

## **IV. Kureha Mid-/Long-Term Management Plan (FY2023-2030) - The Rolling Plan 2025**

Note: The performance targets and key performance indicators for FY2030 will be released at the time of the announcement of the next medium-term management plan starting from FY2026..

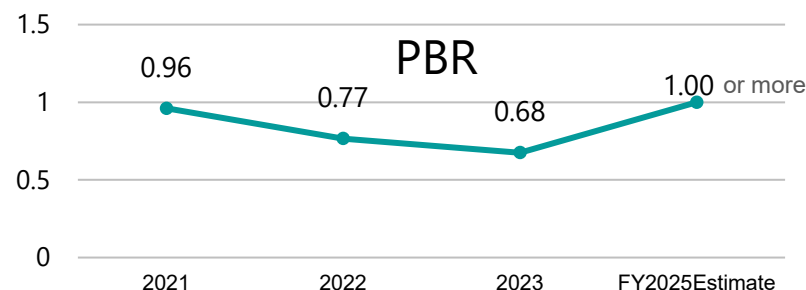
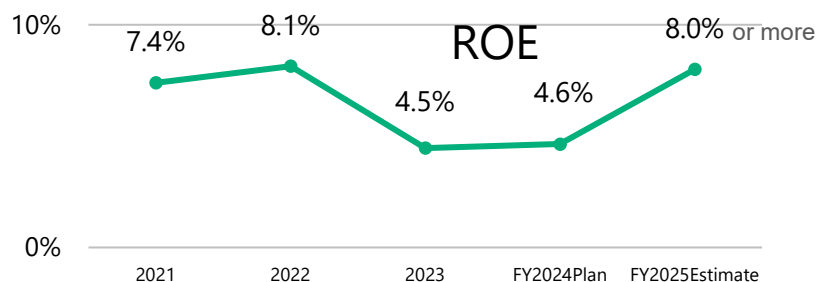
# Performance Targets and Key Performance Indicators (KPI)

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- To promote balance sheet-focused management with greater emphasis on capital returns, Kureha sets a new ROE target for FY2025
  - Improves 'numerators' of ROE by executing extensive business expansion measures and corporate-wide cost reduction
  - Mitigates business risks by revising our investment plans, particularly for the PVDF business (to be later described)
  - Reviews our capital structure while mitigating business risks, enhances shareholder returns and promotes balance sheet-focused management (a minimal annual dividend of ¥86.7 per share, three-year share buybacks to double, and more details on shareholder returns described in the latter section)
- Kureha also sets a new KPI target, PBR of 1 or above, to be achieved by FY2025 end.

		FY2023	FY2024 Estimate	Rolling plan (- FY2025)	FY2025 Original Plan
Performance targets	Revenue	¥178.0 bn	¥170 bn	Revised ¥185 bn or more	¥200.0 bn
	Operating profit	¥12.8 bn	¥14 bn	Revised ¥20 bn or more	¥25.0 bn
Key Performance Indicators	ROE	4.5%	4.6%	New 8% or more	-
	PBR	0.7	-	New 1.0 or above	-

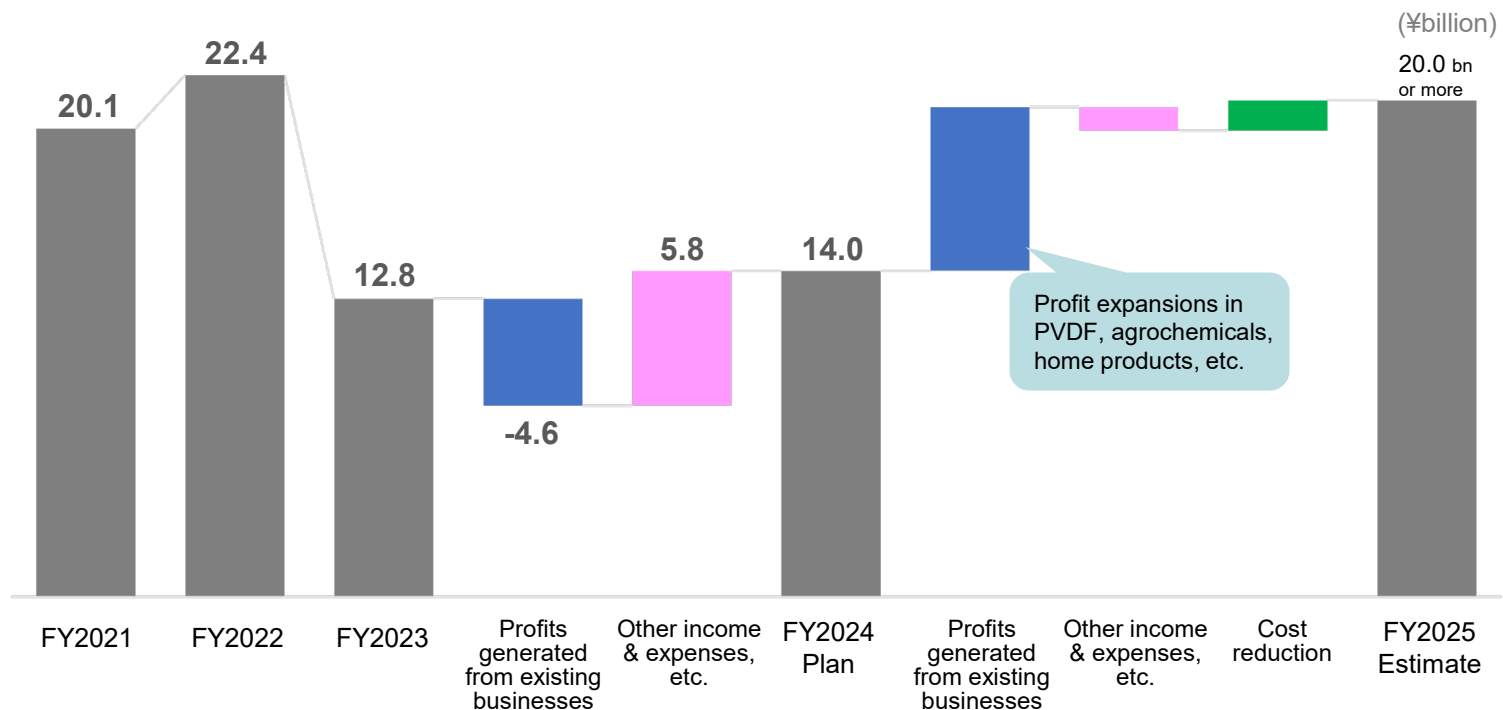


# Operating Profit Growth Scenario

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- Will strengthen and expand the profit base by executing thorough measures to revamp the PVDF business and expand other existing businesses
- Will implement across-the-board measures to further reduce costs in order to ensure profit improvement in case PVDF-related business conditions are not improving as projected. Specifically, our cost-cutting efforts are similar to the initiatives successfully achieved under our Cost Reduction Project during FY2013 and 2022.

## Our approach to improving operating profit



# FY2025 Performance Targets by Segment

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Revenue & Core Operating Profit by Segment				(¥ billion)
	FY2023 Results	FY2024 Plan	FY2025 Estimate	FY2025 Original Plan
<b>Revenue</b>	<b>178.0</b>	<b>170.0</b>	<b>185.0 or more</b>	<b>200.0</b>
Advanced Materials	64.5	70.0	81.0	100.0
Specialty Chemicals	33.9	29.0	30.0	30.0
Specialty Plastics	47.3	40.0	44.0	40.0
Construction/Other Operations	32.1	31.0	30.0	30.0
	-	-	-	-
<b>Core operating profit</b>	<b>18.6</b>	<b>14.0</b>	<b>20.0 or more</b>	<b>25.0</b>
Advanced Materials	4.8	5.7	10.0	16.0
Specialty Chemicals	1.7	1.0	1.0	1.0
Specialty Plastics	8.2	5.2	7.0	6.0
Construction/Other Operations	4.0	2.1	2.0	2.0
	-	-	-	-
Adjustments/Other income and expenses	-5.8	-	-	-
	-	-	-	-
<b>Operating profit</b>	<b>12.8</b>	<b>14.0</b>	<b>20.0 or more</b>	<b>25.0</b>

# Capital Strategies

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- A new minimal yearly dividend is set at ¥86.7 per share
- Share repurchases to double from ¥20 billion to ¥40 billion for the three-year period from FY2023 to FY2025
- The Board of Directors to determine each year on the cancellation of treasury shares which are considered as surpluses after deducting the number of shares required for stock compensation, M&As, etc., in addition to its decision regarding the acquisition of treasury shares
- An optimal equity ratio is set at around 50%, down 10 points from the previous 60%
- Policy stockholdings are periodically reviewed by the Board of Directors by scrutinizing the purpose, benefits, risks, and returns for each stock. Stocks that have lost their significance will be sold gradually after considering the relationship with business relationship, impact on the market, effective use of funds, and other factors.

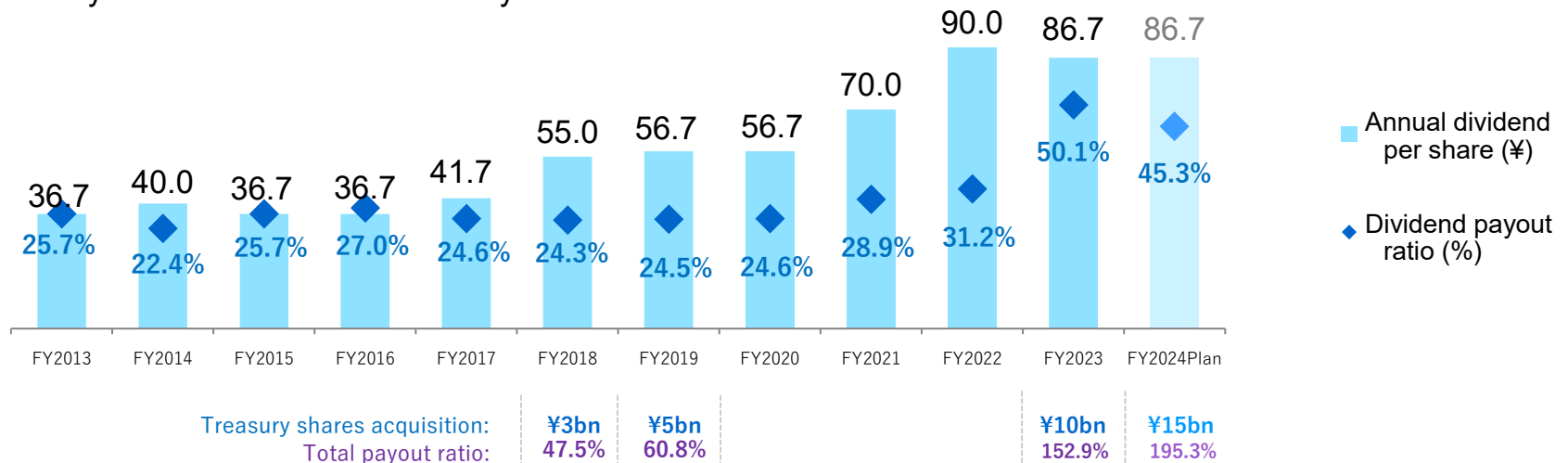
		FY2025 Original Plan		Rolling plan (- FY2025)	
Cash dividend	Payout ratio	30% or more		Continued	30% or more
	Minimal yearly dividend per share	(None)		New	¥86.7 or more
Total payout ratio	Total payout ratio	50% or more		Continued	50% or more
Treasury shares	Treasury shares to be acquired (- FY2025)	Approx. ¥20 billion		Revised	Approx. ¥40 billion
	Method of cancellation	To be determined in accordance with Article 178, Companies Act		New	To be determined in accordance with Article 178 of the Companies Act, AND the cancellation of treasury shares deemed surpluses after considerations for stock compensation, M&As, etc., to be also determined
Equity ratio	Equity ratio	Approx. 60%		Revised	Approx. 50%

# Shareholder Returns

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Kureha's basic policy on the distribution of earnings is to maintain stable dividends with a target dividend payout ratio of 30% or more, while enhancing internal reserves to enable active investment in future business expansion. Moreover, a minimal annual dividend is set at ¥86.7 per share until FY2025. To further meet shareholders' expectations and improve stock prices, we aim for a total payout ratio of 50% or more through share buybacks and acquire approximately ¥40 billion in treasury stock during the three-year period from FY2023 through FY2025.

## Yearly Dividends and Dividend Payout Ratio



### Notes:

- Kureha conducted a ten-to-one share consolidation on October 1, 2016 and then conducted a three-to-one share split on January 1, 2024. All figures in this chart are presented on a post-split basis
- Kureha's accounting standards have changed from the Japanese GAAP to IFRS in and after FY2016

## **V. Business Strategies**

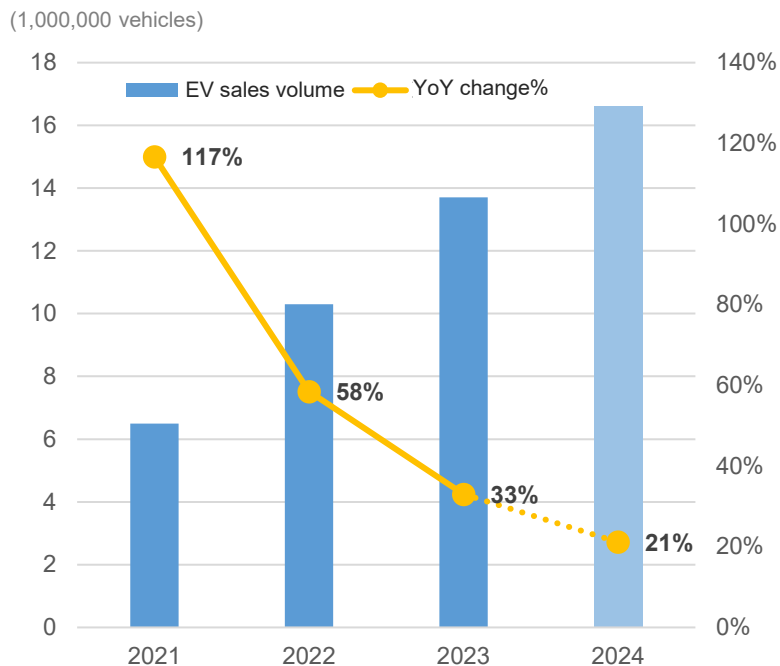
# PVDF Business

## - Changing Business Environment (1)

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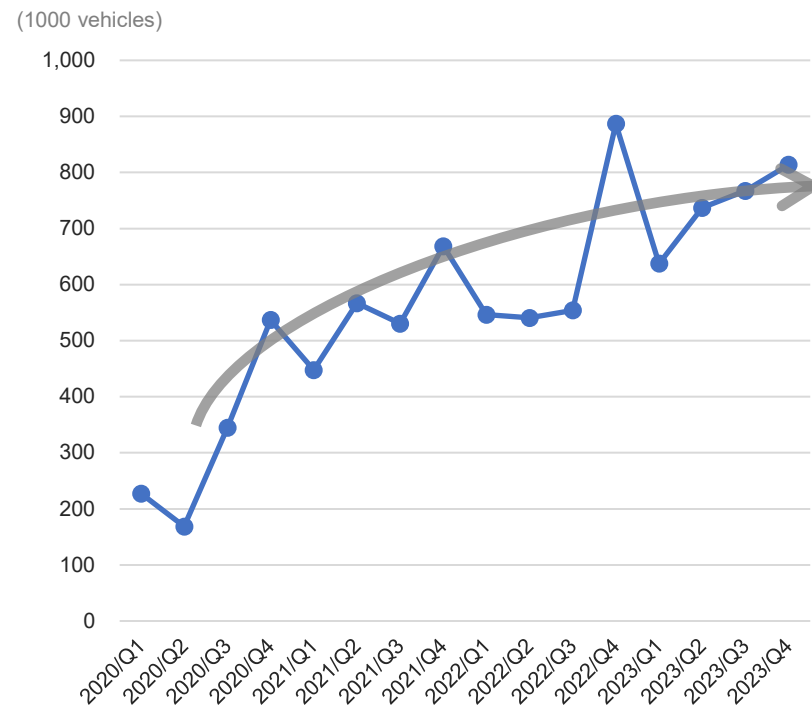
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### Global EV sales volumes and growth rates



Data source: IEA; License, CC BY 4.0

### Sales volumes of New Energy Vehicles (NEV) in Europe— a primary market for Kureha PVDF



Data source: MarkLines

Growth of EV and PHEV sales has slowed down..



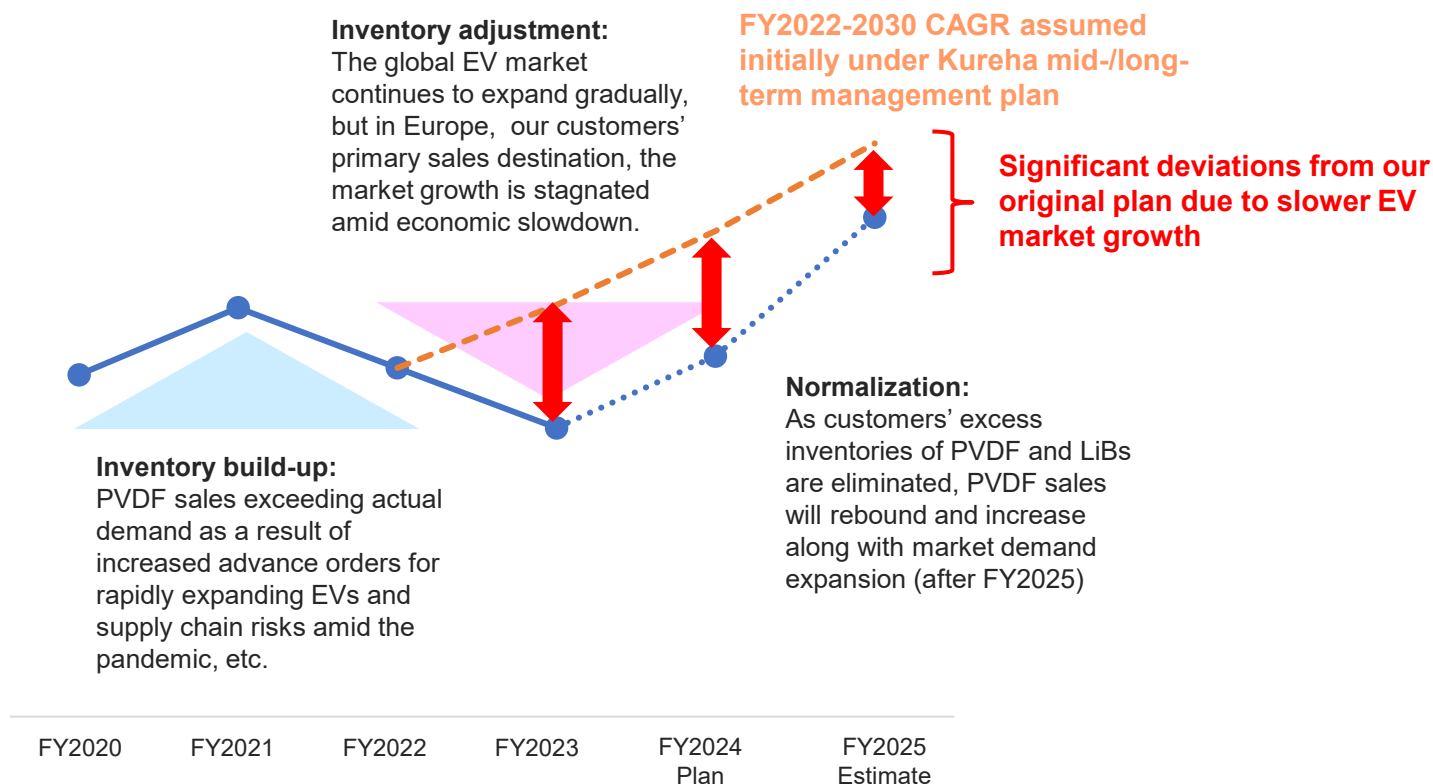
# PVDF Business

## - Changing Business Environment (2)

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### Kureha PVDF sales volume trends

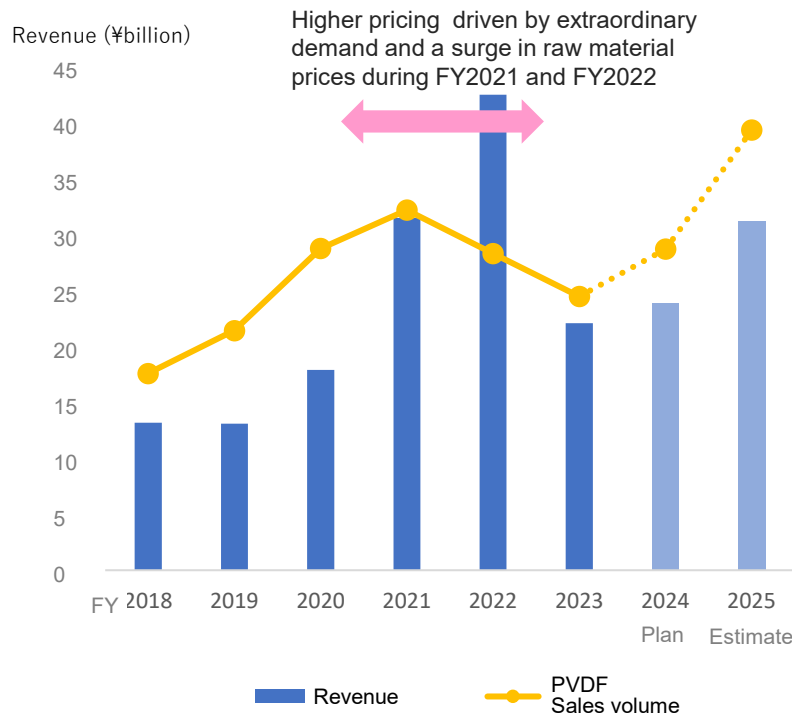


**With customer destocking completed in FY2025, our sales volume begins to increase proportionately with actual market demand**

# PVDF Business – Performance Trends

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## Business performance trends



- An upward trend of the EV market is unchanged both in the US and Europe, although the market growth has slowed.
- Customers' excess stock, resulting from more-than-demand purchases up to FY2022, led to inventory adjustments in and after the second half of the year.
- Their plans to build new US LiB manufacturing plants are unchanged and proceeding as scheduled.
- Actual market demand for PVDF is increasing during the period of inventory adjustments, although its growth is slower than initially projected.
- Raw material prices have stabilized, and their impact on PVDF pricing is now limited.
- In FY2024, profit margin will likely remain at a prior-year level as we continually sell inventories manufactured previously with high-priced raw materials for the first half of the year and also due to reduced manufacturing plant operations.
- Going forward, Kureha expects to see profit margin and operating profit to improve along with recovering sale volumes.
- Profit margin will likely return to a pre-pandemic level after FY2025.

# PVDF Business – Our Investment Plans Onward

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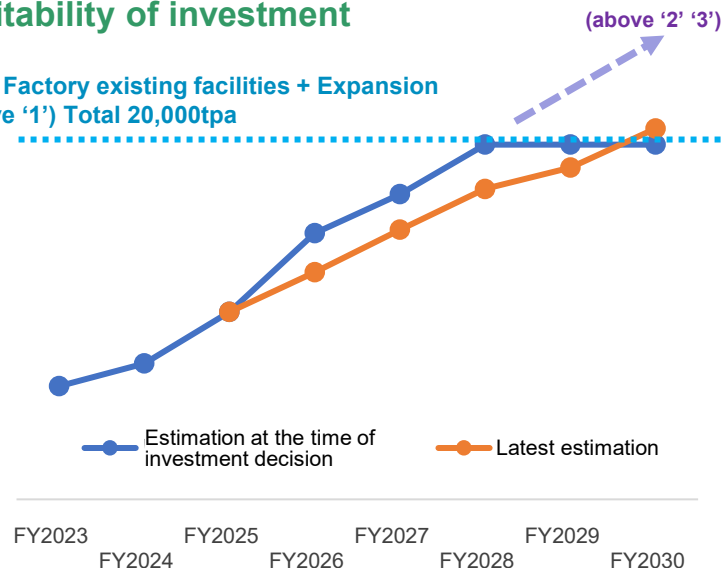
## PVDF facility expansion projects proposed under the mid-/long-term management plan

	Capacities (in metric tons)	
	Existing facilities	Expansion projects
1) Iwaki Factory (Debottlenecking)	6,500	+8,000 (+2,000)
2) China plant	5,500	Cancelled
3) A 3 <sup>rd</sup> manufacturing base (new location)	--	To be determined based on future market demands

- Our Iwaki Factory capacity expansion project is proceeding as scheduled
- Kureha PVDF manufacturing capacities, including by debottlenecking the existing facilities, totaled to approx. 20,000tpa in FY2026

## Iwaki Factory capacity expansion: Profitability of investment

Iwaki Factory existing facilities + Expansion  
(above '1') Total 20,000tpa



- Kureha effectively secures profitability while the payback period was extended by one year
- The new facility is expected to become fully operational before FY2030, two years later than originally planned
- Our investment of approx. 70 billion yen is partly supported by two types of governmental funds:
  - One is ¥6.8bn but amount from the other fund is not disclosed.

# PVDF Business – Risk Awareness & Response Measures

Risk related to:	Recognition & Response measures
Risks of European PFAS regulations	<ul style="list-style-type: none"> <li>• In the EU, the proposed restrictions for PFAS substances are scheduled to be verified in as early as 2025 and enacted partly for substances with no grace period in 2027. However, as of April 2024, the verification process has been delayed by a year.</li> <li>• 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.</li> <li>• 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.</li> </ul>
the US Inflation Reduction Act and the use of raw materials produced in China for Kureha PVDF	<ul style="list-style-type: none"> <li>• The amount of critical minerals used for a lithium-ion battery is small (less than 2% in value). Also, for certain battery materials (including electrode binders) which origins are not readily traceable, a transition period was given until December 31, 2026.</li> </ul>
Shrinkage of the NMC LiB market as a result of LFP LiB expansion	<ul style="list-style-type: none"> <li>• We believe NMC batteries, with their advantages in operating stability in cold environments and per-charge mileage, will stay mainstream in the global market excluding China.</li> <li>• Recycling issues have been pointed out with LFP batteries, which use iron phosphate as a cathode material that is difficult and costly to recycle. If recycling battery materials becomes mandatory, the cost difference between NMC and LFP batteries will be narrower than it is now..</li> <li>• Kureha is also working to develop a PVDF binder for LFP batteries, which account for half of the global battery market, with an aim to win market share.</li> </ul>
Fluctuations in raw material prices to affect sales prices	<ul style="list-style-type: none"> <li>• We acknowledge raw materials prices have stabilized for now. As a measure to mitigate impact when their prices fall, we negotiate prices for each order and will strive to improve profits.</li> </ul>
Emerging new-generation batteries	<ul style="list-style-type: none"> <li>• There still are technological and cost-reduction challenges to commercializing new-generation batteries.</li> <li>• Although we don't expect suppliers of new-gen batteries to emerge immediately, at least not until LiB makers recover some of their investments, we are already working to develop binder materials for new-gen batteries.</li> </ul>
The US presidential election	<ul style="list-style-type: none"> <li>• We believe no drastic decision will be made to impair operations and cause job loss at manufacturing factories for LiB materials, LiBs and BEVs, which turns to be a serious political issue.</li> <li>• Many investments are being made in Republican states.</li> </ul>



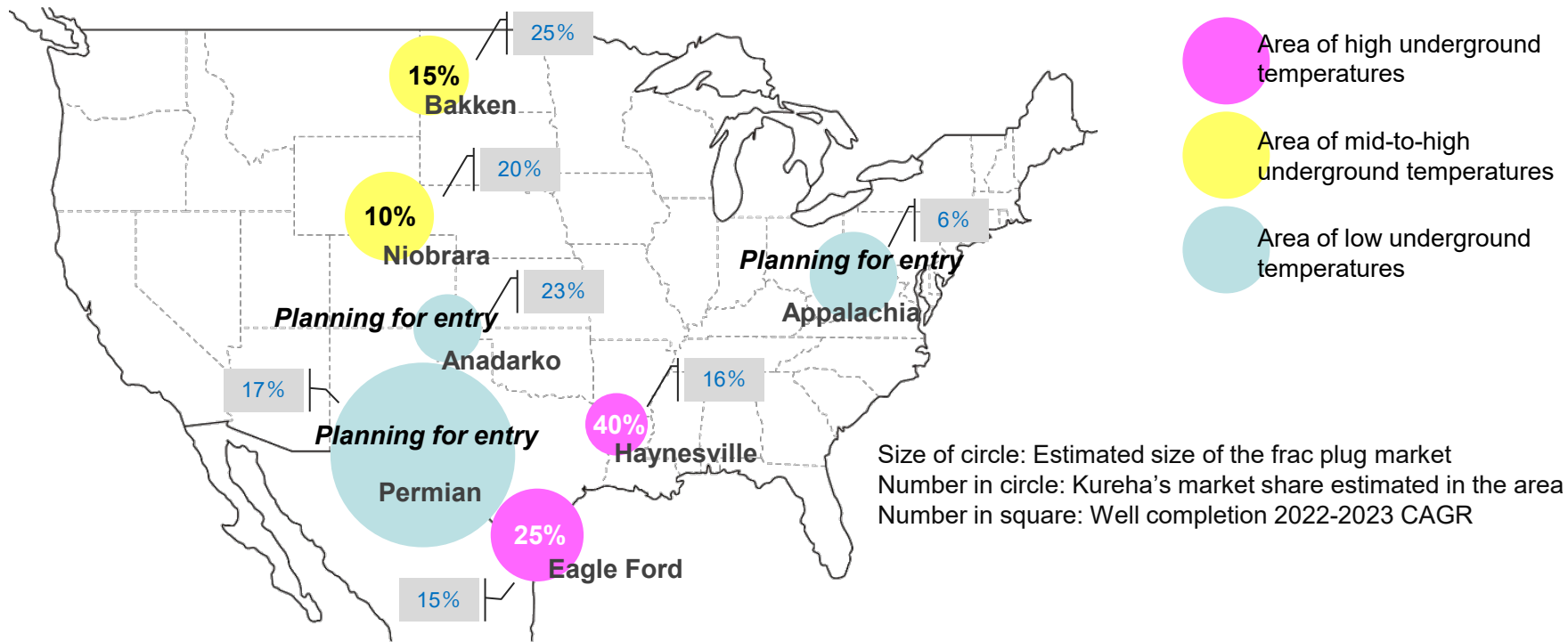
Unit: US\$ / bbl

Date	Price (US\$ / bbl)
Jan-19	50
Apr-19	55
Jul-19	55
Oct-19	55
Jan-20	55
Apr-20	15
Jul-20	40
Oct-20	40
Jan-21	45
Apr-21	60
Jul-21	65
Oct-21	70
Jan-22	75
Apr-22	100
Jul-22	115
Oct-22	85
Jan-23	75
Apr-23	70
Jul-23	80
Oct-23	75
Jan-24	80

- The number of completed oil and gas wells ( $\approx$  the frac plug market) is increasing steadily after a rapid post-pandemic recovery.
- Crude oil prices remain at high levels. The prices are expected to be stable over a medium term, although there are still some geopolitical risks.

# PGA Business - Frac Plug Market

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## Areas of mid-to-high underground temperatures

Further business expansion is possible in this key market.

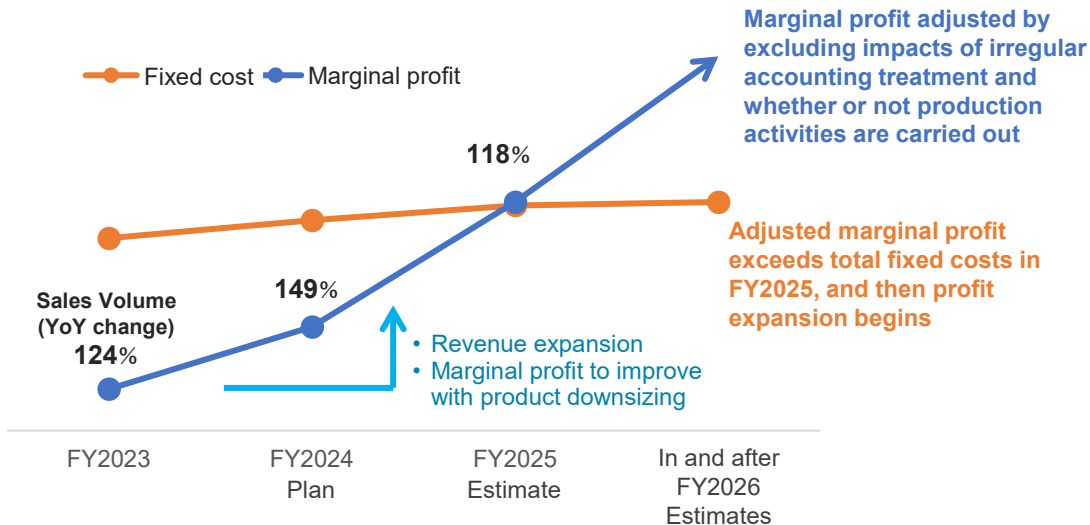
## Areas of low underground temperatures

Kureha aims to complete engineering a new frac plug for use in the area of low /extremely low underground temperatures by late FY2024 and move toward full-scale business expansion in FY2026.

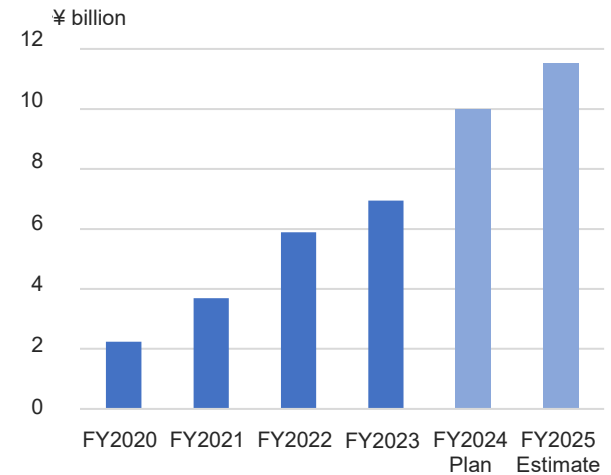
# PGA Business – Business Progress

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## Break-even analysis



## Business revenue

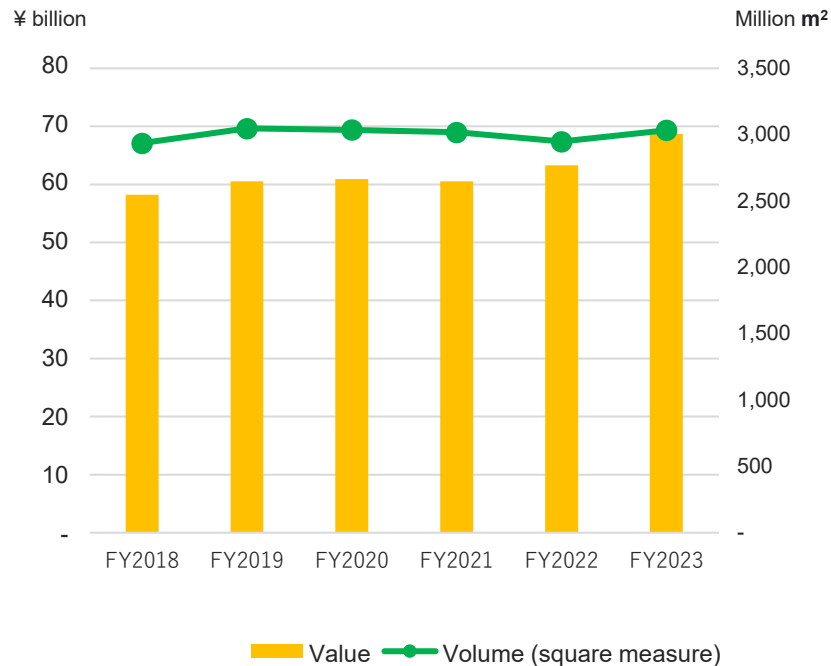


- As our PGA frac plugs are increasingly used in the oilfield, our product reliability is also increasing.
- This reliability is enabling us to acquire new customers and bulk orders for full-bore application (for use in an entire well) – Nearly 80% of FY2023 sales is full-bore applications
- In FY2024, we aim to increase profits by expanding sales and saving costs through product downsizing (short-sized frac plugs).

# Home Products Business – Business Strategies

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## Domestic Food wrap film market



Data source: INTAGE SRI+ 'Wrapping Film Market'  
April 2018-March 2024 Market Value/Volume

## A shift in our business strategy

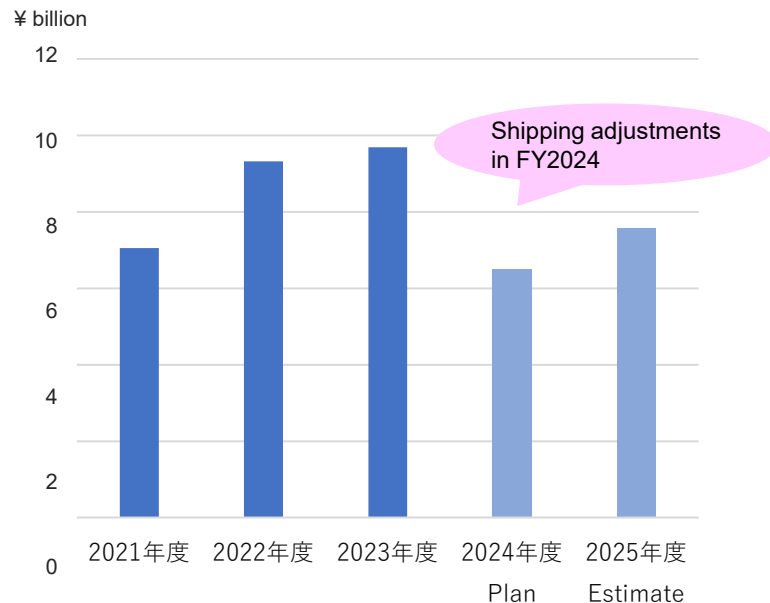
- Although Japan's population is decreasing, there is an increasing need to streamline housework in more dual-income households, suggesting potential growth in home products business expansion.
- Kureha is strengthening sales and marketing efforts to all sales channels where there are growth opportunities, including overseas markets and E-commerce.
- To reflect consumer feedback on product development and further enhance value, we will also enhance consumer research and development capabilities.
- Kureha is investing resources necessary to achieve sustainable growth in the business (facilities, human resources, etc.) and aims to generate profits which will exceed the cost increase.
- We expect to see effects of the above growth measures on the business earnings in two to three years.



# Agrochemicals Business

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## Agrochemicals business revenue



Operating profit is forecast to improve largely after FY2025 as sales volume rebounds after inventory adjustments, and while R&D expenses related to our new agricultural product are currently increasing, they will peak out in FY2025.

## Business environment

- Kureha's agrochemical shipment in FY2022 was far more than the actual demand due to a surge in grain prices and global supply chain risks.
- In FY2023, inventory adjustments began in the end-agrochemical market, while our shipping volume continued to increase. We expect shipping adjustments during FY2024 and a volume recovery in FY2025.
- Kureha's started preparations for the supply of Metconazole fungicide, presuming that our product is re-registered in Europe.

## About our new agrochemical product:

Type of product: Agricultural fungicide

Product launch: Around 2030

Area of sales: Global

Targeted crops: wheats, corns, fruits, vegetables

Expected annual sales (at peak): ¥20 billion or more

# Progress in New Business Development (1)

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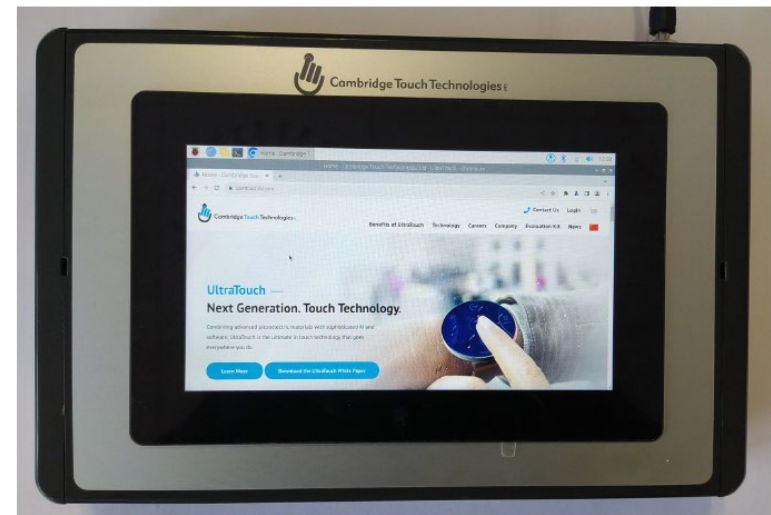
We are exploring development themes in the areas of Environment & Energy, Life, and Digital Communications with a market-in perspective and a future global expansion in mind, while actively incorporating third-party technologies in our development.

## <Digital Communications>

### 3D Touch Screen Panel

- A 3D touch screen panel with a simple configuration helps reduce production costs
- Differential features including minimal malfunction, energy saving and superior transparency
- Targeted applications are wearable devices, smartphones, notebook PCs, and other high-volume products.
- Kureha aims for sales of ¥2-3 billion in late 2020s.

A prototype using Kureha PVDF Piezo Film demonstrated at a tradeshow



# Progress in New Business Development (2)

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## <Environment>

### PFAS Capture & Destruction

- Our corroborative initiative with US startup, Claros Technologies, Inc., to provide technology solutions and services that capture and destroy PFAS substances in waste water, including low-molecular-weight perfluorooctanesulfonic acid (PFOS) and perfluorooctanoic acid (PFOA)
- Kureha participated in the Series B round of funding for Claros Technologies.
- The Kureha Group promotes their technology and services in Japan and other Asia markets for business launch targeted around 2026, building a new business model to reduce negative impact on the environment.

## <Life>

### Biostimulant

- Biostimulants (non-protein amino acids) are agrochemical materials that promote crop growth and increase yields by stimulating natural growth processes.
- Kureha has developed a new biostimulant and confirmed its effects to improve yields of tomatoes and other vegetables and fruits in our field tests.
- We will aim for market entry in late 2020s and contribute this new technology to support agricultural production and improve global food supply.

# Improving the Business Portfolio and ROIC

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## FY2023

### ■ Kureha further optimized its business portfolio by:

- Proceeding to withdraw from the heat shrink multilayer film business, a part of Kureha's food packaging business
- Reconstructing two businesses in the Kureha Group (effective as of April 1, 2024) to promote efficiency and strengthen the Group structure
  - ✓ Kureha Engineering Co. merged into Kureha Construction Co.
  - ✓ Kureha Staff Service Co. merged into Kureha Service Co.

## Our initiatives to further improve the business portfolio

### ■ Promoting ROIC-focused management

- Will monitor the return on invested capital (ROIC) in each business and make improvement plans for underperforming businesses
- When an expected ROIC is unlikely to be achieved within a certain time period, such business is subject to structural reform and Kureha will reconsider the direction of this business

### ■ Advancing M&A activity

- In addition to funding startup companies, Kureha will upscale M&A activity with views to developing downstream applications for our existing businesses as well as exploring growth opportunities in the areas of digital communications and agrochemicals
- M&A-related funds are set at ¥10 billion for the period until FY2025 end.

# Review of Capital Investment Plans

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- Kureha's policy to actively invest for growth is unchanged. Our investment plan for the PVDF business is however revised in light of significant changes in the business environment.
- The decrease in capital expenditures related to PVDF is redeployed for expanding profits of existing businesses and as M&A funds

(¥ billion)

	FY2025 Rolling plan	FY2025 Original plan
Plant & equipment	<b>95</b>	105
R&D, New businesses	<b>5</b>	5
M&A	<b>10</b>	-
Environment	<b>5</b>	5
DX	<b>5</b>	5
Total	<b>120</b>	120

## **VI. Progress toward Environmental Load Reduction Targets**

# Reducing Our Environmental Footprints

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## CO<sub>2</sub> emission reduction

(FY2030 target) **30% or more**  
vs. FY2013 actual

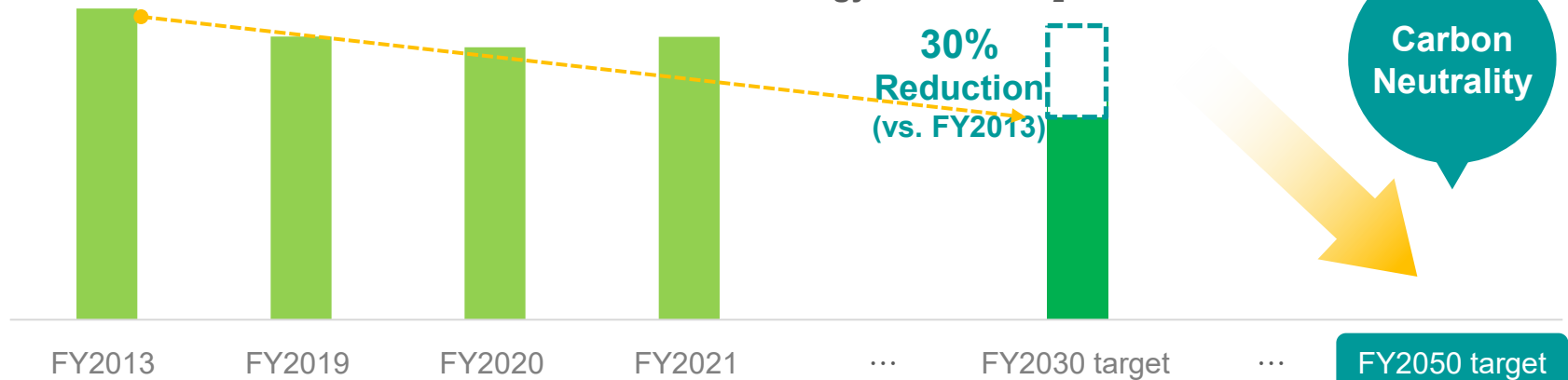
- Working to **establish the technology that enables the use of CO<sub>2</sub>-free, regenerative energy**, partially replacing coal, at our primary power plant of the Iwaki Factory

## Zero waste emission ratio

(FY2025 target) **1.5%**

- Reduce the amount of waste sent to landfill by **recycling plastic wastes** generated from our manufacturing activities
- **Improve our manufacturing processes** with aims to **further reduce waste generation** and convert wastes into valuable resources

## Energy-derived CO<sub>2</sub> emissions



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