

# FY2021 Financial Report

KUREHA CORPORATION

May 12, 2022

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# I. FY2021 Results (April 1, 2021 – March 31, 2022)

## Highlights

- Delivered ¥6.5bn growth in core operating profit, driven by Advanced Materials (PVDF, PPS) and Specialty Plastics (wrap film, fishing lines)
- PPS capacity increase of 5000tpa (completed by FY20/4Q) contributing in 2Q onward
- Capacity increase for PVDF specialty polymers completed at the Iwaki Factory in 4Q
- Sales growth of PGA frac plugs below targeted; PGA resin production suspended
- Development of new agrochemicals progressing as scheduled
- Recorded a ¥5.3bn impairment loss on the PGA resin manufacturing plant (USA)

# FY2021 Financial Summary (1)

KUREHA CORPORATION

(in billions of yen)

	FY2020	FY2021	Change YOY
Revenue	144.6	<b>168.3</b>	23.8 (+16.4%)
Core operating profit	18.9	<b>25.3</b>	6.5 (+34.2%)
Adjustments	0.1	0.1	0.0
Other income	0.9	1.2	0.4
Other expenses	2.5	6.5	4.0
Operating profit	17.3	<b>20.1</b>	2.9 (+16.7%)
Financial income	0.7	0.5	-0.2
Financial expenses	0.2	0.3	0.1
Profit before taxes	17.7	<b>20.4</b>	2.7 (+14.9%)
Profit attributable to owners of Kureha Corp.	13.5	<b>14.2</b>	0.7 (+5.0%)
Profit per share (¥)	¥691.33	<b>¥725.73</b>	
[References]Crude oil (US\$/bbl)	\$44	\$79	
FOREX ¥/USD:	¥106.1	¥112.4	
¥/EUR:	¥123.8	¥130.6	
¥/CNY:	¥15.7	¥17.5	

## Vs. FY2020

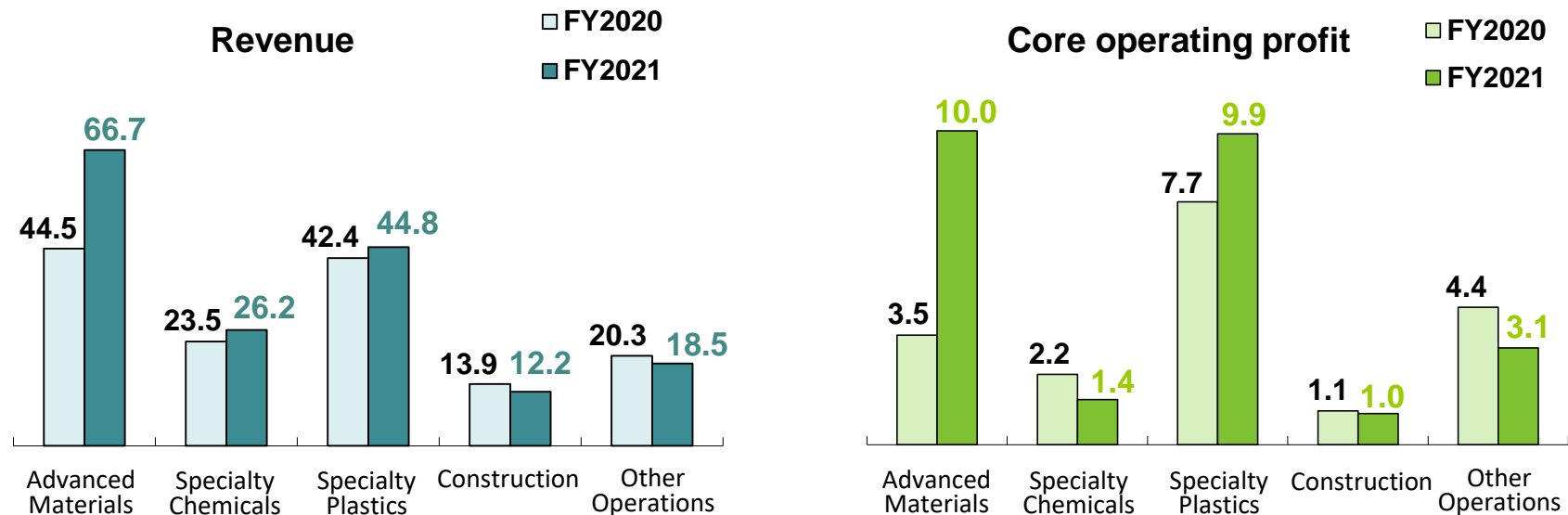
- Revenue growth driven by Advanced Materials, Specialty Chemicals and Specialty Plastics, partially offset by declines in Construction and Other Operations
- Higher core operating profit led by Advanced Materials and Specialty Plastics
- Operating profit increased on higher core operating profit, including a ¥5.3bn impairment loss
- Higher profit before taxes resulting from higher operating profit
- Profit attributable to the Company improved on higher profit before taxes, partially offset by higher tax expenses

# FY2021 Financial Summary (2)

KUREHA CORPORATION

## Revenue & Core Operating Profit by Segment (vs. FY2020)

(in billions of yen)



### Factors attributing to changes in core operating profit

- AM: Sales expansion of advanced plastics (PVDF, PPS, PGA), carbon products and other plastic products
- SC: Higher fuel and raw material costs more than offsetting increased pharmaceuticals and organic industrial chemicals volumes, flat agrochemicals sales
- SP: Higher home product and fishing line volumes, recovered sales for packaging materials
- CO: Fewer construction projects in both private and public sectors
- OO: Absence (completion) of prior year's post-typhoon waste treatment projects

# FY2021 Financial Summary (3)

KUREHA CORPORATION

(in billions of yen)

	FY2020	FY2021
Core operating profit	18.9	25.3
Adjustments	0.1	0.1
Other income	<b>0.9</b>	<b>1.2</b>
Other expenses	<b>2.5</b>	<b>6.5</b>
Operating profit	17.3	20.1
Financial income	<b>0.7</b>	<b>0.5</b>
Financial expenses	<b>0.2</b>	<b>0.3</b>
Profit before taxes	17.7	20.4

## Notes

- Other expenses in FY2020 include an ¥1.6bn impairment loss related to the PGA business
- Other expenses in FY2021 include a ¥5.3bn impairment loss related to the PGA business and a ¥0.3bn loss on revision of retirement benefit plan

# Segment Performance: Advanced Materials

(billions of yen)

	FY2020	FY2021	Change %
<b>Advanced Materials</b>			
Advanced plastics	28.8	<b>47.8</b>	+66%
Carbon products	5.3	<b>5.9</b>	+11%
Other	10.3	<b>13.0</b>	+26%
<b>Revenue</b>	44.5	<b>66.7</b>	+50%
<b>Operating profit</b>	3.5	<b>10.0</b>	+187%

**Vs. FY2020**

**Revenue ↗ Operating profit ↗**

Advanced plastics: Revenue and profit up:

Higher sales volumes of PVDF LiB binder, PPS and PGA (for shale development) partially offset by impact of suspended production for PGA resins

Carbon products: Revenue and profit up:

Sales volume growth of carbon fiber used for high-heat furnace insulation and automotive sliding materials

Other: Revenue and profit up:

Sales expansion of other plastic products led by Group companies

# Segment Performance: Specialty Chemicals

(billions of yen)

	FY2020	FY2021	Change %
<b>Specialty Chemicals</b>			
Agrochemicals	7.1	<b>7.1</b>	-1%
Pharmaceuticals	4.0	<b>4.2</b>	+4%
Industrial chemicals	6.1	<b>7.4</b>	+22%
Other	6.3	<b>7.5</b>	+18%
<b>Revenue</b>	23.5	<b>26.2</b>	+11%
<b>Operating profit</b>	2.2	<b>1.4</b>	-36%

Vs. FY2020

Revenue ↗ Operating profit ↘

Agrochemicals: Revenue leveled off, profit down  
Flat fungicide sales; higher raw material and fuel costs

Pharmaceuticals: Revenue up, profit down  
Higher sales volume more than offset by impact of mandatory drug price revisions

Industrial chemicals: Revenue up, operating loss decreased  
Improved organic chemicals sales; higher raw material and fuel costs



# Segment Performance: Specialty Plastics

(billions of yen)

	FY2020	FY2021	Change %
<b>Specialty Plastics</b>			
Home products	21.8	<b>23.2</b>	+6%
Fishing lines	4.0	<b>4.6</b>	+14%
Packaging materials	11.9	<b>13.0</b>	+10%
Other	4.7	<b>4.0</b>	-15%
<b>Revenue</b>	42.4	<b>44.8</b>	+6%
<b>Operating profit</b>	7.7	<b>9.9</b>	+28%

Vs. FY2020

**Revenue ↗ Operating profit ↗**

Home products/Fishing lines: Revenue and profit up  
Continued volume growth of 'NEW Krewrap' film and 'Seaguar' fishing lines

Packaging materials: Revenue and profit up  
Expanded sales of polyvinylidene chloride film in Asia and heat-shrink multilayer film in Europe

# Segment Performance: Construction

(billions of yen)

	FY2020	FY2021	Change %
<b>Construction</b>			
Construction	21.1	<b>20.2</b>	-4%
Elimination (Intercompany sale)	-7.2	<b>-8.0</b>	--
<b>Revenue</b>	13.9	<b>12.2</b>	-13%
<b>Operating profit</b>	1.1	<b>1.0</b>	-9%

Vs. FY2020

Revenue ▼ Operating profit ▼

Construction: Revenue and profit down

Construction projects decreased in both private and public sectors

# Segment Performance: Other Operations

(billions of yen)

	FY2020	FY2021	Change %
<b>Other Operations</b>			
Environmental engineering	14.9	<b>13.4</b>	-10%
Logistics	7.8	<b>8.2</b>	+5%
Hospital operations	4.0	<b>4.1</b>	+3%
Others	2.4	<b>2.3</b>	-4%
Elimination (Intercompany sale)	-8.9	<b>-9.5</b>	--
<b>Revenue</b>	20.3	<b>18.5</b>	-9%
<b>Operating profit</b>	4.4	<b>3.1</b>	-30%

Vs. FY2020

**Revenue** ▼ **Operating profit** ▼

Environmental engineering: Revenue and profit down

- Flat volume growth for low-level PCB waste treatment
- Absence (completion) of post-typhoon waste treatment in prior year

Logistics: Revenue and profit at prior year's levels

Hospital Operations: Revenue and profit at prior year's levels

# Financial Position

KUREHA CORPORATION

(billions of yen)

## Assets

	Mar. 31 2021	Mar. 31 2022	Change
Cash and cash equivalents	17.8	<b>30.6</b>	12.8
Trade and other receivables	28.2	<b>35.8</b>	7.6
Inventories	36.5	<b>41.7</b>	5.2
Other current assets	3.7	<b>4.3</b>	0.5
<b>Total current assets</b>	86.2	<b>112.4</b>	26.2
Property, plant and equipment	120.2	<b>114.4</b>	-5.7
Intangible assets	2.2	<b>4.0</b>	1.8
Investments and other assets	48.3	<b>51.7</b>	3.4
<b>Total non-current assets</b>	170.7	<b>170.2</b>	-0.5
<b>Total assets</b>	256.9	<b>282.6</b>	25.7

## Liabilities and Equity

	Mar. 31 2021	Mar. 31 2022	Change
Trade and other payables	19.2	<b>29.5</b>	10.3
Interest-bearing debt	29.5	<b>28.5</b>	-1.0
Provisions	7.8	<b>8.2</b>	0.5
Other liabilities	14.9	<b>15.7</b>	0.8
<b>Total liabilities</b>	71.4	<b>81.9</b>	10.5
Shareholders' equity	18.2	<b>18.2</b>	-
Capital surplus	14.9	<b>14.7</b>	-0.2
Less: Treasury stock	-8.7	<b>-8.7</b>	-0.0
Retained earnings	154.2	<b>166.0</b>	11.8
Other components of equity	5.3	<b>9.0</b>	3.7
Non-controlling interests	1.7	<b>1.5</b>	-0.2
<b>Total equity</b>	185.5	<b>200.7</b>	15.2
<b>Total liabilities and equity</b>	256.9	<b>282.6</b>	25.7

# Cash Flow

KUREHA CORPORATION

(billions of yen)

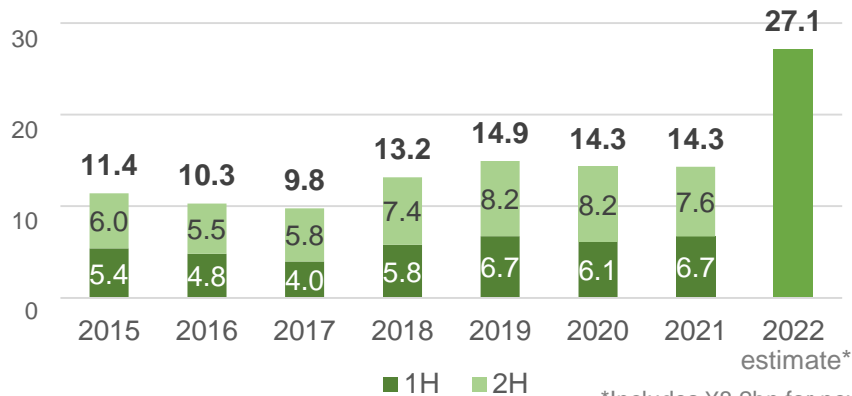
	FY2020	FY2021	Change
Profit before income tax	17.7	20.4	2.7
Depreciation	11.7	11.6	-0.1
Other	-2.7	-3.4	-0.6
<b>Cash flow from operating activities</b>	<b>26.7</b>	<b>28.6</b>	<b>1.9</b>
<b>Cash flow from investing activities</b>	<b>-3.9</b>	<b>-11.0</b>	<b>-7.1</b>
<b>Free cash flow</b>	<b>22.8</b>	<b>17.6</b>	<b>-5.2</b>
<b>Cash flow from financing activities</b>	<b>-12.5</b>	<b>-6.1</b>	<b>6.4</b>
Effect of exchange rate changes on cash and cash equivalents	0.3	1.3	1.1
Increase/decrease in cash and cash equivalents	10.6	12.8	2.2
Cash and cash equivalents at beginning of period	7.3	17.8	10.6
Cash and cash equivalents at end of period	17.8	30.6	12.8

# Key Indicators (1)

KUREHA CORPORATION

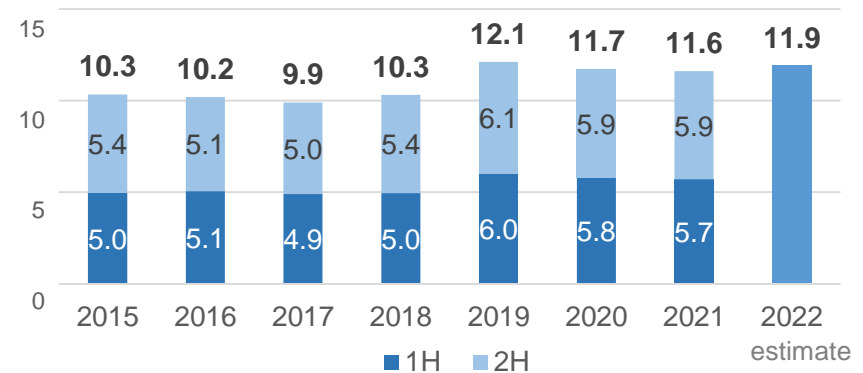
(billions of yen)

Capital investment

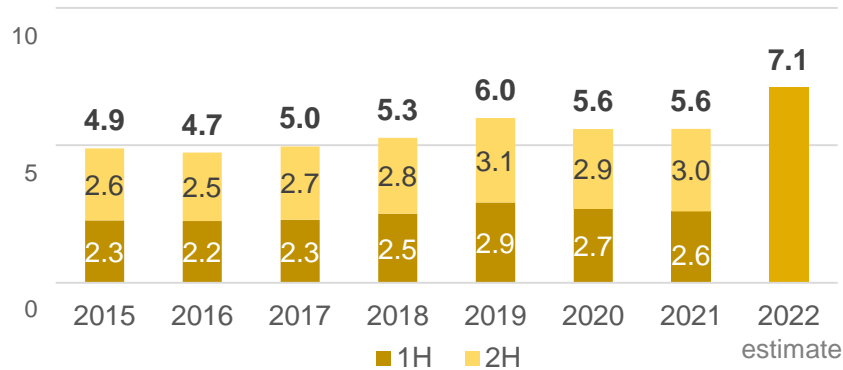


\*Includes ¥8.2bn for new PVDF facility in China and ¥1.8bn for new Iwaki logistics facility

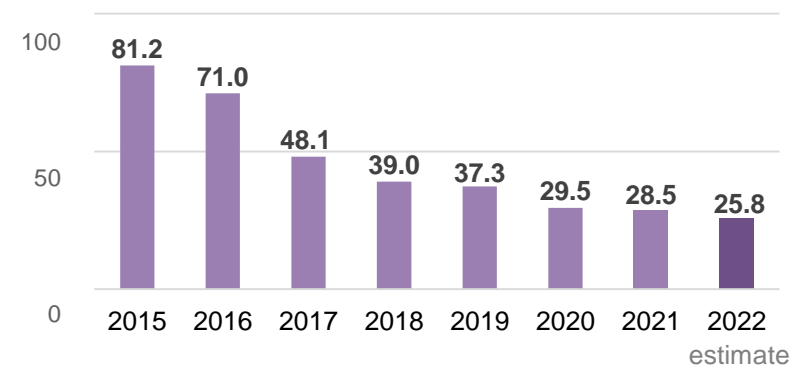
Depreciation expenses



R&amp;D expenditures



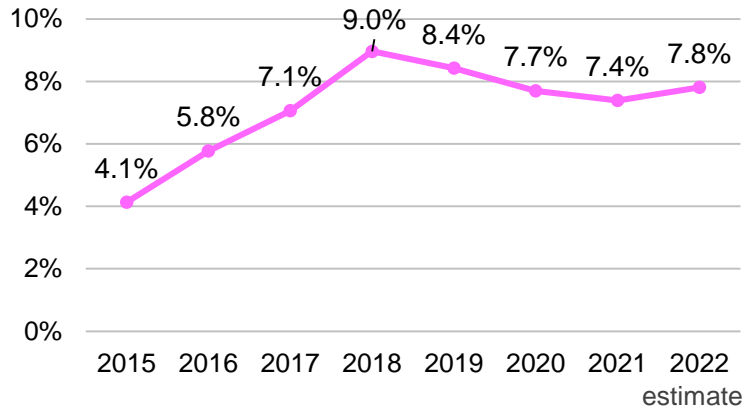
Interest-bearing debt



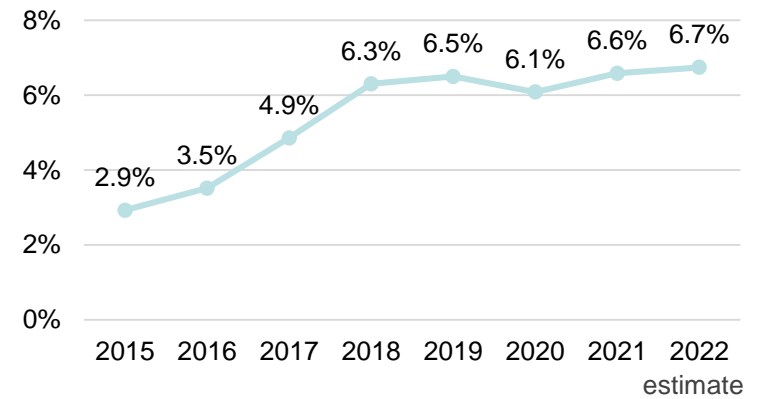
# Key Indicators (2)

KUREHA CORPORATION

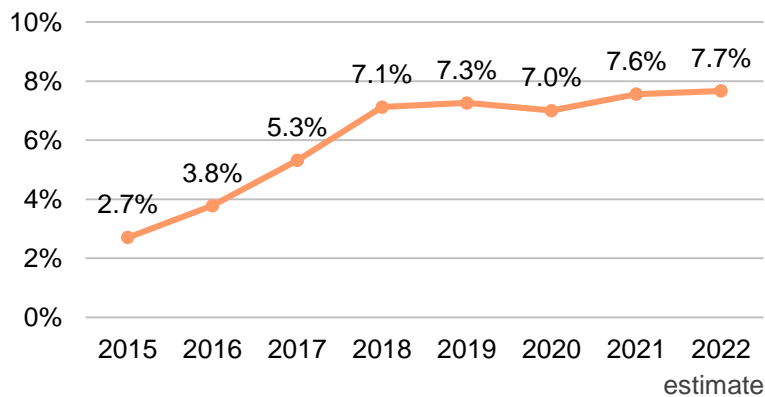
## ROE



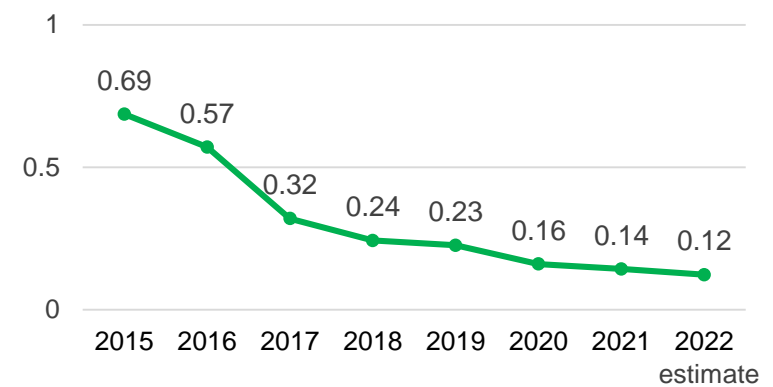
## ROIC



## ROA



## DE Ratio



## II. Consolidated Companies



# FY2020-2021 Revenue & Assets

KUREHA CORPORATION

(billions of yen)

		FY2020		FY2021		Change	
		Revenue	Total assets	Revenue	Total assets	Revenue	Total assets
Kureha Corp.		74.2	199.1	<b>89.6</b>	<b>211.1</b>	15.4	12.0
Kureha Trading Group		23.2	13.3	<b>26.3</b>	<b>14.7</b>	3.1	1.3
Advanced Materials	Kureha Corp.	29.8	--	<b>41.6</b>	--	11.9	--
	Kureha Trading Group	11.9	--	<b>14.8</b>	--	2.9	--
	Kureha Extron	2.9	4.2	<b>3.4</b>	<b>4.2</b>	0.6	-0.0
	Kureha Europe Group	1.8	1.1	<b>2.3</b>	<b>1.3</b>	0.6	0.2
	Kureha America Group	6.7	28.2	<b>8.3</b>	<b>34.0</b>	1.5	5.7
	Kureha (Shanghai) Carbon Fiber Materials	1.1	1.5	<b>1.8</b>	<b>1.6</b>	0.7	0.2
	Kureha China Group	7.0	10.6	<b>17.3</b>	<b>30.2</b>	10.3	19.6
	Consolidation adjustments	-16.7	--	<b>-22.9</b>	--	--	--
Total		<b>44.5</b>	--	<b>66.7</b>	--	<b>22.2</b>	--
Specialty Chemicals	Kureha Corp.	19.1	--	<b>20.9</b>	--	1.9	--
	Kureha Trading Group	7.0	--	<b>8.3</b>	--	1.3	--
	Consolidation adjustments	-2.5	--	<b>-3.1</b>	--	--	--
	Total		<b>23.5</b>	--	<b>26.2</b>	--	<b>2.6</b>
Specialty Plastics	Kureha Corp.	25.4	--	<b>27.0</b>	--	1.6	--
	Kureha Trading	4.3	--	<b>3.1</b>	--	-1.1	--
	Kureha Gohsen	4.7	5.9	<b>5.9</b>	<b>7.2</b>	1.1	1.3
	Kureha China Group	0.2	--	<b>0.5</b>	--	0.3	--
	Kureha America Group	2.1	1.3	<b>2.4</b>	<b>1.8</b>	0.3	0.5
	Kureha Europe Group	7.6	7.1	<b>8.3</b>	<b>7.1</b>	0.7	0.0
	Kureha Vietnam	3.1	3.5	<b>4.0</b>	<b>4.7</b>	0.9	1.2
	Consolidation adjustments	-5.1	--	<b>-6.4</b>	--	--	--
Total		<b>42.4</b>	--	<b>44.8</b>	--	<b>2.4</b>	--

# FY2020-2021 Revenue & Assets (cont'd)

KUREHA CORPORATION

(billions of yen)

		FY2020		FY2021		Change	
		Revenue	Total assets	Revenue	Total assets	Revenue	Total assets
Construction	Kurehanishiki Construction Group	17.4	11.9	<b>16.2</b>	<b>11.8</b>	-1.2	-0.2
	Kureha Service Group	3.7	2.0	<b>4.0</b>	<b>2.8</b>	0.3	0.8
	Consolidation adjustments	-7.2	--	<b>-8.0</b>	--	--	--
	<b>Total</b>	<b>13.9</b>	<b>--</b>	<b>12.2</b>	<b>--</b>	<b>-1.7</b>	<b>--</b>
Other Operations	Kureha Ecology Management Group	13.7	29.4	<b>12.2</b>	<b>29.9</b>	-1.6	0.5
	Kureha Unyu Group	7.8	5.8	<b>8.2</b>	<b>5.6</b>	0.4	-0.2
	Kureha Trading	0.0	--	<b>0.0</b>	--	-0.0	--
	Kureha Service Group	3.6	3.7	<b>3.5</b>	<b>4.1</b>	-0.0	0.3
	Kureha-Kai Medical Corp.	4.0	3.6	<b>4.1</b>	<b>3.9</b>	0.1	0.3
	Consolidation adjustments	-8.9	--	<b>-9.5</b>	--	--	--
	<b>Total</b>	<b>20.3</b>	<b>--</b>	<b>18.5</b>	<b>--</b>	<b>-1.7</b>	<b>--</b>
Kureha Group Total (# consolidated subsidiaries)		144.6 (28)	256.9	<b>168.3</b> (28)	<b>282.6</b>	23.8	25.7
(# affiliates accounted for by equity method)		(2)		(2)			

### III. FY2022 Outlook (April 1, 2022 – March 31, 2023)

#### Highlights:

- FY2022 guidelines reflecting impact of potential risks associated with the Ukraine crisis and China-related pandemic restrictions
  - ✓ Higher prices of raw materials, coal and other fuels (impact partially mitigated by pricing actions)
  - ✓ Slower market growth for electric vehicles and Li-ion batteries
  - ✓ Reduced production and sales of PVDF and carbon fiber due to China-related lockdowns
  - ✓ Logistics cost inflation, increased purchasing cost for specialty plastics
- Core operating profit forecast to contract 9% (-¥2.3bn) with lost gains in all segments except Advanced Materials
- Operating profit to increase 10% (+¥1.9bn) due to the absence of a PGA-related impairment charge in FY2021

\* FY2022 performance forecasts contained herein were prepared based on the information acquired by the Company as of the date of this presentation. These forecasts are reviewed and revised according to changes in the Company's business condition.

# FY2022 Financial Forecast (1)

KUREHA CORPORATION

(in billions of yen)

	FY2021	FY2022e			Change
		1H	2H	FY	YOY
Revenue	168.3	90.0	90.0	180.0	11.7 (+6.9%)
Core operating profit	25.3	10.5	12.5	23.0	-2.3 (-9.1%)
Adjustments	0.1	0.0	0.0	0.0	-0.1
Other income	1.2	0.1	0.1	0.2	-1.0
Other expenses	6.5	0.6	0.6	1.2	-5.3
Operating profit	20.1	10.0	12.0	22.0	1.9 (+9.2%)
Financial income	0.5	0.2	0.3	0.5	-0.0
Financial expenses	0.3	0.2	0.3	0.5	0.2
Profit before taxes	20.4	10.0	12.0	22.0	1.6 (+7.9%)
Profit attributable to owners of Kureha Corp.	14.2	7.5	8.5	16.0	1.8 (+13.0%)
Profit per share (¥)	¥725.73			¥819.79	

## [References]

Crude oil (US\$/bbl)	\$79	\$105
FOREX ¥/USD:	¥112.4	¥120
¥/EUR:	¥130.6	¥132
¥/CNY:	¥17.5	¥18.5

## Vs. FY2021

- Revenue expected to increase on the back of higher PVDF binder, PGA and PPS sales volumes and pricing actions to reflect higher fuel and materials costs in Advanced Materials
- Core operating profit to decline due to slower sales in Specialty Plastics, Construction and Other operations combined with higher raw material and fuel cost and increased operation, R&D and depreciation expenses
- Operating profit to increase due to the absence of an impairment loss in prior year
- Higher profit attributable to the Company resulting from higher operating profit



# FY2022 Financial Forecast (2)

KUREHA CORPORATION

## Revenue and Core Operating Profit: Segment Breakdown (in billions of yen)

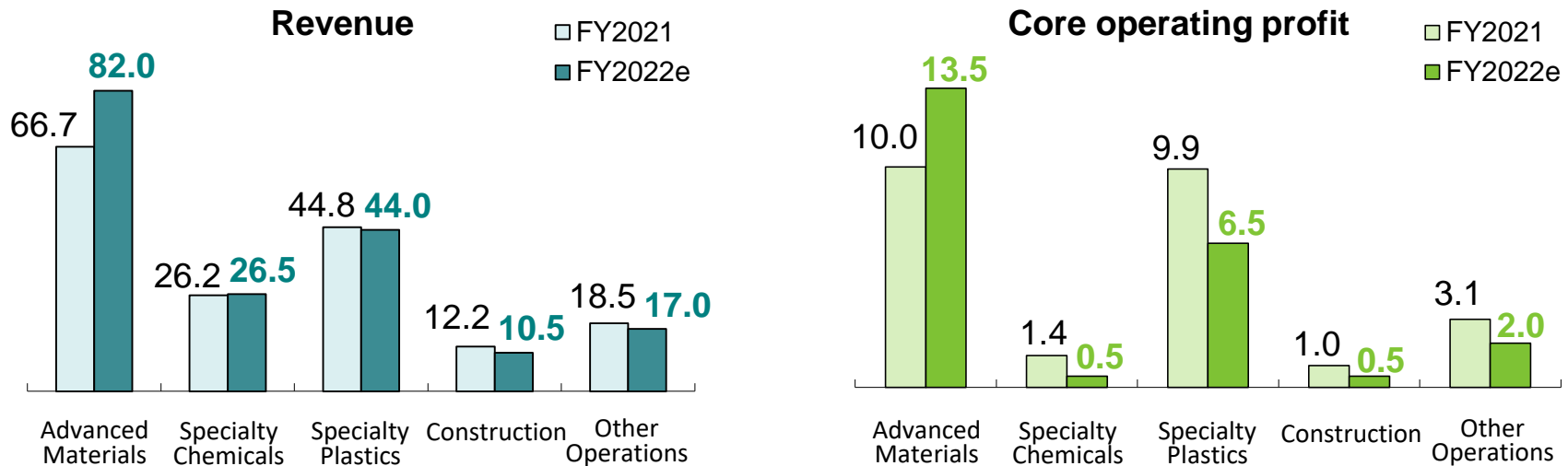
	FY2021			FY2022e		
	1H	2H	FY	1H	2H	FY
Revenue	79.1	89.3	168.3	90.0	90.0	180.0
Advanced Materials	28.8	37.9	66.7	41.5	40.5	82.0
Specialty Chemicals	12.8	13.4	26.2	13.5	13.0	26.5
Specialty Plastics	22.9	21.8	44.8	22.0	22.0	44.0
Construction	5.5	6.7	12.2	4.5	6.0	10.5
Other Operations	9.0	9.5	18.5	8.5	8.5	17.0
Core operating profit	11.1	14.2	25.3	10.5	12.5	23.0
Advanced Materials	2.6	7.4	10.0	5.2	8.3	13.5
Specialty Chemicals	1.2	0.3	1.4	0.5	-	0.5
Specialty Plastics	5.1	4.7	9.9	3.5	3.0	6.5
Construction	0.4	0.6	1.0	0.2	0.3	0.5
Other Operations	1.8	1.3	3.1	1.1	0.9	2.0
Adjustments	0.0	0.1	0.1			
Other income	0.5	0.8	1.2	0.1	0.1	0.2
Other expenses	0.2	6.2	6.5	0.6	0.6	1.2
Operating profit	11.4	8.8	20.1	10.0	12.0	22.0

# FY2022 Financial Forecast (3)

KUREHA CORPORATION

## Segment Revenue & Core Operating Profit (vs. FY2021)

(in billions of yen)



### Factors attributing to changes in core operating profit

- AM: Expansion of advanced plastics sales and improved mix partially offset by higher raw material and fuel costs
- SC: Higher raw material and fuel costs, increased R&D expenses related to agrochemicals, impact of mandatory drug price revisions
- SP: Higher raw material and fuel costs, intensified competition and higher expenses for home products
- CO: Intensified competition in the civil engineering business, higher cost of construction materials
- OO: Intensified competition in the low-level PCB waste treatment business

# Segment Performance Forecast: Advanced Materials

(billions of yen)

	FY2021	FY2022e	Change %
<b>Advanced Materials</b>			
Advanced plastics	47.8	<b>60.0</b>	+26%
Carbon products	5.9	<b>7.0</b>	+19%
Other	13.0	<b>15.0</b>	+15%
<b>Segment revenue</b>	66.7	<b>82.0</b>	+23%
<b>Segment operating profit</b>	10.0	<b>13.5</b>	+36%

**Vs. FY2021**

**Revenue ↗ Operating Profit ↗**

Advanced plastics: Revenue and profit up

- Sales expansion of PVDF specialty polymers
- PPS capacity increase contributing year-round
- PGA frac plugs sales expanding for mid-/high-temperature well applications; resumed PGA resin production

Carbon products: Revenue and profit up

Continued strong demand in the semiconductor industry

Other products: Revenue up, profit leveling off

Steady volume growth for functional resin products

[Risk factors]

- A temporary slowdown in PVDF sales for key markets impacted by the Ukraine crisis (EU) and the pandemic (China)
- PVDF manufacturing operations in China potentially reduced by pandemic lockdowns

(Note the above risks will not affect our mid-/long-term growth prospect for PVDF binder)

- Carbon products revenue and profit potentially reduced by a prolonged lockdown in Shanghai, China

# Segment Performance Forecast: Specialty Chemicals

(billions of yen)

	FY2021	FY2022e	Change %
<b>Specialty Chemicals</b>			
Agrochemicals	7.1	<b>8.0</b>	+13%
Pharmaceuticals	4.2	<b>3.5</b>	-17%
Industrial chemicals	7.4	<b>7.5</b>	+1%
Other	7.5	<b>7.5</b>	+0%
<b>Segment revenue</b>	26.2	<b>26.5</b>	+1%
<b>Segment operating profit</b>	1.4	<b>0.5</b>	-65%

**Vs. FY2021**

**Revenue ↗ Operating Profit ↘**

Agrochemicals: Revenue up, profit down

Higher fungicide sales volume more than offset by higher raw material cost and increased R&D expenses

Pharmaceuticals: Revenue and profit down

Mandatory drug price revisions negatively impacting the business, despite continued global sales expansion efforts

Industrial chemicals: Revenue and profit leveling off

Increased raw material and fuel cost offset by higher prices

[Risk factors]

- Impact of the Ukraine crisis on the EU agriculture (not significantly affecting our business as we expect increased agricultural activities in other regions)



# Segment Performance Forecast: Specialty Plastics

(billions of yen)

	FY2021	FY2022e	Change %
<b>Specialty Plastics</b>			
Home products	23.2	<b>21.0</b>	-9%
Fishing lines	4.6	<b>5.0</b>	+10%
Packaging materials	13.0	<b>14.0</b>	+7%
Other	4.0	<b>4.0</b>	+1%
<b>Segment revenue</b>	44.8	<b>44.0</b>	-2%
<b>Segment operating profit</b>	9.9	<b>6.5</b>	-34%

**Vs. FY2021**

**Revenue ↘ Operating Profit ↘**

Home products/Fishing lines: Revenue and profit down

- Intensifying post-pandemic competition in the home products market
- Fishing lines sales to grow globally
- Higher raw material and fuel costs, higher SG&A expenses

Packaging materials: Revenue up, profit down

- Sales volume growth for heat-shrink multilayer film and PVDC film
- Higher raw material and fuel costs, higher SG&A expenses

[Risk factors]

- Rising raw material prices and energy cost, impacted by the Ukraine crisis, are likely to affect our multilayer shrink-film production in the Netherlands

# Segment Performance Forecast: Construction

(billions of yen)

	FY2021	FY2022e	Change %
<b>Construction</b>			
Construction	20.2	<b>20.5</b>	+1%
Elimination (Intercompany sale)	-8.0	<b>-10.0</b>	--
<b>Segment revenue</b>	12.2	<b>10.5</b>	-14%
<b>Segment operating profit</b>	1.0	<b>0.5</b>	-49%

**Vs. FY2021**

**Revenue ▼ Operating Profit ▼**

Construction: Revenue and profit down

- Intensifying competition in the civil engineering business
- Reduced private capital investment due to the pandemic
- Increased cost for construction materials

# Segment Performance Forecast: Other Operations

(billions of yen)

	FY2021	FY2022e	Change %
<b>Other Operations</b>			
Environmental engineering	13.4	<b>12.6</b>	-6%
Logistics	8.2	<b>8.2</b>	-1%
Hospital operations	4.1	<b>4.3</b>	+6%
Others	2.3	<b>2.2</b>	-6%
Elimination (Intercompany sale)	-9.5	<b>-10.2</b>	--
<b>Segment revenue</b>	18.5	<b>17.0</b>	-8%
<b>Segment operating profit</b>	3.1	<b>2.0</b>	-35%

## Vs. FY2021

### Revenue ▼ Operating Profit ▼

#### Environment engineering: Revenue and profit down

- Completion of large low-level PCB waste treatment projects in prior year
- Intensifying market competition

#### Logistics: Revenue and profit leveling off

#### Hospital Operations: Revenue and profit up

# Cash Flow Forecast

KUREHA CORPORATION

(billions of yen)

	FY2021	FY2021e	Change
Profit before income tax	20.4	22.0	1.6
Depreciation	11.6	11.9	0.4
Other	-3.4	-8.8	-5.5
<b>Cash flow from operating activities</b>	<b>28.6</b>	<b>25.1</b>	<b>-3.5</b>
<b>Cash flow from investing activities</b>	<b>-11.0</b>	<b>-23.9</b>	<b>-12.9</b>
<b>Free cash flow</b>	<b>17.6</b>	<b>1.1</b>	<b>-16.4</b>
<b>Cash flow from financing activities</b>	<b>-6.1</b>	<b>-7.8</b>	<b>-1.7</b>
Effect of exchange rate changes on cash and cash equivalents	1.3	0.0	-0.3
Increase/decrease in cash and cash equivalents	12.8	-6.6	-19.4
Cash and cash equivalents at beginning of period	17.8	30.6	12.8
Cash and cash equivalents at end of period	30.6	24.0	-6.6

## **IV. ‘Kureha’s Challenge 2022’ Mid-Term Management Plan & FY2022 Priority Measures**

# Kureha's Challenge 2022

KUREHA CORPORATION

2021-2022

What  
We Do

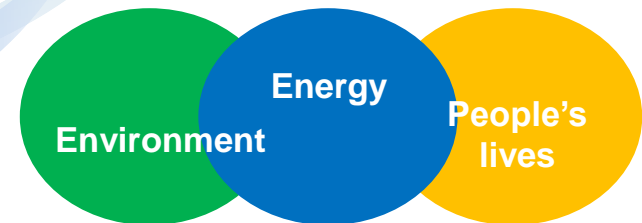
- ▶ Complete the measures remaining from Kureha's Challenge 2020 – Instill a 'follow-through' attitude in our corporate culture
- ▶ Clarify the future vision of Kureha Group and formulate an action plan to realize this vision from a medium- to long-term perspective
- ▶ 'Follow through' on tasks in the final stage of the Kureha's Challenge extension

## ● Kureha Group: Who we want to be..

*'A high-value added enterprise that develops differentiated products in the field of specialty chemicals and continually contributes to society'*

## ● 'Kureha's Challenge 2022' (as the final stage of the KC extension)

- Completing the measures from KC2020
- Action planning for our future



**FY2022: The year to complete Kureha's Challenge 2022 and prepare the next mid-term plan**

- We expect to see continued impact of the COVID pandemic on our operations during FY2022. Global inflation triggered by the Russian invasion of Ukraine is also escalating and causing oil, gas and coal prices to rise. Our business environment therefore remains uncertain, with no prospect of immediate improvement
- However, we have set FY2022 as a period to complete Kureha's Challenge 2022 and prepare the next mid-term management plan, while fully executing our five priority measures, including those remaining from Kureha's Challenge 2020.
- The management encourages all employees to audaciously tackle challenges, and aims to instill a 'follow-through' attitude in our corporate culture.

# FY2022 Priority Measures

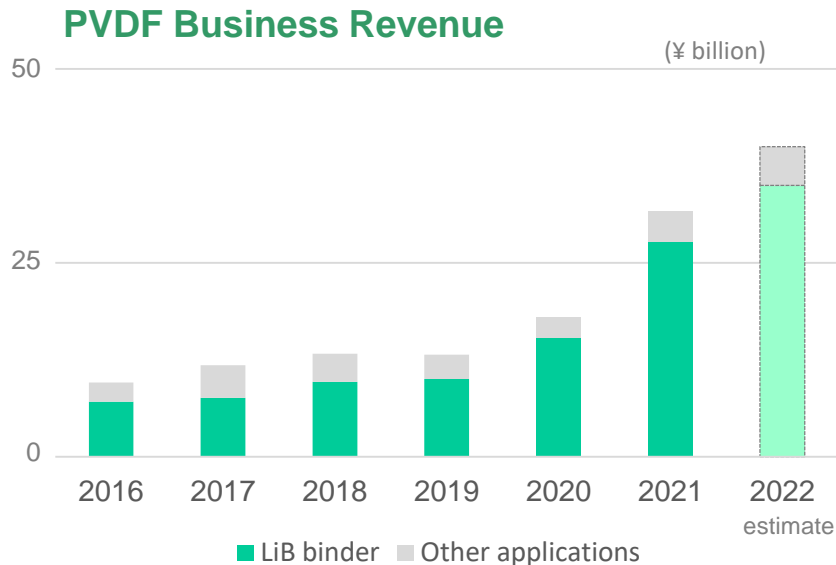
KUREHA CORPORATION





# Expanding the Advanced Materials businesses

## - Polyvinylidene fluoride (PVDF) -



- Maintains a roughly 40% share in the automotive LiB cathode binder market
- Continued strong demand for LiBs driven by increasing EV and PHEV production in FY21 and to be further driven by each nation's carbon neutrality initiatives and automakers' green car promotions over a long term
- Enhanced Kureha PVDF binder supply:
  - Production of specialty polymers begins at the China Changshu facility in FY20, and
  - Production of specialty polymers to increase at Japan Iwaki Factory in FY22
- FY21 revenue growth achieved by higher sales volumes in EU and China, higher prices reflecting increased raw material cost, and increasing production and sale of high-value specialty polymers
- Continues to study for additional capacity increase at the Iwaki Factory and/or next manufacturing facility outside Japan

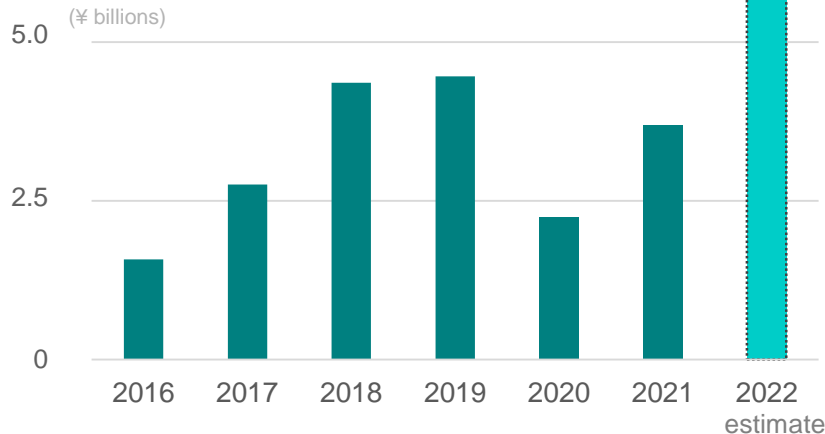
### Kureha PVDF capacity increases

Mon/Year	Capacity increase
Feb. 2019	Iwaki Factory capacity increase of 2000tpa (Nameplate capacity totaled to 11,000t)
May 2020	China Changshu facility starting production of specialty polymers (Nameplate capacity unchanged)
April 2022	Iwaki Factory increasing production of specialty polymers (Nameplate capacity unchanged)
2024	China Changshu facility to start up a new plant (Nameplate capacity totaled to 21,000tpa)

## - Polyglycolic acid (PGA) -

KUREHA CORPORATION

### PGA Business Revenue



### Our strategies to turn the business profitable by FY2023:

**Marketing:** Promote the full-bore use of PGA frac plugs in high-/medium-temp wells; increase market share via flexible pricing actions

**Product:** Enhance plug performance with engineering modifications; launch a new PGA plug for ultra-low temp wells to serve a broader market

**Cost:** Improve operation rates at the PGA resin manufacturing plant, reduce raw materials/supply chain costs

### Market conditions

- FY2021: Shale drilling activities were slow to recover despite oil price hikes; US drilling rig counts still below FY2019 pre-pandemic levels as of the end of the year
- Drilling activities now accelerating in the US to meet growing oil demand due to the Russian-Ukrainian crisis
- Expects to see effects of rig count increase on the frac plug demand in FY22/3Q onward

### PGA frac plug sales

- FY21 sales volume increased due to flexible pricing strategies and as more PGA frac plugs were adopted for use in the full-length wellbore (full-bore use)
- Aims to further increase sales volume and market share in FY22, by promoting the full-bore use for high-/medium-temperature wells
- Plans to launch a new PGA plug designed for extremely low-temp wells in FY22/3Q-4Q

## New Business Creation Project

- Is currently working with a technology/business partner to develop and launch PVDF Piezo film for high-end touch panel applications; will also accelerate the development of other applications for piezo film
- Is exploring global innovative technologies that will bring out synergistic effects when combined with Kureha technologies and resources and actively investing in start-up companies and our collaborative work:

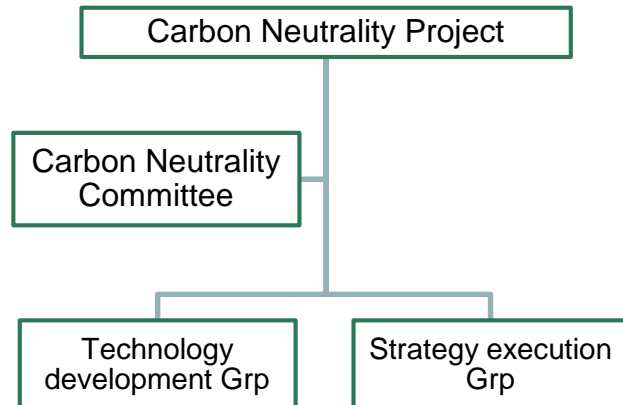
- 2019 Invested in Cambridge Touch Technologies Limited (UK)
  - *PVDF piezo film for next-generation 3D touch sensors*
- 2020 Invested in Boost Biomes Inc. (US)
  - *Development of microbiome screening technology*
- 2022 Invested in Wootz, Inc. (US)
  - *Advanced process technologies to develop carbon nanotubes*
- 2022 Signed a joint development agreement with Claros Technologies Inc. (US)
  - *A technology platform for the adsorption and detoxification of per- and polyfluoroalkyl (PFAS) substances*

# Reinforcing efforts toward carbon neutrality and zero emissions

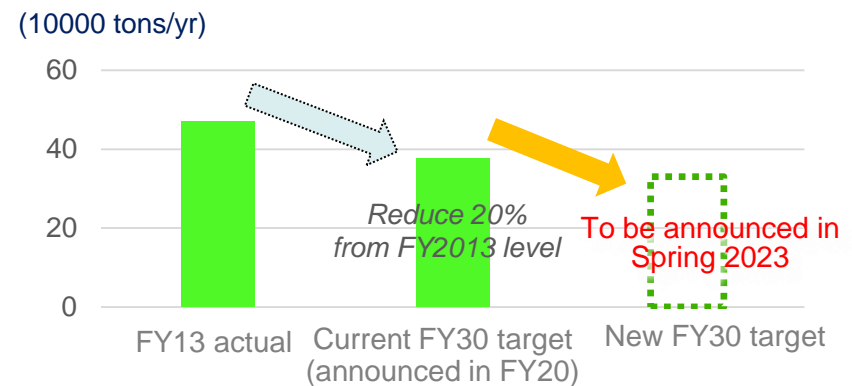
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- Declared support for the Task Force on Climate-Related Financial Disclosures (TCFD) and published 1st TCFD Report (May 9, 2022)  
<https://www.kureha.co.jp/en/csr/pdf/TCFD20220509en.pdf>
- Aiming to achieve carbon neutrality by FY2050
  - A new FY2030 GHG reduction target and action plan to be announced in Spring 2023
  - Aims to develop original environment burden-reducing technologies and establish related businesses
  - Will reduce landfill waste volume down to 1.5% of all wastes generated through our operations by FY2025 (vs. 18% in FY2019), leveraging in-house 3R (reduce, reuse, recycle) technologies and efforts while saving cost

## Kureha Carbon Neutrality Project (organization chart as of April 1, 2022)

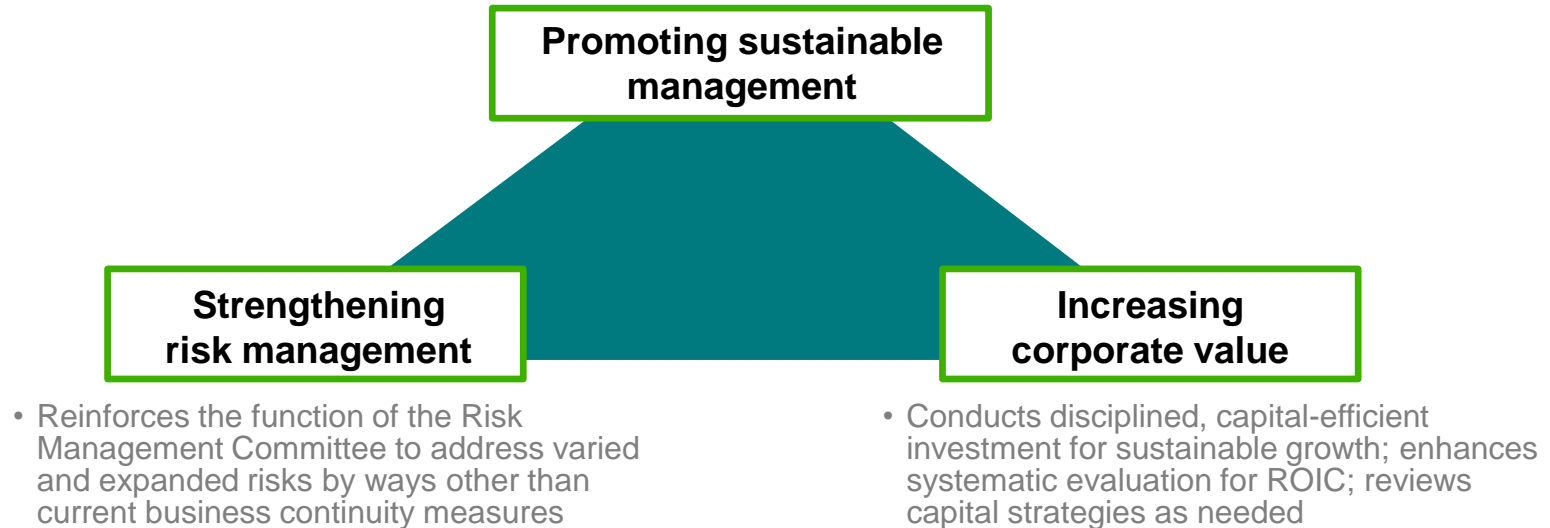


## FY2030 GHG Reduction Target



# Strengthening the management foundations

KUREHA CORPORATION



## HR Management & Diversification

- Instills the new performance-based personnel system introduced in October 2021
- Increases senior workforce by gradually extending retirement age to 65; actively promotes young/ middle-aged workers for management positions; increases cross-company jobs within the Group
- Increases mid-career recruiting for diversified human resources

## Driving Digital Transformation

- Implements a new core IT system (May 2022)
- Develops case studies for training; expands digitalization practices across Group operations
- Develops digital dexterity in the workforce

## Increasing Cost Competitiveness

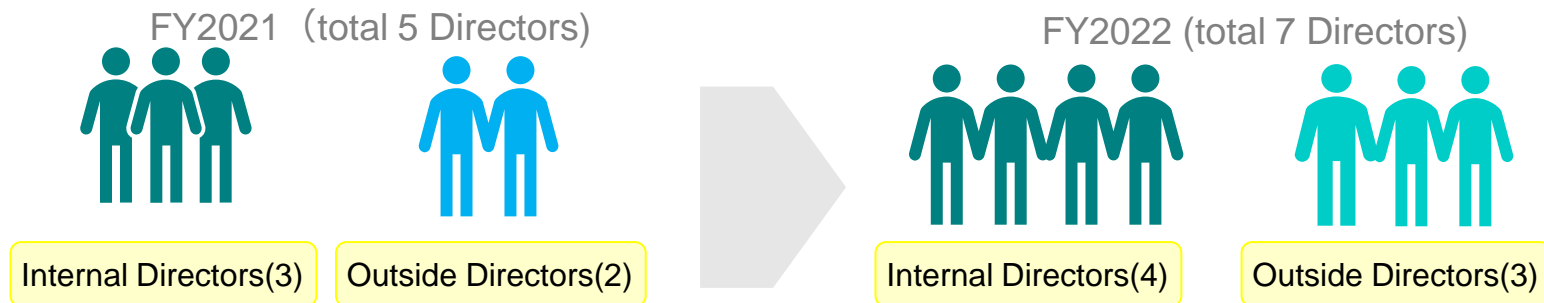
- Continues to improve operational efficiency and reduce cost through the Reform Project, etc.
- Accelerates transforming the cost structure to be further competitive in the market and to compensate carbon offset costs

## V. Governance, Capital Management

# Strengthening governance

KUREHA CORPORATION

- Electing additional Internal and Outside Directors to the Board of Directors with aim to further enhance governance (subject to approval at the General Shareholders Meeting in June 2022)



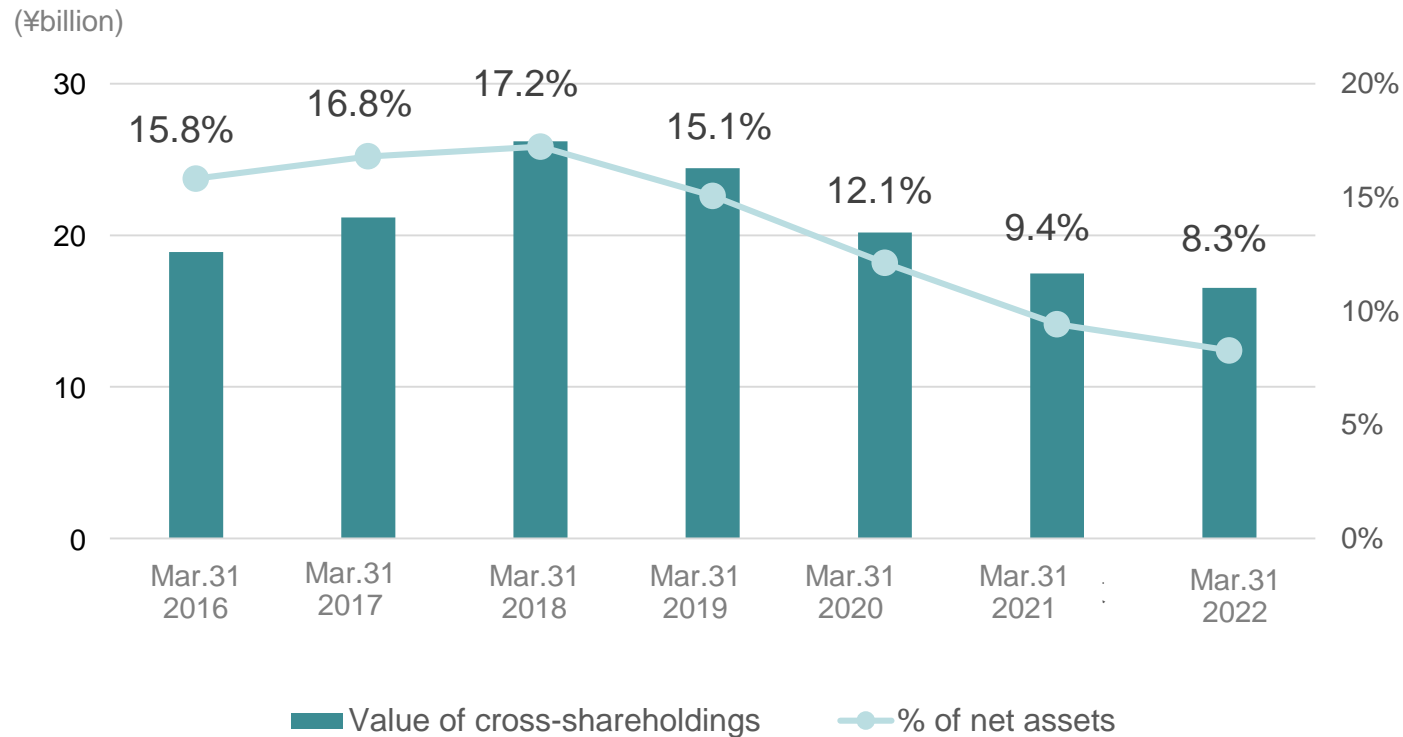
- Establishment of the Sustainability Committee (April 1, 2022)
  - The committee is composed of all the members of the Board of Directors and chaired by CEO
  - Will comprehensively monitor and supervise the company's sustainable management in keeping with its philosophy and with aims to contribute to a sustainable society and increase medium- and long-term corporate value
- Enhanced Independence of the Nomination Advisory Committee and Remuneration Advisory Committee (Dec. 21, 2021)
  - Revised the company regulations so that these voluntary committees are each chaired by an Outside Director

# Reducing Cross-Shareholdings

KUREHA CORPORATION

- Kureha has reduced the number of cross-shareholdings and sold shares in the companies which roles and benefits had lessened for Kureha businesses

## Value of cross-shareholdings/ Net assets





# Capital policy and shareholder returns

KUREHA CORPORATION

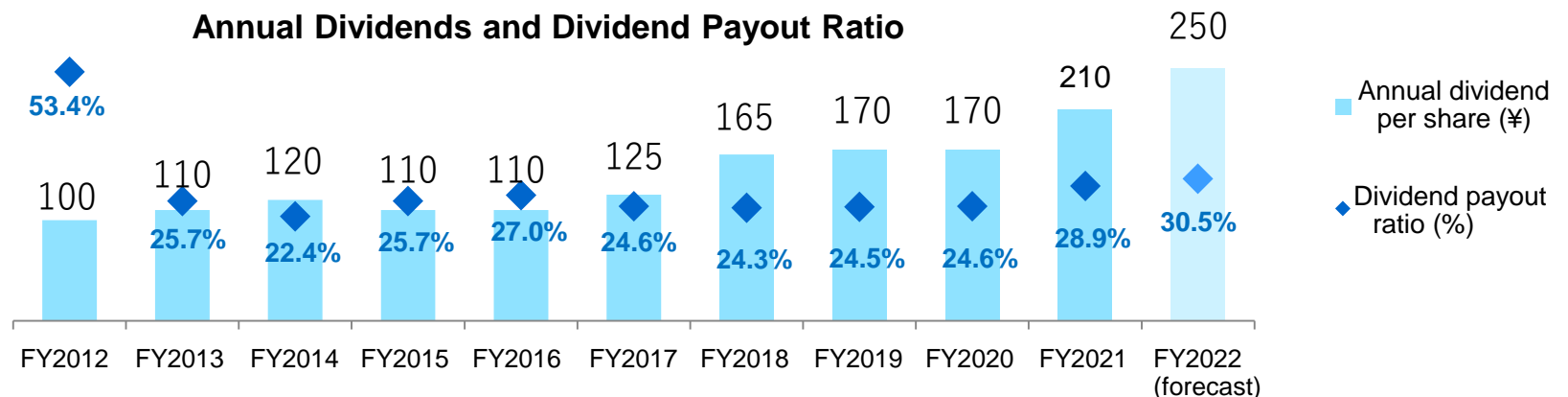
## Capital policy

Aiming for sustainable growth and enhanced corporate value, we will set the stage for future business development by steadily achieving the management goals and quantitative targets set forth in Kureha's Challenge 2022. While maintaining financial stability, we will strengthen our scrutiny of investments to enhance earnings capacity and capital efficiency.

## Basic policy on shareholder returns

Kureha's basic policy on the distribution of earnings is to strengthen the company overall to achieve longer-term growth, provide for future business expansion, enhance retained earnings, and pay a stable and continued dividend. In addition, Kureha will also consider the acquisition of its own shares as an option to flexibly adjust to varying financial conditions.

### Annual Dividends and Dividend Payout Ratio



#### Notes

- Kureha conducted a ten-to-one share consolidation on October 1, 2016. All figures in this chart are presented on a post share consolidation basis for comparison purposes
- Accounting standards: Japanese GAAP (before and in FY2015); IFRS (in and after FY2016)
- Commemorative dividends of ¥10 are included in the annual dividends of FY2014 and FY2018
- Share repurchases completed: ¥3bn in FY2018, ¥5bn in FY2019

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