

Kureha Formulates New Mid-Term Management Plan: "Kureha's Challenge 2022"

As a company driven by innovation, Kureha has under the mid-term management plan Kureha's Challenge 2020 (hereinafter "KC2020") sought to develop differentiated products in the specialty chemicals field and become a high value-added company that continually contributes to society. KC2020, itself an extension of the two-year mid-term management plan Kureha's Challenge 2018 formulated in FY2016, has now been re-extended by two years. The new mid-term management plan is named "Kureha's Challenge 2022," which constitutes the final stage of our Kureha's Challenge extension plan.

1. Summary of Kureha's Challenge 2020

The two-year period of KC2020 was designated as "a period to lay the foundation for future expansion." During this time, Kureha's operations were guided by the following management goals: (1) expand the PGA business and generate earnings, (2) strengthen the PVDF business for further expansion, (3) optimize the business models of existing businesses, (4) explore and develop new businesses in Japan and overseas, and (5) strengthen our management foundations.

In 2020, the final year of KC2020, several industries of key importance to Kureha, including automotive and oil shale, were sluggish due to the worldwide spread of the new coronavirus. These circumstances primarily affected Kureha's Advanced Materials segment. Core operating profit rose above the KC2020 target, supported mostly by the Specialty Plastics segment and a temporary rise in earnings in Other Operations. However, operating profit was 17.2 billion yen, below the target of 18 billion yen, primarily due to an impairment loss of 1.6 billion yen related to the PGA business. Although the PVDF business was strengthened according to plan, we recognize that we are still halfway to achieving four of the stated management goals.

The below is an outline of the results for each management goal.

Review of KC2020

Management Goals	Results
① Expand the PGA business and generate earnings	Decreased sales led to increased losses. There were also delays in new product development.
② Strengthen the PVDF business for further expansion	Achieved profit target and began construction of a new facility at the Iwaki Factory to increase production capacity. Construction plans for an additional factory are also under consideration.
③ Optimize the business models of existing businesses	The home products business achieved its profit target and the transfer of the blow bottle business was completed. Profit growth was slow in the PPS business, while packaging materials reduced profit.

④ Explore and develop new businesses in Japan and overseas	Kureha promoted collaboration with multiple start-up firms. Invested resources in the development of new agrochemical and PVDF products.
⑤ Strengthen the management foundations	Achieved cost reduction targets, but did not sufficiently promote digitalization and operational efficiency.

In the next two years, while executing measures to achieve the management goals remaining unfinished in KC2020, Kureha will formulate an action plan to drive sustainable growth from a medium- to long-term perspective.

2. About Kureha's Challenge 2022

Basic stance

① Instilling a "follow through" attitude in our corporate culture

The top priority during the next two-year period of the Kureha's Challenge 2022 plan is to complete the tasks remaining from KC2020. To this end, we will enhance a corporate culture of "following through" while communicating our commitment-oriented stance to stakeholders.

② Establishing the future vision of Kureha Group and formulating an action plan from a medium- to long-term perspective

While "following through" on initiatives devised until now, we will also consider medium- to long-term measures to achieve sustainable growth and set specific goals and action plans.

Management goals and priority measures (☆ indicates new priority measure)

① Expand the Advanced Materials businesses

- Solidify the foundation of the PGA business by expanding the market share of existing products and launching and expanding sales of new products
- Expand profits from the PVDF business and start construction of a new factory
- Improve profitability in the PPS business by strengthening cooperation with business partners

② Optimize existing businesses

- Review business strategies and growth measures in response to changes in the business environment (carbon products, pharmaceuticals and agrochemicals, commercial packaging materials)
- Development of new applications for existing products

③ New business identification and development

- Develop and commercialize environmental load reduction technology to contribute to society ☆
- Accelerate ongoing product development
- Create new businesses through collaborations that bring together in-house technology and external technologies

④ Strengthen the management foundations

- Implement a new personnel system (further emphasize roles and performance orientation in human resource management, extension of retirement age past 65) ☆
- Continue to strengthen production technology and cost-competitiveness
- Bolster operational efficiency and business development through digitalization and by strengthening IT-related human resources
- Strengthen ESG management with a view to fulfilling the SDGs and achieving carbon neutrality ☆

Quantitative targets

Given the current uncertainty in the business environment, particularly regarding how long the pandemic will continue, the plan outlines quantitative targets to be achieved on a year-by-year basis.

(Unit: Billion yen)

	FY2020 Results	FY2021 Plan	Change
Revenue	144.6	150.0	+5.4
Operating profit (Operating margin)	17.3 (12%)	15.0 (10%)	-2.3
Profit attributable to the owners of Kureha	13.5	10.7	-2.8
Earnings per share (yen)	691.33	548.21	-143.12

(Presumptions)

Currency exchange rates: US\$1=¥107, €1=¥128, CHN¥=¥16.5

Crude oil prices: \$60/bbl (1st half year), \$55/bbl (2nd half year)

Consolidated revenue is projected to reach 150 billion yen in FY2021, a 5.4 billion increase from the previous year, as we expect sales volume growth in the Advanced Materials segment to more than offset volume declines in Construction and Other Operations segments. Operating profit is forecast to decrease by 2.3 billion yen to 15 billion yen due primarily to unfavorable product sales mix, higher raw materials and fuel cost, and increased expenses.

Segment breakdown of the plan

(Unit: Billion yen)

	FY2020 Results		FY2021 Plan		Change	
	Revenue	Operating profit	Revenue	Operating profit	Revenue	Operating profit
Consolidated total	144.6	17.3	150.0	15.0	+5.4	-2.3
Advanced Materials	44.5	3.5	53.0	4.0	+8.5	+0.5
Specialty Chemicals	23.5	2.2	23.5	1.7	-0	-0.5
Specialty Plastics	42.4	7.7	42.5	7.3	+0.1	-0.4
Construction	13.9	1.1	12.5	0.4	-1.4	-0.7
Other Operations	20.3	4.4	18.5	2.6	-1.8	-1.8
Adjustments		-1.6		-1.0		+0.6



Capital investment and R&D expenditures

Kureha is planning a total of 17.0 billion yen in capital investment for FY2021. The main items are as follows:

- Investment to increase production of PVDF (remove upstream process bottlenecks at the Iwaki Factory)
- Investment to develop a next generation core IT system and promote digital transformation
- Maintenance and renewal of facilities and equipment to ensure stable earnings

(Unit: Billion yen)

	FY2020 Results	FY2021 Plan
Capital investment	14.3	17.4
Depreciation	11.7	11.7
R&D expenditures	5.6	6.1

Capital policy

Aiming for sustainable growth and enhanced corporate value, we will set the stage for future business development by steadily achieving the management goals and quantitative targets set forth in Kureha's Challenge 2022. While maintaining financial stability, we will strengthen our scrutiny of investments centered on production facilities to enhance earnings capacity and capital efficiency.

Basic policy on shareholder returns

Kureha's basic policy on the distribution of earnings is to strengthen the company overall to achieve longer-term growth, provide for future business expansion, enhance retained earnings, and pay a stable and continued dividend. In addition, Kureha will also consider the acquisition of its own shares as an option to flexibly adjust to varying financial conditions.

For further information, please contact:

Kureha Corporation, Public & Investor Relations Department, +81-3-3249-4651