

FY2023 1Q Results

KUREHA CORPORATION

August 8, 2023

Key Takeaways

KUREHA CORPORATION

1QFY23 Operating Results

(billion yen)

	FY23	FY22	Change Yoy	FY23 Forecast		Full- year
	1Q	1Q		1H	2H	
Advanced Materials	16.4	24.5	-8.1	39.0	40.0	79.0
Specialty Chemicals	9.2	6.6	2.6	19.0	15.6	34.6
Specialty Plastics	11.7	11.9	-0.2	23.8	23.3	47.1
Construction	2.2	1.9	0.2	6.0	6.0	12.0
Other operation	4.3	4.3	-0.0	8.2	9.1	17.3
Revenue	43.8	49.3	-5.5	96.0	94.0	190.0
Advanced Materials	1.2	5.6	-4.5	2.6	10.4	13.0
Specialty Chemicals	0.7	-0.3	1.0	1.5	-0.3	1.2
Specialty Plastics	2.2	2.1	0.1	3.0	2.6	5.6
Construction	0.1	0.1	-0.0	0.2	0.3	0.5
Other operation	0.6	0.6	-0.0	0.7	1.0	1.7
Core operating profit	4.8	8.1	-3.4	8.0	14.0	22.0
Adjustments	0.2	0.0	0.2			
Operating profit	4.9	8.1	-3.2	8.0	14.0	22.0
Profit attributable to Kureha	3.2	5.5	-2.2	5.3	10.2	15.5

- 1Q revenue and earnings decreased YOY primarily due to weaker PVDF performance in Advanced Materials
- PVDF price, interlinked with raw material prices, continued to slide after 1Q last year: profit margin improvement is likely seen in the second half year when existing inventory (with high raw material cost) is replaced by new items.
- YOY growth in Specialty Chemicals revenue and earnings resulted from a front-loaded shipment for agrochemicals, which however will not impact half-year/full-year segment earnings forecasts

FY2023-1Q Financial Summary (1)

KUREHA CORPORATION

(in billions of yen except for per-share values)

	1Q FY22	1Q FY23	Change YOY
Revenue	49.3	43.8	-5.5 (-11.2%)
Core operating profit	8.1	4.8	-3.4 (-41.5%)
Adjustments	-0.0	-0.1	-0.1
Other income	0.2	0.4	0.2
Other expenses	0.2	0.1	-0.1
Operating profit	8.1	4.9	-3.2 (-39.4%)
Financial income	0.4	0.7	0.3
Financial expenses	0.1	0.0	-0.0
Profit before taxes	8.5	5.6	-2.9 (-34.2%)
Profit for the period attributable to Kureha	5.5	3.2	-2.2 (-40.7%)
Basic profit per share(¥)	¥279.79	167.25	

(Currency exchange rates)

1USD =	¥129.7	¥137.5
1EUR =	¥138.3	¥149.6
1CNY =	¥19.6	¥19.6

Vs. 1QFY22

- Revenue fell due largely to weaker sales of PVDF (LiB binder) and packaging materials
- Core operating profit declined on weakening in Advanced Materials
- Operating profit decreased as a result of fewer core operating profit
- Profit attributable to Kureha decreased as a result of fewer profit before taxes

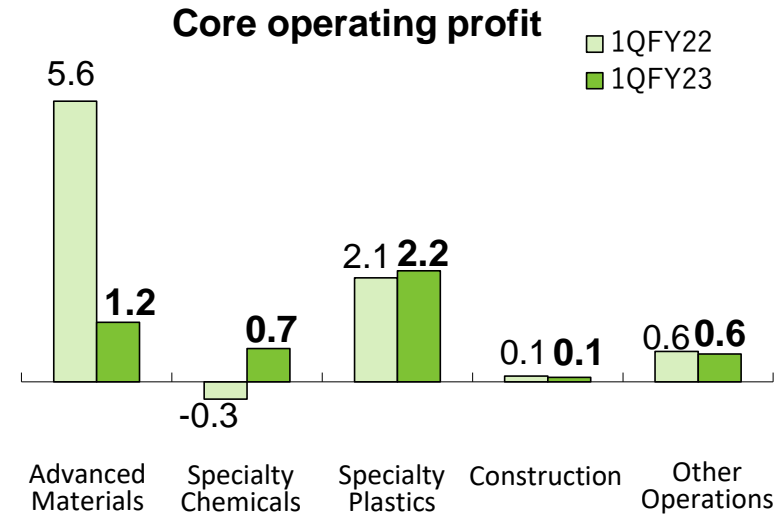
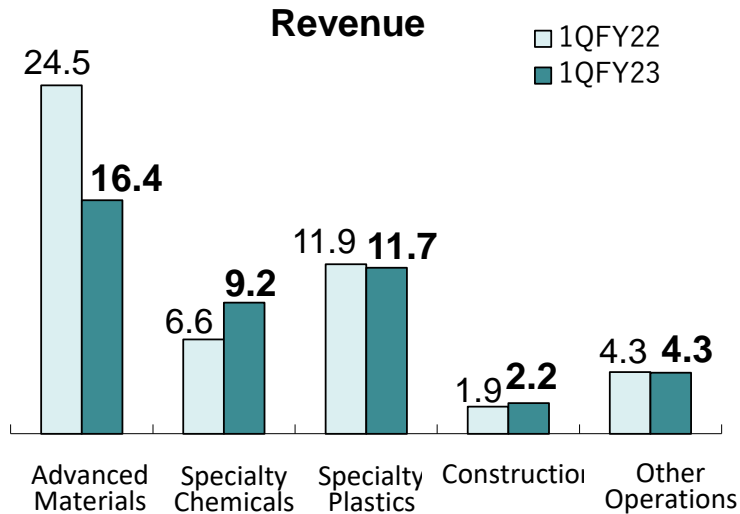


FY2023-1Q Financial Summary (2)

KUREHA CORPORATION

Segment performance (vs. 1QFY21)

(in billions of yen)



Factors affecting core operating profit

AM: Lower pricing for PVDF to reflect lower raw materials prices, impact of existing inventory with high input cost related to PVDF

SC: Sales expansion for agrochemicals and industrial chemicals

SP: Higher home products and fishing line sales partially offset by softening in packaging materials

CO: Construction volume growth in private sector offset by higher material cost

OO: Higher industrial waste treatment volume offset by softening in transportation and hospital operation

Segment Performance: Advanced Materials

(in billions of yen)

	1Q FY22	1Q FY23	Change %
Advanced Materials			
Advanced plastics	19.2	11.9	-38%
Carbon products	1.5	1.9	+26%
Other	3.7	2.6	+31%
Revenue	24.5	16.4	-33%
Operating profit	5.6	1.2	-79%

Vs. 1QFY22

Revenue ↘ Operating profit ↘

Advanced plastics revenue and profit down:

- + Sales expansion for PPS and PGA
- Lower PVDF pricing

Carbon products revenue and profit up:

- + Higher carbon fiber volume in the high-heat furnace insulation market

Segment Performance: Specialty Chemicals

(in billions of yen)

	1Q FY22	1Q FY23	Change %
Specialty Chemicals			
Agrochemicals	1.6	3.3	+109%
Pharmaceuticals	1.1	0.9	-18%
Industrial chemicals	2.1	2.9	+39%
Other	1.9	2.1	+13%
Revenue	6.6	9.2	+39%
Operating profit	-0.3	0.7	--

Vs. 1QFY22

Revenue ↗ Operating profit ↗

Agrochemicals & Pharmaceuticals revenue and profit up:

- + Higher agrochemicals volume
- Slower sales of *Kremezin*, a therapeutic agent for chronic kidney failures

Industrial chemicals revenue and profit up:

- + Sales growth of organic and inorganic chemicals

Segment Performance: Specialty Plastics

(in billions of yen)

	1Q FY22	1Q FY23	Change %
Specialty Plastics			
Home products	5.8	6.1	+6%
Fishing lines	1.2	1.3	+9%
Packaging materials	3.8	3.2	-16%
Other	1.1	1.0	-7%
Revenue	11.9	11.7	-2%
Operating profit	2.1	2.2	+7%

Vs. 1QFY22

Revenue ↘ Operating profit ↗

Home products & Fishing lines revenue and profit up:

- + Sales expansion for *New Krewrap* food wrap film and *Seaguar* fishing lines

Packaging materials revenue down, profit up:

- + Lower cost
- Slower heat shrink multilayer film and PVDC film sales

Segment Performance: Construction

(in billions of yen)

	1Q FY22	1Q FY23	Change %
Construction			
Revenue	1.9	2.2	+13%
Operating profit	0.1	0.1	-21%
Other Operations			
Environmental engineering	2.4	2.7	+10%
Logistics	0.6	0.4	-35%
Hospital operation	1.1	1.0	-5%
Others	0.2	0.2	+1%
Revenue	4.3	4.3	-1%
Operating profit	0.6	0.6	-8%

Note: Revenues from Construction and Other Operations have been adjusted by excluding inter-company sales. For references, segment revenues on this accounting basis are indicated on the right.

Vs. 1QFY22

Revenue ↗ Operating profit →

Construction revenue up, profit flat:
+ Higher private construction volume

Revenue → Operating profit →

Environmental engineering revenue and profit up:
+ Volume growth in low-level PCB waste treatment

Logistics revenue and profit down

Hospital Operations revenue and profit down
(operating loss)

	FY22 Actual					FY23 Forecast		
	1Q	2Q	3Q	4Q	Total	1H	2H	Total
Construction	1.9	2.3	2.7	4.4	11.3	6.0	6.0	12.0
Environment	2.4	2.8	3.3	2.9	11.3			10.7
Logistics	0.6	0.7	0.7	0.6	2.6			1.7
Hospital	1.1	1.0	1.0	1.0	4.1			4.4
Others	0.2	0.1	0.2	0.1	0.6			0.5
Other operations	4.3	4.6	5.2	4.6	18.7	8.2	9.1	17.3

Financial Position

KUREHA CORPORATION

(in billions of yen)

Assets

	Mar. 31 2023	Jun. 30 2023	Change
Cash and cash equivalents	32.2	33.3	1.1
Trade and other receivables	31.9	33.3	1.4
Inventories	52.0	53.5	1.5
Other current assets	4.9	6.1	1.1
Total current assets	121.0	126.1	5.1
Property, plant and equipment	117.4	118.2	0.8
Intangible assets	4.5	4.8	0.3
Investments and other assets	53.5	58.1	4.6
Total non-current assets	175.4	181.1	5.7
Total assets	296.4	307.3	10.9

Liabilities and Equity

	Mar. 31 2023	Jun. 30 2023	Change
Trade and other payables	27.7	23.9	-3.7
Interest-bearing debt	26.3	39.3	13.0
Provisions	8.5	6.5	-2.0
Other liabilities	17.2	18.3	1.1
Total liabilities	79.6	88.0	8.4
Shareholders' equity	18.2	18.2	-
Capital surplus	14.7	14.7	-
Less: Treasury stock	-8.7	-2.3	6.4 [*]
Retained earnings	179.0	171.4	-7.5 ^{**}
Other components of equity	12.1	15.7	3.7
Non-controlling interests	1.6	1.6	-0.0
Total equity	216.8	219.3	2.5
Total liabilities and equity	296.4	307.3	10.9

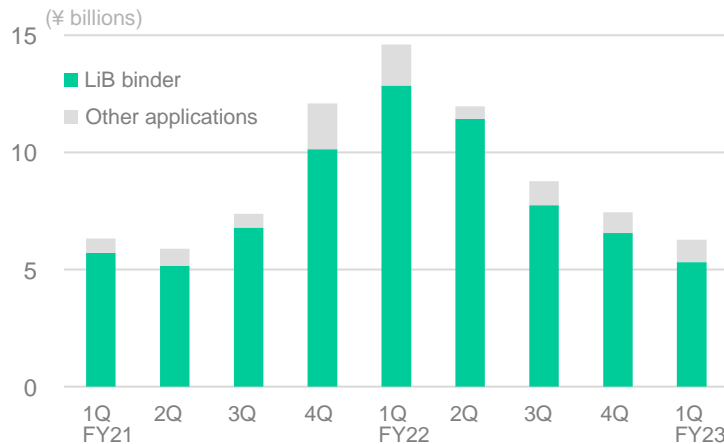
* Treasury shares disposed (+¥9.1bn) and acquired (-¥2.7bn)

**Treasury shares disposed (-¥9.1bn); net income (+¥3.2bn); dividends (-¥2.8bn), etc.

Note that Kureha disposed total 1,280,000 treasury shares on June 30, 2023

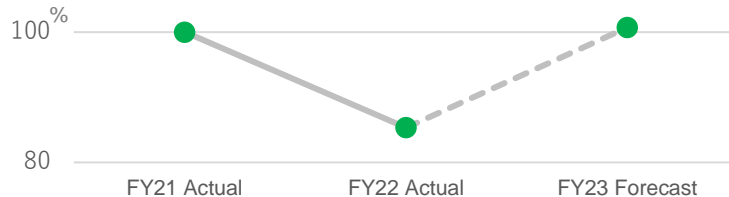
Key Strategic Business: Polyvinylidene Fluoride (PVDF)

PVDF revenue trends



PVDF sales volume

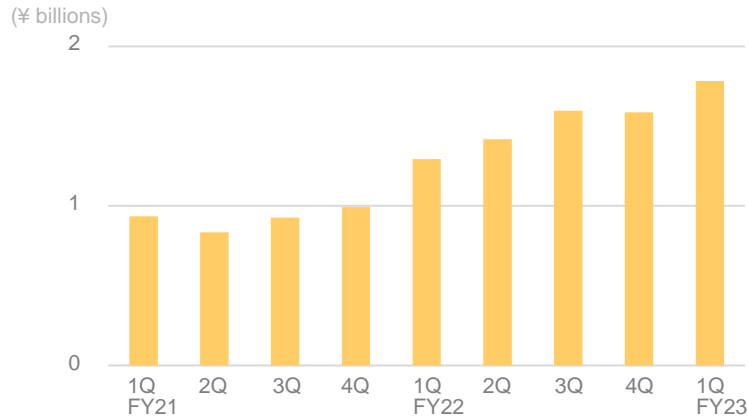
*Assuming FY21 sales volume as 100%



- Automobile LiB demand is projected to grow continually, however the current economic downturn in Europe and semiconductor shortages for EVs are forcing LiB makers to adjust their inventories
- In 1QFY23, Kureha PVDF sales volume remained at 3Q/4QFY22 levels; volume recovery is anticipated in 2Q and onward after inventory optimization while the LiB market rebounds
- Due to our existing inventory with high input cost (high-priced raw materials in prior year), profit margin is deteriorating but will improve after inventory replacement
- Kureha aims to increase PVDF production capacity from current 11,000tpa to 30,000tpa by end FY30, with incremental production lines and debottlenecking at its Japan Iwaki Factory and further expanding global production bases
- Kureha begins to procure raw materials from multiple geographies to hedge against geopolitical risks

Key Strategic Business: Polyglycolic Acid (PGA)

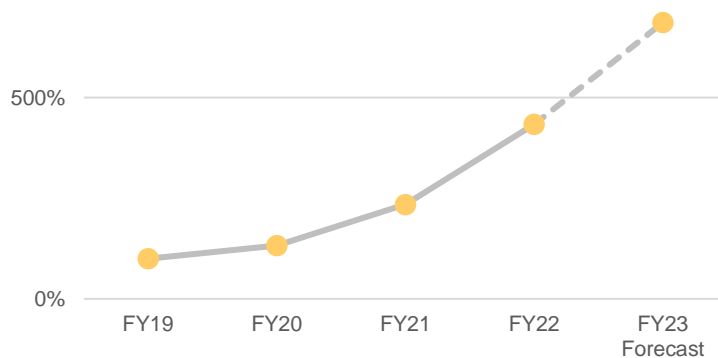
PGA revenue trends



PGA frac plug sales volume

*Assuming FY19 sales volume as 100%

Revised 10, Aug. 2023



- The US shale oil and gas rig count has rebounded to 90% of pre-pandemic levels and will likely increase steadily on grounds of OPEC production cuts and global geopolitical concerns
- Kureha continues to increase PGA frac plug sales in the flat growth market with its effective flexible pricing strategy starting in 2020 Fall and by expanding the 'fullbore' application for PGA plugs (use for an entire wellbore rather than partially) in high-and mid-temperature oilfields
- FY23 sales volume is further driven by the expansion of an improved short-typed PGA plug
- Field trials are ongoing for a new plug used in low-temperature oilfields (where more than half of US active rigs are located); product launch aimed by end FY23

FY2023 Full-Year Guidance

**Maintained as announced on May 12, 2023*

KUREHA CORPORATION

(in billions of yen)

	FY2022	FY2023e			Change
		1H	2H	FY	YOY
Revenue	191.3	96.0	94.0	190.0	-1.3 (-0.7%)
Core operating profit	24.3	8.0	14.0	22.0	-2.3 (-9.5%)
Adjustments	-0.2	--	--	--	0.2
Other income	1.2	0.3	0.2	0.5	-0.7
Other expenses	3.0	0.3	0.2	0.5	-2.5
Operating profit	22.4	8.0	14.0	22.0	-0.4 (-1.6%)
Financial income	0.9	0.3	0.3	0.6	-0.3
Financial expenses	0.2	0.3	0.3	0.6	0.4
Profit before taxes	23.0	8.0	14.0	22.0	-1.0 (-4.3%)
Profit attributable to owners of Kureha Corp.	16.9	5.3	10.2	15.5	-1.4 (-8.1%)
Basic profit per share	¥864.3			¥819.3	

[References]

Crude oil (US\$/bbl)	\$96	\$85
FOREX ¥/USD:	¥135.5	¥135.0
¥/EUR:	¥141.0	¥140.0
¥/CNY:	¥19.8	¥19.0

Vs. FY2022

- Revenue to remain on par with prior year as growth in PGA, PPS, agrochemicals and industrial chemicals offset lower PVDF prices (reflecting lower raw material prices)
- Core operating profit to fall in all segments except Advanced Materials due largely to higher SG&A expenses and R&D cost, partially offset by improved profit in PGA within Advanced Materials
- Operating profit to decrease on lower core operating profit, despite the absence of impairment charges recorded in prior year
- Profit attributable to the Company to contract as a result of lower operating profit

KUREHA

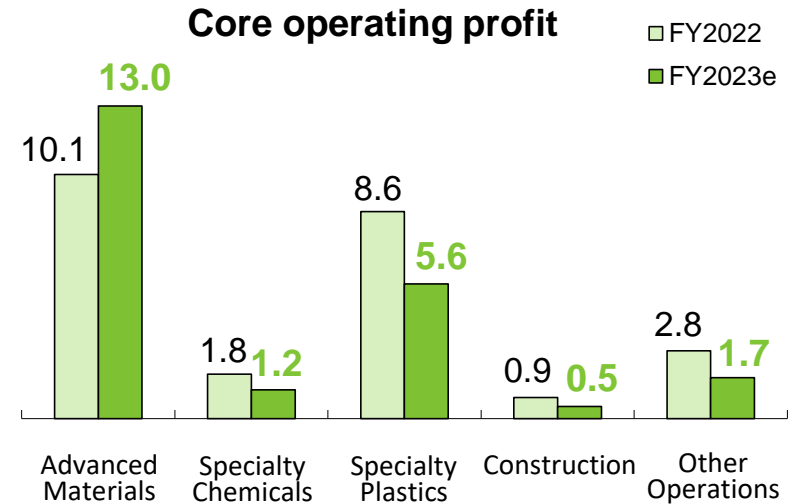
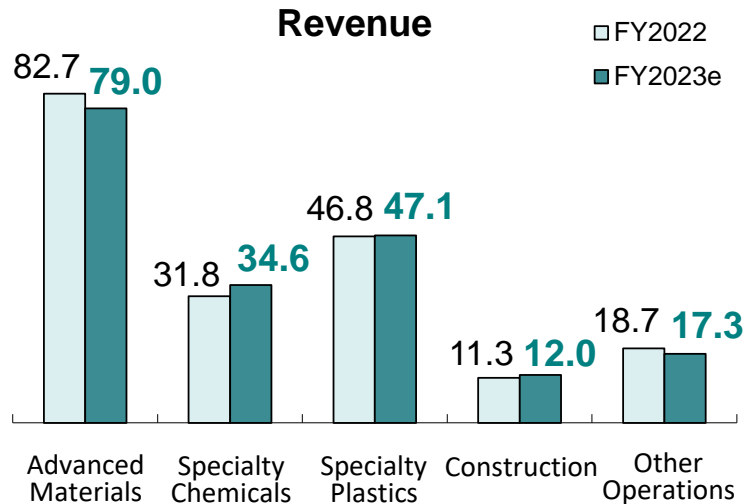
FY2023 Full-Year Guidance

**Maintained as announced on May 12, 2023*

KUREHA CORPORATION

Segment Revenue & Core Operating Profit (vs. FY2022)

(¥ billion)



Factors affecting operating profit changes

AM: Improved profit related to PGA (a decrease in its inventory evaluation loss) partially offset by lower PVDF prices and effects of existing PVDF inventory with high input cost

SC: Higher R&D expenses related to new agrochemicals and negative impact of mandatory drug price revisions partially offset by continued price actions

SP: Slower sales and higher SG&A expenses in home products, higher raw material and energy costs in packaging materials

CO: Intensifying competition, higher construction material cost

OO: Lower sales volume related to low-level PCB waste treatment

Strengthening Corporate Governance

KUREHA CORPORATION

New Stock Compensation Plans

Kureha implemented the following stock-based remuneration system for members of the Board of Directors excluding Outside Board Directors. Through this new reward system, Kureha will provide Board Directors with incentive to help increase the Company's value, further promote their sense of sharing common interests with shareholders, and make clear the linkage between company performance and their remuneration.

Previous stock-based
compensation plan (stock option)
Total ¥40 million or less per year

Advanced Awarding Restricted Stock Remuneration Plan

Total ¥50 million or less every year

Performance-based Restricted Stock Remuneration Plan

Total ¥300 million or less

Period of first performance assessment: 3 years

Performance assessed with respective weight on:

- ① Consolidated operating profit (50%)
- ② ROE (30%)
- ③ Achievement of ESG management goals such as CO2 reduction, waste reduction and employee job satisfaction (20%)

Election of Female Outside Board Director

Kureha's new female Outside Board Director was nominated and subsequently approved during the June 2023 General Shareholders Meeting. Kureha aims to make its decision-making process more comprehensive and well-balanced by promoting the participation of Board Directors with diversified backgrounds and viewpoints. We will further strengthen corporate governance at all levels to realize sustainable growth.

Kureha Corporation Board of Directors

Internal
Directors



Outside
(independent)
Directors



2 males
1 female

KUREHA

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