

FY2020 1Q Results

KUREHA CORPORATION

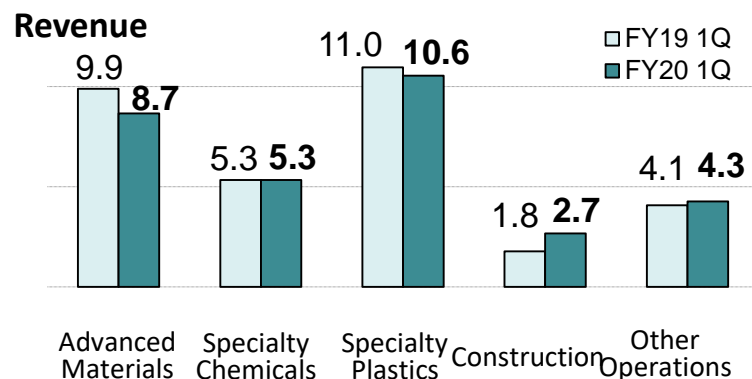
August 11, 2020

FY2020 1Q Financial Summary - 1

KUREHA CORPORATION

Vs. FY2019 1Q

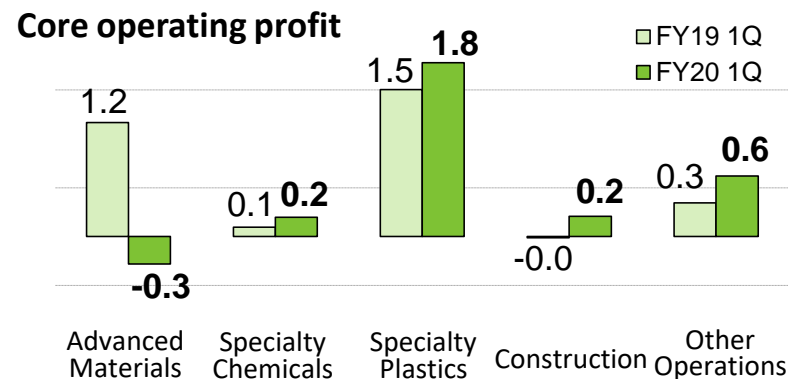
- Revenue declined due to slower sales of Advanced Materials and Specialty Plastics, partially offset by higher Construction volume
- Core operating profit decreased on lower Advanced Materials volumes, primarily related to advanced plastics
- Operating profit decreased due to the absence of other income associated with a discount business purchase incurred in FY2019 1Q
- Profit for the period decreased on lower profit before income tax



(in billions of yen)

	FY2019 1Q	FY2020 1Q	Change YOY
Revenue	32.0	31.5	-0.6 (-1.7%)
Core operating profit	3.1	2.5	-0.6 (-18.6%)
Operating profit	4.5	2.5	-2.0 (-44.7%)
Profit before income tax	4.6	2.8	-1.7 (-38.2%)
Profit attributable to owners of Kureha Corp.	3.8	2.0	-1.8 (-46.2%)

Note: FY2019 1Q results (announced in Aug. 2019) have been revised based on the actual gain from a discount business purchase finalized in FY2019 2Q.



FY2020 1Q Financial Summary - 2

KUREHA CORPORATION

(billions of yen)

FY2019 1Q	AM	SC	SP	CO	OO	Total
Revenue	9.9	5.3	11.0	1.8	4.1	32.0
Segment operating profit	1.2	0.1	1.5	-0.0	0.3	3.1
Intersegment adjustment						0.0
Other income						1.6
Other expenses						0.2
Operating profit						4.5
Finance income						0.3
Finance costs						0.2
Profit before income tax						4.6
Profit for the period						3.8

(Notes)

- Other income includes gains from discount business purchase (¥1.5bn)

FY2020 1Q	AM	SC	SP	CO	OO	Total
Revenue	8.7	5.3	10.6	2.7	4.3	31.5
Segment operating profit	-0.3	0.2	1.8	0.2	0.6	2.5
Intersegment adjustment						0.0
Other income						0.1
Other expenses						0.1
Operating profit						2.5
Finance income						0.4
Finance costs						0.0
Profit before income tax						2.8
Profit for the period						2.0

Performance by Segment: Advanced Materials

(billions of yen)

	FY2019 Q1	FY2020 Q1	Change %
Advanced Materials			
Advanced plastics	6.4	5.0	-22%
Carbon products	1.5	1.4	-11%
Other	2.0	2.3	18%
Segment revenue	9.9	8.7	-12%
Segment operating profit	1.2	-0.3	--

Vs. FY2019 1Q

Revenue ↓ Operating Profit ↓

Advanced plastics

Revenue down, operating profit down:
- Lower sales volumes of PVDF (LiB binder applications), PPS and PGA (shale fracking applications)

Carbon products

Revenue down, operating profit down:
- Lower carbon fiber insulator sales volume for use in high-temp furnaces

Performance by Segment: Specialty Chemicals

(billions of yen)

	FY2019 1Q	FY2020 1Q	Change %
Specialty Chemicals			
Agrochemicals	0.9	1.4	51%
Pharmaceuticals	1.1	1.1	-0%
Industrial chemicals	1.7	1.4	-20%
Other	1.6	1.4	-8%
Segment revenue	5.3	5.3	0%
Segment operating profit	0.1	0.2	108%

Vs. FY2019 1Q

Revenue → Operating Profit ↗

Agrochemicals & Pharmaceuticals

- Revenue up, operating profit up:
- Higher sales volumes for agrochemical fungicides
 - Flat sales growth for Kremezin (therapeutic agent for chronic kidney failure) in pharmaceuticals

Industrial chemicals

- Revenue down, operating profit down:
- Lower sales volumes of organic and inorganic chemicals

Performance by Segment: Specialty Plastics

(billions of yen)

	FY2019 1Q	FY2020 1Q	Change %
Specialty Plastics			
Home products	5.2	5.4	5%
Fishing lines	0.9	1.0	3%
Packaging materials	3.6	2.9	-20%
Other	1.2	1.3	2%
Segment revenue	11.0	10.6	-4%
Segment operating profit	1.5	1.8	18%

Vs. FY2019 1Q

Revenue ↓ Operating Profit ↑

Home products & Fishing lines

Revenue up, operating profit up:

- Steady sales growth for NEW Krewrap (plastic wrap) and Seaguar (fluoropolymer fishing lines)

Packaging materials

Revenue down, operating profit down:

- Lower sales volume of heat-shrink multilayer film
- Divestment of the blow-bottle business (sales of ¥0.5bn recorded in FY2019 1Q)

Performance by Segment: Construction & Other Operations

(billions of yen)

	FY2019 1Q	FY2020 1Q	Change %
Construction			
Construction	3.6	4.3	22%
Elimination (Intercompany sale)	-1.8	-1.7	--
Segment revenue	1.8	2.7	50%
Segment operating profit	-0.0	0.2	--
Other Operations			
Environmental engineering	2.6	2.9	9%
Logistics	2.0	1.9	-6%
Hospital operations	1.0	0.9	-6%
Others	0.6	0.6	9%
Elimination (Intercompany sale)	-2.1	-2.1	--
Segment revenue	4.1	4.3	5%
Segment operating profit	0.3	0.6	80%

Vs. FY2019 1Q

Revenue  Operating Profit 

Construction

Revenue up, operating profit up,
recovering from operating loss:
- Higher construction volumes in both
private and public sectors

Revenue  Operating Profit 

Environmental Engineering

Revenue and profit increased due to higher
industrial waste treatment volume

Logistics

Revenue and profit remained at prior
year's levels

Hospital Operations

Revenue declined, leading to operating
loss

Financial Position

KUREHA CORPORATION

Assets

	Mar. 31 2020	Jun. 30 2020	Change
Cash and cash equivalents	7.3	10.0	2.7
Trade and other receivables	28.3	23.9	-4.5
Inventories	38.2	38.0	-0.3
Other current assets	5.2	5.3	0.1
Total current assets	79.0	77.1	-1.9
Property, plant and equipment	119.8	119.3	-0.4
Intangible assets	0.8	0.9	0.1
Investments and other assets	47.3	49.2	1.9
Total non-current assets	167.9	169.5	1.6
Total assets	246.9	246.6	-0.3

Liabilities and Equity

(billions of yen)

	Mar. 31 2020	Jun. 30 2020	Change
Trade and other payables	19.4	17.7	-1.7
Interest-bearing debt	37.3	41.6	4.3
Provisions	7.8	6.2	-1.6
Other liabilities	15.7	11.8	-3.9
Total liabilities	80.3	77.3	-2.9
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	138.0	2.1
Other components of equity	4.6	5.2	0.6
Non-controlling interests	1.6	1.6	-0.0
Total equity	166.6	169.3	2.7
Total liabilities and equity	246.9	246.6	-0.3

FY2020 financial guidance

- As of today, Kureha will not provide its financial guidance for FY2020 (ending March 2021) due to the high level of uncertain impact of the COVID-19 pandemic on its global businesses
- Our FY2020 guidance is announced as soon as we can forecast with reasonable accuracy the extent of the impact of the pandemic on our business operations and financial performance for the fiscal year
- A dividend forecast is also provided at the same time as our FY2020 guidance is issued

Impact of COVID-19 on our businesses

		FY2020 1Q	Potential risks affecting full-year results
Advanced Materials	PGA	Frac plugs sales decreased due to a slowdown in the US shale drilling activities triggered by falling oil prices	Slower PGA sales expected unless the US shale market rebounds with improved oil prices
	PVDF	Steady demand continued in early Q1 from customers securing raw materials for their post-quarantine production, but demand slowed later due to their inventory adjustment	Slower sales growth for PVDF LiB binder until automobile production is fully resumed
Specialty Chemicals	Agrochemicals & Pharmaceuticals	No significant impact	Possible risks related to OEM operations
	Industrial chemicals	Sales decreased due to the reduction of customers' manufacturing operation	Slower domestic sales due to weaker demands in wide-ranging end markets
Specialty Plastics	Home products	Sales increased as a cook/eat-at-home trend expanded during the self-quarantine period	Possible risks related to production and logistics
	Packaging materials	Multi-layer shrink film sales decreased due to reduced meat production in EU	Slower sales due to weaker demand in the global meat process industry
Construction & Other Operations		No significant impact	Fewer construction projects and lower industrial waste volume

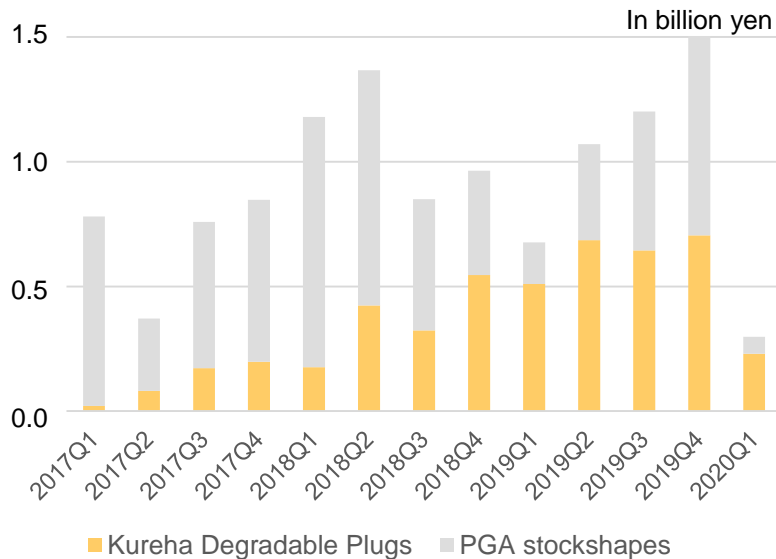
Dividend policy

Kureha's basic policy for the distribution of earnings is to strengthen the company overall to realize mid/long-term growth, prepare for future business expansion, enhance retained earnings, and provide a stable and continued dividend to its shareholders.

Updates on PGA and PVDF Businesses

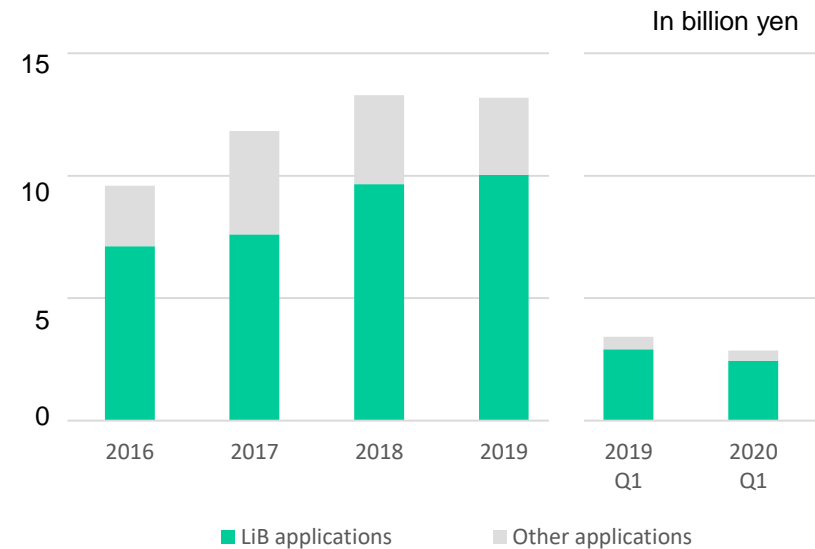
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Revenue: PGA business



- The shale market has drastically changed due to falling crude oil prices and slower economy impacted by COVID-19
- Field trials for new non-PGA frac plugs were postponed from Q1 to Q2 due to the pandemic
- The development of PGA frac plugs for super low-temp wells is ongoing for expected launch in FY2021

Revenue: PVDF business



- Kureha adjusted PVDF production output after its planned plant maintenance as major customers have reduced their LiB production since Q1
- Kureha Changshu plant (China) began producing specialty PVDF grades in May
- While the market slowed due to the pandemic, we expect continued demand for PVDF in the current trend of automobile electrification and will prepare to meet future demand increase

Disclaimer

KUREHA CORPORATION

- These materials are supplied to provide a deeper understanding of our company, and are not intended to as a solicitation for investment or other actions.
- These materials have been prepared by our company based on the information available at this point in time. However, actual performance may produce results that differ from the plan due to unforeseeable events and factors.
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