

FY2019 1Q Results

August 8, 2019

FY2019 1Q Overview

KUREHA CORPORATION

(in billions of yen)

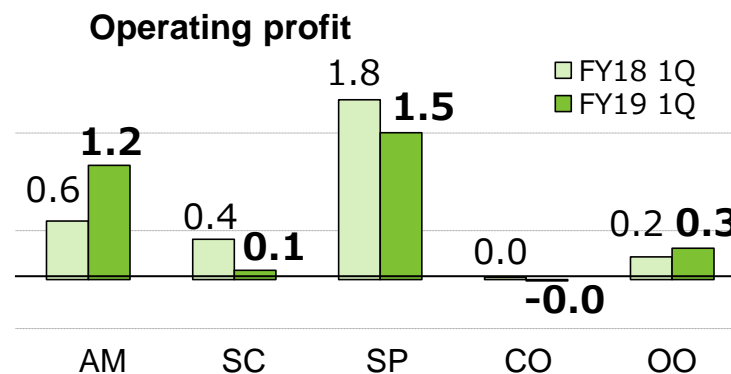
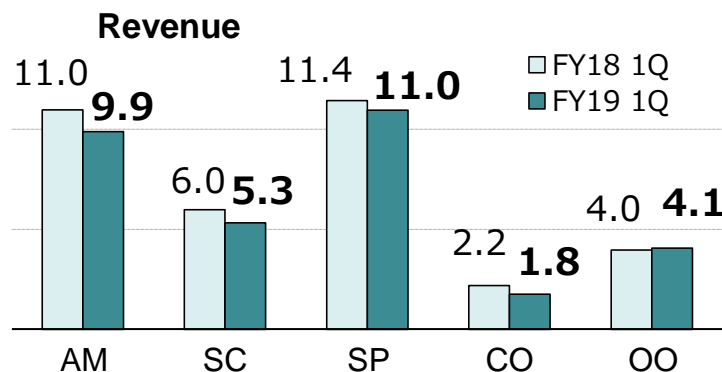
	FY2018 1Q	FY2019 1Q	Change (%)
Revenue	34.6	32.0	-2.5 (-7.3%)
Operating profit	3.2	4.4	1.1 (35.5%)
Profit before income tax	3.5	4.4	0.9 (26.0%)
Profit attributable to owners of Kureha	2.5	3.6	1.1 (45.8%)

FY2019 1Q vs. FY2018 1Q

- Revenue declined in all segments except Other Operations
- Higher operating profit mainly resulting from an increase in other income
- Profit before income tax increased due to higher operating profit
- Profit for the period increased due to higher profit before income tax

Performance by segment

(AM: Advanced Materials, SC: Specialty Chemicals, SP: Specialty Plastics, CO: Construction, OO: Other Operations)



FY2019 1Q Overview

KUREHA CORPORATION

FY2018 1Q

FY2019 1Q

(billions of yen)

	AM	SC	SP	CO	OO	Corporate	AM	SC	SP	CO	OO	Corporate	
Revenue	11.0	6.0	11.4	2.2	4.0	34.6	9.9	5.3	11.0	1.8	4.1	32.0	
Segment operating profit	0.6	0.4	1.8	0.0	0.2	3.1	1.2	0.1	1.5	-0.0	0.3	3.1	
Adjustments						0.0						0.0	
Other income						0.1						*1	1.5
Other expenses						0.0							0.2
Operating profit						3.2							4.4
Finance income						0.3							0.3
Finance costs						0.1							0.2
Profit before income tax						3.5							4.4
Profit for the period						2.5							3.6

*1 Includes a bargain purchase gain of ¥1.3 billion related to a newly consolidated subsidiary

Segment Performance: Advanced Materials

(billions of yen)

	FY2018 1Q	FY2019 1Q	Change %	Full-year	
				FY2018	FY2019e
Advanced Materials					
Advanced plastics	6.9	6.4	-8%	28.5	34.2
Carbon products	1.6	1.5	-4%	6.1	5.9
Other	2.4	2.0	-20%	11.1	10.4
Segment revenue	11.0	9.9	-10%	45.7	50.5
Segment operating profit	0.6	1.2	95%	4.6	6.0

FY2019 1Q vs. FY2018 1Q

Revenue  Operating Profit 

Advanced plastics: Revenue down, Ope. profit up

Revenue declined on slower sales of PGA semi-finished frac plug products, despite PVDF and PPS volumes growth, while operating profit improved on volume growth for PGA finished frac plug products and higher PPS-related equity earnings.

Carbon products: Revenue down, Ope. profit up

Lower cost more than offsetting a slight decrease in insulation carbon fiber volume

Segment Performance: Specialty Chemicals

(billions of yen)

	FY2018 1Q	FY2019 1Q	Change %	Full-year	
				FY2018	FY2019e
Specialty Chemicals					
Agrochemicals	1.3	0.9	-26%	8.3	6.5
Pharmaceuticals	1.3	1.1	-17%	5.0	5.3
Industrial chemicals	1.9	1.7	-10%	7.6	7.5
Other	1.5	1.6	7%	6.4	7.7
Segment revenue	6.0	5.3	-11%	27.3	27.0
Segment operating profit	0.4	0.1	-77%	3.3	2.7

FY2019 1Q vs. FY2018 1Q

Revenue ↓ Operating Profit ↓

Agrochemicals & Pharmaceuticals: Revenue down, Ope. profit down

Volumes down for agricultural fungicides and *Kremezin*, a therapeutic agent for chronic kidney failure

Industrial chemicals: Revenue down, Ope. profit down

Lower organic chemicals volumes

Segment Performance: Specialty Plastics

(billions of yen)

	FY2018 1Q	FY2019 1Q	Change %	Full-year	
				FY2018	FY2019e
Specialty Plastics					
Home products	5.1	5.2	2%	20.5	20.8
Fishing lines	0.8	0.9	19%	2.9	3.0
Food packaging	4.2	3.6	-14%	16.2	15.3
Other	1.4	1.2	-11%	5.5	5.9
Segment revenue	11.4	11.0	-4%	45.1	45.0
Segment operating profit	1.8	1.5	-18%	6.7	6.1

FY2019 1Q vs. FY2018 1Q

Revenue ↓ Operating Profit ↓

Home products & Fishing lines: Revenue up, Ope. profit down

Higher 'NEW Krewrap' (food wrap film) and 'Seaguar' (fishing lines) volumes partially offset higher cost

Food packaging: Revenue down, Ope. profit down

Lower heat shrink multilayer film volumes, etc.

Segment Performance: Construction

(billions of yen)

	FY2018 1Q	FY2019 1Q	Change %	Full-year	
				FY2018	FY2019e
Construction					
Construction	3.7	3.6	-5%	20.3	19.5
Intercompany elimination	-1.5	-1.8	---	-7.9	-7.0
Segment revenue	2.2	1.8	-19%	12.4	12.5
Segment operating profit	0.0	-0.0	---	0.7	0.4

FY2019 1Q vs. FY2018 1Q

Revenue ↓ Operating Profit ↓

Construction: Revenue down, Ope. profit down

Lower volumes due to construction delays in the public sector, etc., resulting in operating loss

Segment Performance: Other Operations

(billions of yen)

	FY2018 1Q	FY2019 1Q	Change %	Full-year	
				FY2018	FY2019e
Other operations					
Environmental engineering	2.5	2.6	6%	12.0	11.4
Logistics	2.1	2.0	-4%	8.3	8.5
Hospital operations	0.9	1.0	11%	3.7	3.9
Other	0.5	0.6	15%	1.9	2.2
Intercompany eliminations	-2.0	-2.1	---	-8.3	-9.0
Segment revenue	4.0	4.1	3%	17.6	17.0
Segment operating profit	0.2	0.3	39%	2.1	1.8

FY2019 1Q vs. FY2018 1Q

Revenue  Operating Profit 

Environmental engineering: Revenue up, Ope. profit up

Volume growth for industrial waste management; benefits from business consolidation

Logistics: Revenue up, Ope. profit up

Hospital operations: Revenue up, Ope. profit down (operating loss)

Financial Position

KUREHA CORPORATION

(billions of yen)

Assets

	Mar.31 2019	Jun.30 2019	Change
Cash and cash equivalents	6.0	7.0	1.0
Trade and other receivables	30.7	26.2	-4.5
Inventories	38.3	41.0	2.6
Other current assets	3.7	4.2	0.5
Total current assets	78.8	78.5	-0.3
Property, plant and equipment	117.6	124.8	7.3
Intangible assets	1.1	1.0	-0.0
Investments and other assets	49.9	49.2	-0.7
Total non-current assets	168.6	175.1	6.5
Total assets	247.4	253.6	6.2

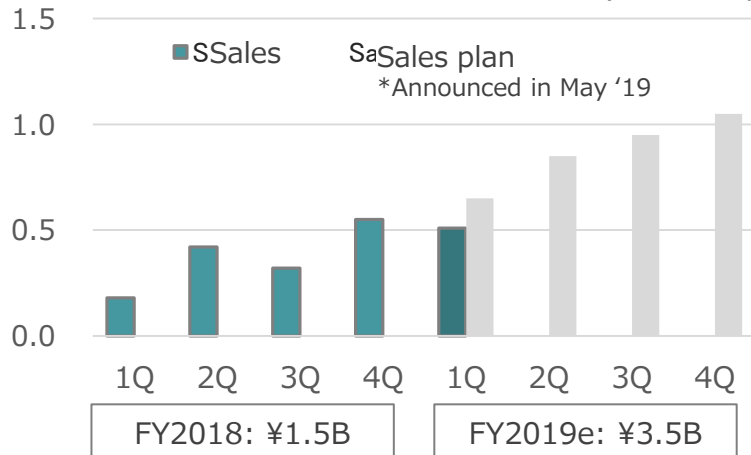
Liabilities and Equity

	Mar.31 2019	Jun.30 2019	Change
Trade and other payables	24.0	21.8	-2.2
Interest-bearing debt	39.0	49.0	10.0
Provisions	6.8	6.6	-0.3
Other liabilities	15.3	14.3	-1.0
Total liabilities	85.2	91.7	6.5
Shareholders' equity	18.2	18.2	--
Capital surplus	15.0	15.0	--
Less: Treasury stock	-3.7	-5.1	-1.4
Retained earnings	122.4	125.7	3.4
Other components of equity	8.7	6.5	-2.1
Non-controlling interests	1.6	1.5	-0.1
Total equity	162.2	161.9	-0.3
Total liabilities and equity	247.4	253.6	6.2

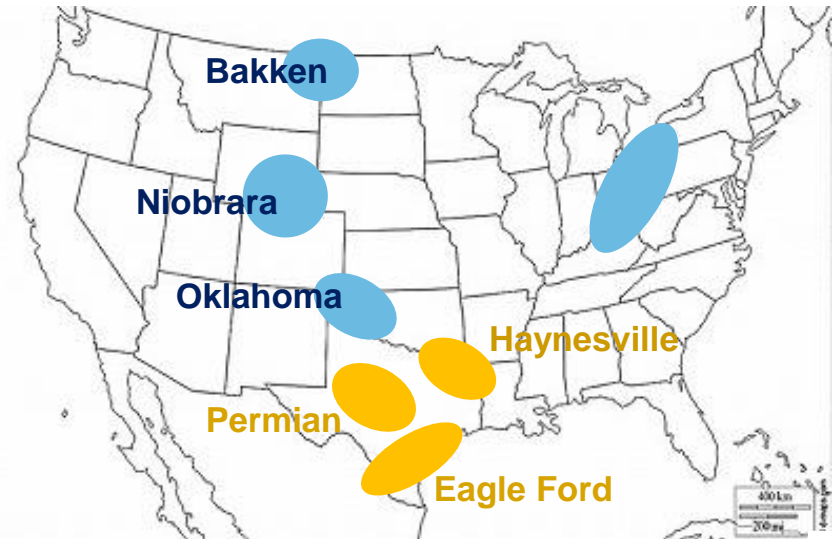
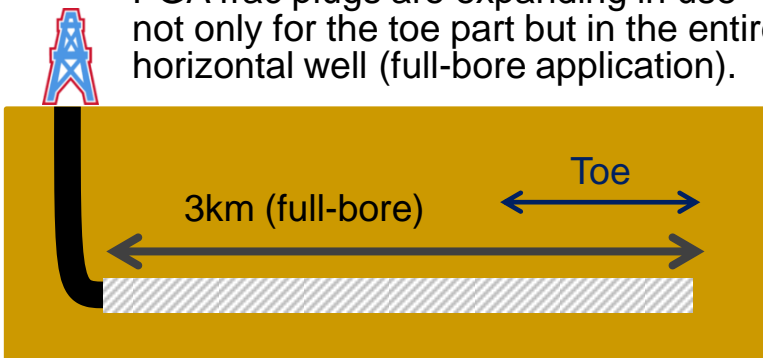
PGA Business Update (Frac plug application in shale oil market)

Sales of Kureha Degradable Plugs (KDP) by Kureha Energy Solutions

(billions of yen)



PGA frac plugs are expanding in use not only for the toe part but in the entire horizontal well (full-bore application).



KDP

- Currently adopted by 19 field operators (2 more since last May) mainly in Permian, Eagle Ford and Haynesville areas; customer base expanding in Bakken, Niobrara and Oklahoma
- Continued full-bore use at major operators; full-bore trials completed for several other operators
- Field trials to expand for an improved ultra low-temp grade KDP in Permian during 2Q
- Field trials launched for small-sized KDPs in 'refracs' (fracturing of existing, low-output wells to recover production)

*Updated on Aug. 8, 2019

FY2019 Full-Year Forecast

KUREHA CORPORATION

(billions of yen)

	FY2018			FY2019 forecast (May 14, 2019)			FY2019 forecast (Aug. 8, 2019)		
	1H	2H	Full-year	1H	2H	Full-year	1H	2H	Full-year
Revenue	72.5	75.8	148.3	75.0	77.0	152.0	70.0	82.0	152.0
Operating profit	7.1	10.1	17.2	8.0	18.0	26.0	9.0	17.0	26.0
Profit before income tax	7.3	10.1	17.4	8.0	18.0	26.0	9.0	17.0	26.0
Profit attributable to owners of Kureha	5.3	8.6	13.9	6.1	13.4	19.5	7.0	12.5	19.5

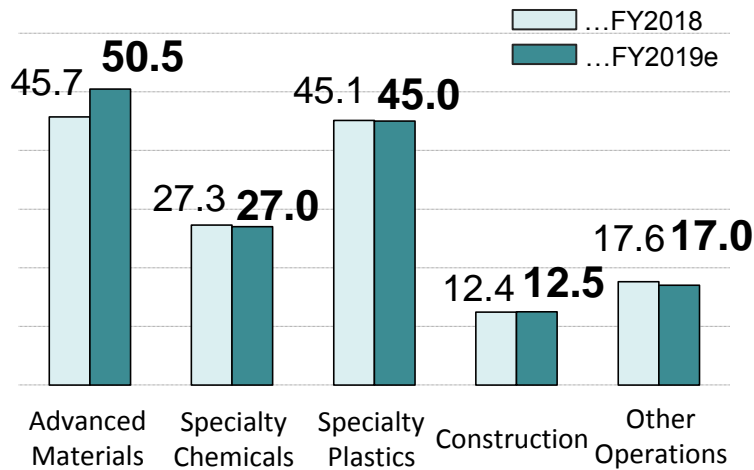
Supplementary information

FY2019 Full-Year Forecast

*FY2019 forecast by segment remains unchanged and as announced on May 14, 2019

Segment Performance: FY2019e vs. FY2018

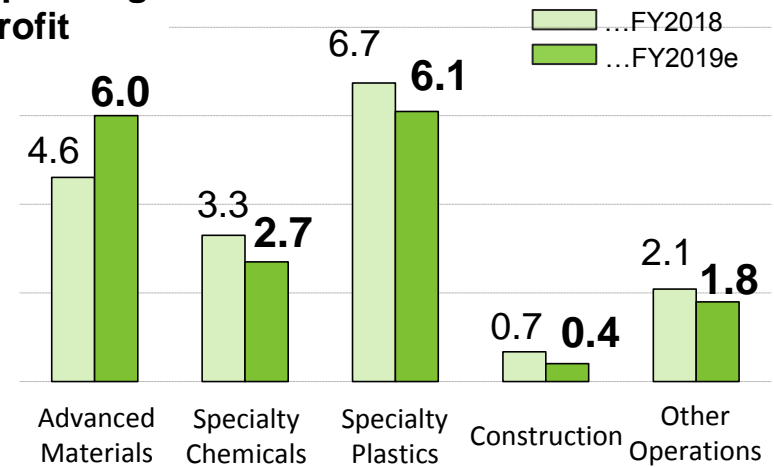
Revenue



FY2018: ¥148.3bn FY2019e: ¥152bn

(billions of yen)

Operating Profit



FY2018: ¥17.4bn FY2019e: ¥17bn

Factors affecting operating profit (vs. FY2018)

AM: Higher PGA volumes (generating profit), profit growth for PPS and PVDF; lower carbon fiber profit

SC: Decreased earnings in agrochemicals and industrial chemicals; higher pharmaceuticals profit

SP: Higher cost related to home products, intensified competition for packaging materials

CO: Higher labor and raw materials costs

OO: Intensified competition in the industrial waste treatment business

FY2019 Full-Year Forecast

KUREHA CORPORATION

*FY2019 forecast by segment remains unchanged and as announced on May 14, 2019

FY2018

FY2019e

(billions of yen)

	AM	SC	SP	CO	OO	Corporate	AM	SC	SP	CO	OO	Corporate
Revenue	45.7	27.3	45.1	12.4	17.6	148.1	50.5	27.0	45.0	12.5	17.0	152.0
Segment operating profit	4.6	3.3	6.7	0.7	2.1	17.4	6.0	2.7	6.1	0.4	1.8	17.0
Adjustments						0.1						0.0
Other income					*1	0.6					*3	10.0
Other expenses					*2	0.9					*4	1.0
Operating profit						17.2						26.0
Finance income						0.7						0.7
Finance costs						0.4						0.7
Profit before income tax						17.4						26.0
Profit for the period						13.9						19.5

*1 Includes ¥0.3 billion subsidy income

*2 Includes a loss of ¥0.8 billion on the sale and retirement of non-current assets

*3 Includes a gain of ¥9.2 billion on the sale of land for Kureha HQ annex building

*4 Includes a loss of ¥0.7 billion on sales and retirement of non-current assets

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