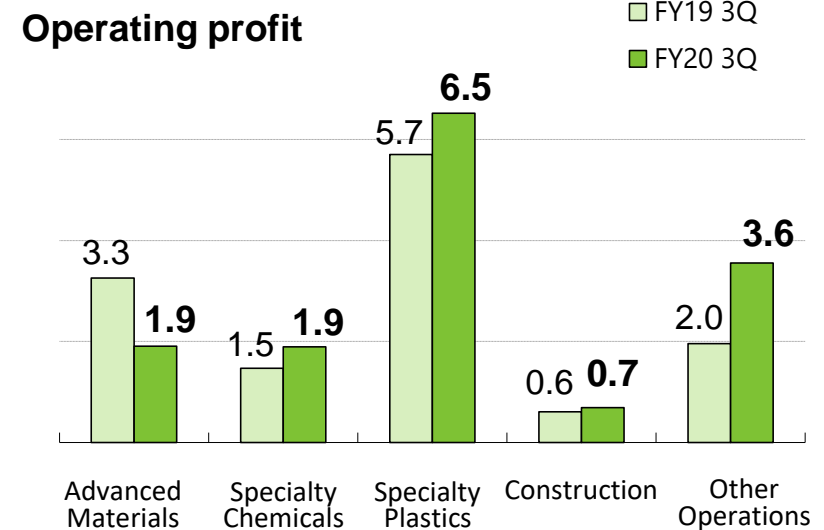
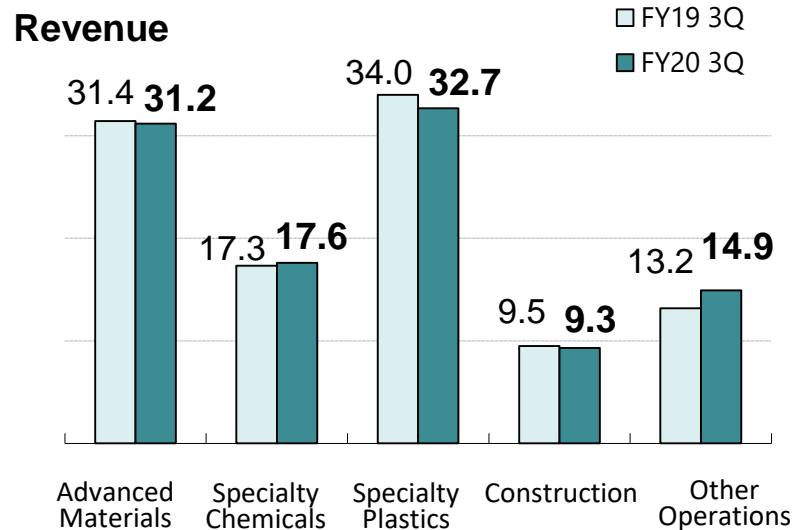
- Revenue improved primarily due to higher sales volumes in Other Operations, partially offset by Specialty Plastics
- Core operating profit grew in all segments except Advanced Materials
- Operating profit decreased due largely to fewer non-operating income such as a gain from land sales
- Profit attributable to the Company decreased as a result of lower operating profit and lower profit before taxes

FY2020 3Q Overview

KUREHA CORPORATION

Segment results

(in billions of yen)



Factors attributing to operating profit (vs. FY2019 3Q)

AM: Lower profit led by PPS, PGA and carbon products, partially offset by improved PVDF performance

SC: Higher profit driven by agrochemicals and pharmaceuticals despite a decline in industrial chemicals

SP: Higher profit driven by home products and fishing lines despite a decline in packaging materials

CO: Profit even with prior year due to project cancellations/postponements in private sector offsetting higher civil engineering volumes

OO: Higher profit driven by volume growth related to low-level PCB waste treatment and 2019 typhoon disaster wastes in Fukushima in the environmental engineering business

FY2020 3Q Overview

KUREHA CORPORATION

(in billions of yen)

FY2019 3Q	AM	SC	SP	CO	OO	Total
Revenue	31.4	17.3	34.0	9.5	13.2	105.4
Segment operating profit	3.3	1.5	5.7	0.6	2.0	13.0
Intersegment adjustment						-0.0
Other income						13.1
Other expenses						0.3
Operating profit						25.8
Finance income						0.5
Finance costs						0.4
Profit before income tax						25.9
Profit for the period						20.7

(Notes)

(FY2019 3Q)

- Other income includes gains from sales of non-current assets (¥10.2bn), bargain business purchases (¥1.5bn), business divestments (¥1.2bn), etc.

FY2020 3Q	AM	SC	SP	CO	OO	Total
Revenue	31.2	17.6	32.7	9.3	14.9	105.7
Segment operating profit	1.9	1.9	6.5	0.7	3.6	14.6
Intersegment adjustment						0.0
Other income						0.5
Other expenses						0.6
Operating profit						14.6
Finance income						0.5
Finance costs						0.2
Profit before income tax						14.9
Profit for the period						11.8

Segment Results: Advanced Materials

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(billions of yen)

	FY2019 3Q	FY2020 3Q	Change %
Advanced Materials			
Advanced plastics	20.4	20.1	-2%
Carbon products	4.4	3.8	-14%
Other	6.6	7.3	+11%
Segment revenue	31.4	31.2	-1%
Segment operating profit	3.3	1.9	-41%

Vs. FY2019 3Q

Revenue ↓ Operating Profit ↓

Advanced plastics

PPS: Profit declined on lower sales volumes for automobile applications and lower equity income in affiliates

PVDF: Higher profit driven by volume growth for LiB binder applications, partially offset by declines in other applications

PGA: Profit down due to declined sales of frac plugs and stock shapes, although shale drilling activities gradually returned in 3Q

Carbon products

Lower profit led by slower carbon fiber sales for automobile and furnace insulation applications

Other

Profit improved on higher adhesive volumes

Segment Results: Specialty Chemicals

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(billions of yen)

	FY2019 3Q	FY2020 3Q	Change %
Specialty Chemicals			
Agrochemicals	3.6	5.6	+53%
Pharmaceuticals	3.6	3.1	-15%
Industrial chemicals	5.2	4.3	-17%
Other	4.9	4.6	-5%
Segment revenue	17.3	17.6	+1%
Segment operating profit	1.5	1.9	+29%

Vs. FY2019 3Q

Revenue  Operating Profit 

Agrochemicals

Higher profit driven by fungicides volume growth

Pharmaceuticals

Profit improved on lower expenses, despite sales negatively affected by mandatory drug price revisions

Industrial chemicals

Profit down due to slower demand for organic and inorganic chemicals amid COVID-related slump

Segment Results: Specialty Plastics

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(billions of yen)

	FY2019 3Q	FY2020 3Q	Change %
Specialty Plastics			
Home products	16.9	17.5	+3%
Fiber products	2.2	2.9	+28%
Packaging materials	10.9	8.7	-20%
Other	3.9	3.5	-10%
Segment revenue	34.0	32.7	-4%
Segment operating profit	5.7	6.5	+14%

Vs. FY2019 3Q

Revenue ↓ Operating Profit ↑

Home products / Fiber products

Profit growth driven by higher home products and 'Seaguar' fishing lines volumes

Packaging materials

Sales and profit declined due to slower demand for heat-shrink multilayer film for meat packaging in EU under the pandemic, coupled with negative effects of the blow-bottle business divested in prior year

Segment Results: Construction

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(billions of yen)

	FY2019 3Q	FY2020 3Q	Change %
Construction			
Construction	15.3	14.5	-5%
Elimination (Intercompany sale)	-5.8	-5.2	--
Segment revenue	9.5	9.3	-2%
Segment operating profit	0.6	0.7	+14%

Vs. FY2019 3Q

Revenue ↘ Operating Profit →

Construction

Revenue declined and profit remained on par with prior year as higher civil engineering sales volumes offset the cancellation and postponement of private-sector construction

Segment Results: Other Operations

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(billions of yen)

	FY2019 3Q	FY2020 3Q	Change %
Other Operations			
Environmental engineering	9.0	10.9	+21%
Logistics	6.1	5.8	-5%
Hospital operations	3.0	3.0	-2%
Others	1.6	1.8	+10%
Elimination (Intercompany sale)	-6.6	-6.5	--
Segment revenue	13.2	14.9	+13%
Segment operating profit	2.0	3.6	+82%

Vs. FY2019 3Q

Revenue  Operating Profit 

Environmental engineering

Profit increased on higher volumes of low-level PCB wastes and 2019 typhoon-related disaster wastes in Fukushima

Logistics

Revenue and profit remained at prior year's levels

Hospital operations

Revenue and profit decreased

Financial Position

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Assets

	Mar. 31 2020	Dec. 31 2020	Change
Cash and cash equivalents	7.3	11.8	4.5
Trade and other receivables	28.3	29.9	1.6
Inventories	38.2	36.8	-1.5
Other current assets	5.2	3.6	-1.6
Total current assets	79.0	82.1	3.1
Property, plant and equipment	119.8	120.3	0.5
Intangible assets	0.8	1.9	1.1
Investments and other assets	47.3	46.9	-0.3
Total non-current assets	167.9	169.2	1.3
Total assets	246.9	251.2	4.3

Liabilities and Equity

(billions of yen)

	Mar. 31 2020	Dec. 31 2020	Change
Trade and other payables	19.4	19.0	-0.5
Interest-bearing debt	37.3	31.7	-5.6
Provisions	7.8	6.1	-1.7
Other liabilities	15.7	14.9	-0.9
Total liabilities	80.3	71.6	-8.6
Shareholders' equity	18.2	18.2	-
Capital surplus	15.0	15.0	-
Less: Treasury stock	-8.7	-8.7	-0.0
Retained earnings	135.9	151.8	15.9
Other components of equity	4.6	1.6	-3.0
Non-controlling interests	1.6	1.7	0.0
Total equity	166.6	179.6	13.0
Total liabilities and equity	246.9	251.2	4.3

III. FY2020 Full-Year Outlook

(Period April 1, 2020 – March 31, 2021)

FY2020 Forecast

KUREHA CORPORATION

*FY2020 guidance was updated on February 5, 2021

(in billions of yen except par-share values)

	FY2019 Results	FY2020 Guidance	Change YOY
Revenue	142.4	140.0	-2.4 (-1.7%)
Core operating profit	16.0	16.7	+0.7 (+4.3%)
Adjustments	0.0	0.0	-0.0
Other income	13.4	0.8	-12.6
Other expenses	11.4	1.0	-10.4
Operating profit	18.0	16.5	-1.5 (-8.5%)
Financial income	0.5	0.7	+0.2
Financial expenses	0.6	0.2	-0.4
Profit before income tax	17.9	17.0	-0.9 (-5.3%)
Profit attributable to owners of the Company	13.7	13.3	-0.4 (-3.1%)
Basic profit per share	¥692.61	¥681.42	

Vs. FY2019

- Revenue expected to decrease due to:
 - Slower demand for PGA in the shale market
 - Effects of the bottle business divestment
 - Slower demand for industrial chemicals partly offset by
 - Higher PVDF volume for LiB binder applications
 - Sales expansion in the environmental business
- Core operating profit to increase on volume growth of value-added products such as PVDF and environmental services, partially offset by declines in PGA, packaging materials and industrial chemicals
- Operating profit to decline primarily due to the absence of other income such as a gain from land sales
- Profit before taxes to decrease on lower operating profit
- Profit attributable to the Company to decrease on lower profit before taxes



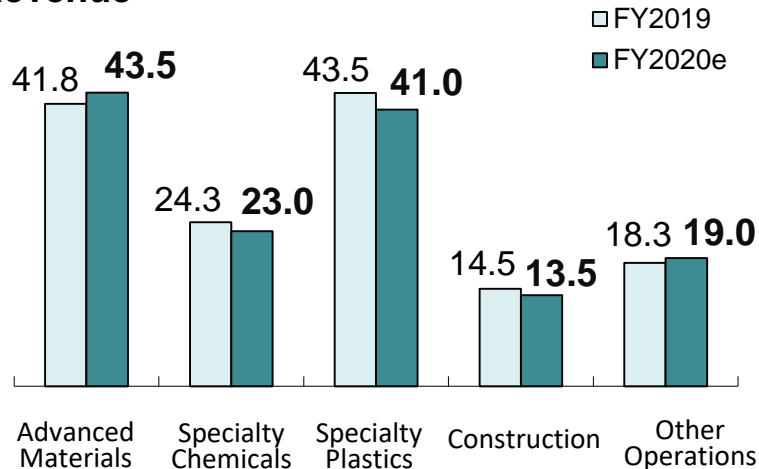
FY2020 Forecast

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Segment performance forecast

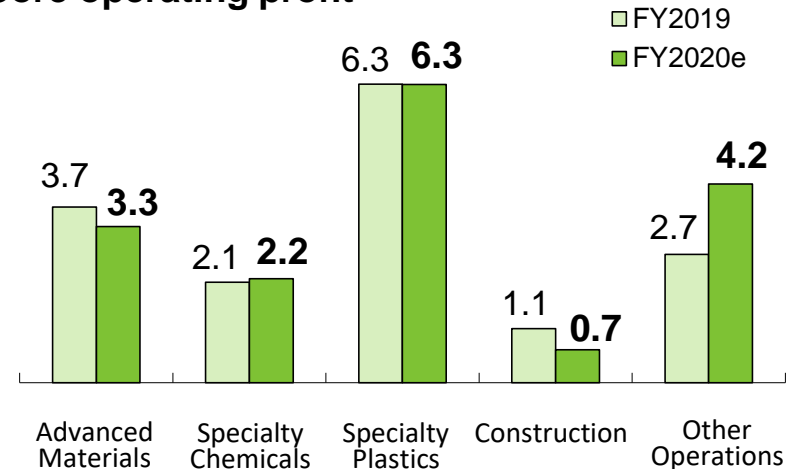
(in billions of yen)

Revenue



FY2019: ¥142.4bn FY2020e: 140.0bn

Core operating profit



FY2019: ¥16.0bn FY2020e: 16.7bn

Factors attributing to operating profit (vs. FY2019)

AM: Operating loss for PGA, partially offset by higher PVDF volume

SC: Improved demand for agrochemicals after prior year's inventory adjustments

SP: Higher fishing line sales volume offset by volume declines in packaging materials

CO: Fewer high-margin projects, intensified market competition

OO: Higher treatment volumes related to low-level PCB wastes and Fukushima's typhoon disaster wastes

FY2020 Forecast

KUREHA CORPORATION

(in billions of yen)

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

(Notes)

(FY2019)

- Other income for FY2019 includes gains from sales of non-current assets (¥10.2bn), bargain business purchases (¥1.5bn), business divestments (¥1.2bn), etc.
- Other expenses for FY2019 include business restructuring costs (¥10.6bn), etc.

FY2020e (updated on Feb. 5)	AM	SC	SP	CO	OO	Total
Revenue	43.5	23.0	41.0	13.5	19.0	140.0
Segment operating profit	3.3	2.2	6.3	0.7	4.2	16.7
Intersegment adjustment						0.0
Other income						0.8
Other expenses						1.0
Operating profit						16.5
Finance income						0.7
Finance costs						0.2
Profit before income tax						17.0
Profit for the period						13.3

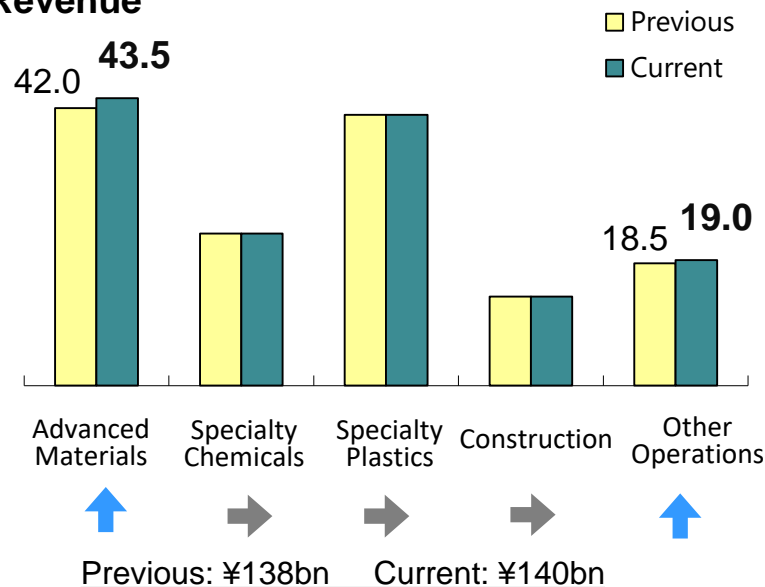
FY2020 Forecast

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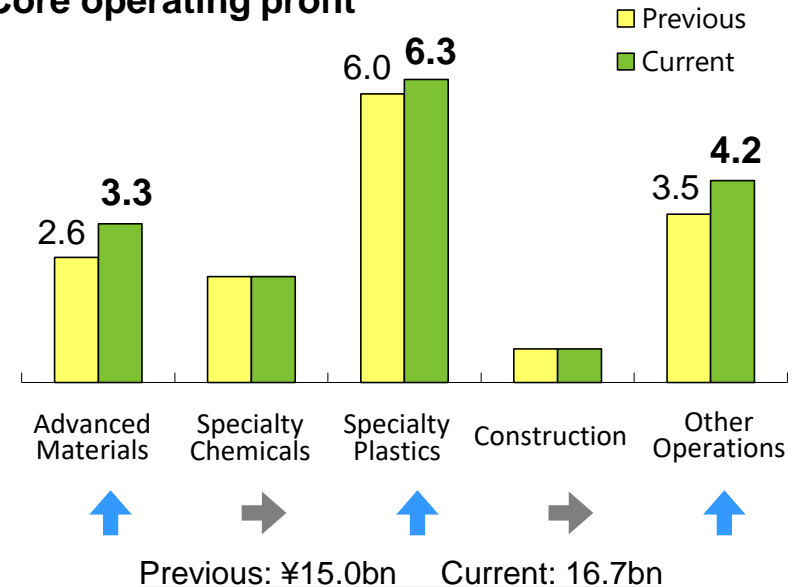
FY2020 Guidance: Previous vs. Current

(in billions of yen)

Revenue



Core operating profit



Factors attributing to operating profit (vs. previous guidance)

AM: Higher PVDF volumes for automotive LiB binder applications; no change for PGA

SC: (No change)

SP: Improved product mix for home products and lower expenses

CO: (No change)

OO: Higher treatment volumes of low-level PCB wastes and Fukushima typhoon disaster wastes

FY2020 Forecast

KUREHA CORPORATION

(in billions of yen)

FY2020 guidance (previous)

	AM	SC	SP	CO	OO	Total
Revenue	42.0	23.0	41.0	13.5	18.5	138.0
Segment operating profit	2.6	2.2	6.0	0.7	3.5	15.0
Intersegment adjustment						0.0
Other income						0.5
Other expenses						1.0
Operating profit						14.5
Finance income						0.5
Finance costs						0.5
Profit before income tax						14.5
Profit for the period						11.5

FY2020 guidance (current)

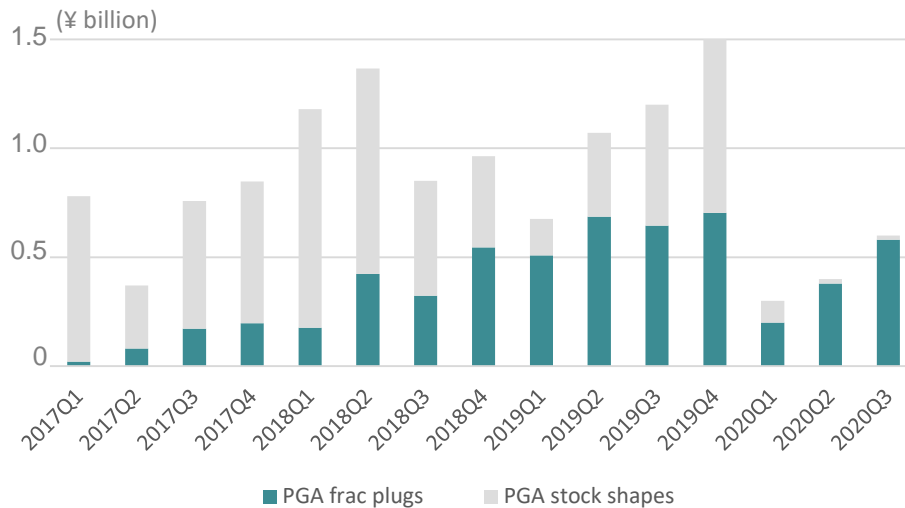
	AM	SC	SP	CO	OO	Total
Revenue	43.5	23.0	41.0	13.5	19.0	140.0
Segment operating profit	3.3	2.2	6.3	0.7	4.2	16.7
Intersegment adjustment						0.0
Other income						0.8
Other expenses						1.0
Operating profit						16.5
Finance income						0.7
Finance costs						0.2
Profit before income tax						17.0
Profit for the period						13.3

IV. Supplementary

PGA Business Updates

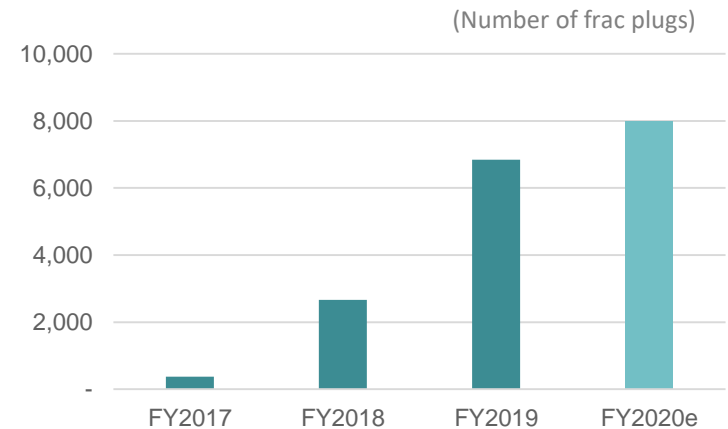
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Quarterly business revenue

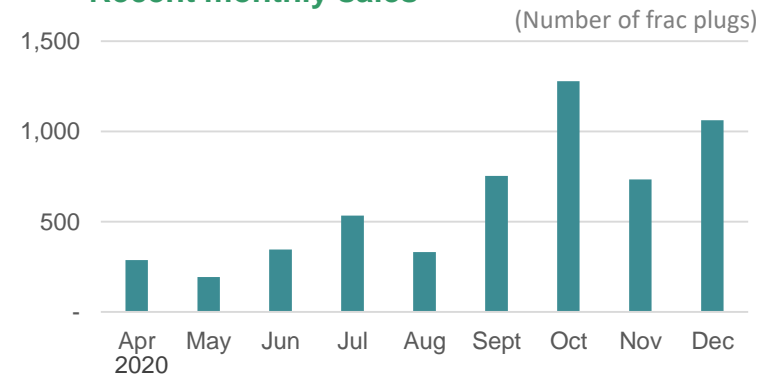


- Shale oil and gas production decreased sharply during 2020, but drilling and fracking operations are gradually returning in key markets
- Kureha's sales expansion strategy:
 - Increase sales volumes of PGA frac plugs by offering flexible prices in mid- and high-temperature well areas
 - Introduce and expand sales of non-PGA dissolvable frac plugs in extremely low temperature areas (currently under field trials)

PGA frac plugs sales (by Kureha Energy Solutions)



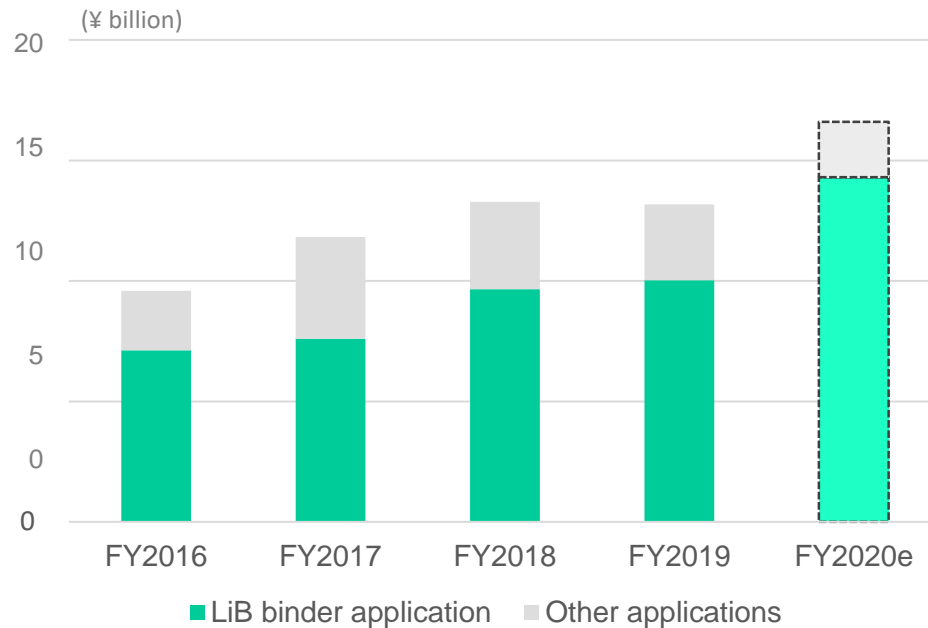
- Recent monthly sales -



PVDF Business Updates

KUREHA CORPORATION

Business revenue FY2016 – FY2020e



- Kureha maintains a roughly 40% share in the automotive LiB cathode binder market; supplies to major South Korean and Chinese lithium-ion battery (LiB) makers
- After COVID-related disruption for LiB production in early 2020, the market is rapidly recovering on the back of tighter environmental regulations and economic stimulus policies
- Kureha's China plant started production and shipment of specialty binder grade of PVDF in May 2020
- Studies for a new PVDF plant under review (delayed due to the pandemic):
 - To be located in China
 - Outlines of the new plant to be announced by Spring 2021
 - Will start commercial production in FY2024

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