

**FY2023 Interim Report:
1H Results & Progress in New
Mid- to Long-Term Management Plan**

KUREHA CORPORATION

November 9, 2023

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FY2023 Performance Overview

KUREHA CORPORATION

FY23 Half-Year Results & New Full-Year Forecast

(in billions of yen)

	1H FY23	1H FY22	1H Changes YoY	FY23 New Forecast	FY22 Actual	Changes YoY
Advanced Materials	34.0	47.3	-13.3	69.0	82.7	-13.7
Specialty Chemicals	17.1	17.5	-0.4	33.2	31.8	+1.4
Specialty Plastics	23.4	23.8	-0.3	46.6	46.8	-0.2
Construction	5.4	4.2	+1.1	13.5	11.3	+2.2
Other	8.6	8.9	-0.3	17.7	18.7	-1.0
Revenue Segment Total	88.5	101.8	-13.3	180.0	191.3	-11.3
Advanced Materials	2.8	9.0	-6.2	5.1	10.1	-5.0
Specialty Chemicals	0.8	1.6	-0.9	0.7	1.8	-1.1
Specialty Plastics	4.3	4.3	+0.0	6.9	8.6	-1.7
Construction	0.2	0.3	-0.1	0.8	0.9	-0.1
Other	1.1	1.4	-0.3	2.0	2.8	-0.8
Core Operating Profit Total	9.2	16.6	-7.4	15.5	24.3	-8.8
Adjustments	0.0	-0.2	+0.2	-1.5	-2.0	+0.5
Operating Profit	9.1	16.7	-7.6	14.0	22.4	-8.4
Profit attributable to Kureha	6.8	12.2	-5.4	10.5	16.9	-6.4

Half-year revenue and profits declined on a year-on-year basis

- PVDF, a binder material for automotive LiBs, saw a drastic shift from its exceptional growth driven by the rapid expansion of electric vehicles a year ago-- sharp declines in revenue and profits led by lower sales volume and lower pricing due to slower market conditions and customer destocking
- A decrease in equity in earnings from a PPS-related affiliate
- Revenue and profits improved for PGA

Full-year outlook & background vs 1H

- PVDF volume for 2H will likely remain unchanged at 1H and 2H/FY22 levels as a market recovery for EVs and LiBs is expected to delay into FY24. Business profits will further decrease due to a lack of income from inventory revaluations recorded in 1H and lower pricing for primary customers.
- Equity in PPS-related affiliate's earnings will improve but fall below our initial projection due to a delay in pricing action
- PGA business profit to increase substantially owing to inventory revaluation
- A decrease in 'Other Expenses' expected due to the absence of an impairment loss related to packaging materials recorded in FY22, partially offset by expenses required for Iwaki Factory PVDF capacity enhancement

I. FY2023 Half-Year Results

(April 1, 2023 through September 30, 2023)

1H FY2023 Financial Summary (1)

KUREHA CORPORATION

(in billions of yen)

	1H FY23	1H FY22	Changes vs. 1H FY22	1H Forecast	Changes vs. Forecast
Revenue	88.5	101.8	-13.3 (-13.0%)	96.0	-7.5 (-7.8%)
Core operating profit	9.2	16.6	-7.4 (-44.6%)	8.0	+1.2 (-14.8%)
Operating profit	9.1	16.7	-7.6 (-45.3%)	8.0	+1.1 (+14.4%)
Profit before taxes	9.9	17.4	-7.5 (-43.3%)	8.0	+1.9 (+23.2%)
Profit attributable to owners of Kureha	6.8	12.3	-5.5 (-44.6%)	5.3	+1.5 (+28.3%)

Basic profit per share (¥) ¥355.29 ¥624.60

(Currency exchange rates)

1USD=	¥134.0	¥141.1	¥135.0
1EUR=	¥138.8	¥153.5	¥140.0
1CNY=	¥19.9	¥19.8	¥19.0

Vs. 1H FY22

- Revenue fell primarily due to weakening in PVDF (LiB binder) and agrochemicals
- Operating profit decreased largely on slower PVDF performance, a decrease in equity in earnings from a PPS-related affiliate and lower agrochemical volume

Vs. 1H Forecast

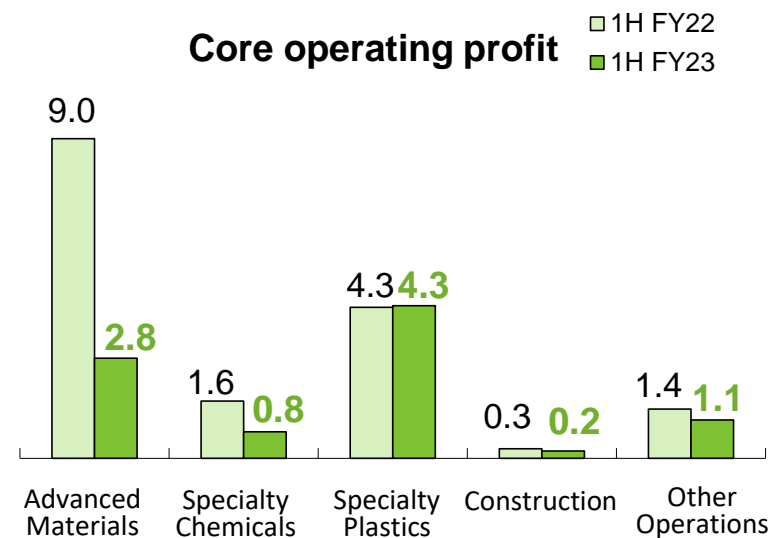
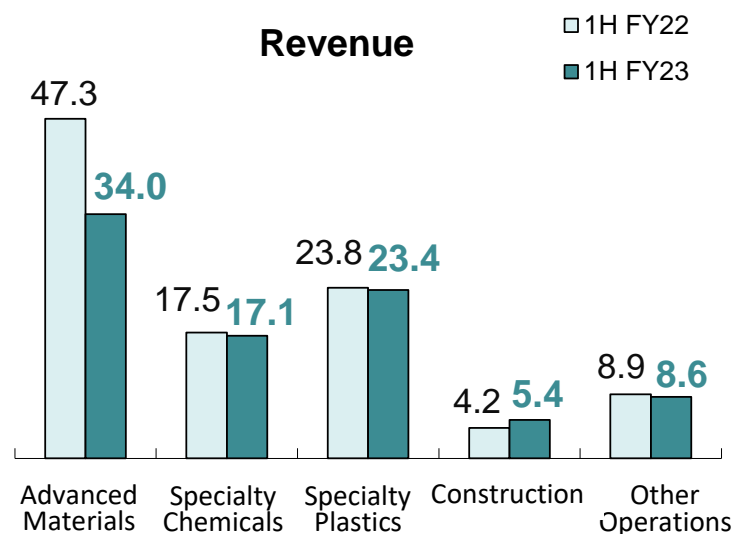
- Revenue: Slower-than-expected PVDF performance, agrochemical sales partly postponed to 2H
- Operating profit: Impact of PGA-related inventory revaluation (initially scheduled for 2H), partially offset by declines in PVDF sales and equity in earnings from a PPS-related affiliate

1H FY2023 Financial Summary (2)

KUREHA CORPORATION

Revenue & Operating Profit by Segment (vs. 1H FY22)

(in billions of yen)



Factors affecting operating profit

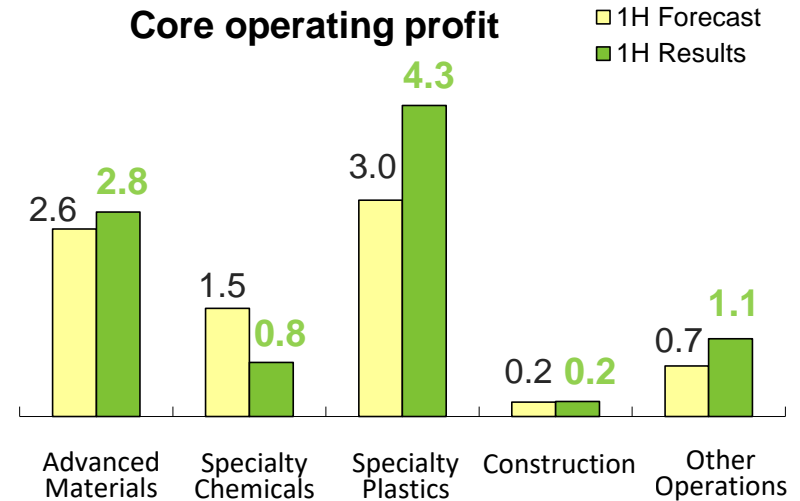
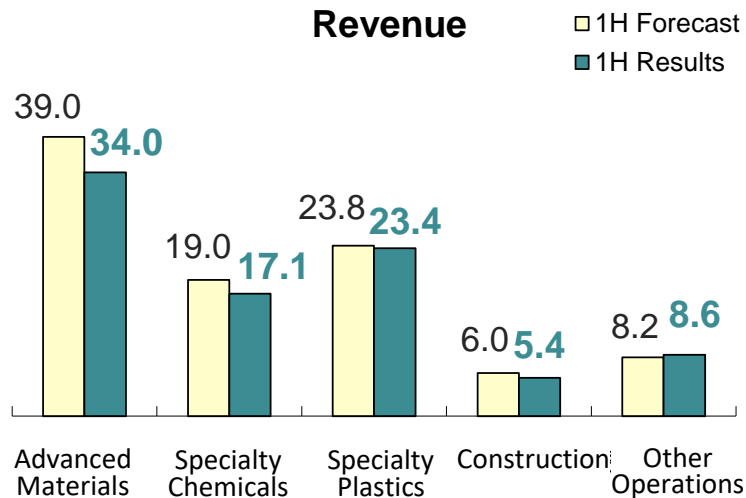
Advanced Materials:	Declines in PVDF and other functional products sales partially offset by expansion of PGA and PPS
Specialty Chemicals:	Lower agrochemical and pharmaceutical sales
Specialty Plastics:	Sales expansion of home products offset by a decline in packaging materials
Constructions:	Higher private construction volume
Other Operations:	Slower logistics and hospital operation partially offset by higher industrial treatment volume

1H FY2023 Financial Summary (3)

KUREHA CORPORATION

Revenue & Operating Profit by Segment (vs. Forecast)

(in billions of yen)



Factors affecting operating profit

Advanced Materials:	Impact of PGA-related inventory revaluation (+¥2.1bn)
Specialty Chemicals:	Shipment of some agrochemicals postponed to 2H
Specialty Plastics:	Sales expansion and delayed spending of expenses in home products partially offset by slower packaging materials sales
Construction:	Performed as forecast
Other Operations:	Higher industrial waste treatment volume

Segment Performance: Advanced Materials

(in billions of yen)

	1H FY23	1H FY22	Change	%
Advanced Materials				
Advanced plastics	25.0	36.5	-11.6	-32%
Carbon products	3.9	3.5	0.4	+12%
Other	5.1	7.3	-2.2	-30%
Revenue	34.0	47.3	-13.3	-28%
Operating profit	2.8	9.0	-6.2	-69%

Vs. 1H FY22

Revenue ↘ Operating profit ↘

Advanced plastics revenue and profit down:

- Expansion of sales of PPS and PGA
- PVDF (LiB binder) demand weakened in the slower EV market and due to customer inventory adjustments

Carbon products revenue and profit up:

- Higher carbon fiber insulation sales for high-heat furnace applications

Segment Performance: Specialty Chemicals

(in billions of yen)

	1H FY23	1H FY22	Change	%
Specialty Chemicals				
Agrochemicals	4.9	6.6	-1.7	-26%
Pharmaceuticals	1.7	2.0	-0.3	-16%
Industrial chemicals	5.8	4.7	1.2	+25%
Other	4.6	4.2	0.4	+10%
Revenue	17.1	17.5	-0.4	-2%
Operating profit	0.8	1.6	-0.9	-54%

Vs. 1H FY22

Revenue ↘ Operating profit ↘

Agrochemicals & Pharmaceuticals revenue and profit down:

- Part of agrochemicals sales postponed to 2H
- Impact of mandatory drug price revisions

Industrial chemicals revenue and profit up:

- Higher pricing to reflect higher raw material cost
- Improved profit margins enabling the business to recover from an operating loss

Segment Performance: Specialty Plastics

(in billions of yen)

	1H FY23	1H FY22	Change	%
Specialty Plastics				
Home products	12.2	11.8	0.5	+4%
Fishing lines	2.5	2.4	0.1	+2%
Packaging materials	7.0	7.4	-0.5	-6%
Other	1.7	2.2	-0.4	-19%
Revenue	23.4	23.8	-0.3	-1%
Operating profit	4.3	4.3	0.0	+1%

Vs. 1H FY22

Revenue ↘ Operating profit →

Home products & Fishing lines revenue and profit up:

- Higher pricing for food wrap film (continually carried out in and after 2H FY22)

Packaging materials revenue down, profit flat:

- Sales declines in heat-shrink multilayer film and PVDC film
- Fewer expenses

Segment Performance: Construction

(in billions of yen)

	1H FY23	1H FY22	Change	%
Construction				
Revenue	5.4	4.2	1.1	+27%
Operating profit	0.2	0.3	-0.1	-22%
Other Operations				
Environmental engineering	5.4	5.2	0.2	+4%
Logistics	0.8	1.3	-0.5	-38%
Hospital operations	2.1	2.1	-0.0	-1%
Others	0.3	0.3	-0.0	-3%
Revenue	8.6	8.9	-0.3	-4%
Operating profit	1.1	1.4	-0.3	-22%

Vs. 1H FY22

Revenue ↗ Operating profit →

- Profit remained flat despite higher volume for private construction

Revenue ↘ Operating profit ↘

Environmental engineering revenue up, profit down:

- Higher industrial waste treatment volume, including low-level PCB waste
- Higher expenses

Logistics revenue and profit down

Hospital Operations revenue down, operating loss widened

Cash Flow

KUREHA CORPORATION

(in billions of yen)

	1H FY23	1H FY22	Increase/ Decrease
Profit before income tax	9.9	17.4	-7.5
Depreciation	5.7	5.7	-0.0
Other	-8.3	-14.4	+6.1
Cash flow from operating activities	7.2	8.7	-1.4
Cash flow from investing activities	-7.6	-4.9	-2.7
Free cash flow	-0.3	3.8	-4.1
Cash flow from financing activities	-3.4	-6.8	+3.4
Effect of exchange rate changes on cash and cash equivalents	1.4	1.5	-0.1
Increase/decrease in cash and cash equivalents	-2.3	-1.5	-0.8
Cash and cash equivalents at beginning of period	32.2	30.6	+1.6
Cash and cash equivalents at end of period	29.9	29.1	+0.7

Financial Position

KUREHA CORPORATION

(in billions of yen)

Assets

	Sept. 30 2023	Mar. 31 2023	Increase/ Decrease
Cash and cash equivalents	29.9	32.2	-2.3
Trade and other receivables	34.3	31.9	+2.4
Inventories	50.5	52.0	-1.5
Other current assets	4.3	4.9	-0.6
Total current assets	119.0	121.0	-2.0
Property, plant and equipment	122.6	117.4	+5.2
Intangible assets	4.7	4.5	+0.3
Investments and other assets	59.7	53.5	+6.2
Total non-current assets	187.0	175.4	+11.6
Total assets	306.0	296.4	+9.6

Liabilities and Equity

	Sept. 30 2023	Mar. 31 2023	Increase/ Decrease
Trade and other payables	26.5	27.7	--1.2
Interest-bearing debt	32.7	26.3	+6.4
Provisions	8.1	8.5	-0.4
Other liabilities	17.5	17.2	+0.3
Total liabilities	84.8	79.6	+5.1
Shareholders' equity	18.2	18.2	--
Capital surplus	14.7	14.7	--
Less: Treasury stock	-6.1 ^(*1)	-8.7	+2.6
Retained earnings	174.8 ^(*2)	179.0	-4.1
Other components of equity	18.0	12.1	+5.9
Non-controlling interests	1.6	1.6	+0.0
Total equity	221.2	216.8	+4.5
Total liabilities and equity	306.0	296.4	+9.6

Note Kureha amortized of 1,280,000 treasury shares on June 30, 2023, which affects the following items.

(*1) Treasury stock (Less): Treasury shares disposed (+¥9.1bn), Treasury shares acquired (-¥6.5bn)

(*2) Retained earnings: Treasury shares disposed (-¥9.1bn), Net income (+¥6.8bn); Dividend payment (-¥2.8bn), etc.

II. FY2023 Full-Year Outlook

(April 1, 2023 through March 31, 2024)

FY2023 Financial Forecast (1)

KUREHA CORPORATION

(in billions of yen)

	1H	2H	FY23 New Forecast	FY22 Results	Change vs. FY22	FY23 Previous Forecast	Change vs. Previous Forecast
Revenue	88.5	91.5	180.0	191.3	-11.3 (-5.9%)	190.0	-10.0 (-5.3%)
Core operating profit	9.2	6.3	15.5	24.3	-8.8 (-36.2%)	22.0	-6.5 (-29.5%)
Operating profit	9.1	4.9	14.0	22.4	-8.4 (-37.4%)	22.0	-8.0 (-36.4%)
Profit before taxes	9.9	5.1	15.0	23.0	-8.0 (-34.8%)	22.0	-7.0 (-31.8%)
Profit attributable to owners of Kureha	6.8	3.7	10.5	16.9	-6.4 (-37.8%)	15.5	-5.0 (-32.3%)

Basic profit per share (¥) **¥550.04** ¥864.30 **¥819.35**

[Currency exchange rates and sensitivity]

	FY22 Actual	FY23 Initial estimate	1H FY23 Actual	2H FY23 New estimate	Forex sensitivity *Impact of an one-yen depreciation on operating profit per 6-month period
1USD=	¥135.5	¥135.0	¥141.1	¥141.0	An increase of ¥0.06bn
1EUR=	¥141.0	¥140.0	¥153.5	¥153.0	An increase of ¥0.03bn
1CNY=	¥19.8	¥19.0	¥19.8	¥19.5	An increase of ¥0.09bn

Vs. FY22

- Revenue to increase in Specialty Chemicals and Construction and decrease in Advanced Materials, Specialty Plastics and Other Operations
- Core operating profit down in all segments

Vs. Previous Forecast

- Revenue and profit to fall below previous forecast levels due to weakening in Advanced Materials, including PVDF and PPS

Operating profit changes from 1H to 2H

- Sales volume in the PVDF business is expected to remain unchanged, but profit is expected to fall in the 2H due to the absence of revaluation profit (approx. 1 billion yen) and price drop to major customers.
- Temporary cost increases are expected due to equipment trouble at the Iwaki Factory and company-wide adjustments, such as the cost of removing existing facilities (over 1 billion yen) in preparation for the expansion of the PVDF plant.

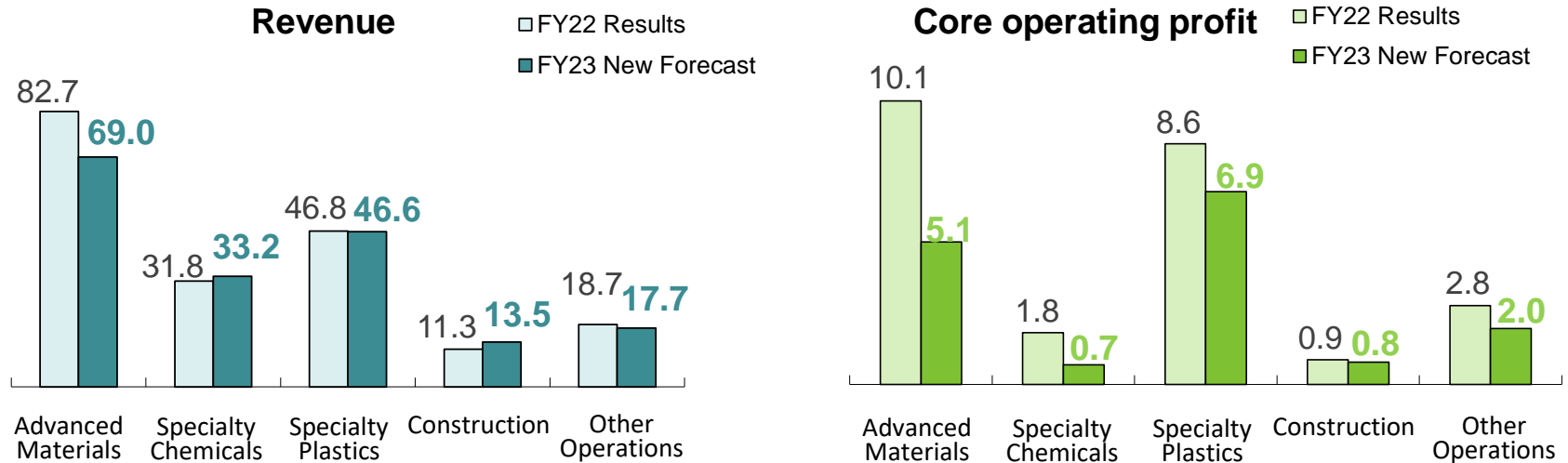


FY2023 Financial Forecast (2)

KUREHA CORPORATION

Segment Revenue & Operating Profit Forecast (vs. FY22 Results)

(in billions of yen)



Factors affecting operating profit

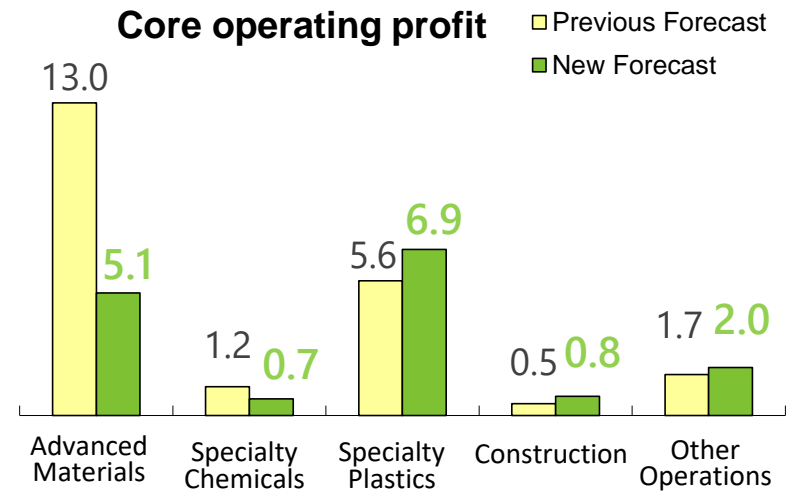
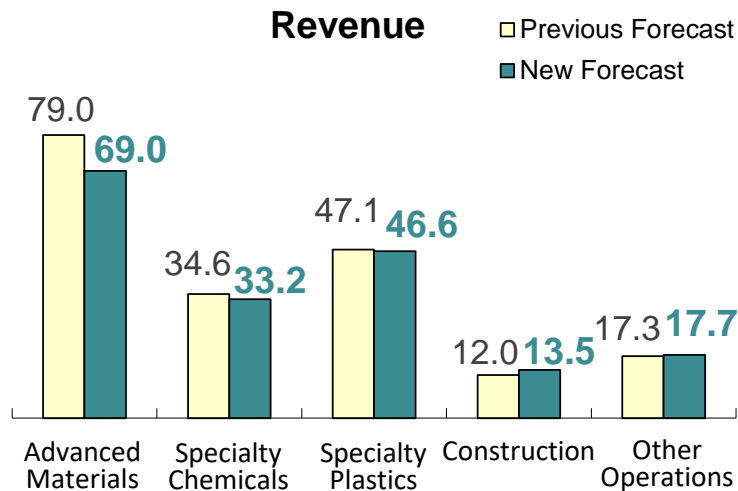
- Advanced Materials: Slower PVDF performance and a decrease in equity in earnings from PPS-related affiliate partially offset by PGA sales expansion
- Specialty Chemicals: Impact of drug price revisions, higher R&D expenses for agrochemicals
- Specialty Plastics: Slower sales for packaging materials and other plastic products
- Construction: Higher construction material cost partially offset by higher sales in private construction
- Other Operations: Lower low-level PCB waste treatment sales, higher cost

FY2023 Financial Forecast (3)

KUREHA CORPORATION

Segment Revenue & Operating Profit Forecast (vs. Previous Forecast)

(in billions of yen)



Factors affecting operating profit

Advanced Materials:	Lower PVDF sales, a decrease in equity in earnings of PPS-related affiliate
Specialty Chemicals:	Slower agrochemicals and industrial chemicals sales
Specialty Plastics:	Expansion of food wrap film partially offset by weakening in packaging materials
Constructions:	Higher private construction volume
Other Operations:	Higher industrial waste treatment sales

Segment Forecast: Advanced Materials

(in billions of yen)

	FY23 New Forecast	FY22 Results	Change	%
Advanced Materials				
Advanced plastics	48.5	63.0	-14.5	-23%
Carbon products	7.5	6.9	0.6	+8%
Other	13.0	12.7	0.3	+2%
Revenue	69.0	82.7	-13.7	-17%
Operating profit	5.1	10.1	-5.0	-50%

[Previous Forecast: Revenue ¥79.0bn, Ope. Profit ¥13bn]

Vs. FY22

Revenue ↘ Operating profit ↘

Advanced plastics revenue and profit down:

- PGA sales expansion
- Slower PVDF sales in the automotive LiB market
- A decrease in equity in earnings of PPS-related affiliate

Carbon products revenue and profit up:

- Higher carbon fiber sales used for high-heat furnace insulation

Vs. Previous Forecast

Revenue ↘ Operating profit ↘

- Weaker PVDF sales due to the slow EV market, impact of customer destocking
- Slower global demand for PPS

Segment Forecast: Specialty Chemicals

(in billions of yen)

	FY23 New Forecast	FY22 Results	Change	%
Specialty Chemicals				
Agrochemicals	9.5	9.3	0.2	+2%
Pharmaceuticals	4.0	3.8	0.2	+4%
Industrial chemicals	10.5	9.9	0.6	+6%
Other	9.2	8.7	0.5	+6%
Revenue	33.2	31.8	1.4	+4%
Operating profit	0.7	1.8	-1.1	-62%

[Previous Forecast: Revenue ¥34.6bn, Ope. Profit ¥1.2bn]

Vs. FY22

Revenue ↗ Operating profit ↘

Agrochemicals & Pharmaceuticals revenue up,
profit down:

- Higher pharmaceutical sales partially offset by lower price (impact of mandatory drug price revisions on Kureha therapeutic agent for chronic renal failure)
- Higher pricing for agrochemicals to reflect higher raw material cost partially offset by lower sales
- Higher R&D expenses for the development of new agrochemicals

Industrial chemicals revenue and profit down:

- Higher pricing for organic and inorganic chemicals
- Higher expenses

Vs. Previous Forecast

Revenue ↘ Operating profit ↘

- Lower agrochemical volume
- Lower industrial chemical volume

Segment Forecast: Specialty Plastics

(in billions of yen)

	FY23 New Forecast	FY22 Results	Change	%
Specialty Plastics				
Home products	23.0	22.5	0.5	+2%
Fishing lines	5.0	4.7	0.3	+5%
Packaging materials	15.0	15.3	-0.3	-2%
Other	3.6	4.2	-0.6	-14%
Revenue	46.6	46.8	-0.2	-0%
Operating profit	6.9	8.6	-1.7	-20%

[Previous Forecast: Revenue ¥47.1bn, Ope. Profit ¥5.6bn]

Vs. FY22

Revenue ↘ Operating profit ↘

Home products revenue up, profit flat:

- Higher pricing for food wrap film (for and after Oct. 2022 shipment)
- Lower wrap film volume

Fishing lines revenue up, profit down

Packaging materials revenue and profit down:

- Slower PVDC film sales in the South East Asia market
- Higher fuel and raw material costs

Vs. Previous Forecast

Revenue ↘ Operating profit ↗

- Lower packaging materials volumes
- Better-than-expected demand for food wrap film in the post-pandemic market

Segment Forecast: Construction

(in billions of yen)

	FY23 New Forecast	FY22 Results	Change	%
Construction				
Revenue	13.5	11.3	2.2	+19%
Operating profit	0.8	0.9	-0.1	-9%

[Previous Forecast: Revenue ¥12.0bn, Ope. Profit ¥0.5bn]

Other Operations

Environmental engineering	11.5	11.3	0.2	+1%
Logistics	1.5	2.6	-1.1	-43%
Hospital operations	4.3	4.1	0.2	+4%
Others	0.4	0.6	-0.2	-33%
Revenue	17.7	18.7	-1.0	-5%
Operating profit	2.0	2.8	-0.8	-29%

[Previous Forecast: Revenue ¥17.3bn, Ope. Profit ¥1.7bn]

Vs. FY22

Construction: Revenue ↗ Operating profit ↘

- Higher construction volume in the private sector

Other Operations: Revenue ↘ Operating profit ↘

Environmental engineering revenue up, profit down

- Higher expenses

Logistics revenue and profit down

Hospital Operations revenue up, operating loss narrowed

Vs. Previous Forecast

Construction: Revenue ↗ Operating profit ↗

- Higher private construction volume

Other Operations: Revenue ↗ Operating profit ↗

- Higher industrial waste treatment volume

Cash Flow

KUREHA CORPORATION

(in billions of yen)

	FY23 New Forecast	FY22 Results	Change
Profit before income tax	15.0	23.0	-8.0
Depreciation	11.2	11.6	-0.4
Other	-3.8	-11.9	+8.1
Cash flow from operating activities	22.4	22.7	-0.4
Cash flow from investing activities	-40.2 *	-11.1	-29.1
Free cash flow	-17.9	11.6	-29.5
Cash flow from financing activities	17.3	-10.5	+27.8
Effect of exchange rate changes on cash and cash equivalents	0.0	0.4	-0.4
Increase/decrease in cash and cash equivalents	-0.6	1.6	-2.1
Cash and cash equivalents at beginning of period	32.2	30.6	+1.6
Cash and cash equivalents at end of period	31.6	32.2	-0.6

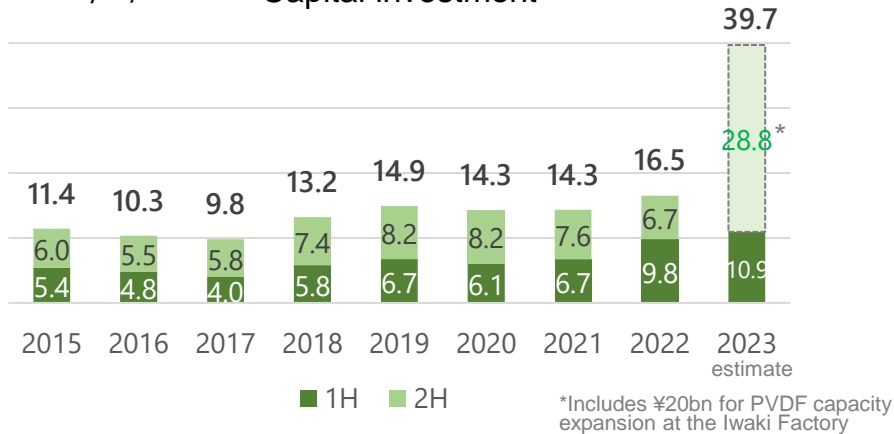
* Includes our investment of approximately ¥20bn in expanding PVDF production at the Iwaki Factory

Key Indicators (1)

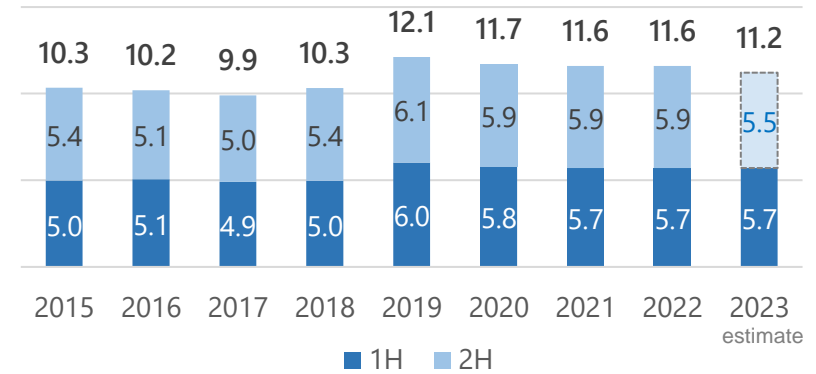
KUREHA CORPORATION

(in billions of yen)

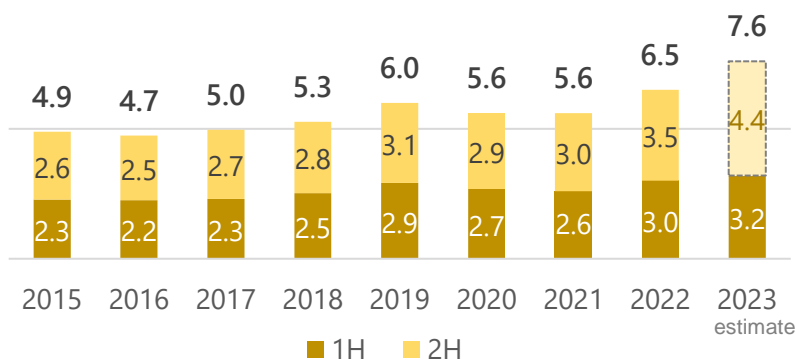
Capital investment



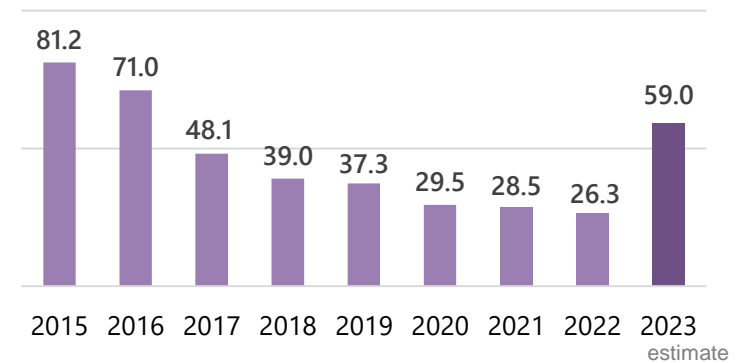
Depreciation expenses



R&D expenditures



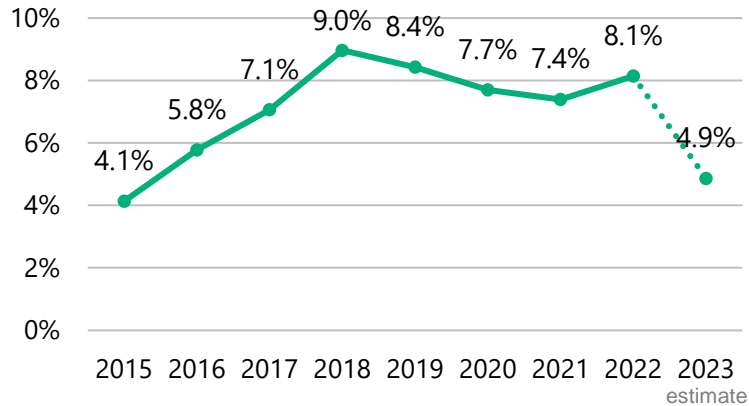
Interest-bearing debt



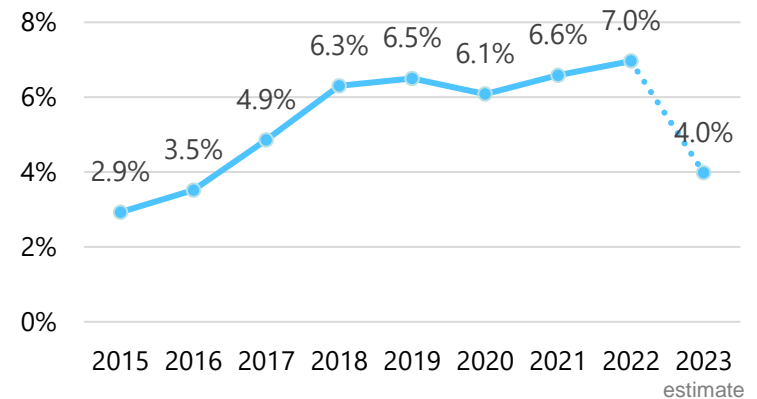
Key Indicators (2)

KUREHA CORPORATION

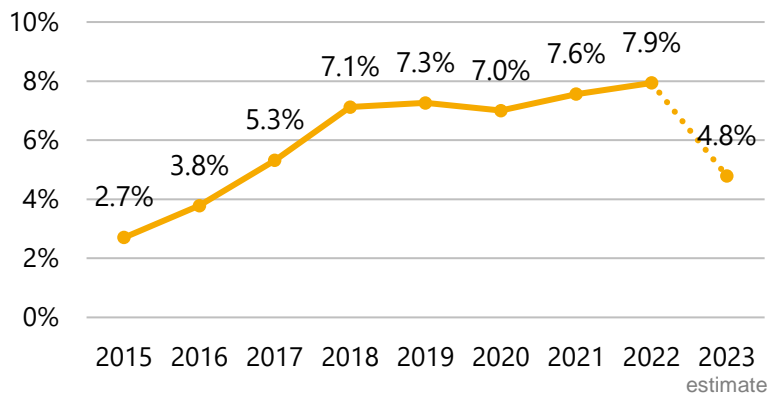
ROE



ROIC

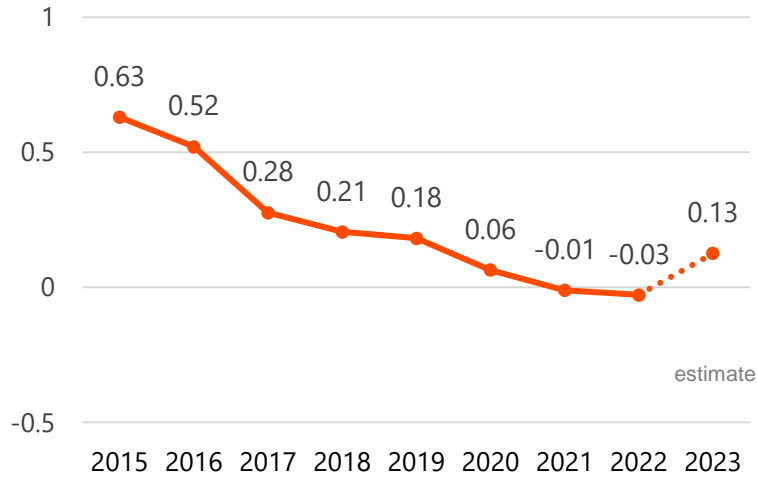


ROA

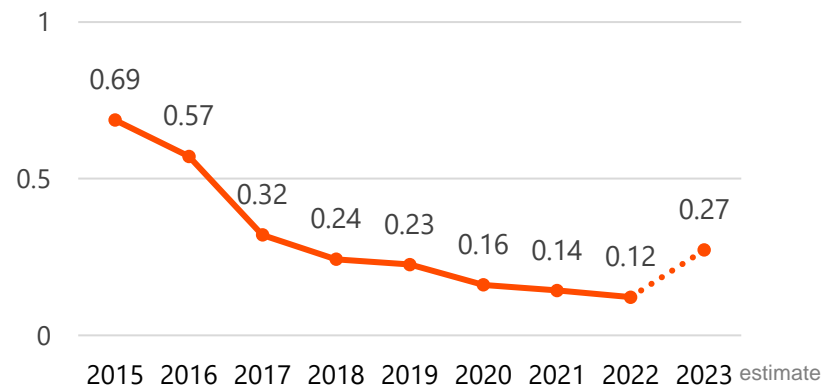


Key Indicators (3)

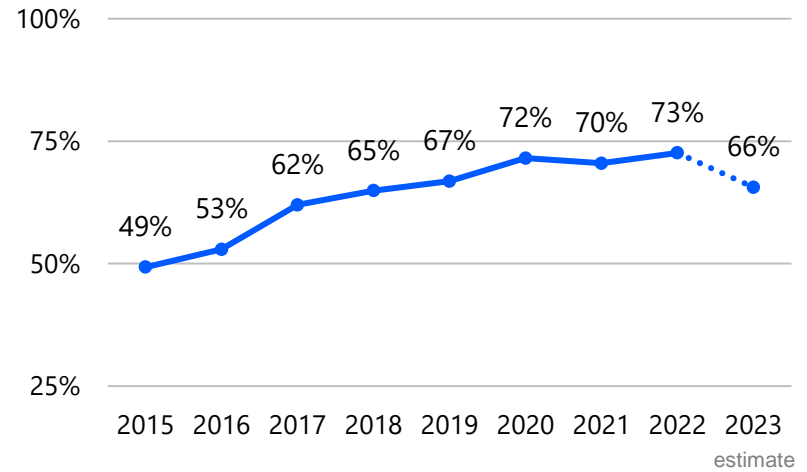
Net D/E Ratio



D/E Ratio



Equity Ratio

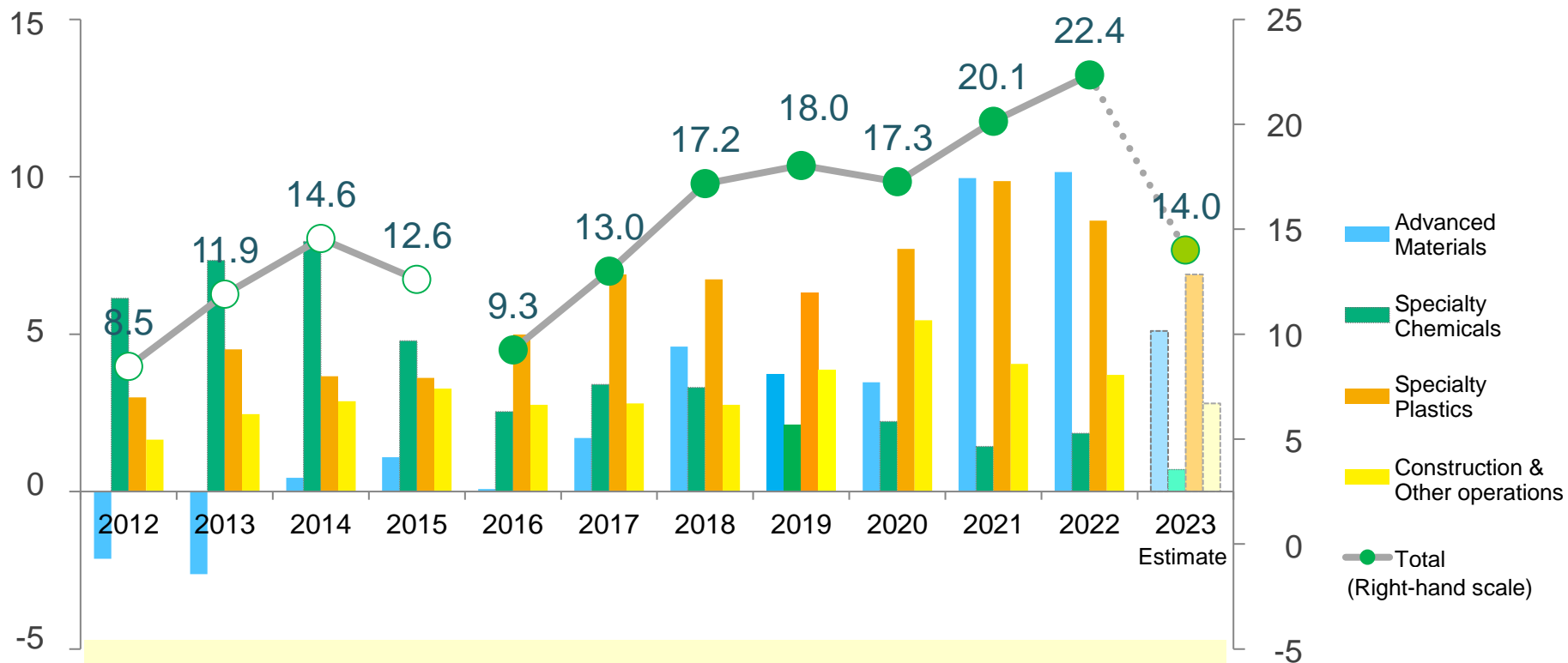


III . 10-year Progress of Kureha Group

Kureha Group: 10-Year Growth Trajectory

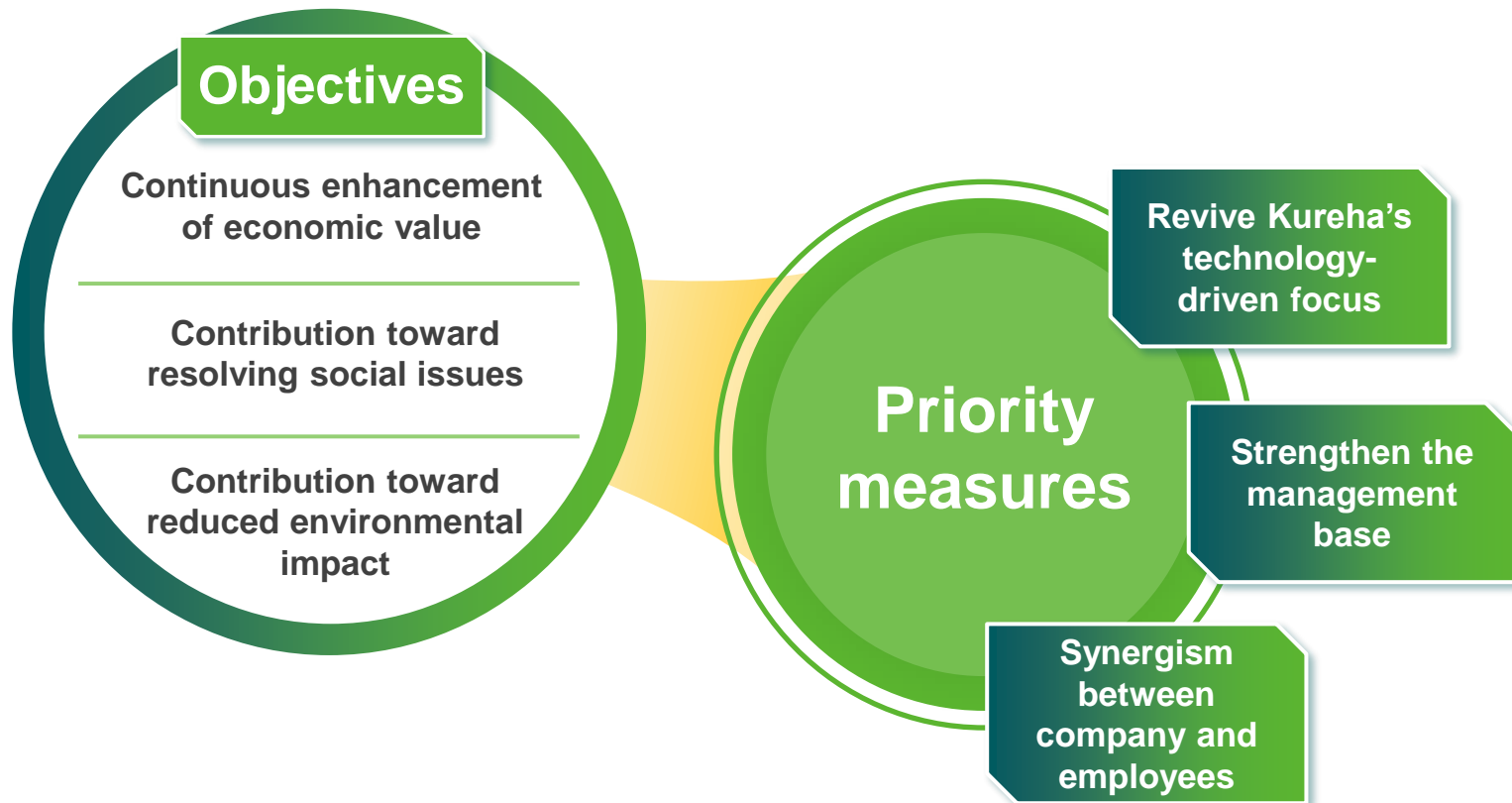
KUREHA CORPORATION

(in billions of yen)



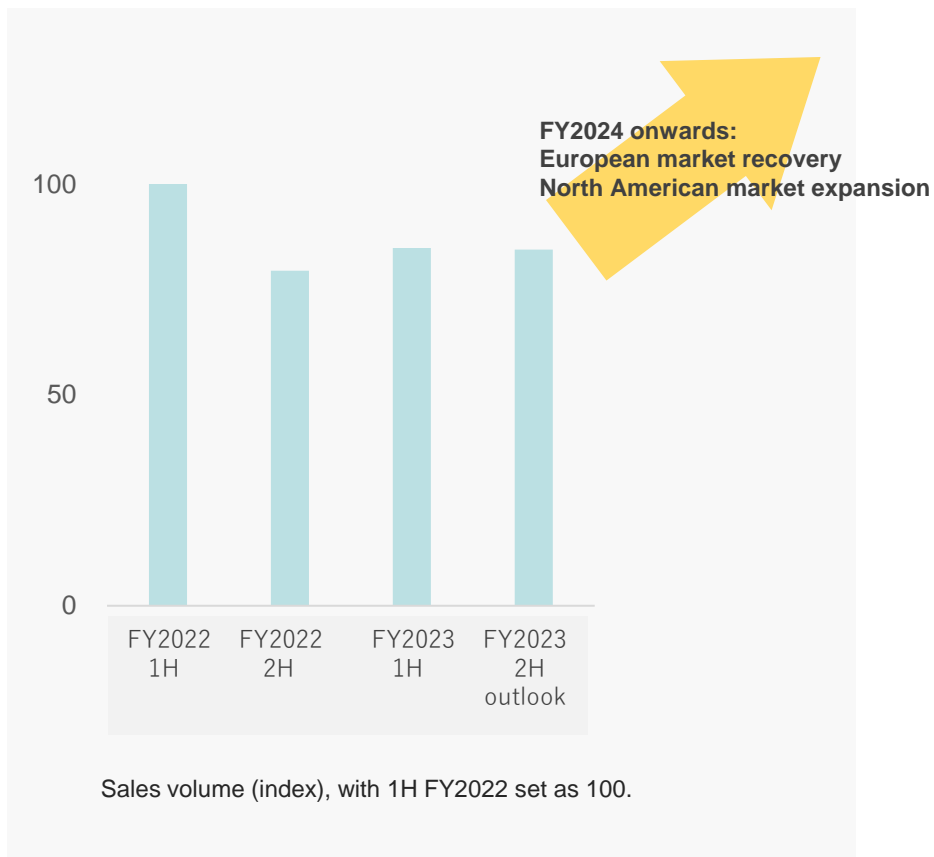
- Significant growth in **Advanced Materials** segment
- Interest-bearing debt reduced by more than **40 billion yen** during this period
- Corporate restructuring (impairment and structural reform): **30 billion yen**
- Cost reduction effect: **14.6 billion yen** (simple cumulative amount for the period of Corporate Reform PJ activities from FY2013 to FY2022)

IV. Progress of Initiatives under the New Mid- to Long-term Management Plan



To realize the Kureha Vision, we have established a Management Policy consisting of three objectives and three priority measures and we have carried it out since April 2023.

PVDF sales volume trends



Market environment and future outlook

- The European EV market, which Kureha is targeting, is currently stagnant due to slumping consumption and other factors. As a result, LiB manufacturers' inventory adjustments for materials and batteries took longer than expected. A high proportion of our binders are used for European EVs, and we are affected by this slowdown.
- Customer inventory adjustments are expected to be completed in 2H FY2023. Orders for materials are forecast to recover from FY2024, due to the recovery of the European market and the rise of the North American market.
- From FY2024, expansion in the North American LiB market is expected to contribute to business expansion.
- Based on the above, demand for our PVDF binder is expected to continue to expand sustainably. **Our growth scenario of mid- to long-term expansion of this business in line with the EV market's expansion is unchanged.**

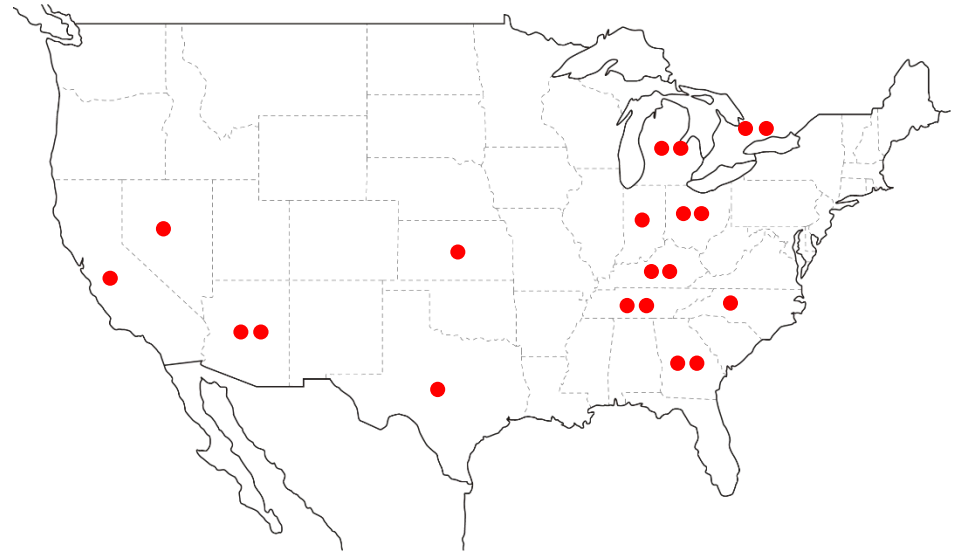
LiB manufacturers' expansion plans

In August 2023, Kureha announced a plan to increase capacity by 8,000 ton/year at the Iwaki Factory (to be completed March 2026). Including debottlenecking of existing facilities, the production capacity in FY2026 will be approximately 20,000 ton/year, which will be doubled from 11,000 tons in FY2022.

The background is that many existing and target customers are progressing with their LiB factory construction plans, with operations scheduled to begin in FY2024. This is particularly noticeable in North America, where most of the products are ternary LiBs, and our special polymers have a high share for the type of LiBs.

In response to the US Inflation Reduction Act, we are already on track to procure raw materials to meet demand through FY2026. We are also considering procurement for FY2027 and beyond, and are building a stable supply chain by expanding procurement sources.

LiB factory construction plans in North America

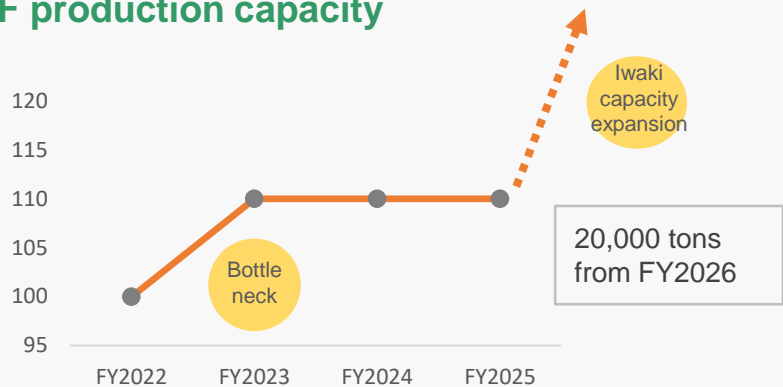


*Will be completed in and after FY2024, according to Kureha research.
Expansion plans are underway in many regions outside of North America, including Europe.

PVDF Business (3)

KUREHA CORPORATION

PVDF production capacity



Production capacity (index), with 1H FY2022 set as 100.

Production equipment

- Kureha will meet market growth by debottlenecking existing equipment and inventory until March 2026, when the Iwaki Plant capacity expansion is completed.

R&D / Technology development

- We will accelerate the study of molecular design and additive combinations to develop high-performance grades for ternary LiBs, which is our top priority, and develop competitive grades for LFPLiB. We will also consider collaborating with external research institutions that have cutting-edge technology. To raise productivity, Kureha will work to develop both formulation and equipment perspectives.
- Until now, technological developments related to PVDF have been attained by multiple departments such as R&D, manufacturing, engineering, and process development. However, to unify our resources, a new department (PVDF Technology Project) has now been established. Under this system, we will speed up technological development.
- We will accumulate technologies to ensure that the PVDF expansion at the Iwaki Factory serves as a "model facility" as the number of locations increases in the future.

PVDF inventory

Increase Decrease Total



Inventory at FY2026 start is expected to approximate year-end FY2022 level

Regarding PFAS regulations in Europe

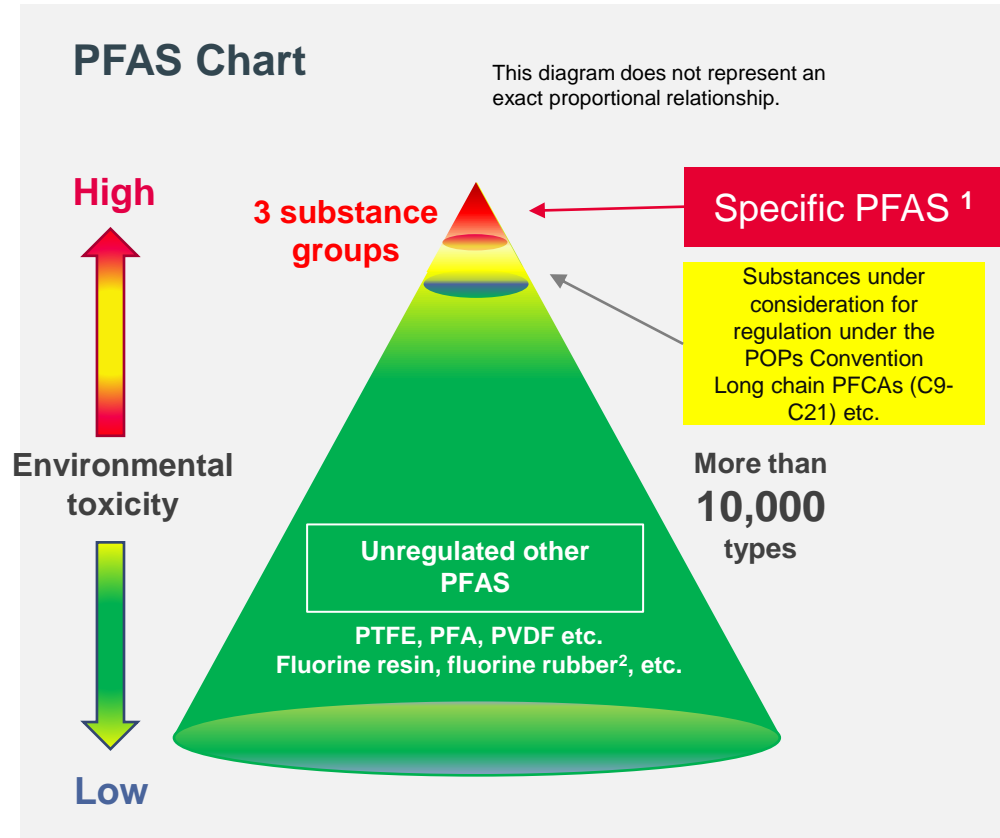
Five European countries—Denmark, Germany, the Netherlands, Sweden, and Norway—have submitted draft regulations targeting PFAS (organofluorine compounds including PVDF).

Expert meetings are proceeding with the goal of adopting a draft text for submission to the European Commission (EC). If the EC votes on the proposed regulation, it could come into effect as early as 2025. Regulations without a grace period could enter into force in 2027.

The European Chemicals Agency (ECHA) has been soliciting public comments on this draft regulation since March, receiving over 5,600 comments from countries, companies, organizations, and individuals by the deadline September 25.

The proposed regulation would, in principle, collectively regulate more than 10,000 types of PFAS, each of which has different toxicity and risks. Kureha believes this is an excessive measure that lacks scientific basis.

We believe fluoropolymer resins, including PVDF, should be exempted from this proposed regulation, and are working accordingly with industrial and chemical industry organizations in Japan and the EU.



Note 1: Specific PFAS

Substances that have been confirmed to be persistent, bioaccumulative, long-distance mobile, and toxic, and are regulated by the Stockholm Convention on Persistent Organic Pollutants (POPs Convention) ⇒ PFOS, PFOA, PFHxS, and related substances. The number of such substances may increase depending on future regulations.

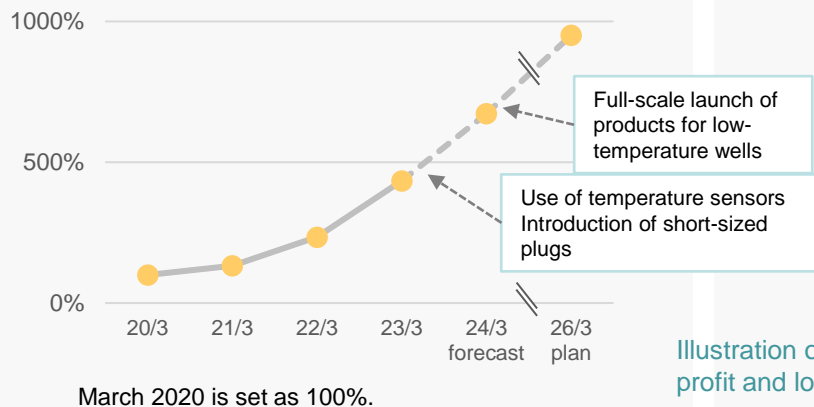
Note 2: Fluororesins and fluororubbers

These are chemically and biologically stable and meet the OECD standards for polymers of low concern, meaning they are non-bioaccumulative and non-toxic.

Business environment update

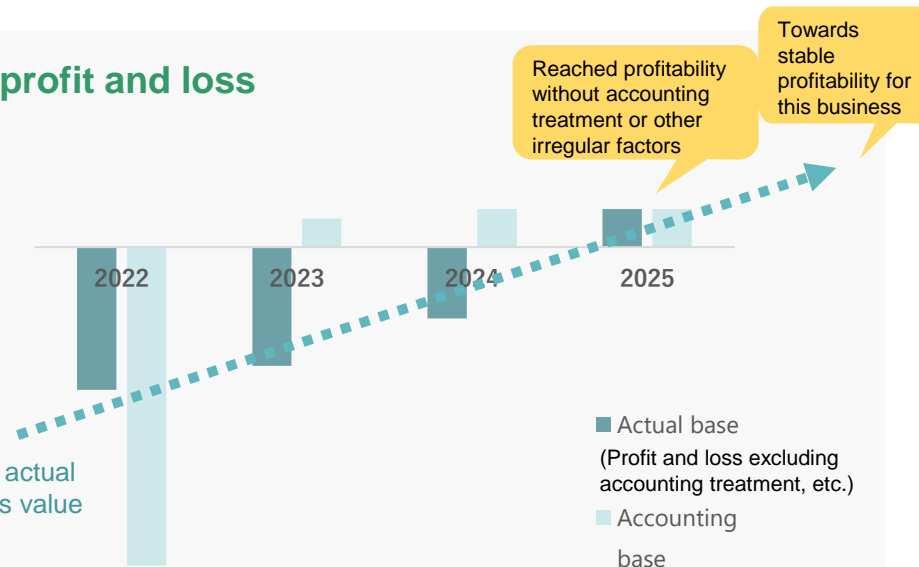
- The number of completed shale oil and gas wells is about 80% of the pre-coronavirus level. The number of gas wells in areas where we have a high market share is expected to recover with the growth of LNG and export terminals in the U.S.
- The ratio of "full bore" wells, in which our PGA resin processed products (frac plugs) are used throughout the wells, has recently reach to a record of approximately 75%. Short-sized plugs are now on sale. The use of sensors that measure well temperature has facilitated the collection and analysis of logs, increasing the reliability of using frac plugs and driving increased sales. New products for low-temperature wells are undergoing field tests. Our scenario under the new mid- to long-term business plan is unchanged.
- Until the end of this fiscal year, we will not produce PGA resin, placing priority on maintaining inventory at an appropriate level. Production is scheduled to resume in FY2024.
- Through the U.S. technology center, which is close to the market, we will develop low-temperature to ultra-low temperature grade frac plugs and explore new applications.

PGA plug sales volume (index)



PGA profit and loss

Illustration of actual profit and loss value

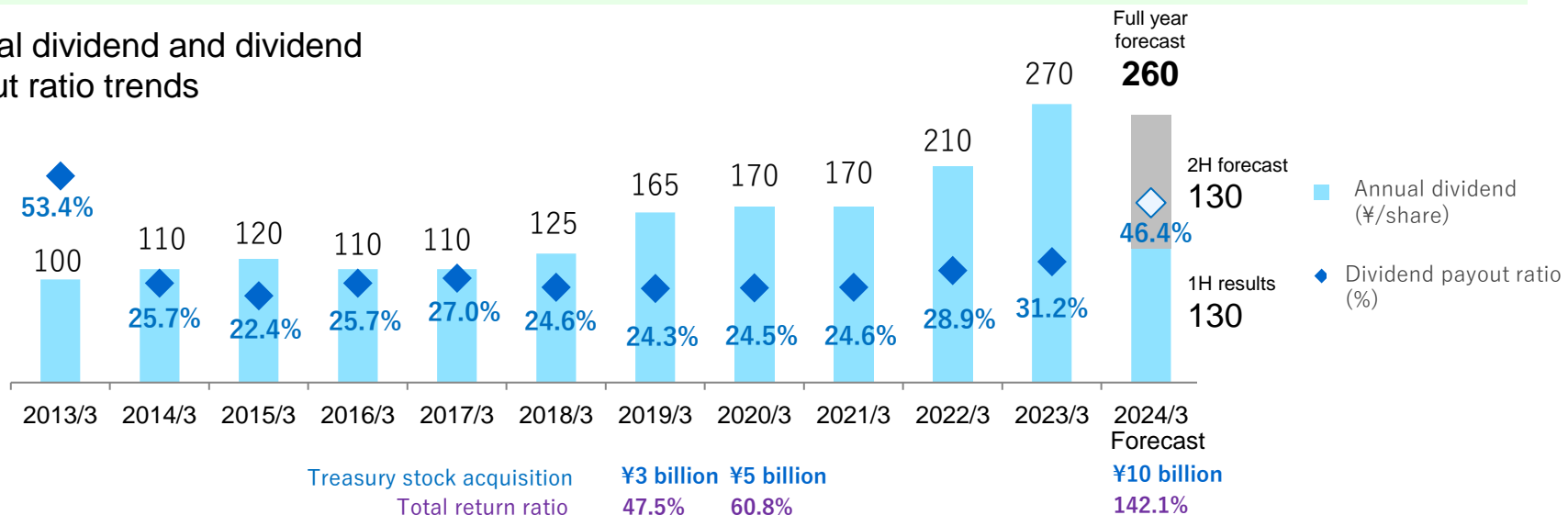


Shareholder Returns

KUREHA CORPORATION

- Kureha's basic policy is to maintain stable dividends while increasing internal reserves for future business development, with a target dividend payout ratio of 30% or more.
- Aiming for a total return ratio of 50% or more, we will acquire treasury stock of approximately 10 billion yen in fiscal 2023 and approximately 20 billion yen over the three years to the end of fiscal 2025.
- The dividend payout ratio for the fiscal year ending March 2024 is expected to rise temporarily as the business environment of the PVDF business goes through an adjustment phase.
- The acquisition of treasury stock carried out this fiscal year is positioned as a key measure to achieve the target equity ratio.

Annual dividend and dividend payout ratio trends



As of October 1, 2016, the number of common shares was consolidated from 10 shares to 1 share. Figures before that have been converted and presented. Japanese GAAP was used until the fiscal year ending March 2016, and IFRS was adopted from the fiscal year ending March 2017. We acquired treasury stock worth ¥3 billion in the fiscal year ending March 2019 and ¥5 billion in the fiscal year ending March 2020.

Environmental Impact Reduction Targets

KUREHA CORPORATION

CO2 emission reduction

30% or more
(vs. FY2013 results)

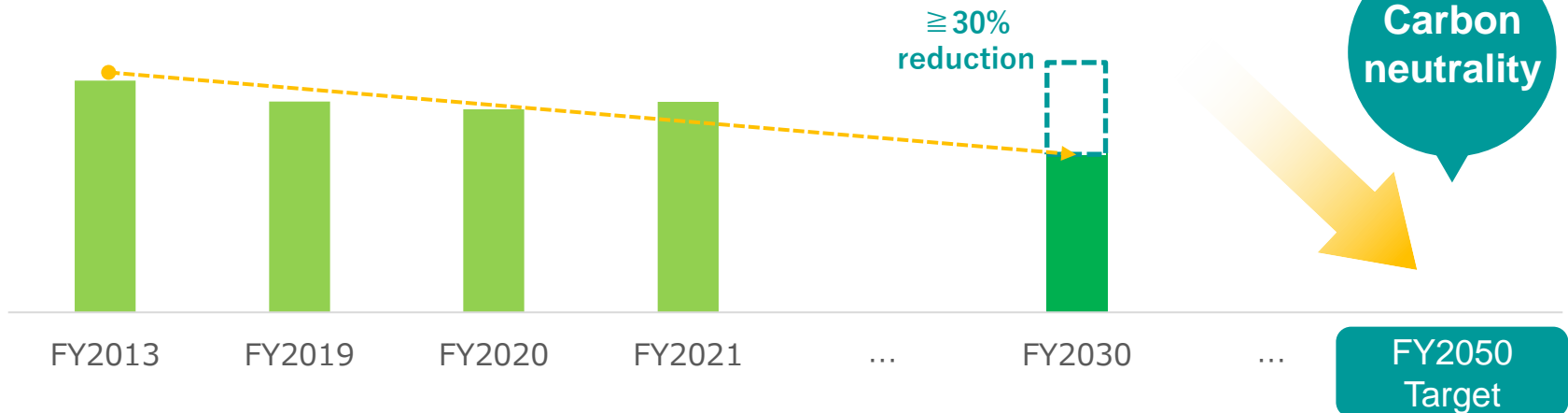
Based on the assumption of achieving carbon neutrality by FY2050, we will promote the use of CO2-free self-generated energy and CO2-free electricity to achieve our energy-derived CO2 emission reduction target for FY2030.

Zero waste emission ratio

1.5%

- Achieve zero waste emission ratio 1.5% in FY2025
- Although the waste is expected to increase in line with the increase in production of our main products, but we will maintain a zero emission ratio of 1.5% in FY2030 by developing technologies to reduce and recycle this waste.

Energy-derived CO2 emissions compared to FY2013



KUREHA

Strengthening the Management Base

KUREHA CORPORATION

Introduction of a stock compensation

- We will continue to share value with shareholders and strengthen the link between the company's performance and director remuneration, giving incentives for directors other than outside directors to continuously improve the company's corporate value. For clarity, we have introduced a stock compensation system.

Appointment of a female outside director

- The regular general shareholders meeting in June 2023 approved the appointment of one new female outside director. By involving directors with diverse backgrounds and perspectives, we aim to make the decision-making process more comprehensive and balanced.

Director composition



Strengthening the sustainability organization

- On April 1, 2023, we established the Sustainability Promotion Committee, which is responsible for overseeing and promoting sustainability activities.
- The committees for Compliance, CSR, Information Management and Risk Management, and their subordinate committees, have been abolished and reorganized as organizations (subcommittees) directly under the Sustainability Promotion Committee. This structure enables us to unify Kureha's sustainability management and promote it throughout the company.

Consolidating our business portfolio

- To build an optimal business portfolio, we will continue to consider and implement measures to concentrate resources into businesses that are truly necessary for the Kureha Group.

Employee engagement

- Conducted employee engagement surveys from FY2023 onwards. Analyzing the results will enable us to understand issues and create a PDCA cycle for improvement.
- Improve engagement by disseminating the management vision, promoting engagement initiatives in offices through autonomous activities, creating a safe and comfortable working environment, and promoting health management.

Utilize and develop diverse human resources

- Secure human resources necessary to accelerate management, business, and research strategies, and reinforce production technology capabilities, by strengthening recruitment of mid-career employees with diverse expertise.
- Further promote the active participation of female employees through training, reassignment and active promotion, and improve key indicators such as the percentage of female managers.
- Systematically develop human resources that will contribute to the acceleration of management, business, and research. (Next-generation management human resources, digitally skilled human resources, technical human resources, global human resources, and others))

V. Initiatives to Improve Cost of Capital and Stock Price

Current Situation Regarding Stock Price and PBR KUREHA CORPORATION

As profits have grown, the share price has risen above TOPIX.
On the other hand, the P/B ratio has been below 1x for a period of time, and measures will be taken to achieve a P/B ratio above 1x.

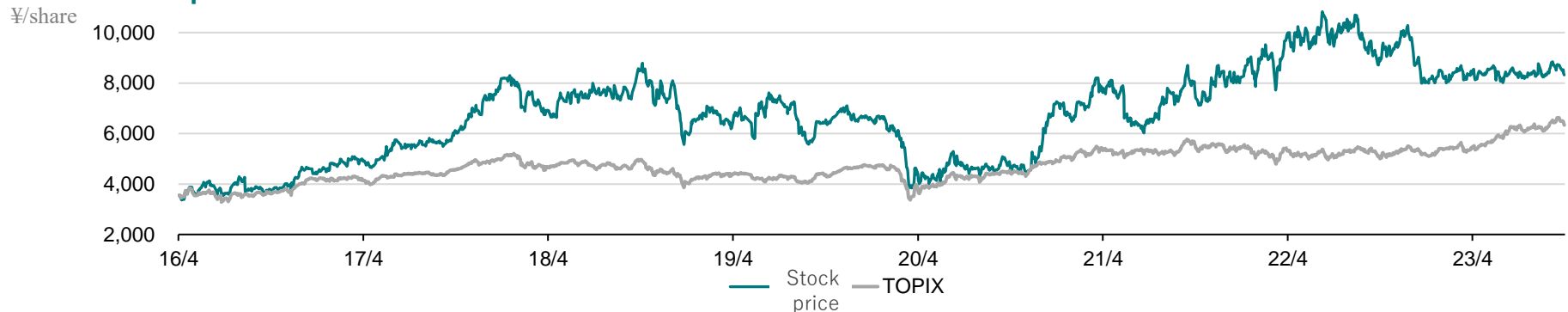
Kureha's Challenge
2018

Kureha's Challenge
2020

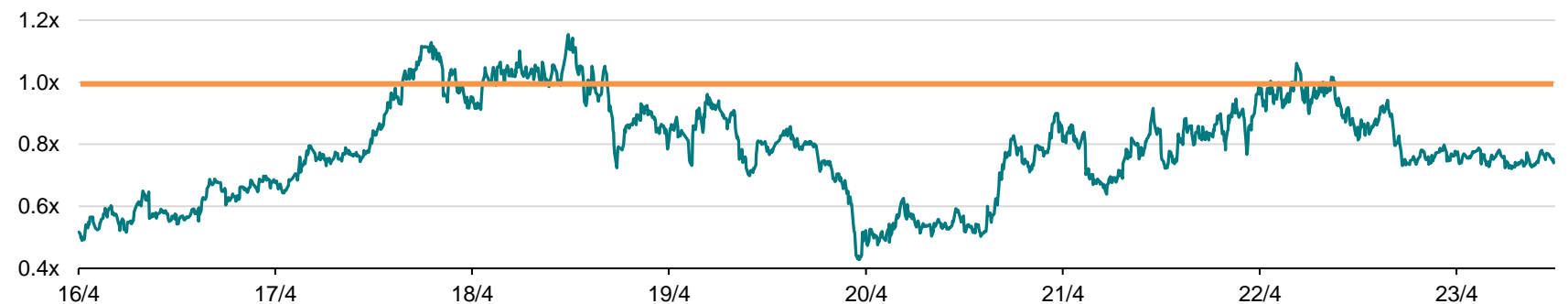
Kureha's Challenge
2022

New mid- to
long-term plan

Stock price trend



PBR Trend



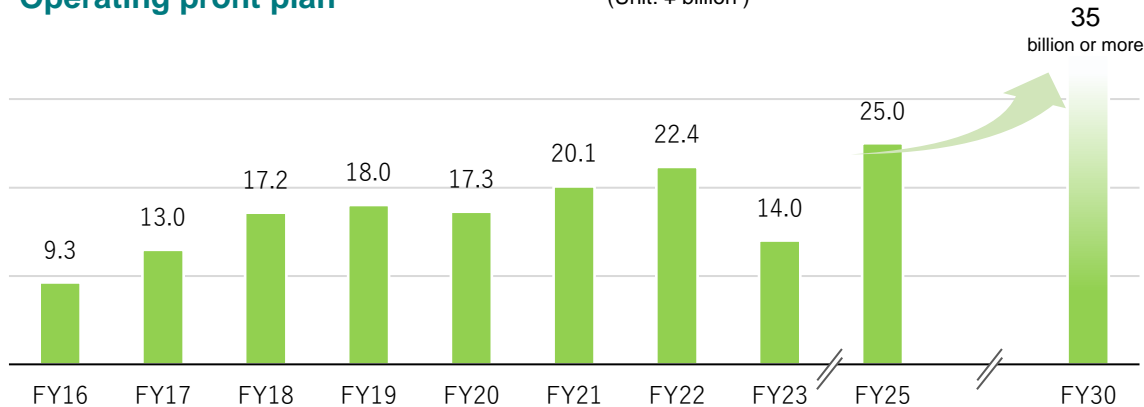
Initiatives to achieve a PBR above 1x

KUREHA CORPORATION

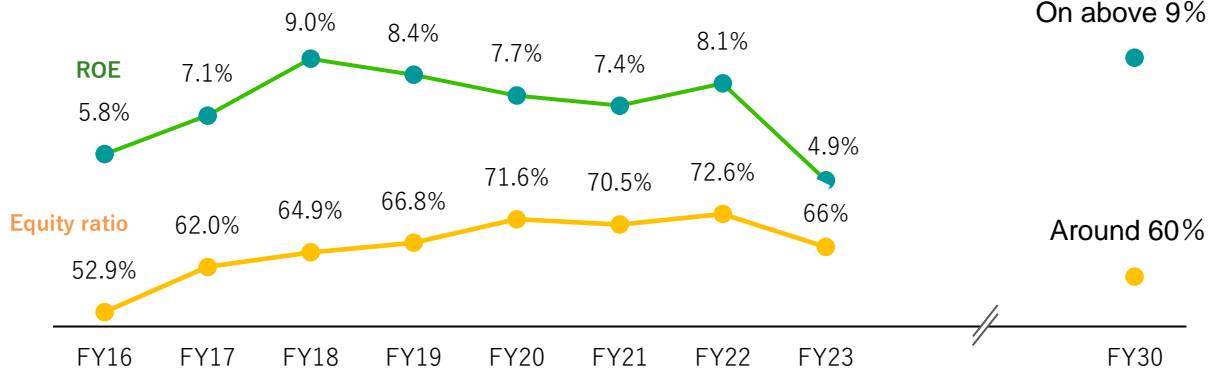
We work to improve both ROE and PER.

Operating profit plan

(Unit: ¥ billion)



Equity ratio/ROE trend



- Expanding profits is a key to improving ROE. We will complete construction of a new PVDF facility at the Iwaki Factory by the end of FY2025, laying the foundation for expanding profits from FY2026 onwards.
- In addition to the PVDF business, we are steadily expanding existing businesses and improving profitability of them, such as household goods and the PGA business.

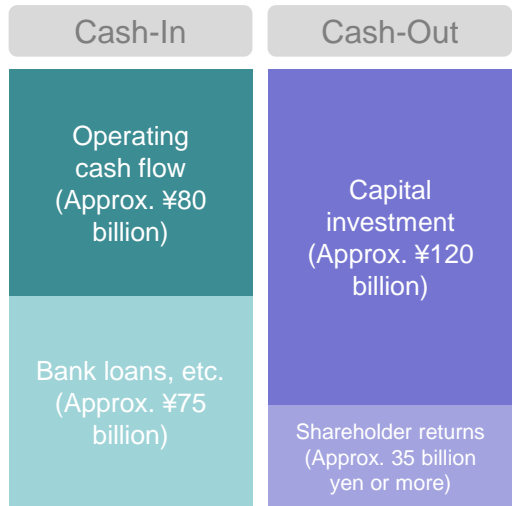
- As profit growth until 2025 is limited, we will achieve ROE exceeding the cost of capital by using financial leverage to maximize capital efficiency through growth investments and shareholder returns.
- We set an equity ratio of around 60% (net D/E ratio of 0.3).

<Initiatives to Improve ROE>

- Foster expectations by clarifying the growth story, sending out to the market and promote understanding.

Cash Allocation (FY2023-2025)

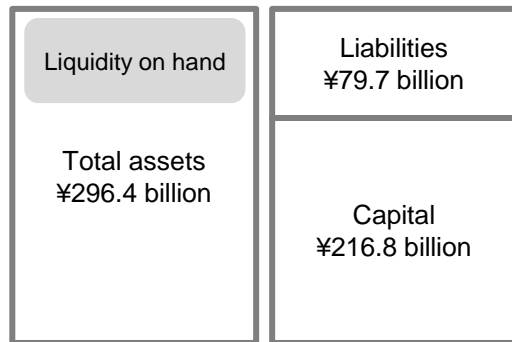
KUREHA CORPORATION



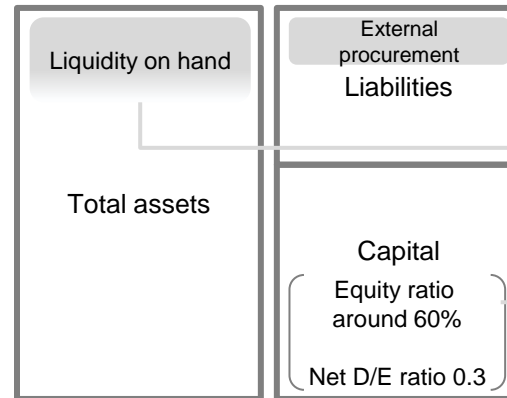
Capital investment plan (FY2023–FY2025)

- Manufacturing capital investment (PVDF capacity expansion, maintenance and renewal investment, etc.) Approx. ¥105 billion
 - R&D, new business investment (new business development, M&A, etc.) Approx. ¥5 billion
 - Environmental investment (carbon neutrality, waste reduction, etc.) Approx. ¥5 billion
 - Investment into digitalization (ERP system, etc.) Approx. ¥5 billion
- Total ¥120 billion**

FY2022 Balance Sheet



Target Balance Sheet



- Effective use of debt for capital investment
- Appropriately control liquidity on hand by regularly reviewing cross-shareholdings and controlling excess cash and deposits
- Maintain an appropriate capital structure by utilizing financial leverage
- While prioritizing capital allocation to growth investments, we will also implement shareholder returns to achieve an appropriate equity ratio.

- This presentation material is intended to provide you with a better understanding of our company and is not intended as a solicitation of any investment or other activity.
- This material has been prepared by our company based on information available as of the date of the presentation. Actual results may differ materially from those presented in this material as a result of various factors.
- Please use this material at your own discretion and responsibility.