

FY2023 3Q Results

(April 1, 2023 - December 31, 2023)

February 7, 2024

KUREHA CORPORATION

Performance Overview

KUREHA CORPORATION

FY2023: 3Q Results and Full-Year Outlook

(billion yen)

	3Q FY23	3Q FY22	Change	FY23 full-year forecast
Advanced Materials	49.4	66.1	-16.7	69.0
Specialty Chemicals	24.5	25.4	-0.9	33.2
Specialty Plastics	36.5	36.5	+0.0	46.6
Construction	9.3	6.9	+2.3	13.5
Other	13.2	14.1	-0.8	17.7
Segment Revenue Total	132.9	149.0	-16.1	180.0
Advanced Materials	6.1	11.5	-5.4	5.1
Specialty Chemicals	0.9	2.2	-1.2	0.7
Specialty Plastics	7.0	7.5	-0.4	6.9
Construction	0.8	0.4	+0.4	0.8
Other	1.8	2.6	-0.8	2.0
Core Operating Profit Total	16.7	24.1	-7.4	15.5
Adjustments	-1.2	0.4	-1.6	-1.5
Operating Profit	15.5	24.5	-9.0	14.0
Profit attributable to Kureha	10.2	17.7	-7.4	10.5

3Q (9-month) revenue and profit declined year-over-year

- Lower sales volume and lower pricing for PVDF, a binder material for automotive LIBs, driven by stagnant demand in the EV market and continued customer destocking after the 1HFY22 procurement boom
- A decrease in equity in earnings of a PPS-related affiliate partially offset by:
- PGA business made a progress in reducing inventory and turned a profit with the recording of a ¥6 billion gain from inventory revaluation until the end of 3Q

FY2023 full-year outlook

- Overall business performance in line with the FY23 guidance (as announced in November 2023)
- Will maintain our full-year financial forecast at this point; operating profit to be roughly ¥14bn after the incur of one-time corporate expense expected



3Q FY23 Financial Summary (1)

KUREHA CORPORATION

(in billions of yen except per-share values)

	3Q FY23	3Q FY22	Change
Revenue	132.9	149.0	-16.1 (-10.8%)
Core operating profit	16.7	24.1	-7.4 (-30.8%)
Operating profit	15.5	24.5	-9.0 (-36.9%)
Profit before taxes	16.3	25.1	-8.7 (-34.8%)
Profit attributable to owners of Kureha	10.2	17.7	-7.4 (-42.0%)
Basic profit per share(¥)	180.67*	301.56	

(Currency exchange rates)

1USD=	¥143.3	¥136.5
1EUR=	¥155.3	¥140.6
1CNY=	¥20.0	¥19.9

*Kureha conducted a 3-for-1 stock split effective on January 1, 2024. The above 3QFY22 basic profit per share has been split-adjusted for comparison purposes.

Vs. 3Q FY22

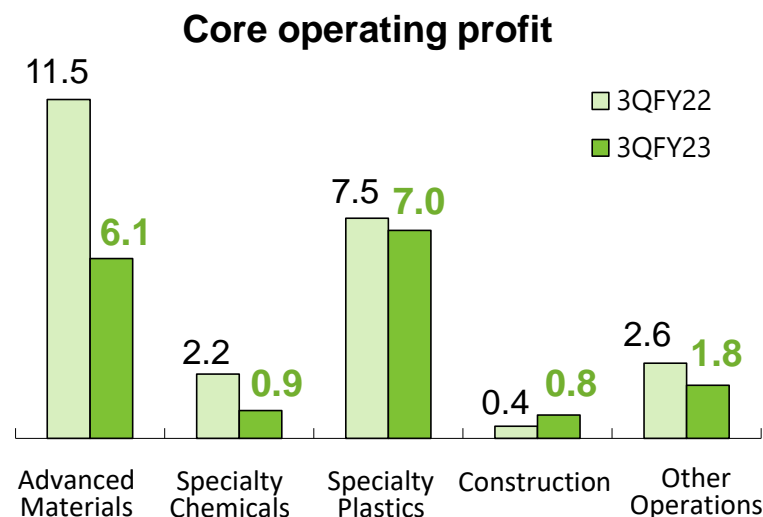
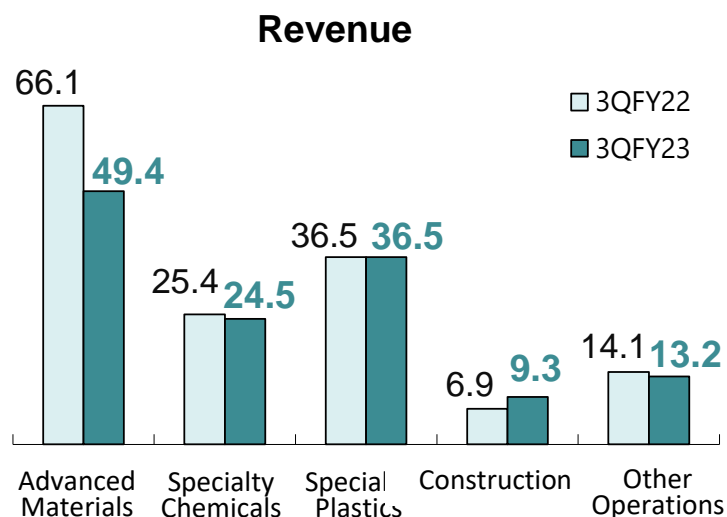
- Revenue declined due to weakening in PVDF (LiB binder), agrochemicals, packaging materials and logistics businesses
- Operating profit down on slower PVDF and agrochemical performances, a decrease in equity in PPS-related affiliate's earnings and expenses for removing Iwaki Factory certain facilities, partially offset by a ¥6 billion gain from PGA inventory revaluation
- Profit before taxes and net profit for the period decreased as a result of lower operating profit

3Q FY23 Financial Summary (2)

KUREHA CORPORATION

Revenue & Operating Profit by Segment (vs. 3Q FY22)

(in billions of yen)



Factors affecting operating profit

AM: Slower PVDF sales and a decrease in equity in PPS-related affiliate's earnings, partially offset by a gain from PGA inventory revaluation

SC: Lower agrochemical and pharmaceutical volumes

SP: Weaker packaging material sales partially offset by expansion of home products and fishing lines

CO: Higher private construction volume

OO: Slower industrial waste treatment business

Segment Performance: Advanced Materials

(in billions of yen)

	3Q FY23	3Q FY22	Change %
Advanced Materials			
Advanced plastics	35.2	50.6	-31%
Carbon products	6.0	5.2	+16%
Other	8.2	10.3	-20%
Revenue	49.4	66.1	-25%
Operating profit	6.1	11.5	-47%

Vs. 3Q FY22

Revenue ↘ Operating profit ↘

Advanced plastics revenue and profit down:

- Weaker PVDF (LiB binder) demand in the EV market, continued customer inventory adjustments
- A decrease in equity in PPS-related affiliate's earnings
- +Higher PPS and PGA sales volumes
- +Effects of PGA inventory revaluation

Carbon products revenue and profit up:

- + Higher carbon fiber insulation volume for high-heat furnace applications

Segment Performance: Specialty Chemicals

(in billions of yen)

	3Q FY23	3Q FY22	Change %
Specialty Chemicals			
Agrochemicals	6.6	8.8	-25%
Pharmaceuticals	2.7	3.0	-8%
Industrial chemicals	8.1	7.2	+13%
Other	7.0	6.3	+11%
Revenue	24.5	25.4	-4%
Operating profit	0.9	2.2	-57%

Vs. 3Q FY22

Revenue ↘ Operating profit ↘

Agrochemicals & Pharmaceuticals revenue and profit down:

- Impact of mandatory drug price revisions
- Agrochemicals sales partially postponed to 4Q

Industrial chemicals revenue and profit up:

- + Continued price actions to reflect higher raw material cost

Segment Performance: Specialty Plastics

(in billions of yen)

	3Q FY23	3Q FY22	Change %
Specialty Plastics			
Home products	19.0	17.9	+6%
Fishing lines	3.7	3.5	+4%
Packaging materials	11.1	11.8	-6%
Other	2.8	3.2	-15%
<hr/>			
Revenue	36.5	36.5	+0%
Operating profit	7.0	7.5	-6%

Vs. 3Q FY22

Revenue → Operating profit ↘

Home products & Fishing lines revenue and profit up:

- +Higher pricing for food wrap film (in and after 3-4QFY22)

Packaging materials revenue and profit down:

- Slower sales of heat-shrink multilayer film and PVDC film
- Weaker demand, intensified competition

Segment Performance: Construction

(in billions of yen)

	3Q FY23	3Q FY22	Change %
Construction			
Revenue	9.3	6.9	+33%
Operating profit	0.8	0.4	+96%
Other operations			
Environmental engineering	8.4	8.5	-1%
Logistics	1.2	2.0	-39%
Hospital operations	3.2	3.1	+2%
Others	0.4	0.5	-12%
Revenue	13.2	14.1	-6%
Operating profit	1.8	2.6	-30%

Vs. 3Q FY22

Construction

Revenue ↗ Operating profit ↗

+ Higher private construction volume

Other operations

Revenue ↘ Operating profit ↘

- Environmental engineering revenue and profit decreased on lower industrial waste treatment volume
- Logistics revenue and profit down
- Hospital operations loss widened despite revenue growth

Financial Position

KUREHA CORPORATION

(in billions of yen)

Assets

	Dec. 31 2023	Mar. 31 2023	Increase/ Decrease
Cash and cash equivalents	25.2	32.2	-7.0
Trade and other receivables	32.6	31.9	+0.7
Inventories	55.5	52.0	+3.5
Other current assets	5.7	4.9	+0.8
Total current assets	119.0	121.0	-2.0
Property, plant and equipment	137.4	117.4	+20.0 ^(*1)
Intangible assets	6.3	4.5	+1.9
Investments and other assets	59.5	53.5	+6.0
Total non-current assets	203.2	175.4	+27.8
Total assets	322.2	296.4	+25.8

Liabilities and Equity

	Dec. 31 2023	Mar. 31 2023	Increase/ Decrease
Trade and other payables	22.5	27.7	-5.1
Interest-bearing debt	56.5	26.3	+30.2
Provisions	6.6	8.5	-1.9
Other liabilities	19.0	17.2	+1.8
Total liabilities	104.6	79.6	+24.9
Shareholders' equity	18.2	18.2	--
Capital surplus	14.7	14.7	--
Less: Treasury stock	-9.6	-8.7 ^(*2)	-0.9
Retained earnings	176.2	179.0 ^(*3)	-2.7
Other components of equity	16.5	12.1	+4.5
Non-controlling interests	1.7	1.6	+0.1
Total equity	217.7	216.8	+0.9
Total liabilities and equity	322.2	296.4	+25.8

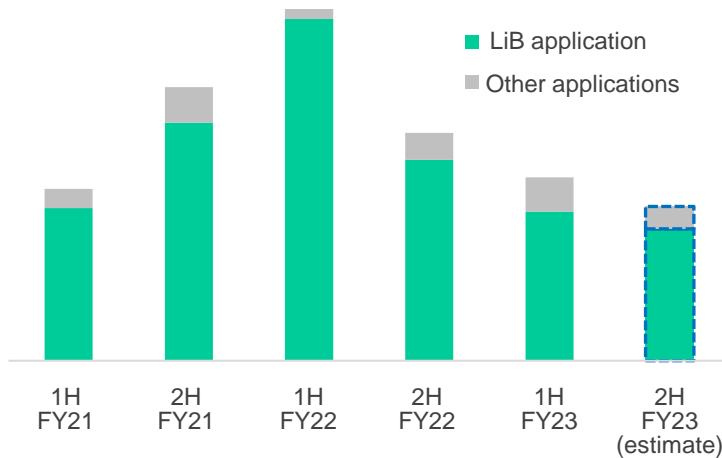
Note that by Dec. 31, 2023, construction in progress for PVDF facility expansion increased, and interest-bearing debt such as bonds increased as capital for this increase. Also note Kureha disposed of 1,280,000 treasury shares on June 30, 2023 prior to a 3-for-1 stock split.

*1 Construction in progress (+¥12.7bn)

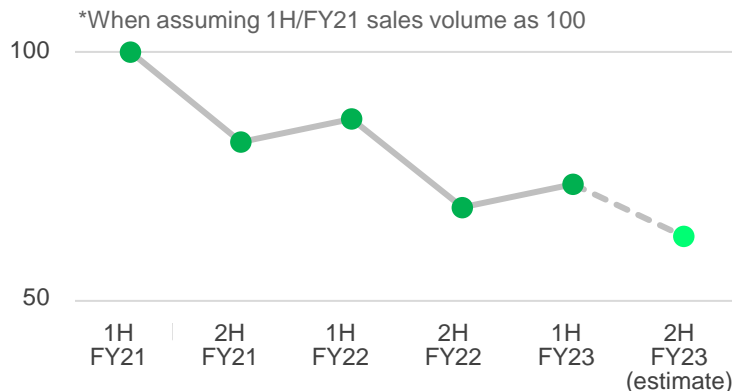
*2 Disposal of treasury shares (+¥9.1bn), acquisition of treasury shares (-¥10.0bn)

*3 Disposal of treasury shares (-¥9.1bn), net income (+¥10.2bn), dividend payment (-¥5.3bn)

PVDF business revenue trends

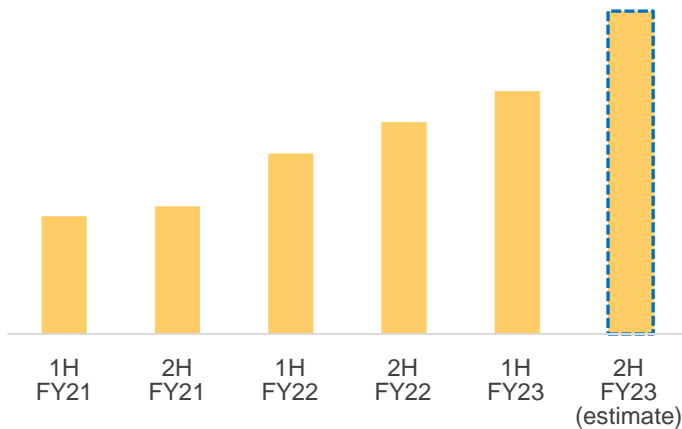


PVDF sales volume (index)

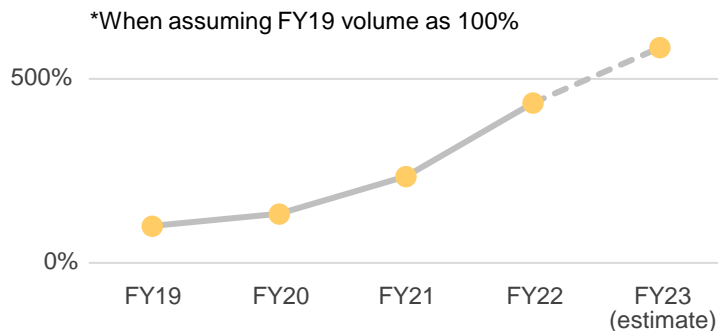


- Demand for automotive LiBs is expected to grow continually for a medium to long term, although its growth is currently stagnant due to slower EU economy and LiB inventory adjustments.
- Our PVDF sales volume will likely remain at 3-4QFY22 levels throughout FY23 and return to rise during FY24 after the recovery of the European EV market and customer inventory adjustments.
- As drastic falls in raw material prices ease, margin expansion is now expected in FY24 following the destocking of remained high-cost inventory.
- With our technological advantages of PVDF binder for NMC-typed Li batteries, we aim for volume growth in the expanding EV market in both Europe and North America for a mid-/long-time span.
- In response to the US Inflation Reduction Act and other geopolitical risks, we are already on track to procure raw materials for PVDF from multiple sources.

PGA business revenue trends



PGA frac plug sales volume (index)

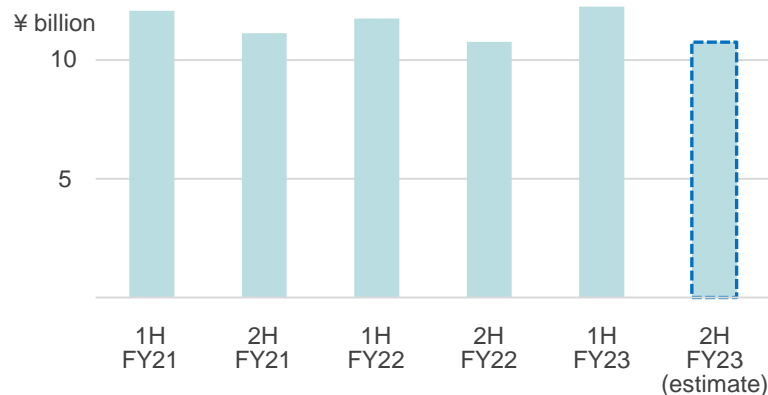


- The US active rig count (the number of completed wells) for the production of shale oil and gas is 90% of the pre-pandemic level. Meanwhile, the frac plug market is forecast to grow steadily as the number of frac plugs used for each well is increasing.
- Under slower market conditions, Kureha continues to expand the PGA frac plug business with strategic flexible pricing (implemented in Fall 2020) and by enhancing the plug's 'full bore' application (use for an entire wellbore) in mid-/high-temperature wells.
- In FY23, Kureha successfully launched an improved short-sized frac plug.
- A new product targeted for use in low-temperature wells, which comprise more than 50% of the US shale market, is now undergoing field tests and to be launched by end FY24.

Home Products Business

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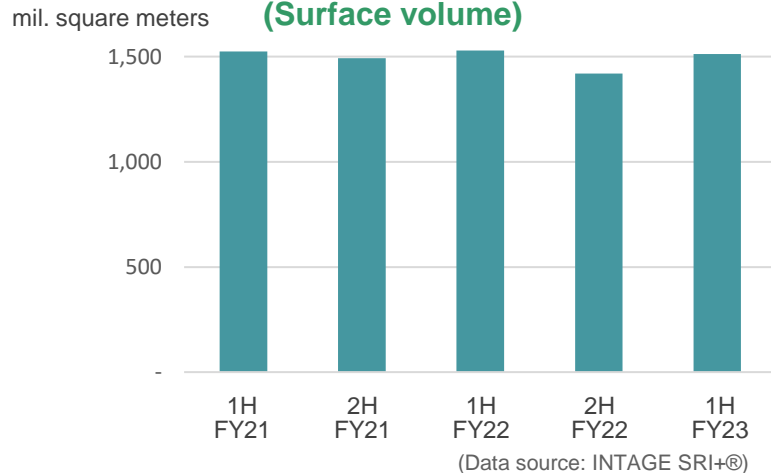
Home products business revenue trends



- The Japanese household wrap film market saw a sales volume decrease during the second half of FY22 due to price increases. However, the market is already rebounding and is expected to remain stable.
- Kureha expects to record FY23 home products revenue and operating profit consistent with prior years as price actions for *New Krewrap*, implemented in 3-4QFY22, will likely offset a slight volume decrease.

Japan household wrap film market

(Surface volume)



Implementation of a stock split

Kureha implemented a 3-for-1 stock split for each share held by shareholders of record at the close of trading on December 31, 2023. It is aimed to reduce the minimum investment price and make the company's shares more accessible to investors, and thereby increase the liquidity of shares and further expand its investor base.

Completion of FY23 share buyback

Kureha completed its share repurchase program approved by the Board of Directors on May 12, 2023 as follows:

Period of repurchase: May 15, 2023 – November 24, 2023

Number of shares repurchased: 1,177,000 shares

Repurchase cost: ¥9,999,285,000

Initiatives to improve cost of capital and stock price

To carry out management duties with more consideration for cost of capital and stock price, as requested by the Tokyo Stock Exchange, Kureha has clarified its effort on the following aspects in the company's Corporate Governance Report.

Kureha Corporate Governance Report (revised Dec. 21, 2023)

- Action to implement management that is conscious of cost of capital and stock price
- Improving ROE
- Improving PER
- Proactive dialogue with investors, etc.

https://www.kureha.co.jp/en/ir/pdf/20231221_CGReport_en.pdf

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