

FY2019 3Q Results

February 6, 2020

FY2019 3Q Overview

KUREHA CORPORATION

(in billions of yen)

	FY2018 3Q	FY2019 3Q	Change (%)
Revenue	110.8	105.4	-5.4 (-5%)
Core operating profit	13.8	13.0	-0.8 (-6%)
Operating profit	13.9	25.8	+11.9 (+85%)
Profit before income tax	14.2	25.9	+11.7 (+82%)
Profit attributable to owners of Kureha	11.1	20.7	+9.6 (+86%)

Vs. FY2018 3Q

- Lower revenue driven by Advanced Materials, Specialty Chemicals and Specialty Plastics
- Lower core operating led driven by Advanced Materials, Specialty Chemicals and Specialty Plastics, partially offset with improved earnings in Construction and Other Operations
- A substantial increase in operating profit resulting from other income, including gains from land property sales (HQ annex location), the transfer of the bottle business, and a bargain purchase related to new consolidation
- Profit for the period increased on higher operating profit

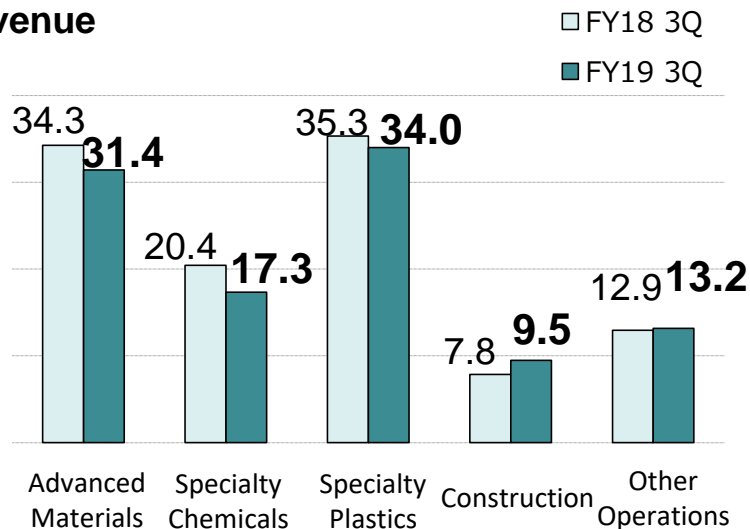
FY2019 3Q Overview

KUREHA CORPORATION

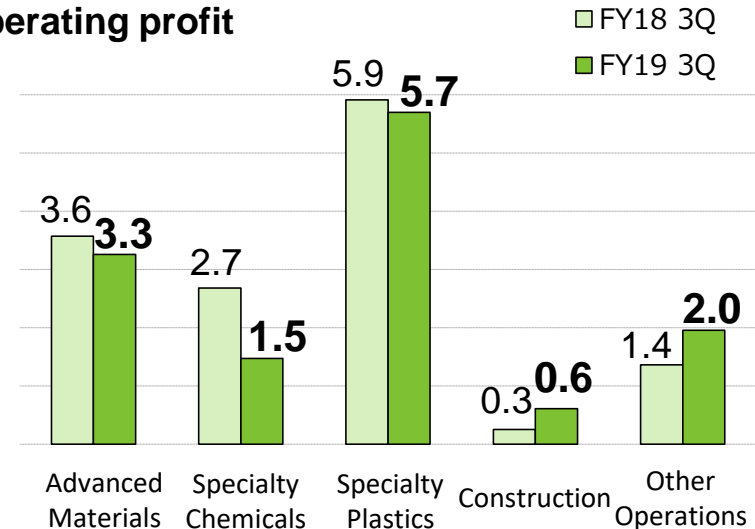
Performance by Segment: FY2019 3Q vs. FY2018 3Q

(in billions of yen)

Revenue



Operating profit



Factors attributing to operating profit (vs. FY2018 3Q)

AM: Slower sales in 'other' product groups, partially offset by improved margins for PVDF and PGA

SC: Lower agrochemical volume

SP: Lower profit margins for packaging materials, partially offset by higher profit for home products

CO: Increased number of private construction projects

OO: Higher industrial waste treatment volume and effects of new consolidation in the environment business

FY2019 3Q Overview

KUREHA CORPORATION

FY2018 3Q

FY2019 3Q

(in billions of yen)

	AM	SC	SP	CO	OO	Corporate	AM	SC	SP	CO	OO	Corporate
Revenue	34.3	20.4	35.3	7.8	12.9	110.8	31.4	17.3	34.0	9.5	13.2	105.4
Segment operating profit	3.6	2.7	5.9	0.3	1.4	13.8	3.3	1.5	5.7	0.6	2.0	13.0
Adjustments						0.1						-0.0
Other income						0.3						*13.1
Other expenses						*0.3						0.3
Operating profit						13.9						25.8
Finance income						0.6						0.5
Finance costs						0.3						0.4
Profit before income tax						14.2						25.9
Profit for the period						11.1						20.7

* Includes a loss of ¥0.2bn on the retirement of noncurrent assets

* Includes gains of ¥10.2bn on the sale of noncurrent assets (3Q); ¥1.2bn on the transfer of business (3Q) and; ¥1.5bn from a bargain purchase of business (1Q)

Segment Performance: Advanced Materials

(billions of yen)

	FY2018 3Q	FY2019 3Q	Change YOY%
Advanced Materials			
Advanced plastics	21.2	20.4	-4%
Carbon products	4.7	4.4	-7%
Other	8.3	6.6	-20%
Revenue	34.3	31.4	-8%
Operating Profit	3.6	3.3	-9%

Vs. FY2018 3Q

Revenue down, Operating profit down

Advanced plastics:

Revenue decreased due to slower sales of PPS and PGA stock shapes, partially offset by higher sales volumes of PGA frac plugs and PVDF for LiB binder applications. Operating profit improved on higher profit margins generated by PVDF and PGA

Carbon products:

Operating profit decreased on lower revenue, despite continued full-capacity production

Other:

Revenue and operating profit declined due to slower demand in semiconductor and electrics/electronics markets

Segment Performance: Specialty Chemicals

(billions of yen)

	FY2018 3Q	FY2019 3Q	Change YOY%
Specialty Chemicals			
Agrochemicals	6.4	3.6	-44%
Pharmaceuticals	3.5	3.6	+5%
Industrial chemicals	5.7	5.2	-9%
Other	4.8	4.9	+2%
Revenue	20.4	17.3	-15%
Operating Profit	2.7	1.5	-45%

Vs. FY2018 3Q

Revenue down, Operating profit down

Agrochemicals:

Operating profit declined due to lower fungicides volumes

Pharmaceuticals:

Operating profit improved on lower cost, despite flat revenue growth

Industrial chemicals:

Operating profit decreased on slower sales for both organic and inorganic chemicals

Segment Performance: Specialty Plastics

(billions of yen)

	FY2018 3Q	FY2019 3Q	Change YOY%
Specialty Plastics			
Home products	16.9	16.9	+0%
Fishing lines	2.1	2.2	+8%
Packaging materials	12.1	10.9	-10%
Other	4.3	3.9	-8%
Revenue	35.3	34.0	-4%
Operating Profit	5.9	5.7	-4%

Vs. FY2018 3Q

Revenue down, Operating profit down

Home products & fishing lines:

Higher operating profit was supported by sales volumes growth of both New Krewrap and Seaguar fishing lines

Packaging materials:

Operating profit decreased due to lower ML shrink film sales volumes and the impact of the transfer of bottle business

Segment Performance: Construction

(billions of yen)

	FY2018 3Q	FY2019 3Q	Change YOY%
Construction			
Construction	13.0	15.3	+18%
Consolidation adjustments	-5.2	-5.8	--
Revenue	7.8	9.5	+21%
Operating Profit	0.3	0.6	+140%

Vs. FY2018 3Q

Revenue up, Operating profit up

Construction:

Operating profit doubled as revenue grew with a larger number of construction projects in the private sector

Segment Performance: Other Operations

(billions of yen)

	FY2018 3Q	FY2019 3Q	Change YOY%
Other Operations			
Environmental engineering	8.6	9.0	+5%
Logistics	6.2	6.1	-2%
Hospital operation	2.8	3.0	+9%
Other	1.4	1.6	+15%
Consolidation adjustments	-6.1	-6.6	--
Revenue	12.9	13.2	+2%
Operating Profit	1.4	2.0	+42%

Vs. FY2018 3Q

Revenue up, Operating profit up

Environmental engineering

Operating profit improved due to higher industrial waste treatment volume and the effect of business acquisition

Logistics

Revenue and operating profit remained flat

Hospital operation

Revenue increased, while operating profit remained flat

Financial Position

KUREHA CORPORATION

(billions of yen)

Assets

	Mar.31 2019	Dec.31 2019	Change
Cash and cash equivalents	6.0	9.7	3.8
Trade and other receivables	30.7	29.7	-1.1
Inventories	38.3	43.5	5.1
Other current assets	3.7	5.4	1.7
Total current assets	78.8	88.3	9.5
Property, plant and equipment	117.6	123.2	5.6
Intangible assets	1.1	1.1	-0.0
Investments and other assets	49.9	52.1	2.2
Total non-current assets	168.6	176.3	7.8
Total assets	247.4	264.6	17.3

Liabilities and Equity

	Mar.31 2019	Dec.31 2019	Change
Trade and other payables	24.0	21.1	-2.9
Interest-bearing debt	39.0	44.3	5.2
Provisions	6.8	5.8	-1.0
Other liabilities	15.3	16.1	0.8
Total liabilities	85.2	87.3	2.1
Shareholders' equity	18.2	18.2	--
Capital surplus	15.0	15.0	--
Less: Treasury stock	-3.7	-8.3	-4.6
Retained earnings	122.4	142.9	20.6
Other components of equity	8.7	7.8	-0.9
Non-controlling interests	1.6	1.7	0.1
Total equity	162.2	177.3	15.2
Total liabilities and equity	247.4	264.6	17.3

Notes to the statement of financial position as of December 31, 2019 and other supplementary information

- Impacts of business merger with Himeyuri Total Work: Current assets: +¥2.2bn, Property, plant and equipment: +¥5.5bn, Other non-current assets: +¥0.8bn, Interest-bearing debt: +¥4.9bn, Provision: +¥1bn
- Impacts of accounting policy changes (IFR, 16 'Lease'): Property, plant and equipment: +¥2.5bn, Interest-bearing debt: +¥2.5bn
- Ratio of equity attributable to owners of Kureha to total assets: 64.9% (as of Mar. 31, 2019), 66.4% (as of Dec. 31, 2019)
- Treasury stock acquired during 9 months from April 1 through December 31, 2019: 679,700 shares valued at ¥4.569 million

FY2019 Full-Year Forecast

KUREHA CORPORATION

***FY2019 earnings forecast has been unchanged since last announced on November 11, 2019**

(In billions of yen, except per-share values)

	FY2018	FY2019 Guidance (Nov. 2019)	Change YOY (%)	FY2019 Guidance (Aug. 2019)
Revenue	148.3	144.0	-4.3 (-3%)	152.0
Core operating profit	17.4	17.0	-0.4 (-2%)	17.0
Operating profit	17.2	28.5	11.3 (66%)	26.0
Profit before income tax	17.4	28.5	11.1 (63%)	26.0
Profit attributable to owners of Kureha	13.9	22.0	8.1 (58%)	19.5
Dividend per share:				
Interim	¥70.0	¥85.0		
Year-end	¥95.0	¥85.0	(to be paid)	

Vs. FY2018

- Revenue expected to decrease mainly in Advanced Materials and Specialty Plastics
- Lower core operating profit led by Specialty Chemicals and Specialty Plastics, despite profit growth in Advanced Materials (PGA to generate profit)
- Operating profit to increase due to other income resulting from land sales and a bargain business purchase related to new consolidation

(Vs. Previous guidance)

- Lower revenue driven by Advanced Materials and Specialty Plastics
- Higher operating profit led by higher 'other income' inclusive of gains from bargain purchase related to a new subsidiary and the transfer of Kureha's bottle business



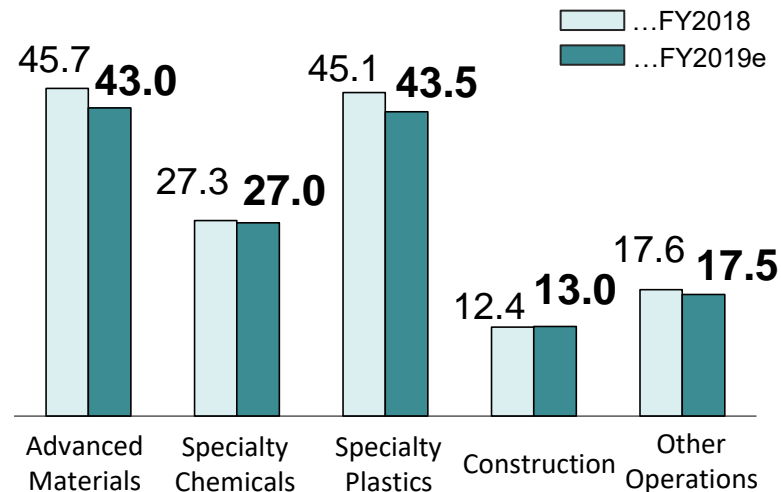
FY2019 Full-Year Forecast

KUREHA CORPORATION

*FY2019 earnings forecast has been unchanged since last announced on November 11, 2019

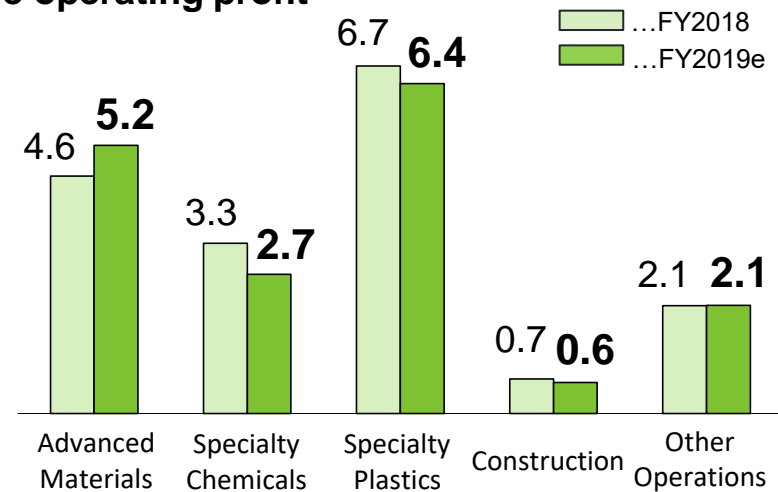
Performance by Segment: FY2019 guidance vs. FY2018

Revenue



FY2018: ¥148.3bn FY2019e: ¥144.0bn

Core operating profit



FY2018: ¥17.4bn FY2019e: ¥17.0bn

Factors attributing to core operating profit (vs. FY2018)

AM: PGA to generate profit, higher earnings in the PVDF business

SC: Lower agrochemical volumes due to customer's inventory adjustments more than offsetting profit growth in Pharmaceuticals

SP: Lower packaging materials volumes

CO: Fewer high-margin construction projects

OO: (Performs on par with FY18)

FY2019 Full-Year Forecast

KUREHA CORPORATION

*FY2019 earnings forecast has been unchanged since last announced on November 11, 2019

FY2018

FY2019 guidance

(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	148.3	43.0	27.0	43.5	13.0	17.5	144.0
Segment operating profit	4.6	3.3	6.7	0.7	2.1	17.4	5.2	2.7	6.4	0.6	2.1	17.0
Adjustments						0.1						--
Other income					*1	0.6					*1	12.5
Other expenses					*2	0.9						1.0
Operating profit						17.2						28.5
Finance income						0.7						0.7
Finance costs						0.4						0.7
Profit before income tax						17.4						28.5
Profit for the period						13.9						22.0

*1 Includes ¥0.3 billion subsidy income

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

*1 Includes gains of ¥9.3bn on the sale of land properties (Kureha HQ annex location); ¥1.5bn on the discount purchase of a new subsidiary; ¥1.2bn on the transfer of Kureha's bottle business

FY2019 Full-Year Forecast

KUREHA CORPORATION

Details of Other Income and Other Expenses

(billions of yen)

	FY2018
Subsidy income	0.3
Insurance income	0.1
Other	0.2
Other income total	0.6
Loss on retirement of non-current assets	0.8
Other	0.2
Other expenses total	0.9

	FY2019e
Gain from land sales (Kureha HQ annex location)	9.3
Gain from bargain purchase related to new consolidation	1.5
Gain on the transfer of Kureha's bottle business	1.2
Other	0.6
Other income total	12.5
Loss on retirement of non-current assets	0.7
Other	0.3
Other expenses total	1.0

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