

Kureha Group

New Mid- to Long-term Management Plan

Toward Creating a New Future

May 18, 2023

KUREHA CORPORATION

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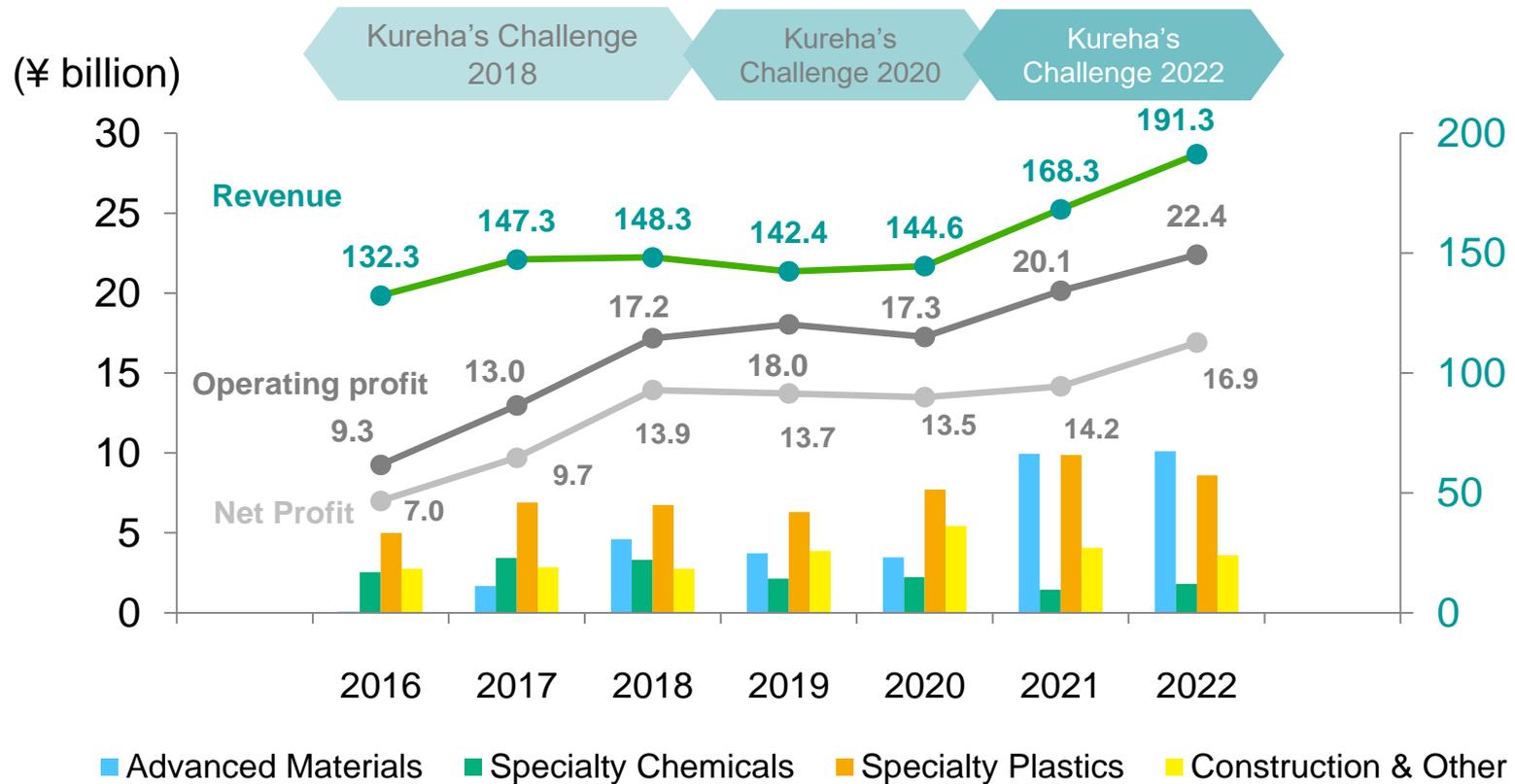
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I . Looking Back on Mid-term Plans Kureha's Challenge

Consolidated Earnings

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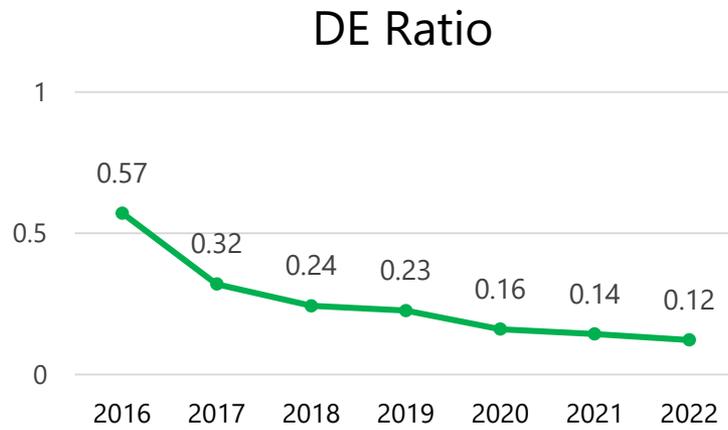
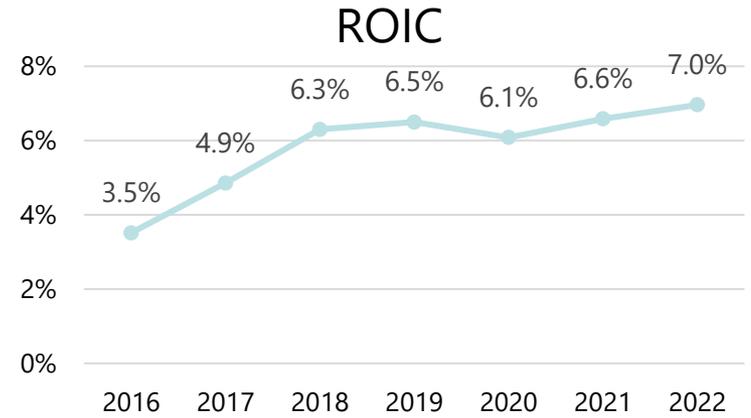
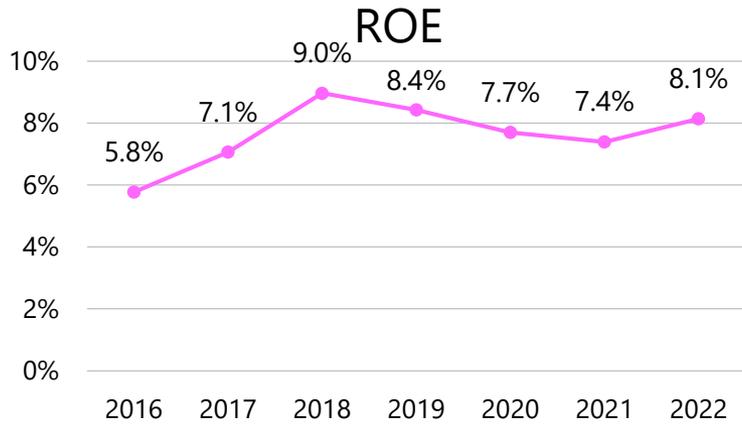


Note: Bar graphs are core operating profit

Profit growth driven by **Advanced Materials**

Key Performances

KUREHA CORPORATION



Final Stage of Kureha's Extension Plan (2021–22)

Priority Measures, Results, and Issues (1)

KUREHA CORPORATION

	Priority measures	Results	Further Subjects
Expand the Advanced Materials business	<ul style="list-style-type: none"> • Solidify the foundation of the PGA business 	<ul style="list-style-type: none"> • Expanded our business by entering into the frac plug market 	<ul style="list-style-type: none"> • Secure stable profits in mid- to high-temperature grades • Release low-temperature grades
	<ul style="list-style-type: none"> • Expand the PVDF business 	<ul style="list-style-type: none"> • Established a framework for increased monomer production • Decided to build a new plant in China 	<ul style="list-style-type: none"> • Responding to the risk of delays in the start of construction of the new plant in China
	<ul style="list-style-type: none"> • Improve earnings in the PPS business 	<ul style="list-style-type: none"> • Launched new plant lines 	<ul style="list-style-type: none"> • Steady implementation of profit improvement measures
	<ul style="list-style-type: none"> • Build a business model for Advanced Materials 	<ul style="list-style-type: none"> • Launched activity in the business creation and planning group 	<ul style="list-style-type: none"> • Selection for development of next-generation products, such as fully solid-state batteries
Optimize existing businesses	<ul style="list-style-type: none"> • Adapt to changes in the business environment 	<ul style="list-style-type: none"> • Established a flexible production system for carbon fiber • Improved profitability of the pharmaceuticals business • Signed development contracts for new agrochemicals 	<ul style="list-style-type: none"> • Promoting the development of new agents and materials in the agrochemicals business
	<ul style="list-style-type: none"> • Expand profit in the household products business 	<ul style="list-style-type: none"> • Ramped up production and shipment of <i>New Krewrap</i> to meet increased demand during the pandemic 	<ul style="list-style-type: none"> • Review of supply framework
	<ul style="list-style-type: none"> • Revise strategies for packaging materials 	<ul style="list-style-type: none"> • Divested from the blow bottle business 	
	<ul style="list-style-type: none"> • Develop new applications for existing products 	<ul style="list-style-type: none"> • Started exploring new applications through marketing automation for some products 	<ul style="list-style-type: none"> • Launching sales for new applications and expanding marketing automation in other domains

Final Stage of Kureha's Extension Plan (2021–22)

Priority Measures, Results, and Issues (2)

KUREHA CORPORATION

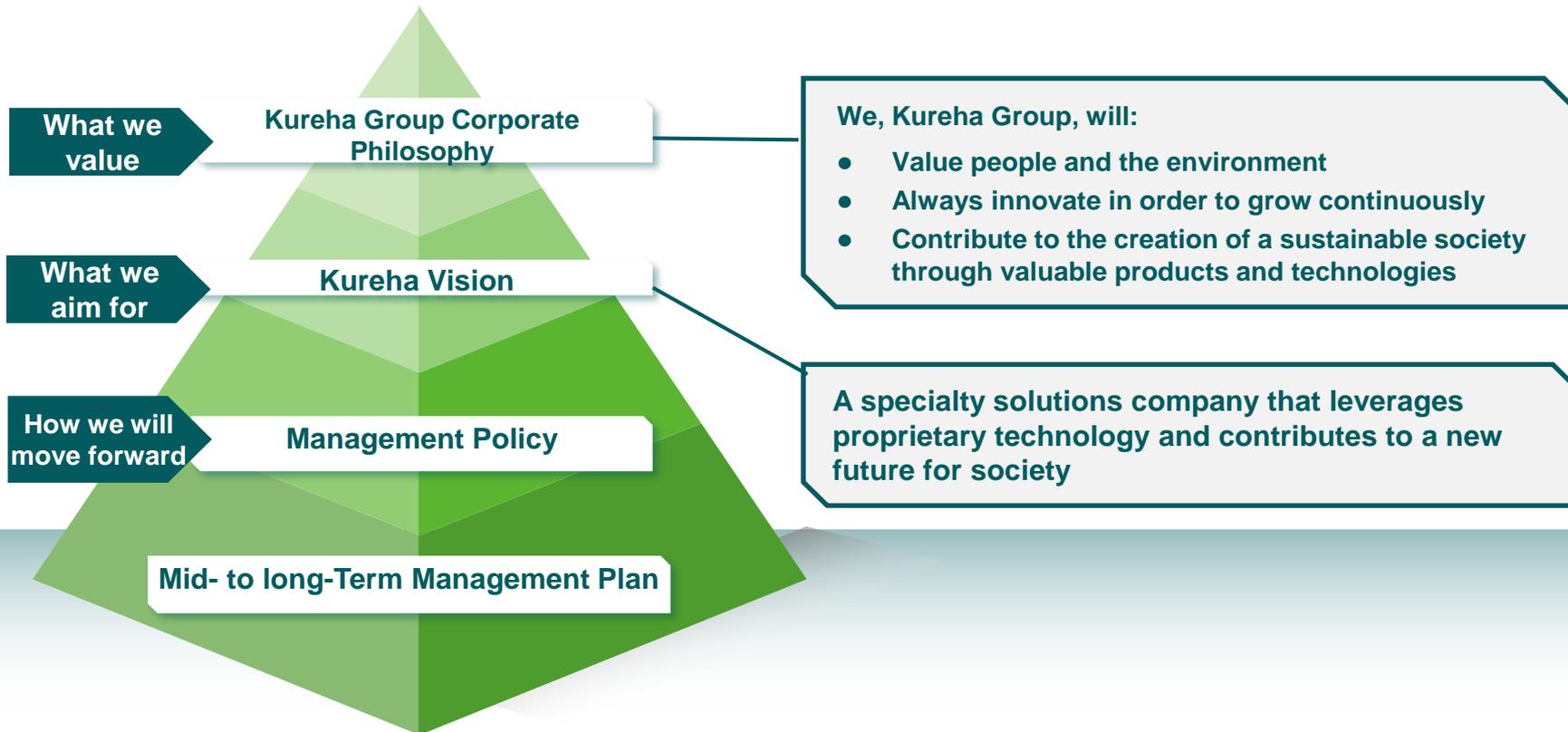
	Priority measures	Results	Further subjects
Identify and develop new businesses	<ul style="list-style-type: none"> Expand social contribution by developing technologies to reduce environmental impact and creating new environmental businesses 	<ul style="list-style-type: none"> Initiated joint R&D with a startup specializing in PFAS adsorption and detoxification technologies 	<ul style="list-style-type: none"> Creation of new environmental businesses, next after PCB processing business
	<ul style="list-style-type: none"> Drive new product development Create new businesses through collaborations that combine internal and external technologies 	<ul style="list-style-type: none"> Advanced development of several new products Partnered with multiple startups 	<ul style="list-style-type: none"> Commercialization of new products and services
Strengthen the management base	<ul style="list-style-type: none"> Implement a new HR system 	<ul style="list-style-type: none"> Introduced a new HR system 	<ul style="list-style-type: none"> Implementing job satisfaction measures using the new HR system
	<ul style="list-style-type: none"> Continue to strengthen production technology and cost-competitiveness 	<ul style="list-style-type: none"> Started activities for Profit Generation Project 2030 Increased PVDF and PPS production capacity Implemented measures to minimize damage from increasingly serious natural disasters 	<ul style="list-style-type: none"> Developing new processes that achieve high efficiency, high yield, and significant cost reduction Maximizing production volume by improving the uptime and output of existing equipment and improving formulations
	<ul style="list-style-type: none"> Pursue digitalization and strengthen IT-related human resources 	<ul style="list-style-type: none"> Commenced use of new backbone system Began introducing BI tools, PI system, and marketing automation. 	<ul style="list-style-type: none"> Achieving results with the adopted systems Securing and developing digital human resources
	<ul style="list-style-type: none"> Strengthen ESG management to meet the SDGs and achieve carbon neutrality 	<ul style="list-style-type: none"> Endorsed TCFD recommendations and disclosed related information Launched Carbon Neutral Project to explore targets and actions to reduce environmental impact 	<ul style="list-style-type: none"> Understanding climate change risks and opportunities and their impact on business plans and reflecting them in management strategies Implementing CO2 emission reduction measures and formulating measures to achieve carbon neutrality

II. Pursuing Sustainability Management

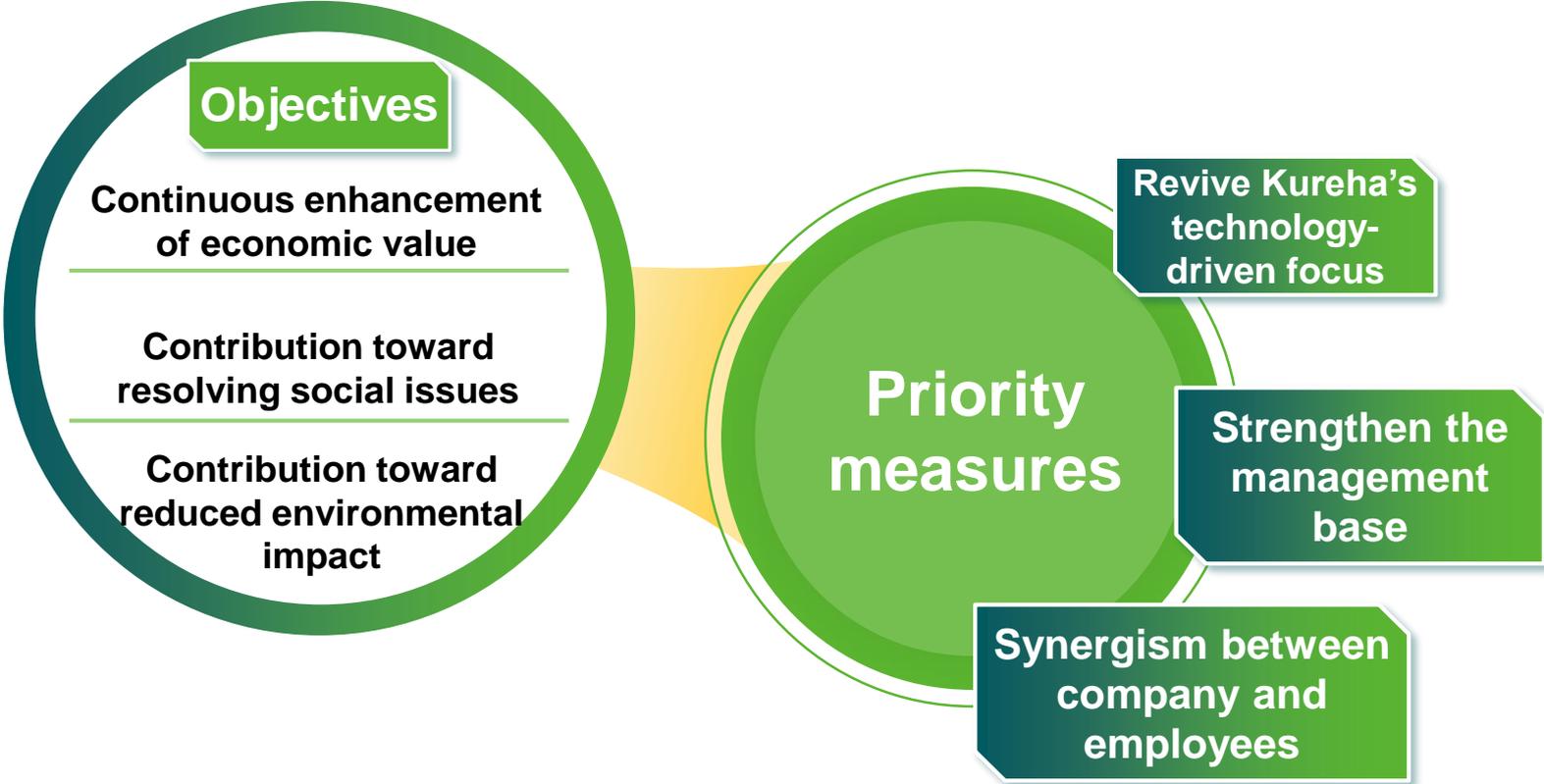
Kureha Group Corporate Philosophy and Kureha Vision

KUREHA CORPORATION

Adopting sustainability management to simultaneously improve mid- to long-term corporate value and contribute to a sustainable society



KUREHA



To realize the Kureha Vision, we have established Management Policy consisting of three objectives and three priority measures

Continuous enhancement of economic value

- Kureha group will focus its resources on the three key business fields of Environment and Energy, Life, and Digital Communications in order to enhance economic value
- We will raise the performance of existing products and expand the value chain from a market-in perspective, strengthen our ability to propose cost-competitive solutions to customers

Contribution toward resolving social issues

- Kureha Group products, technologies, services, which have been contributing to society, will be further evolved through the integration of in-house technology development and external technology to expand the range of products, technologies, and services provided to society

Contribution toward reduced environmental impact

- We will strive to achieve carbon neutrality by FY2050
- We will pursue the advancement of production technology suitable for recycling-oriented production and reduce our environmental burden by promoting waste reduction and recycling

Reviving Kureha's technology-driven focus

- We will accelerate the development of differentiated products by heavily concentrating resources into R&D for new product development and environmental load reduction technologies
- Through co-creation/collaboration with other companies, M&A, and other means, we will integrate our proprietary technologies with external technologies to create and expand new businesses
- We will build a production system for growth businesses and strengthen production technology and engineering capabilities to reduce our environmental impact

Strengthening the management base

- We will continue to strengthen our organization to promote sustainability management
- We will effectively utilize the management resources of the Kureha Group and build a strong consolidated business foundation
- We will promote a digitalization strategy that enables advanced management by linking the latent needs of customers and society with R&D, manufacturing, and sales in the value chain

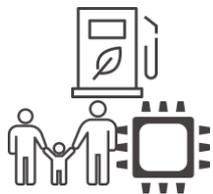
Synergism between company and employees

- Harmonize and unify employee satisfaction with our corporate mission, with the aim of growing both employees and the company
- Enhance communication between the company and employees and value employees who try their best
- Respect the diverse values and positions of employees, create a comfortable work environment, and actively provide employment opportunities for people with disabilities

III. Kureha Group New Mid- to Long-term Management Plan Toward Creating a New Future



Set quantitative targets for both earnings and environmental impact reduction, as contributions to solving environmental and social issues are becoming increasingly important as **social value** in addition to **economic value**



Generate earnings through products and services that contribute to resolving social issues in the business fields of **Environment and Energy, Life, and Digital Communications**



Strive for **Reduction of CO2 emissions from energy sources** and **zero waste emissions** to **reduce environmental impact**



Revive our technology-driven focus by strengthening the research and technology development capabilities, which are at the root of improving earnings and reducing environmental impact

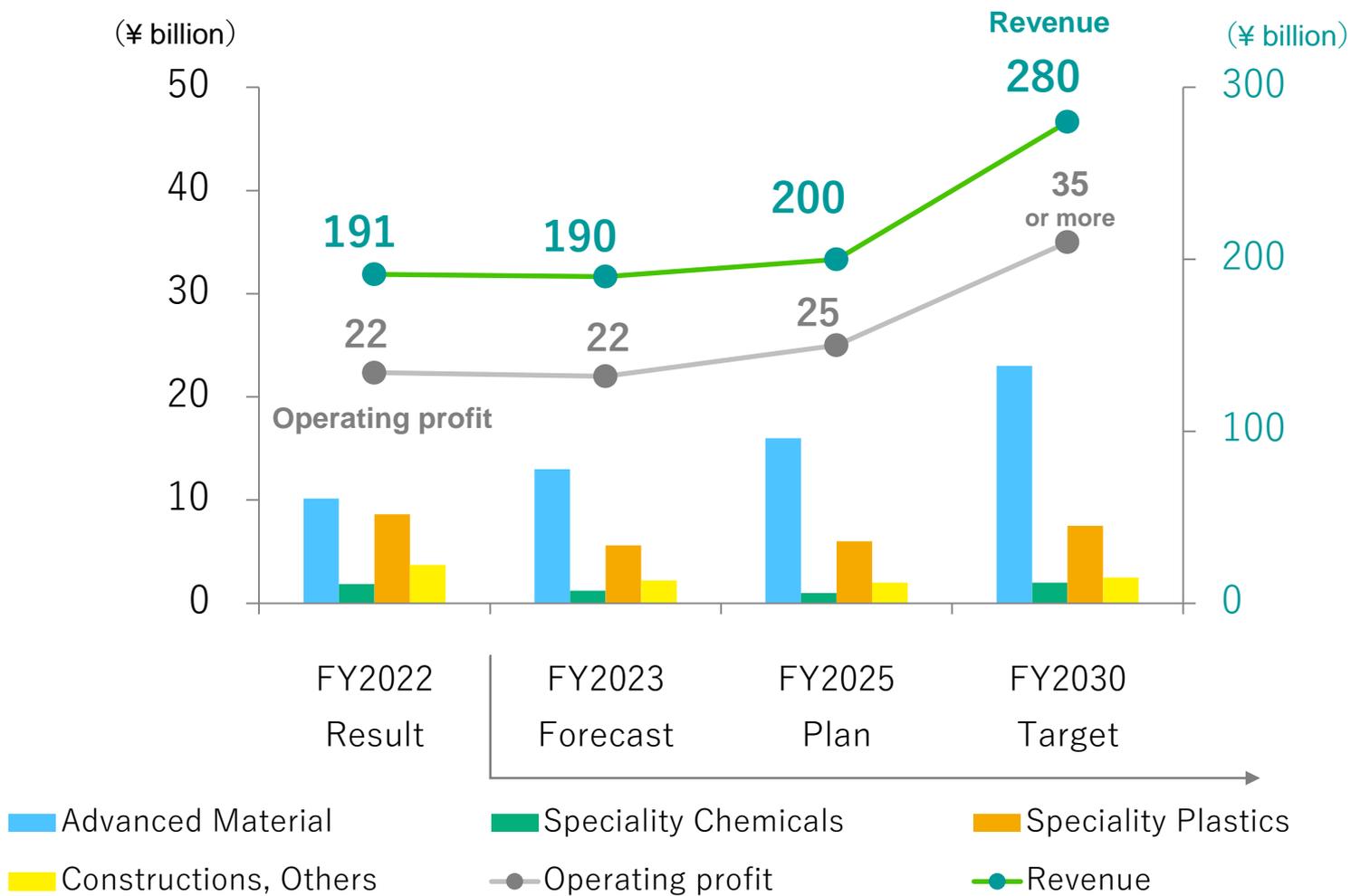
Quantitative targets in FY2030

Revenue	¥280 billion
Operating profit (Operating margin)	More than ¥35 billion (12.5%)
ROE	More than 9%
Reduction of CO2 emissions from energy sources	More than 30% compared with FY2013 levels
Zero waste emission ratio*	1.5%

* Zero waste emission ratio: Final landfill amount of industrial waste ÷ total amount of waste generated

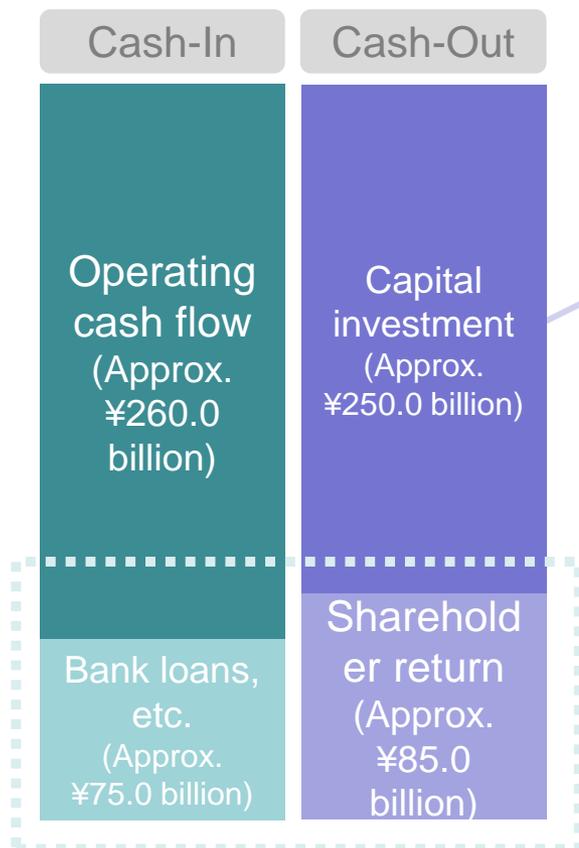
In addition, we will implement measures to improve ROIC over the next three-year in order to adopt ROIC as one of the key performance indicators. We will pursue asset efficiency by achieving ROIC that exceeds the weighted average cost of capital.

Earnings Targets



Note: Bar graphs are core operating profit





Cumulative capital investment plans (through FY2030)

Manufacturing capital investment (PVDF capacity expansion, maintenance and renewal investment, etc.)	¥200.0 billion
R&D, new business investment (new business development, M&A, etc.)	¥30.0 billion*
Environmental investment (carbon neutral, waste reduction measures, etc.)	¥10.0 billion
DX investment (new ERP systems, etc.)	¥10.0 billion
	Total: ¥250.0 billion

* Cumulative amount of R&D investment and R&D costs ¥90.0 billion

Use of debt and shareholder return

Utilize interest-bearing debt and periodically review whether we should keep cross-shareholdings or to convert to cash. We will aim net D/E ratio on 2030 as 0.3.

Shareholder return:

- Target payout ratio: 30% or higher
- Target total payout ratio: 50% or higher



Payout ratio

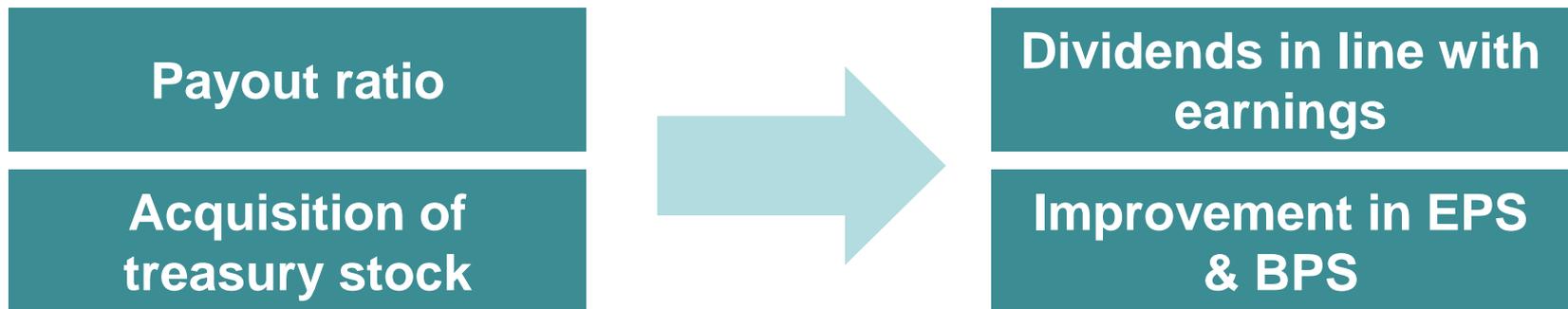
Kureha's basic policy is to maintain stable dividends with a target payout ratio of 30% or more, while enhancing internal reserves to enable investment in future business expansion.

FY2023 payout ratio forecast: **31.7%**

Total payout ratio

We target 50% or more of a total payout ratio of 50% and also plan to acquire a total of approximately ¥20 billion in treasury stock during the three-period ending FY2025. We will acquire ¥10 billion (or 1.2million shares) in treasury stock in FY2023 out of ¥20 billion.

FY2023 total payout ratio forecast: **96.2%**



CO2 emission reduction

30% or more
(vs. FY2013 results)

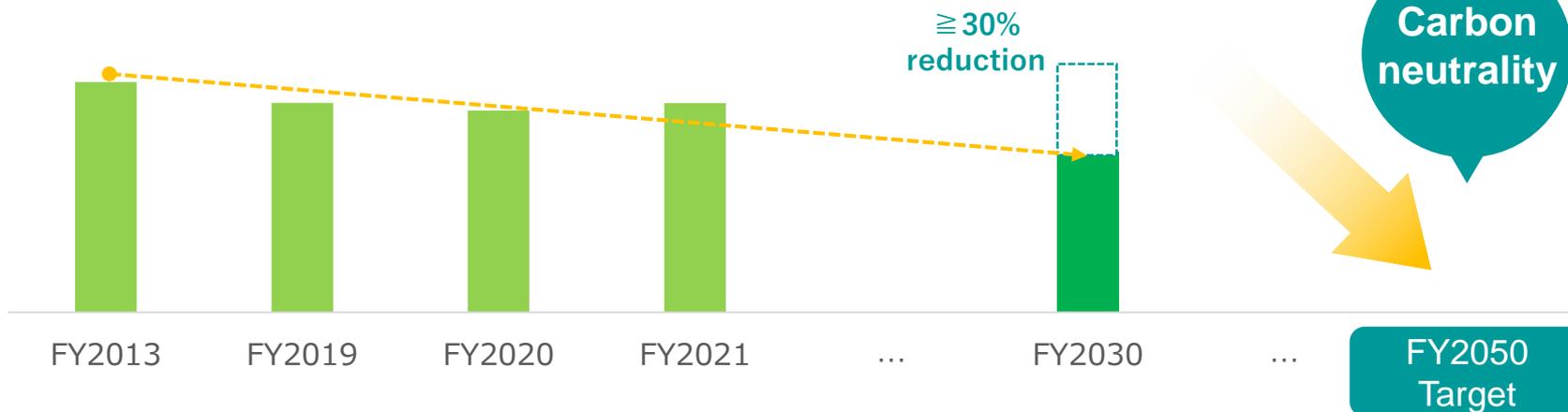
Based on the assumption of achieving carbon neutrality by FY2050, we will promote the use of CO2-free self-generated energy and CO2-free electricity to achieve our energy-derived CO2 emission reduction target for FY2030.

Zero waste emission ratio

1.5%

- Achieve zero waste emission ratio 1.5% in FY2025
- Although the waste is expected to increase in line with the increase in production of our main products, but we will maintain a zero emission ratio of 1.5% in FY2030 by developing technologies to reduce and recycle this waste.

Energy-derived CO2 emissions compared to FY2013



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Environment and Energy

- Develop our technologies to improve the performance of advanced materials such as PVDF and PPS, while reducing environmental impact and manufacturing costs
- Launch SiC fiber product differentiated by performance and cost and enter the aerospace industry
- Establish technological foundations to achieve carbon neutrality

Life

- Continually develop and launch agrochemicals to contribute to sustainable agriculture and stable food supply
- Develop products that contribute to reduction of environmental impact

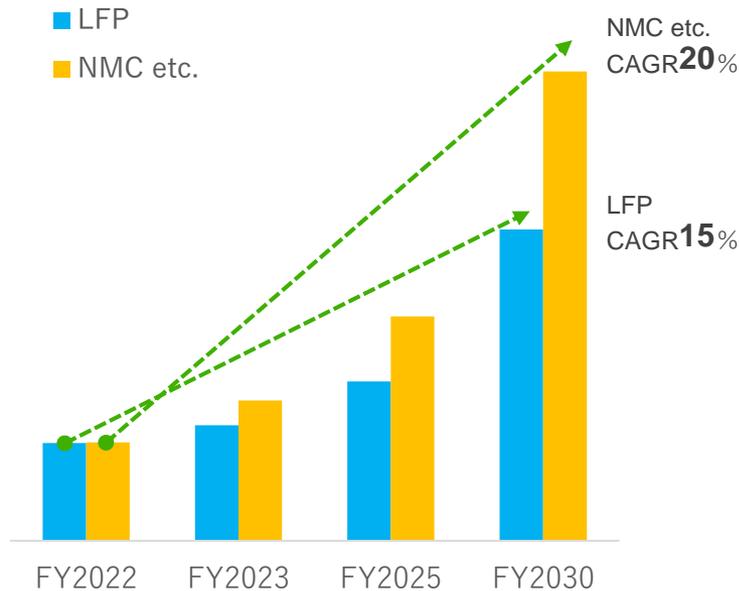
Digital Communications

- Bring 3D touch panels to market
- Establish and bring to market differentiated technologies for semiconductor applications

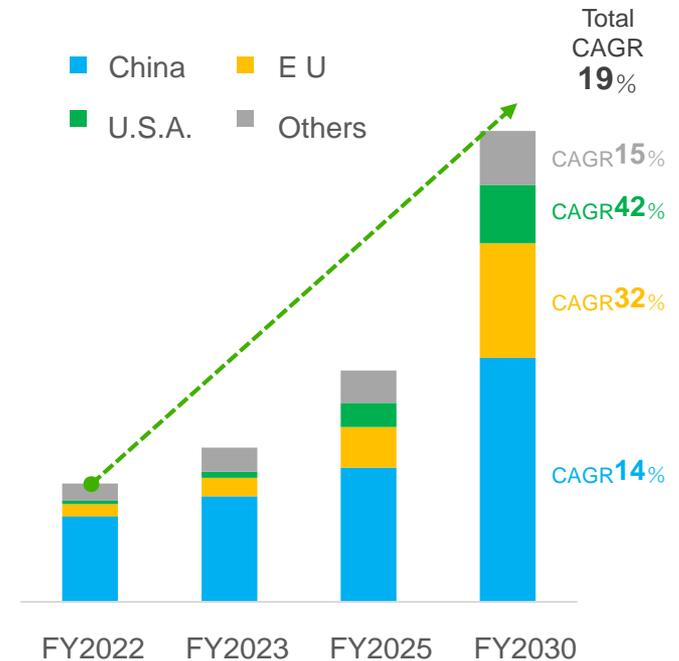
Main Business Growth Scenarios PVDF (1)

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Battery type market size forecast for PVDF binders for automotive lithium-ion batteries



Regional market size forecast for PVDF binders for automotive lithium-ion batteries



Source: Calculated by Kureha regarding data from marketing company



Main Business Growth Scenarios PVDF (2)

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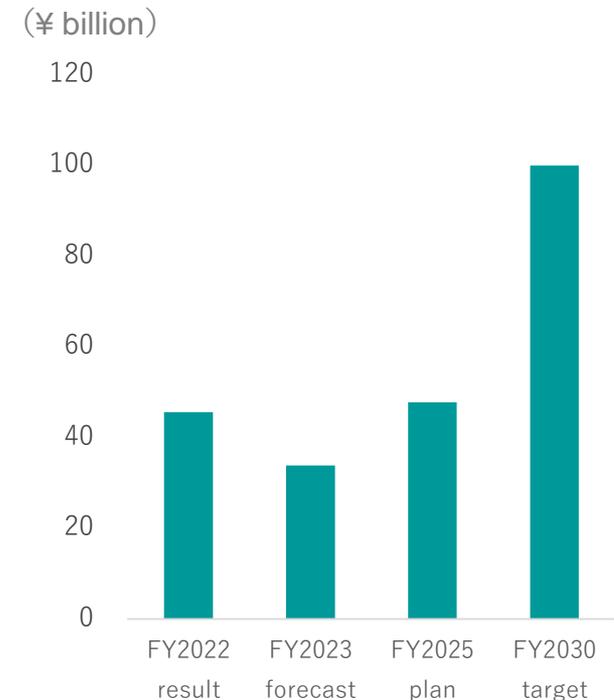
Measures for ongoing growth

	China (LFP-focused market)	Europe (NMC-focused market)	North America (NMC-focused market)
Production	Build an optimal global supply system		
R&D	<ul style="list-style-type: none"> Develop new binders for LFP 	<ul style="list-style-type: none"> Develop timely binders with superior binding properties 	
	<ul style="list-style-type: none"> Conduct R&D for next-generation batteries 		
Environmental regulations risk management	<ul style="list-style-type: none"> Lobby administrative authorities to prevent excessive PFAS*1 regulations 		
Other risks	<ul style="list-style-type: none"> Intensified competition due to the entry of local binder manufacturers 		<ul style="list-style-type: none"> .US. IRA legislation*2

*1 : Generic term for perfluoroalkyl compounds (fully fluorinated) and polyfluoroalkyl compounds (partially fluorinated)

*2 : Inflation Reduction Act

PVDF sales plans

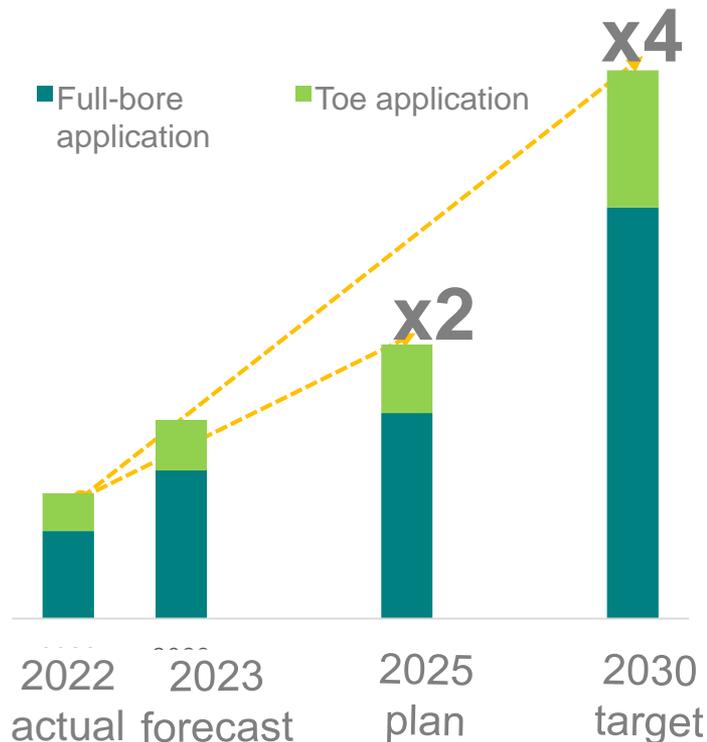


■ revenue

KUREHA

PGA frac plug sales

(based on number of unit sold)



Market environment

- U.S. oil production recovered to over 90% of pre-pandemic levels, while gas production exceeded pre-pandemic levels
- Oil and gas production is expected to increase gradually amid steady economic growth

Measures for stable profitability (to be achieved by FY2025)

(1) Sales

- Increase market share by promoting full-bore applications in the mid-/high-temperature area
- Introduce shorter PGA frac plugs to improve performance (e.g., reduce the degradation time)
- Enter the low-/ultra-low-temperature area and grow market share across North America

(2) Business costs

- Maintain streamlined business operations
- Implement continuous cost reduction measures

(3) New business opportunities

- Develop new applications to leverage PGA capabilities

Main Business Growth Scenarios Agrochemicals

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Strategic positioning: Seed for the next growth



Market environment

- Since it is certain the world's population continues to grow, the importance of agrochemicals which increase crop yields will remain in the future to make effective use of limited arable land.
- There is potential for increased sales opportunities due to a decline in competing agrochemicals.

Technology and superiority

- Accumulated technical expertise in long-standing fungicides.
- High asset efficiency due to fabless business.

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We will create new businesses that contribute to solving societal challenges based on our business and technical expertise.

New organization for new business development with the following functions

- A market-in approach to market research and marketing functions
- Integration of new business development and R&D functions
- Commercialization functions including business model studies, alliances, and building up production operation
- A Japan and U.S. two-base activities with global coverage

Focus case examples

3D touch screen panels

- Manufacture and sale of 3D touch screen panels using PVDF as a raw material for wearable devices, smartphones, notebook PCs, etc.
- A 3D touch screen panel with a simple configuration helps reduce manufacturing costs; differentiated by minimal malfunction, energy saving and transparency

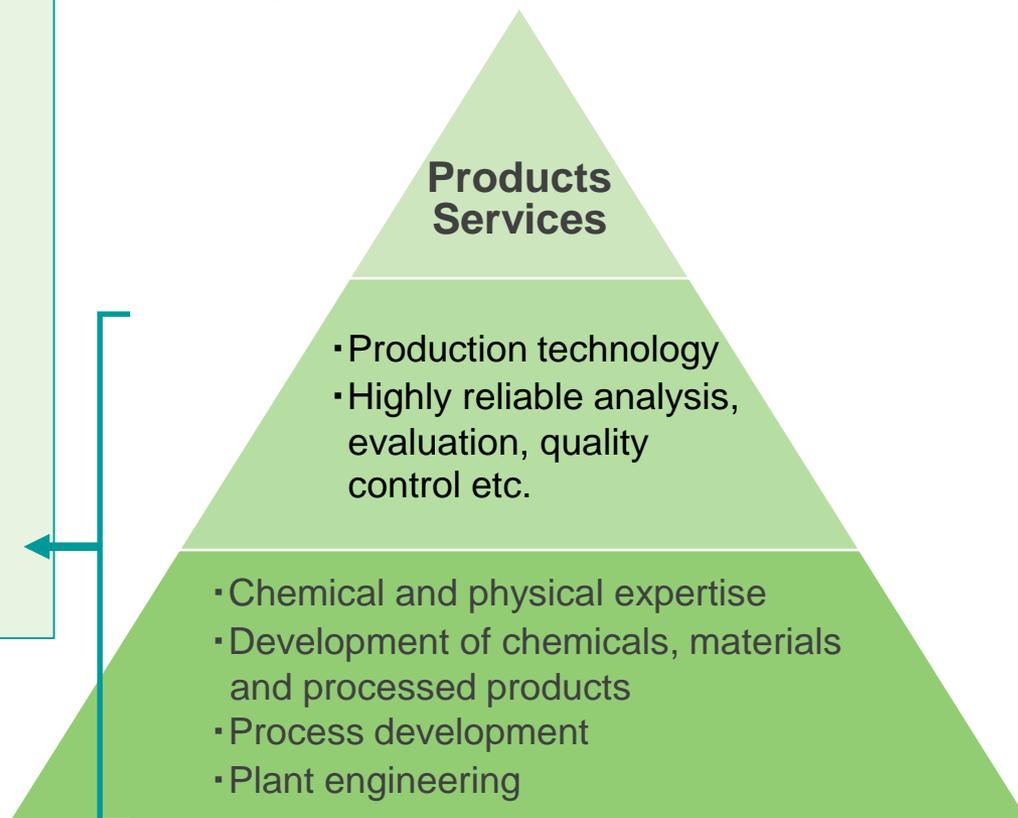
Silicon carbide (SiC) fibers

- Manufacture and sale of products made from SiC fiber for aircraft engine components
- Fuel efficiency of aircraft is expected to improve with weight reduction in aircraft engines
- Differentiate through high performance and competitive pricing

Initiatives to revive our technology-driven focus

- Enhance the performance and quality of existing products and strengthen the development of innovative technologies to increase productivity
- Continuous deepening of core technologies
- Strengthen R&D and technology development to reduce environmental impact
- Improve the speed of R&D not only through our own technology, but also by collaborating with other companies to create new businesses

Development and technology elements that underpin our products and services



Corporate governance

- Set speed up of decision making, enhance a close cooperation as one group, keep internal control system, and eliminate compliance issues as pillars, we will take following actions
 - Further empowerment
 - Strengthen group management system
 - Value employees who tackle challenges

Further digitalization

- To realize the improvement of quality and speed of decision making through the use of data, we will take following actions
 - Build DX model to connect value chain
 - Strengthen digital collaboration within Kureha Group
 - Install DX tools for sales and marketing
 - Develop and secure IT-related human resources

Maximize employee performance

- Aim for human resource management to maximize employee performance and job satisfaction by assigning tasks to employees based on individual potential.
- Decide roles from mid-to-long term view which integrates self growth and contribution to company challenges in response to carrier and life plan drawn by employees themselves.

Promote further health for employees

- Promote physical and mental health so that employees can work until their retirement, and work together with employees and the company to maintain and improve their health.

2030 Quantitative Targets

Revenue	¥280 billion
Operating profit (margin)	More than ¥35 billion (12.5%)
ROE	9% or higher
Reduction of CO2 emissions from energy sources	30% or more vs. FY2013
Zero waste emission rate	1.5%
Payout ratio	30% or higher
Total payout ratio	50% or higher

2030 Target

Kureha Vision

A specialty solutions company that leverages proprietary technology and contributes to a new future for society

Present

Objectives

- Continuous enhancement of economic value
- Contribution toward resolving social issues
- Contribution toward reduced environmental impact

Priority Measures

- Revive Kureha's technology-driven focus
- Strengthening the management base
- Synergism between company and employees

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V. Supplementary Materials

Earnings Targets

KUREHA CORPORATION

(¥ billion)

	FY2022 actual		FY2023 forecast		FY2025 plan		FY2030 target	
	Revenue	Operating profit	Revenue	Operating profit	Revenue	Operating profit	Revenue	Operating profit
Advanced Materials	82.7	10.1	79.0	13.0	100.0	16.0	170.0	23.0
Specialty Chemicals	31.8	1.8	34.6	1.2	30.0	1.0	34.0	2.0
Specialty Plastics	46.8	8.6	47.1	5.6	40.0	6.0	42.0	7.5
Construction & Other	30.0	3.7	29.3	2.2	30.0	2.0	34.0	2.5
Corporate adjustments		(1.8)						
Consolidated total	191.3	22.4	190.0	22.0	200.0	25.0	280.0	More than 35.0

Corporate adjustments: Total of elimination of intersegment transactions, other revenue not allocated to segments, and other expenses (including impairment charges).

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Kureha's ESG-Promoting Products

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Life



PGA



PPS



PVDF



Microsphere



Spherical Activated carbon

Environment and Energy

Digital Communications



Anti-static products



Carbon fibers



CMP retainer rings

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