

FY2023 2Q results briefing for analysts Q&A Script

Q. Among the factors for the downward revision, the forecast for segment profit was reduced by JPY6.5 billion overall, and JPY7.9 billion for advanced materials. Could you provide us rough breakdown by products.

A. Although we are not disclosing the detail figures, the first factor is a decrease of PVDF, followed by a decrease in equity in earnings of PPS.

Q. I would like to confirm the superiority of special polymers and the differentiation of these technologies. Also, could you please explain again your competitive advantage over materials besides PVDF?

A. We produce PVDF by suspension polymerization, which made us competitive as a binder for lithium-ion batteries because of its low impurity content, extremely high adhesiveness, and stability. I believe that the product is highly competitive for binder applications as a specialty polymer.

As for competitiveness of our specialty polymers, it is covered by patents, etc., and we believe that it is difficult to imitate our products at this point.

Considering input/output characteristics under high voltage, etc., we believe PVDF has advantages against other materials as cathode binder for ternary LiBs.

Q. For PVDF, the price of raw materials has fallen sharply and resulting in a large drop in profitability in H2 of this fiscal year. Can you tell us about the outlook of when the margins are likely to bottom out?

A. The price of raw materials rose sharply in February of last year, but has been dropping rapidly. In fact, at this time, the sales price has been dropping in tandem with this considerable drop. On the other hand, the operating profit margin has been decreasing due to high raw material cost inventory payouts from production. We estimate that it will take the entire current fiscal year to pay out this high raw material cost inventory and the operating profit margin is expected to recover next fiscal year.

Q. I would like to know how much the PVDF volume will change in fiscal year 2024 and 2025.–

A. Originally, we have forecasted that PVDF will recover from later half of fiscal year 2023 but the market, mainly in Europe, is facing difficult condition. we expect the economy to return to a recovery trend somewhere in FY2024. In the United States, extremely large investments to LiB manufacturing are planned in 3 years from 2024 to 2026. North American market will mainly apply ternary LiB, regarding Inflation Reduction Act. This matches with our specialty polymer sales plan. Therefore, we are confident to increase sales volume from 2025 and beyond.

Q. How do you think of the competition in LFP (Lithium Ferrophosphate) LiB market?

A. Currently half of the LiB market is in China and Chinese market is mainly using LFP LiB. Though our core business is ternary LiB and European market, we believe we can achieve sufficient growth by winning LFP LiB as well.

Q. Could you please tell us about your view of the current business portfolio in the mid- to long-term?

A. We have been working on optimizing our business portfolio for many years, and from my point of view, we place great importance on the following four factors: profitability of the business, market growth potential, product differentiation, and social contribution. From that perspective, we are making decisions one by one on how to invest resources and whether projects should continue. We would like to put it into action as quickly as possible so that it can be seen from the outside that the Kureha Group is specializing in this area and expanding this area as a growth field.