

FY2021 Earnings Conference Call: Q&As

Q. You say you maintain a “conservative” earnings forecast for PVDF this year. What business risks have been factored into your forecast?

A. We are anticipating slower EV and LiB market growth in Europe and possible disruptions to our PVDF manufacturing under China’s zero-corona policy among many other risks. And we have estimated and reflected utmost impact of these risks in the current forecast.

Q. So are you not planning full-capacity operation and volume growth for PVDF?

A. At this point, we are not expecting full-capacity production due to those factors we just explained. We will however review and revise our forecast, including PVDF volumes, as soon as we find out more about the situations surrounding these factors.

Q. You mentioned you have implemented a pricing formula for PVDF. To what extent will it affect your sales? Also, do you expect increasing raw material prices to further impact your business?

A. About half of our PVDF sales are based on formula-pricing. Regarding raw material prices, we now see their upward trend has somewhat stabilized and slowed compared to before, and we are continually working to secure raw materials and their quantities required for our PVDF production.

Q. Please tell us how recent situations in Ukraine are affecting shale oil and gas production and your PGA business.

A. The recent Russia-Ukraine conflict has certainly changed a global perspective on shale oil and gas, and drilling activities are returning in the US. But the number of drilling rig count is yet below its pre-pandemic level. Many of oilfield services companies are still anxious about the outlook for their fossil fuel business and reluctant to make large-scale investments. Right now, they are producing oil mainly from their DUC--drilled but uncompleted-- wells.

In terms of frac plugs, there were about 600,000 plugs used for shale development before the pandemic and were around 400,000 plugs in FY2021. And this year we expect the number will increase up to 500,000. We have established a firm foothold in certain shale mining areas, although our market share is still small. We are thus accelerating efforts to develop new frac plugs that will enable us to serve a broader market.

Q. Is it correct to assume your PGA frac plugs are used for DUCs?

A. Yes. DUC wells are those drilled but are idling before fracturing, and all frac plugs, including ours, are used in the completion process of each DUC well.

Q. Can you tell us more about your new agrochemical product? In what development stage is it now? What is its potential business value?

A. We have already selected a R&D and business partner for this new agrochemical product, and together we are now steadily advancing toward its launch. However, we are unable to disclose any information related to its business value or the exact timing of launch at the moment.