

Kureha Corporation

Financial Results Presentation for the 2Q of the Fiscal Year Ending March 2026

November 12, 2025

Good morning. I am Kobayashi, the President and Chief Executive Officer. Thank you very much for attending our earnings presentation today. I would like to provide a brief outline of the strategic direction.

Over the past decade, we successfully maintained a robust growth trajectory in both revenue and profit until FY2022. In the subsequent two fiscal years, we experienced a significant downturn characterized by decreased sales and profits, primarily driven by substantial market headwinds and the drastic changes within the electric vehicle sector. Those were extremely tough years. For fiscal 2025, we view the year as a critical turning point—one in which we must shift from the trough experienced in fiscal 2024 and set our business back on a path to recovery. It represents the first year in which we take the initial step toward a sustained recovery.

Vice President, Mr. Natake, will describe the details later but to give you an overview, we have estimated an increase in operating profit of approximately 50% compared to last fiscal year's operating profit. The operating profit is JPY14 billion. At this point, we recognize that this goal is within our grasp.

In H1, a deferral of SG&A expenses to H2, as well as the strong overseas operations in the PPS business, contributed favorably to the bottom line. On the other hand, we had several negative factors. After offsetting these factors, the operating profit for H1 alone exceeded the forecast by approximately JPY2 billion. However, looking at the full fiscal year, because we will exhaust allocated costs in H2, as I mentioned, we are projecting to achieve JPY14 billion as initially planned.

PVDF and PGA, among other things, are the products many of you here today are interested in hearing about, so let me briefly touch on them. As for PVDF, the base trend remains the same for the EV business, struggling to set itself apart from the low-growth phase. On the other hand, demand for ESS, which is in the energy storage battery field, is rising, especially in the US. The sales are progressing as planned. We see some challenges for EV compared to the planned target.

As for the second one, PGA, our main products are plugs in medium- to high-temperature mining areas. We have a large number of gas fields, and with gas prices rising and market conditions normalizing, orders for our plugs have surged. As a result, sales for the first half reached a record high.

While we had a high expectation for a smooth outcome, unfortunately, due to equipment trouble at our resin production plant in the US, we were unable to produce half of what we had planned and had to halt production for a time. We are, in fact, strategically controlling incoming order volume for H2 to sell the planned volume of units. Our capacity allows us to produce more units than the current net order volume. Unfortunately, due to the shortage of raw materials for resin, the net sales volume barely reached the budget.

Regarding the low and ultra-low temperature category, we started to sell one grade of new products last year, and we expect to be able to expand our business consistently in the future after making a number of design modifications. On the other hand, in the ultra-low temperature field, we are planning to introduce a brand-new product to the market. A field test is scheduled this month. We have extremely high confidence in the quality of this product that we developed by leveraging our past bitter experiences and evaluation history. This is the summary.

We will start a new three-year Medium-Term Management Plan in April next year, and the Executive Committee, as well as the Board of Directors, are energetically discussing ideas in preparation for the plan.

The main idea is that, of the three segments, the Advanced Materials segment is especially sensitive to market changes, often experiencing simultaneous periods of rapid growth or sudden decline. We need to secure a reliable source of revenue. That is why we concentrated most of the assets on the Advanced Materials segment. We will conduct a reassessment.

In the Specialty Chemicals domain, our core business is life sciences. In life sciences, we are well underway in preparing to launch several promising products in the market.

We must prepare for the final phase of projects to find an optimized balance among the three pillars of profits. As for the Specialty Plastics segment, we are working on a type of marketing initiative that we have never conducted in the past for household wrap market, including launch of new products. We are preparing to take on various challenges. We hope to include some updates on these products in our three-year plan next spring.

At the same time, we are preparing to present the strategic direction that defines how Kureha is positioned to expand and foster sustainable growth. I hope to share more on this topic next year.

Performance Highlights (1)

KUREHA CORPORATION

FY2025 2Q Results

Revenue and Profit

| | FY25 | FY24 | | (billion yen) | |
|------------------------------|-------------|-------------|-------------|--------------------------------|-------------|
| | 2Q | 2Q | Diff. | FY25 2Q Initial forecast | Diff. |
| Advanced Materials | 31.1 | 28.5 | 2.6 | 32.0 | -0.9 |
| Specialty Chemicals | 13.7 | 16.2 | -2.5 | 14.0 | -0.3 |
| Specialty Plastics | 18.2 | 22.8 | -4.6 | 19.0 | -0.8 |
| Construction | 5.9 | 5.3 | 0.6 | 6.5 | -0.6 |
| Other Operations | 8.4 | 8.8 | -0.3 | 8.5 | -0.1 |
| Revenue | 77.4 | 81.6 | -4.3 | 80.0 | -2.6 |
| Advanced Materials | 2.4 | 1.2 | 1.2 | 0.8 | 1.6 |
| Specialty Chemicals | 0.4 | 0.7 | -0.3 | -0.2 | 0.6 |
| Specialty Plastics | 3.6 | 4.0 | -0.4 | 3.3 | 0.3 |
| Construction | 0.4 | 0.4 | -0.0 | 0.3 | 0.1 |
| Other Operations | 1.0 | 1.2 | -0.2 | 0.8 | 0.2 |
| Core Operating Profit | 7.7 | 7.5 | 0.2 | 5.0 | 2.7 |
| Adjustments | 0.4 | -0.5 | 0.9 | 1.0 | -0.6 |
| Operating Profit | 8.1 | 7.0 | 1.1 | 6.0 | 2.1 |
| Profit* | 6.3 | 5.7 | 0.7 | 4.5 | 1.8 |
| EBITDA | 14.2 | 13.3 | 0.9 | 12.0 | 2.2 |

* Profit attribute to owners of the company

FY2025 2Q YoY changes: Main Factors

- Higher revenue from PGA and PPS in Advanced Materials, but overall revenue declined due to the concentration of Agrochemical sales in Specialty Chemicals in the 2H of the current fiscal year, and the withdrawal from the ML film business in Specialty Plastics in 1H of the previous fiscal year.
- Operating profit increased due to increased profit from Advanced Materials, mainly due to improved profitability of PPS products as well as gain on sale of non-operating assets recorded under adjustments.

FY2025 2Q changes from initial forecast : Main Factors

- Revenue fell short of the initial forecast due to sluggish sales of PVDF in Advanced Materials. Operating profit exceeded the forecast due to an increase in equity method earnings from PPS and the postponement of SG&A (selling, general and administrative) expenses to the 2H of the fiscal year.

Exchange rate

| | FY25.2Q Actual | FY24.2Q Actual |
|---------|-------------------|-------------------|
| (¥/USD) | 146.0 | 152.8 |
| (¥/EUR) | 168.1 | 166.1 |
| (¥/CNY) | 20.3 | 21.2 |

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(4)

Good morning, everyone. I am Senior Executive Vice President, Natake. Thank you very much for attending today's financial results briefing. I would like to begin with a report based on the financial results presentation materials.

Let's start on page four. As our president, Mr. Kobayashi, mentioned, the Q2 results show a decrease in sales and an increase in profit compared to the previous year. We see a mixed performance across our business segments. Overall, we have not deviated from our initial forecast, and we decided not to change our full-year forecast for the fiscal year.

As shown in the table, segment revenues were JPY77.4 billion, down JPY4.3 billion from the previous year and down JPY2.6 billion from the initial forecast. On the other hand, operating profit was JPY8.1 billion, an increase of JPY1.1 billion from the previous year and an increase of JPY2.1 billion from the initial forecast.

As you can see, sales of the Advanced Materials segment have increased. This increase was due to strong sales of resins: PGA and PPS. As for the Specialty Chemicals segment, sales of agrochemicals were negative because we logged higher sales of agrochemicals in H2 of this fiscal year. In addition, the Specialty Plastics segments saw a slightly larger decline in sales. Until H1, we were selling ML, a multilayer film for food packaging materials. The sales decrease is due to our withdrawal from business in H1 of last year.

Performance Highlights (2)

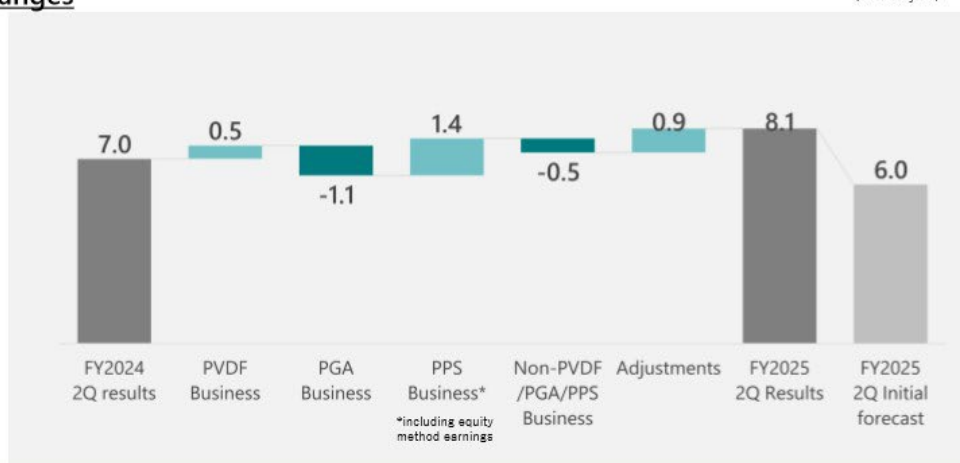
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< Analysis of Changes in Operating Profit : FY2025 2Q Results >

PVDF: While revenue decreased, profit increased due to a reversal of inventory write-down in the previous fiscal year.
 PGA: While revenue increased, profit declined due to the impact of deteriorating profitability in resin production (production trouble) and other factors.
 PPS: Profits increased due to improved sales prices, lower raw material costs, and higher equity method earnings.
 Overall: Operating profit increased driven by higher profits in Advanced Materials.

YoY Changes

(billion yen)



(5)

As for profits, sales of PVDF decreased. The increase was mainly due to the reversal of inventory write-downs in the previous period. PGA reported an increase in revenues. As Mr. Kobayashi, the president, spoke earlier, Unfortunately, this means that the profit/loss has deteriorated in H1 due to the resin production trouble. Production will continue in H2, so some profits may be recovered in H2. This would have been a significant negative for H1.

In the PPS business, profit increased due to improved selling prices, lower raw material and fuel prices, and higher equity in earnings of affiliates. As for equity in earnings of affiliates, the joint venture with US Celanese Inc. recorded an increase in earnings, especially due to the strong Euro and the weak US dollar. Operating profit increased mainly due to higher profits from the Advanced Materials segment.

Performance Highlights (3)

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FY2025 Annual Forecast

| Revenue and Profit | | | | (million yen) | |
|---|------------------|----------------|------------|----------------------------|----------|
| | FY25 Forecast | FY24 Actual | Diff. | FY25 Initial forecas | Diff. |
| Advanced Materials | 61.5 | 57.4 | 4.1 | 64.0 | -2.5 |
| Specialty Chemicals | 30.5 | 30.7 | -0.2 | 30.0 | 0.5 |
| Specialty Plastics | 38.0 | 40.5 | -2.5 | 38.0 | - |
| Construction | 16.0 | 14.8 | 1.2 | 15.0 | 1.0 |
| Other Operations | 19.0 | 18.6 | 0.4 | 18.0 | 1.0 |
| Revenue | 165.0 | 162.0 | 3.0 | 165.0 | - |
| Advanced Materials | 2.3 | -2.0 | 4.3 | 2.6 | -0.3 |
| Specialty Chemicals | 1.1 | 0.6 | 0.5 | 1.1 | - |
| Specialty Plastics | 7.2 | 7.1 | 0.1 | 7.2 | - |
| Construction | 0.9 | 1.4 | -0.5 | 0.9 | - |
| Other Operations | 2.0 | 2.9 | -0.9 | 1.7 | 0.3 |
| Core Operating Profit | 13.5 | 10.0 | 3.5 | 13.5 | - |
| Adjustments | 0.5 | -0.6 | 1.1 | 0.5 | - |
| Operating Profit | 14.0 | 9.4 | 4.6 | 14.0 | - |
| Profit* | 10.0 | 7.8 | 2.2 | 10.0 | - |
| *Profit attributable to owners of the Company | | | | | |
| EBITDA | 26.0 | 22.1 | | 26.3 | |
| ROE | 5.2% | 3.6% | | 4.9% | |
| PBR | - | 0.66 | | - | |
| Equity Ratio | 49% | 61% | | 57% | |

FY2025 Annual YoY Change: Key Differences

- Overall revenue increase slightly due to increase in sales of PGA & PPS business in Advanced Materials and Home Products in Specialty Plastics, despite a revenue decrease caused by the withdrawal from ML film business in Specialty Plastics last year.
- Core operating profit increased due to the absence of PVDF's inventory valuation loss recorded in the previous fiscal year, improved profitability in PGA, lower raw material and fuel costs, increased equity method earnings, and higher sales of Agrochemicals.
- Operating profit increased due to high profitability of PPS, PVDF and PGA businesses and increased profit from gain on sale of non-operating assets recorded under adjustments.

FY2025 Annual Forecast : Main Factors

- While there are differences across segments, the overall earnings forecast remains unchanged at this time.
- Although sales of PVDF for EVs are expected to fall below the initial forecast, revenue is projected to align with the initial forecast due to higher-than-expected sales in the Construction and Other Operations segments.
- Operating profit is expected to remain at around the initial forecast, reflecting a decline in equity method earnings, which were strong in the first half, and the incurrence of R&D expenses in the second half, including those for new agrochemicals carried over from the first half.

Exchange rate and sensitivity

| Exchange Rate | FY24 actual | FY25 initial forecast | 1H FY25 actual | 2H FY25 forecast | FX sensitivity |
|---------------|----------------|-----------------------------|-------------------|---------------------|------------------------|
| (¥/USD) | 152.6 | 145.0 | 146.0 | 145.0 | An increase of ¥0.05bn |
| (¥/EUR) | 163.9 | 160.0 | 168.1 | 165.0 | An increase of ¥0.04bn |
| (¥/CNY) | 21.1 | 20.0 | 20.3 | 20.0 | An increase of ¥0.05bn |

(6)

Continuing on, looking at the full fiscal year forecast, sales were JPY165 billion, an increase of JPY3 billion from the previous year. Operating profit was JPY14 billion, an increase of JPY4.6 billion. No changes from the initial forecast.

As for the Specialty Plastics segment, the decrease in sales is due to our withdrawal from the ML business, as I mentioned earlier. There is no change in the increase in sales of PPS and PGA. We also expect an increase in sales of household products, which will result in a slight increase in overall sales.

Operating profit increased due to higher profits from PPS, PVDF, and PGA, as well as the sale of non-business assets.

Although there are variances by segment compared with the initial forecast, there is no change to our overall earnings outlook. Accordingly, we have decided not to revise our full-year forecast at this time.

Performance Highlights (4)

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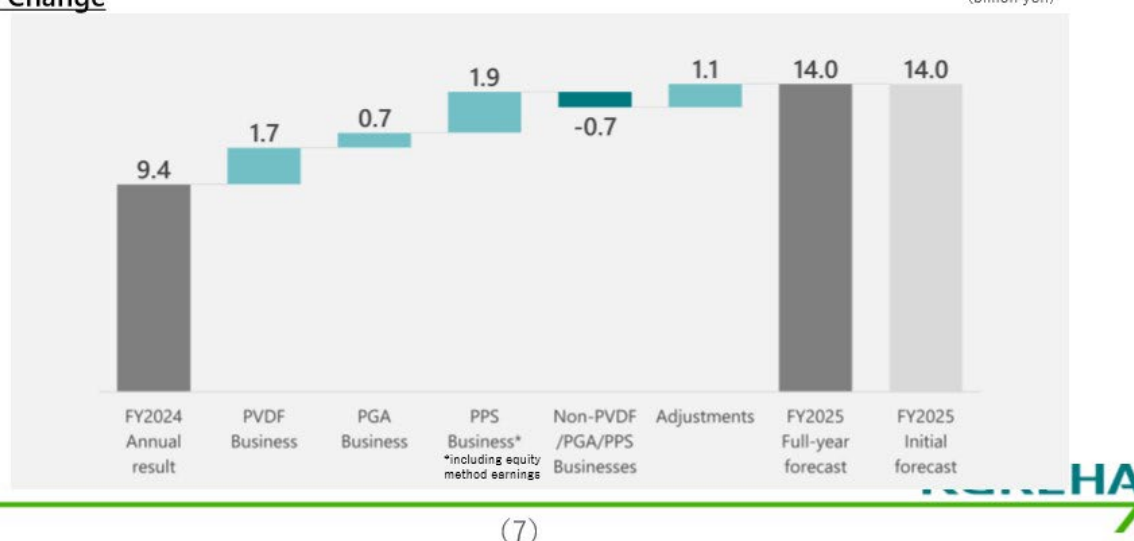
< Analysis of Changes in Operating Profit : FY2025 Full-year Forecast >

We expect profits from businesses to increase, mainly for Advanced Plastics such as PPS, PVDF, and PGA.

We expect operating profit to increase by 4.6 billion yen due to gain on sale of non-operating assets recorded in adjustments, in addition to profit increase from businesses above.

YoY Change

(billion yen)



(7)

This is an analysis of factors contributing to the increase in operating profit. You can see where profits are increasing, mainly in the Advanced Materials segment, such as PPS, PVDF, and PGA. The forecast for operating profit is JPY4.6 billion, due in part to the sale of non-business assets.

Key Items: PVDF Business

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<LiB Market Overview>

- Demand for LiB for automotive applications is expected to expand sustainably in the medium to long term, with no change in the outlook. However, the European and U.S. markets continue to stagnate, and sales for the second half are projected to remain at around the same level as in the first half.
- Demand for LiB for ESS applications will continue to expand due to increased demand especially for data centers. LiB manufacturers are shifting production to ESS due to the sluggish EV market.

<PVDF Revenue Trend>



<Profit and Loss Summary>

vs. 2Q YoY/FY2024 Annual Result

- For 1H, revenue declined due to a decrease in sales for EV, although sales for ESS were newly launched in 1Q. Profit increased due to the reversal of inventory valuation losses recorded in FY2024.
- While sales for ESS applications are expected to contribute, demand for EV applications is projected to remain almost unchanged in the second half, leading to a decline in full-year revenue. On the other hand, operating profit is expected to rise due to the absence of inventory valuation losses recorded in FY2024.

vs. Initial Forecast

- Sales for ESS are expected to meet initial forecasts, but sales for EV are expected to fall short of initial forecasts, resulting in lower revenue for both 1H and full-year forecasts.
- Shortfall in full-year profit is anticipated due to lower revenue.

<Progress of Initiatives>

- The capacity expansion at the Iwaki Factory is scheduled to be completed in the spring of 2026. Commercial operation is planned to start from 4Q of FY2026 to 1Q of FY2027.
- Regarding the measures for FY2025 announced in May, although there have been some delays in the development of new ternary EV projects and the development of new grades for LFP, preparations for the development of new grades for NMC and the new adoptions for industrial applications are progressing as expected. We will promote various measures, with an aim to develop a business structure that is not dependent on specific regions, customers, or battery types.

(8)

PVDF business. The market overview is: Demand for lithium-ion batteries for automotive applications continues to face particularly tough situations, with an extremely uncertain business environment. As for Europe, there are signs of a partial recovery. Given the growing uncertainty in the US market, we expect sales to remain generally flat in H2.

On the other hand, the market for ESS applications for storage batteries continues to grow and expand due to an increase in applications for data centers, especially in the United States. In addition, at battery plants, especially in the US, a shift to batteries for ESS is active due to the stagnant EV market.

As for the profit and loss, compared to the same period last year, sales for storage batteries started in the first quarter of this fiscal year, in April. This area is expanding steadily. Sales decreased due to lower sales for EVs. However, profits increased due to the reversal of inventory write-downs in the previous fiscal year.

We had some sales for ESS. We expect demand for EVs to remain extremely severe in H2. The company expects a decrease in sales for the full year as well. On the other hand, we expect an increase in profit since the inventory valuation loss from the previous period will be eliminated.

Looking at the initial forecast, sales for ESS are progressing almost as planned. Sales for EVs are still below the initial forecast. We anticipate the sales to be lower than the forecast, both in the H1 and full-year forecasts.

As for PVDF, we are building a plant in Iwaki City to increase PVDF capacity. As planned, the mechanical completion will be completed by the spring of 2026, and commercial operation will begin in 2026 or 2027, with no changes to the plan.

One of the measures we disclosed in May is development. There have been some delays in the development of some new projects for EVs in the ternary system or in the development of new grades for LFPs. We are now in the process of following the plan and including customer evaluations. The development of new ternary grades, which will take a little longer, and preparations for the new adoption of industrial applications are progressing as planned. In any case, we intend to pursue each of these measures to create a business structure that is not biased toward any specific region, customer, or battery type.

Key Items: PVDF Business

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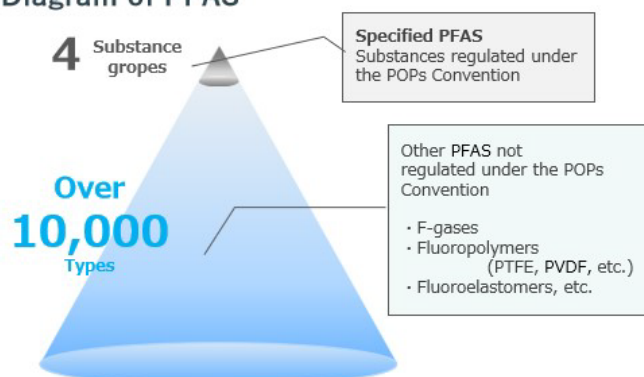
PFAS Regulation in Europe

In Europe, five countries—Denmark, Germany, the Netherlands, Sweden, and Norway—have submitted proposals to restrict PFAS (organic fluorine compounds including PVDF) in 2023. In response, more than 5,600 public comments were submitted by countries, companies, organizations, and individuals. An expert committee is currently deliberating on the draft for each application to be submitted to the European Commission (EC) for adoption. The deliberations are expected to be completed within 2025.

Based on the public comments submitted, the five proposing countries have suggested major relaxations to the regulatory proposal. For fluoropolymers, the energy sector's battery binders are exempt for 13.5 years, with potential indefinite use under controlled conditions. After ECHA's review and the revised proposal, a second public comments are set for March 2026. While the regulation was initially expected to take effect in 2025, with some items without a grace period by 2027, it is now expected to be enacted no earlier than 2028. The proposed restrictions will, in principle, collectively regulate more than 10,000 PFAS compounds, which are each different in terms of toxicity and potential safety risks, and Kureha believes this is an excessive measure and lacks scientific basis.

We maintain our stance that fluoropolymers, including PVDF, should be exempted from the proposed restrictions and are lobbying with chemical and other industrial organizations in Japan and the EU.

Diagram of PFAS



The Conference of Fluoro-Chemical Product Japan (FCJ) has proposed that some of the organic fluorine compounds regulated by the POPs Convention (Stockholm Convention on Persistent Organic Pollutants) of the United Nations be referred to as specified PFAS. As of September 2025, the salts and related substances of the following four groups are designated as specified PFAS.

- (i) PFOS (Perfluoro-octanesulfonic acid)
- (ii) PFOA (Perfluoro-octanoic acid)
- (iii) PFHxS (Perfluoro-hexanesulfonic acid)
- (iv) C9-C21 LC-PFCA (Long-chain perfluoro-carboxylic acids)

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(9)

Next, regarding PVDF, the PFAS regulations. One of our concerns was the PFAS regulations. We received proposals from five countries - Denmark, Germany, the Netherlands, Sweden, and Norway - for extremely strict, more than 10,000 different PFAS-related regulations.

Since then, expert meetings have been held, and feedback has been solicited. As for the most up-to-date information, the five countries in the proposal have submitted proposals that are much more relaxed. This can apply to fluorinated polymers. Notably, in the energy sector, a 13.5-year exemption period for battery binders has been proposed. In addition, it can be a subject for an indefinite use permit if it is under management.

Those without a grace period could be regulated immediately, or as early as 2027. Currently, there are some delays, which set the public announcement in 2028 or later. Furthermore, the PFAS is now in the process of being extended for 13.5 years or indefinitely. This is a slight setback in terms of the concerns about the PFAS.

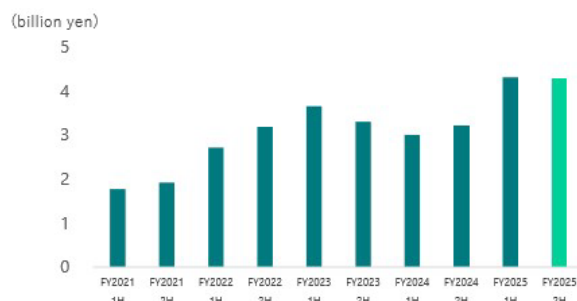
Key Items: PGA Business

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< Market Overview >

- Drilling activity in gas fields (high temperature) has recovered due to the rise in natural gas prices.
- Oil prices have recently been trending downward and the number of rigs in low-temperature oil fields is on the decline.

< PGA Revenue Trend >



Sales volume increased due to market recovery in gas fields and an increase in market share in oil fields. (Record half-year high)
While the sales expansion of low-temperature grades has been slower than initially planned, the issue is being addressed by revising the plug design. Development of ultra-low temperature grades is progressing in line with the plan, and we plan to enter the market in the future.
Resin production problems has already been clarified, and we are working to ensure resin production in 2H.

(10)

< Profit and Loss Summary >

vs. 2Q YoY/FY2024 Annual Result

- Sales increased due to a recovery in drilling activities in gas fields (high temperature) and an increase in market share resulting from sales activities in primarily oil fields (mid-to-high temperature). For 1H, revenue increased, achieving record sales volume on a half-year basis. Due to inventory shortages caused by production trouble at the resin plant in the United States, we have been limiting new orders. We plan to maintain 2H sales at approximately the same level as in 1H. For the full year, revenue is expected to increase year on year.
- While costs are expected to increase due to resumption resin production in 2H, profit is forecast to grow, driven by higher revenue and the absence of product disposals carried out in FY2024.

vs. Initial Forecast

- We plan to resume resin production in 2H, which is expected to have a negative impact on profit of approximately 0.8 billion yen in FY2025.
- Pricing and other measures have been implemented to avoid significant profit impacts from reciprocal U.S. tariffs.

< Progress of Initiatives >

- Sales of the low-temperature grade were promoted in 1H, and we will aim to launch the redesigned version from 2H.
- The field test of the ultra-low temperature grade will be started soon.

Regarding the PGA business, High-temperature drilling activities recovered in gas mining bases. In the medium- to high-temperature oil fields, although rig counts have decreased, we have seen an increase in market share driven by sales activities. As a result, we achieved a record-high sales volume on a first-half basis.

Unfortunately, however, we ran into an issue with the production at the resin plant, and we had to limit incoming orders due to inventory shortages. As a result, sales in H2 will have to be kept at the same level as in H1. However, we expect an increase in sales for the full year.

Beginning in H2, in fact, next week, we will resume resin production. While costs are expected to increase due to resumption resin production in 2H, profit is forecast to grow, driven by higher revenue and the absence of product disposals carried out in FY2024.

The market recovery in the gas fields, as well as the increase in unit sales from increased market share in the oil fields. As noted, some products for low temperatures are deployed in some markets. Our original plan to expand sales has been delayed because we are currently prioritizing sales of high-temperature customers. We are working diligently on this project.

We believe that the development of ultra-low temperature grades is progressing as planned generally. Preparations are steadily underway for future market entry. As for the production issues, the root causes have already been clarified, and we will ensure resin production in H2.

Enhance Cost Competitiveness

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The Production Transformation Project was launched in April 2025 to gain cost competitiveness in the global market. At the Iwaki Factory, our mother factory, we will not only focus on short-term cost reductions, but also work to strengthen cost competitiveness in the medium to long term by innovating production technologies. We aim to plan and implement specific measures within approximately two years.

| Major Measures |
|---|
| <ol style="list-style-type: none">1. Strengthening strategic functions Enhance competitiveness through strategic planning in production and technology, technological development and process innovation, comprehensive planning and control of facilities management, and other measures.2. Streamlining the production system Streamlining the production system by centralizing manufacturing operations, shifting part of the tasks performed by the production division to indirect divisions.3. Cost reduction Reduce production costs and strengthen product competitiveness by eliminating or simplifying unnecessary operations. |
| Expected Results |
| Enhance cost competitiveness and transform into our factory capable of competing globally. |

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(11)

In terms of strengthening cost competitiveness. New and promising businesses are growing but launch of a new business can inevitably take time. For the time being, we intend to improve profitability by thoroughly improving existing businesses.

As part of this effort, we launched the Production Transformation Project in April this year to enhance our competitiveness in order to win in the global market. Currently, we have about 22 full-time employees who are studying various measures to improve the organization, the way business is conducted, and production costs.

There is also the streamlining of our production process. Our desire to fortify our strategic functions and functions as a technology-driven company.

In addition to cost reduction, the chemical industry faces competition from Chinese companies. We are promoting the Production Transformation Project to empower our plants to compete globally.

Please feel free to take a look at the information for the fiscal year ending March 2026 and onward.

Segment Forecast: Advanced Materials

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| | FY2025 | FY2024 | YoY Change | | FY2025 | vs. Initial Forecast | |
|-------------------|----------|--------|------------|-----|------------------|----------------------|------|
| | Forecast | Actual | Amount | % | Initial Forecast | Amount | % |
| PVDF | 15.5 | 16.2 | -0.7 | -4% | 18.0 | -2.5 | -14% |
| PGA | 8.5 | 6.2 | 2.3 | 37% | 8.0 | 0.5 | 6% |
| Others | 15.5 | 15.0 | 0.5 | 3% | 17.0 | -1.5 | -9% |
| Advanced Plastics | 39.5 | 37.4 | 2.1 | 6% | 43.0 | -3.5 | -8% |
| Carbon Products | 8.0 | 7.6 | 0.4 | 5% | 8.0 | - | 0% |
| Others | 14.0 | 12.3 | 1.7 | 14% | 13.0 | 1.0 | 8% |
| Revenue | 61.5 | 57.4 | 4.1 | 7% | 64.0 | -2.5 | -4% |
| Operating Profit | 2.3 | -2.0 | 4.3 | - | 2.6 | -0.3 | -12% |

<YoY Change> Revenue ↑ Profit ↑

Advanced Plastics

Revenue for PVDF is expected to decline due to a decrease in sales for EV, despite launch of sales for ESS.

Revenue for PGA is expected to increase due to a recovery in drilling activities in gas fields (high temperature) and an increase in market share resulting from sales activities in primarily oil fields (mid-to-high temperature).

Advanced Plastics is expected to return to operating profit from an operating loss last year due to an increase in equity method earnings of PPS and the absence of inventory valuation losses of PVDF recorded in the previous fiscal year.

<vs. Initial Forecast> Revenue ↓ Profit ↓

PVDF sales for EV applications will fall short of forecast, which was initially expected to be the same level as FY2024.

PGA faced production problem at a resin plant in the U.S., which will worsen its profits.

Profit of Other Advanced Plastics is expected to exceed initial forecast due to unit sales exceeding expectations, although revenue is expected to fall short of forecast resulting from lower sales of PPS to Japanese automobiles.

(18)

We will provide additional references on page 18. The Advanced Materials segment is the major point of change.

As for PVDF, as noted, sales of PVDF for ESS applications started and progressed smoothly. On the other hand, sales for EVs applications decreased, resulting in a decline in total sales.

As for PGA, drilling activities in gas fields have been recovering, and our market share in oil fields has increased, resulting in higher revenues.

Regarding the functional resins, the increase in equity in earnings of PPS, improved selling prices, and lower raw material prices also contributed to the increase in earnings.

In addition, a loss on revaluation of PVDF inventory was recorded in the last fiscal year. Unfortunately, the Advanced Materials Segment posted a loss last fiscal year, we expect it to return to profitability.

PVDF, as for performance relative to the initial forecast, we had expected results to be in line with FY2024 levels; however, sales are currently running slightly below that expectation. As for PGA, sales have been favorable, but due to production troubles, profit and loss have deteriorated compared to the initial forecast.

As for functional resins, it is the same as in the previous year. Sales of PPS for the Japanese automotive manufacturers have been less favorable. I think this market is in a tough situation.

The increase in sales prices, the decrease in raw material and fuel prices, and the strong performance of the US joint venture have resulted in an upward swing in total profits, and overall profits are slightly lower than the initial forecast. The YoY performance has improved significantly.

That is all for my presentation. Thank you very much.

Question & Answer

PVDF

[Q]: I believe I now have a good understanding of the situation for this fiscal year. Could you please provide a bit more color on how we should view the outlook for next fiscal year? What direction can we expect for the next year in regard to new grades for EVs and LFPs in the ternary system?

Also, I think that the profit/loss for the current fiscal year was rough, if you exclude the reversal of inventory write-downs; so, I am guessing that the profit will not be satisfactory unless the volume increases considerably in the next fiscal year.

On the other hand, As the recently expanded capacity at the Iwaki site is set to come online, could you briefly explain how this aligns with the overall outlook?

[A]: As you have pointed out, we are in an exceedingly tricky situation this fiscal year. From the next fiscal year onward, there are signs of a partial recovery in sales in Europe; one thing to consider is how much that recovery we can expect.

Another thing is that the development of ternary systems inevitably takes time. It can take up to three years to complete. We aim to set the direction for the future so that our business can expand by working with our customers on the development of new grades that lead us to clearly differentiate ourselves from competitors.

But for the short term, we want to develop products that require only a short evaluation span. Products for the North American and European markets inevitably take a longer time to develop, which is more suitable for medium to long-term projects. It would be challenging to increase volume instantly without European market recovery.

Some that require short evaluation time are for the Chinese market or industrial needs. By focusing on these areas, we can bring up the utilization rate in a relatively brief time, and currently, we have set a policy to take necessary measures.

Among both old and new plants, the utilization rate cannot improve, and in such a case, we aim to proceed with efficient operations current plants of China & Iwaki site, and the brand-new plant, while conducting multiple evaluations.

At the same time, we will work on cost reductions. These are our approaches to PVDF.

[Q]: Is it safe to say that there are no indications of impairment at this point?

[A]: We conducted the impairment test at the end of the previous fiscal year. As a result, we are not expecting loss of impairment.

[Q]: I was under the impression that the ESS application was favorable, as you've successfully won the deals with a few major clients. Is it accurate to say that the shipment is on schedule?

[A]: The customers for ESS are the same customers with whom we have existing business for automotive applications. The customers have worked on developing ESS products, and this time we have begun selling them to these customers.

[Q]: The volume for automotive applications is decreasing, and it may have fluctuated by about 20%. At this point, how much growth do you expect to build on from here for the next fiscal year? You mentioned you expect different profit margins. Considering a large facility will be launched in the next fiscal year, will you prioritize high-volume sales?

[A]: We're currently evaluating sales quantities for the next fiscal year, as well as the budget. We expect significant growth for ESS for at least the next three years. Therefore, we are working to expand sales.

As you point out, the sales unit price for LFPs is, even for binders, going to be low. On the other hand, we know our production capacity will increase, and additionally, we currently have some flexibility in production volume; we will ensure to effectively capitalize on the sales of the ESS products that are deemed as the growing market.

PGA

[Q]: I have a good understanding of the current fiscal year. I would like to ask you to share your approach to the incoming fiscal year in an organized format.

First, resin production. You brought up a recommencement of resin production. The question is whether it will be possible to produce exactly the amount needed to meet next year's demand, starting this fiscal year and continuing to the next. You also expressed some confidence in the lower-temperature product.

How does that impact next year's volume? Since you are restricting incoming orders for H2 of the current fiscal year, it is fine to have a bit of a range in terms of how much volume increase can be expected in the next fiscal year, considering actual demand. I would appreciate it if you could provide some directions.

[A]: As for production, we will resume production next week. Since we have resolved the root cause, we plan to respond to the demand by further catching up on the production schedule as soon as possible. The schedule captures the maintenance period as well as the two-month consecutive campaign that starts in November.

The medium and high temperature products are doing well. As for low-temperature and ultra-low-temperature grades, we launched one grade at the beginning of this year, are going to launch one more this month, and will launch one more next month, for a total of three grades in the market. In both cases, this is sufficient for our internal evaluation, which is that a certain level of demand can be expected. First, we would like to proceed with field trials of these three products to expand sales in the next fiscal year and beyond.

The forecast for the next fiscal year is linked to gas prices for medium and high temperatures. In some of our high-temperature mining areas, we have a market share of more than 50%. In this sense, the credit is extremely high from the customer's point of view, so it is slightly linked to the gas price in the market.

However, speaking of demand, 30% of gas is currently exported. We expect another 20% increase in exports over the next two to three years, and a 20% to 30% increase in overall gas production, so we believe that the range will remain relatively steady over the next few years.

On the other hand, regarding oil prices, although the number of rigs is decreasing, oil production is increasing. Production efficiency is increasing dramatically, that's the reason that rigs are decreasing. Number of fracking operations are trending slightly higher, so there is no significant change regarding market size. The two grades that are introduced this year will contribute from next year onward, so quantitative discussions on the budget have yet to begin. We believe that an increase in revenues is expected.

[Q]: Will the resin production restart for all types? Low, exceptionally low, medium, and high temperatures. Could you please provide a specific comment on which grade of orders is currently restricted?

[A]: We are restricting incoming orders across all the grades currently in the lineup. We use the same primary resin to produce different types of resin products in most cases. Each type of product goes through a slightly different production process. The trouble this time was the primary resin material, and we didn't anticipate the impact on all the different grades of resins that are produced through different processes.

Progress in the Advanced Materials Segment

[Q]: The results and plans for operating profit in the Advanced Materials segment are difficult to understand: JPY0.1 billion for Q1, JPY2.4 billion for H1, and JPY2.3 billion for the full year forecast. Please give us an analysis of the increase or decrease in profit spanning from Q1 to Q2, and then please break down the reason for the decrease in profit from H1 to H2.

[A]: The largest gap is the change in profit and loss of PGA business, comparing Q1 and Q2. PVDF and PPS have improved. The largest factor is the PGA. Overall, the advanced plastic resin products line is improving.

Regarding the negative transition from H1 to H2, we expect that PPS will not generate enough equity in earnings in H2. In H1, the equity method yielded a profit of about JPY900 million, so the difference will be large. We expect a slowdown in PVDF in H2. In addition, some SG&A expenses have been shifted from H1 to H2, and these deferred SG&A expenses are expected to affect H2.

[Q]: I understand that you experienced some issues with the production of PGA. Is it correct to say that the profit level will not change much between H1 and H2?

[A]: PGA is expected to have a worse profit/loss in H1. The JPY800 million profit/loss impact due to the production troubles described in the handout is calculated on a full-year basis.

Due to the production issues, we were unable to manufacture the planned volume of resin in H1, which led to increased drawdown of inventory. As a result, a significant amount of inventory valuation gains was recorded in H1. On the other hand, Ordinarily, the costs of our U.S. resin plant are settled when the plant produces the resin and the headquarters purchases it as inventory. However, due to the production trouble this time, the plant was unable to generate sufficient output, and its losses remained on the books as a deficit in H1.

Enhance Cost Competitiveness

[Q]: I would like to ask about improving cost competitiveness on page 11 of the handouts. You stated, for the Production Transformation Project, that you aim to plan and implement specific measures within approximately two years.

What specific initiatives will be implemented for the current fiscal year ending March 2026, and how much - hundreds of millions of - annual impact do you anticipate seeing?

Also, for the next fiscal year ending March 2027, what specific initiatives will be implemented, and how much - hundreds of millions of - annual impact do you anticipate seeing?

Could you please share anything that has been confirmed at this point?

[A]: We launched the Production Transformation Project in April this year. We conducted multiple discussions and assessments from various viewpoints, exploring the way to reinforce competitiveness. As for the impact on the current fiscal year, I don't anticipate anything concrete.

In any case, considering cost reductions and production processes, it takes quite long time to realize. We are in the process of compiling quantitative data on these effects step by step and aim to demonstrate the financial impact.

At this point, I would like to say that, in terms of cost reduction benefits, we will make an official announcement when we introduce the next Medium-Term Management Plan. We would like to aim for a target of over JPY2 billion, approximately.

[Q]: Is that JPY2 billion for the three years of the Medium-Term Management Plan? In other words, is the plan to produce JPY2 billion over the next four years, including the current fiscal year?

[A]: I meant to say that we are working right now to reach the benchmark with FY2028 in mind.

[Q]: What is the base year?

[A]: It's a comparison to FY2024.

[Q]: You're saying you expect an enhancement of JPY2 million in FY2028, compared to FY2024?

[A]: That is the target we are considering at this time. We would like to discuss the specifics when we present the Medium-Term Management Plan.

New Product and Business Development

[Q]: Regarding new products and new developments, is the PVDF film for 3D touch panels on schedule for launch in the next fiscal year ending March 2027? If so, how many sales can we expect in the first year, FY2027? I would also like to know if the launch of the Biostimulant products is on schedule for the fiscal year ending March 2028.

[A]: Our 3D touch panel business consists of two lines: one operated jointly with Cambridge Touch Technologies, in which we have invested, and another comprising products that we have independently developed and marketed. We are proceeding as scheduled to start selling the products in the fiscal year ending March 2027. However, our approach is to start with a highly value-added and high-priced product and develop its general applications, so we plan to increase sales gradually and expand rapidly after the business foundation is solidified.

We are currently conducting a considerable number of field trials for Biostimulants. For this product, too, we are not planning to build a dedicated mega production site. It depends on the production planning but we develop and extend the usage of the highly value-added products, while we prepare to expand the production sites simultaneously.

As we employ a hybrid approach that involves in-house production and outsourcing, we carry extremely light assets. We have no change anticipated for the timing of introducing the products to the market.

[Q]: Sales of films for touch panels are not that large at first. Will the added value contribute to the profit?

[A]: Yes.

Shareholder Returns

[Q]: I would appreciate your comments on your future shareholder return policy, as much as you can comment on it now. The current DOE is 5%, which is a remarkably high level, and we understand that this will continue until the next fiscal year. I am not sure if this is sustainable. I would appreciate having a few comments on your vision for next year and beyond.

[A]: As disclosed, the applicable period is two years, namely FY2025 and FY2026, during which we have set shareholder returns in line with a DOE target of 5%.

As for the current policy to calculate DOE, of course, we do not intend to change it currently. To determine the percentage, I would expect to consider based on shareholders' opinions. That and other topics will be included in many discussions we will have as we build the Medium-Term Management Plan. And regarding how much capital or assets we can secure, we would like to make an official announcement when we present the Medium-Term Management Plan.

[Q]: Is it correct to say that you plan on keeping the current core policy for DOE, but may change the percentage?

[A]: We have been operating at 5% DOE for two years, so there are expectations from the market, and we would like to make a decision based on our future profit plan and other factors.

[END]