

# FY2022 3Q Results

KUREHA CORPORATION

February 7, 2023

# FY2022 3Q Earnings (1)

KUREHA CORPORATION

(in billions of yen)

	FY21 3Q	FY22 3Q	Change YOY
Revenue	123.1	<b>149.0</b>	25.9 (+21.0%)
Core operating profit	17.9	<b>24.1</b>	6.2 (+35.0%)
Operating profit	18.2	<b>24.5</b>	6.3 (+34.7%)
Profit before taxes	18.5	<b>25.1</b>	6.6 (+35.5%)
Profit attributable to owners of Kureha Corp.	13.3	<b>17.7</b>	4.3 (+32.6%)

## Vs. FY2021 3Q

- Revenue grew on sales expansion in Advanced Materials, particularly PVDF used as a binder material for lithium-ion batteries, and in Specialty Chemicals and Specialty Plastics
- Core operating profit increased due primarily to the expansion of Advanced Materials

Basic profit per share (¥)    ¥682.48    **¥904.69**

[Foreign currency exchange rates]

¥/USD:	¥111.1	¥136.5
¥/EUR:	¥130.6	¥140.6
¥/CNY:	¥17.3	¥19.9

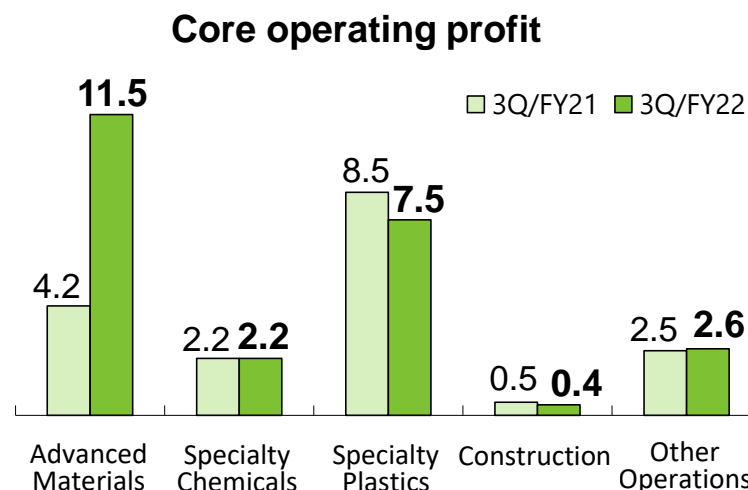
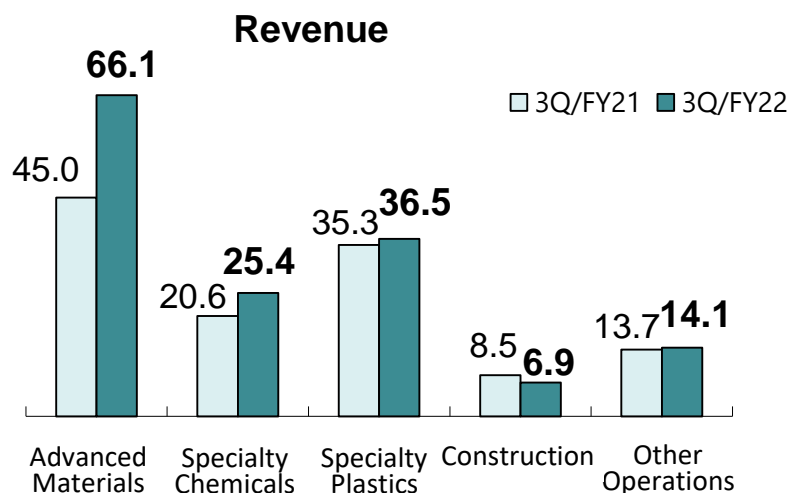
**Note: Our FY2022 full-year earnings forecast remains unchanged as previously announced on November 9, 2022**



# FY2022 3Q Earnings (2)

KUREHA CORPORATION

## Performance by Segment (vs. 3Q/FY21)



## Factors attributing to core operating profit

- AM: Sales expansion across all product groups (advanced plastics, carbon products, other plastic products), higher profit primarily driven by PVDF in advanced plastics
- SC: Higher raw material and energy costs offset by expansion of agrochemicals and industrial chemicals and higher prices
- SP: Slower home products sales and higher raw material and energy costs more than offsetting improved packaging materials performance
- CO: Fewer public and private construction projects
- OO: Higher industrial waste treatment volumes

# FY2022 Full-Year Financial Forecast

KUREHA CORPORATION

\*As announced on November 9, 2022

(in billions of yen)

	FY21 Results	FY22 Forecast	Changes vs. FY21	FY22 Initial forecast	Changes vs. Initial forecast
Revenue	168.3	<b>190.0</b>	21.7 (+12.9%)	180.0	10.0 (+5.6%)
Core operating profit	25.3	<b>27.0</b>	1.7 (+6.7%)	23.0	4.0 (+17.4%)
Operating profit	20.1	<b>27.0</b>	6.9 (+34.0%)	22.0	5.0 (+22.7%)
Profit before taxes	20.4	<b>28.0</b>	7.6 (+37.3%)	22.0	6.0 (+27.3%)
Profit attributable to owners of Kureha	14.2	<b>20.0</b>	5.8 (+41.2%)	16.0	4.0 (+25.0%)
Basic profit per share (¥)	¥725.73	<b>¥1024.72</b>		¥819.79	

## Vs. FY2021

- Revenue growth led by Advanced Materials, Specialty Chemicals and Specialty Plastics, despite declines in Construction and Other operations
- Core operating profit to increase in Advanced Materials and Specialty Chemicals; decrease in Specialty Plastics, Construction and Other operations

## Vs. Initial forecast

- Higher revenue and profit led primarily by PVDF, Agrochemicals and Specialty Plastics

[Currency exchange rates and sensitivity]

	FY21 Actual	FY22 Initial estimate	1Q-2Q FY22 Actual	3Q-4Q FY22 New estimate	Forex sensitivity *Impact of an one-yen depreciation on operating profit per 6 months
1USD=	¥112.4	¥120.0	¥134.0	¥135.0	An increase of ¥20 million
1EUR=	¥130.5	¥132.0	¥138.8	¥135.0	An increase of ¥20 million
1CNY=	¥17.5	¥18.5	¥19.9	¥19.5	An increase of ¥70 million



# FY2022 Full-Year Financial Forecast

KUREHA CORPORATION

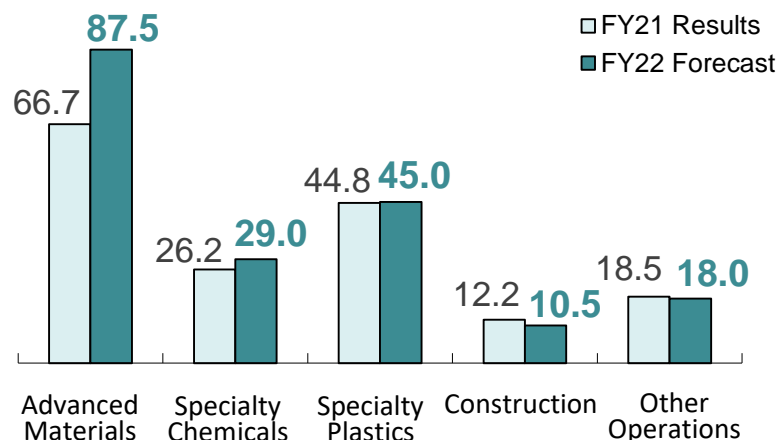
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## Revenue & Operating Profit by Segment (vs. FY21)

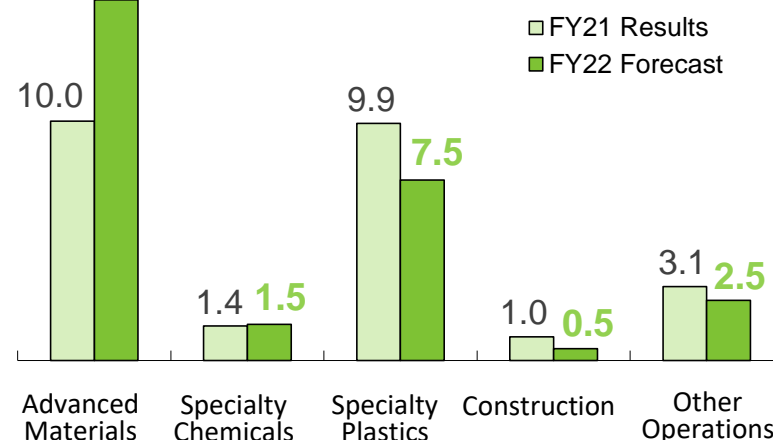
(in billions of yen)

(billion yen)

### Revenue



### Core operating profit



### Factors affecting core operating profit

AM: Robust performances of PVDF (LiB binder) and carbon fiber furnace insulation materials

SC: Strong agrochemicals sales, pricing actions for industrial chemicals

SP: Slower home products sales partially offset by expansion of packaging materials

CO: Fewer high-margin construction projects, intensifying market competition

OO: Lower industrial waste treatment volumes, including low-level PCB wastes

# Segment Performance: Advanced Materials

(billions of yen)

	FY21 3Q	FY22 3Q	Change %
<b>Advanced Materials</b>			
Advanced plastics	30.9	<b>50.6</b>	+64%
Carbon products	4.4	<b>5.2</b>	+17%
Other	9.7	<b>10.3</b>	+6%
<b>Revenue</b>	45.0	<b>66.1</b>	+47%
<b>Operating profit</b>	4.2	<b>11.5</b>	+175%

Vs. FY2021 3Q

**Revenue ↗ Operating profit ↗**

Advanced plastics: Revenue up, profit up

- Increased sales of PVDF (LiB binder), PPS and PGA
- Higher profit largely contributed by PVDF

Carbon products: Revenue up, profit up

- Increased carbon fiber sales in the high-heat furnace insulation market, including for silicon ingot manufacturing

# Segment Performance: Specialty Chemicals

(billions of yen)

	FY21 3Q	FY22 3Q	Change %
<b>Specialty Chemicals</b>			
Agrochemicals	6.3	<b>8.8</b>	+40%
Pharmaceuticals	3.4	<b>3.0</b>	-11%
Industrial chemicals	5.5	<b>7.2</b>	+31%
Other	5.4	<b>6.3</b>	+16%
<b>Revenue</b>	20.6	<b>25.4</b>	+23%
<b>Operating profit</b>	2.2	<b>2.2</b>	+0%

Vs. FY2021 3Q

Revenue ↗ Operating profit →

Agrochemicals: Revenue up, profit flat

- Higher sales volume offset by higher fuel and raw material costs

Pharmaceuticals: Revenue down, profit down

- Lower *Kremezin* sales (a therapeutic agent for chronic kidney failures)

Industrial chemicals: Revenue up, profit up

- Recovered from operating loss with improved organic and inorganic chemicals sales

# Segment Performance: Specialty Plastics

(billions of yen)

	FY21 3Q	FY22 3Q	Change %
<b>Specialty Plastics</b>			
Home products	18.8	<b>17.9</b>	-5%
Fishing lines	3.5	<b>3.5</b>	-0%
Packaging materials	9.8	<b>11.8</b>	+20%
Other	3.1	<b>3.2</b>	+5%
<b>Revenue</b>	35.3	<b>36.5</b>	+3%
<b>Operating profit</b>	8.5	<b>7.5</b>	-12%

Vs. FY2021 3Q

Revenue ↗ Operating profit ↘

Home products/Fishing lines: Revenue down, profit down

- Slower *NEW Krewrap* sales (home-use food wrap film)
- Higher fuel and raw material costs

Packaging materials: Revenue up, profit up

- Sales expansion for heat-shrink multilayer film and PVDC film



# Segment Performance: Construction

(billions of yen)

	FY21 3Q	FY22 3Q	Change %
<b>Construction</b>			
Construction	13.4	<b>13.7</b>	+2%
Elimination (Intercompany sale)	-4.9	<b>-6.8</b>	--
<b>Revenue</b>	8.5	<b>6.9</b>	-18%
<b>Operating profit</b>	0.5	<b>0.4</b>	-20%

Vs. FY2021 3Q

Revenue ↘ Operating profit ↘

- Fewer construction projects in both public and private sectors

# Segment Performance: Other Operations

(billions of yen)

	FY21 3Q	FY22 3Q	Change %
<b>Other Operations</b>			
Environmental engineering	9.9	<b>10.2</b>	+3%
Logistics	6.2	<b>6.1</b>	-1%
Hospital operations	3.1	<b>3.2</b>	+5%
Others	1.7	<b>1.8</b>	+1%
Elimination (Intercompany sale)	-7.2	<b>-7.1</b>	--
<b>Revenue</b>	13.7	<b>14.1</b>	+3%
<b>Operating profit</b>	2.5	<b>2.6</b>	+3%

Vs. FY2021 3Q

Other Operations

Revenue ↗ Operating profit ↗

- Environmental engineering revenue and profit increased on higher industrial waste treatment volumes, including PCB-contaminated wastes
- Logistics revenue and profit down
- Hospital Operations revenue up, operating loss narrowed

# Financial Position

KUREHA CORPORATION

(billions of yen)

## Assets

	Mar. 31 2022	Dec. 31 2022	Change
Cash and cash equivalents	30.6	<b>25.6</b>	-5.0
Trade and other receivables	35.8	<b>37.7</b>	1.9
Inventories	41.7	<b>50.5</b>	8.8
Other current assets	4.3	<b>5.4</b>	1.1
<b>Total current assets</b>	112.4	<b>119.2</b>	6.8
Property, plant and equipment	114.4	<b>117.7</b>	3.2
Intangible assets	4.0	<b>4.6</b>	0.6
Investments and other assets	51.7	<b>49.9</b>	-1.8
<b>Total non-current assets</b>	170.2	<b>172.2</b>	2.0
<b>Total assets</b>	282.6	<b>291.4</b>	8.7

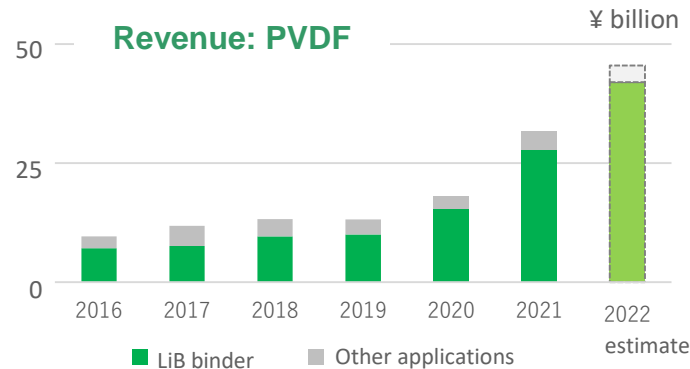
## Liabilities and Equity

	Mar. 31 2022	Dec. 31 2022	Change
Trade and other payables	29.5	<b>27.8</b>	-1.7
Interest-bearing debt	28.5	<b>25.6</b>	-2.9
Provisions	8.2	<b>6.4</b>	-1.8
Other liabilities	15.7	<b>17.3</b>	1.6
<b>Total liabilities</b>	<b>81.9</b>	<b>77.1</b>	<b>-4.9</b>
Shareholders' equity	18.2	<b>18.2</b>	-
Capital surplus	14.7	<b>14.7</b>	-
Less: Treasury stock	-8.7	<b>-8.7</b>	0.0
Retained earnings	166.0	<b>178.1</b>	12.1
Other components of equity	9.0	<b>10.5</b>	1.5
Non-controlling interests	1.5	<b>1.6</b>	0.0
<b>Total equity</b>	<b>200.7</b>	<b>214.3</b>	<b>13.6</b>
<b>Total liabilities and equity</b>	282.6	<b>291.4</b>	8.7

# PGA & PVDF Business Updates

KUREHA CORPORATION

\*PVDF and PGA revenue forecasts remain unchanged (as announced on November 9, 2022)



## Market conditions

- EV sales are growing faster than a year ago but will likely decelerate briefly due to rising inflation, EU and China economic slowdowns, EV subsidy cuts, etc.
- Lithium Iron Phosphate (LFP) batteries are increasingly used for Chinese EVs, while in the US and Europe, long-range LiBs such as Nickel Manganese Cobalt (NMC) batteries are the mainstream
- Large South Korean LiB makers are building more plants in the US through JVs and collaboration with auto makers

## PVDF capacity enhancement

- Delayed local inspection for our new PVDF plant in China due to the pandemic and changes in government policies
- Will consider the construction of an additional manufacturing facility in Iwaki, Japan, while making efforts to increase capacity at the current plant via debottlenecking and improved productivity
- Will optimize the allocation of specialty PVDF polymers and steadily supply to key customers as needed

## Market conditions

- In 2022, shale drilling activities returned to 90% of pre-pandemic levels
- PGA frac plugs have gained nearly a 20% share in the high/mid-temperature shale market

## Profit-generating strategies

- Is now building a business framework to generate solid profit only in the high/mid-temp shale market, where Kureha is increasing its share by actively promoting PGA plugs for full-bore application
- Will continue to optimize inventory, reduce production cost, and streamline R&D activities

## Product improvements

- Will prioritize the development of short-sized and improved PGA plugs for both high/mid- and extreme low-temp applications (field tests underway)

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