

FY2024 1Q Results

August 8, 2024

KUREHA CORPORATION

FY2024 1Q Results

Revenue and profit

				(billion yen)		
	FY24 1Q	FY23 1Q	Change YoY	FY24 forecast		
				1H	2H	Full-year
Advanced Materials	14.3	16.4	-2.2	34.0	36.0	70.0
Specialty Chemicals	8.4	9.2	-0.8	15.5	13.5	29.0
Specialty Plastics	13.0	11.7	1.3	21.0	19.0	40.0
Construction	1.9	2.2	-0.2	6.5	8.0	14.5
Other operation	4.4	4.3	0.1	8.0	8.5	16.5
Revenue	41.9	43.8	-1.8	85.0	85.0	170.0
Advanced Materials	0.7	1.2	-0.5	3.4	2.3	5.7
Specialty Chemicals	0.4	0.7	-0.3	0.6	0.4	1.0
Specialty Plastics	1.7	2.2	-0.5	2.2	3.0	5.2
Construction	0.1	0.1	0.1	0.4	0.4	0.8
Other operation	0.5	0.6	-0.0	0.4	0.9	1.3
Core operating profit	3.5	4.8	-1.3	7.0	7.0	14.0
Adjustments	-0.3	0.2	-0.5	-0.5	0.5	-
Operating profit	3.2	4.9	-1.7	6.5	7.5	14.0
Financial revenue costs and taxes	-0.3	-1.7	1.4	-1.5	-2.5	-4.0
Profit*	2.9	3.2	-0.4	5.0	5.0	10.0

*Profit attributable to owners of the Company

FY2024 1Q YoY Change

- FY2024 1Q revenue and profit declined YoY.
- Revenue fell owing to lower PVDF sales volume and price, as well as lower volumes of agrochemicals, industrial chemicals and home products.
- Operating profit fell despite an improvement in equity in earnings, due to the combined impact of lower PVDF sales and production, as well as lower sales of industrial chemicals and home products.
- Tax expenses were minimal in 1Q, as there were no expenses for taxable depreciation (one-time expenses) as recorded in the same period of the previous year.
- No changes have been made to the 1H and full-year forecasts announced on May 13, 2024.

FY2024 1Q Financial Summary

KUREHA CORPORATION

(billion yen)

	FY24 1Q	FY23 1Q	Change	
			Amount	%
Revenue	41.9	43.8	-1.8	-4.2%
Core operating profit	3.5	4.8	-1.3	-26.6%
Adjustments	-0.1	-0.1	-0.0	
Other income	0.2	0.4	-0.2	
Other expenses	0.4	0.1	-0.3	
Operating profit	3.2	4.9	-1.7	-35.2%
Financial income	0.6	0.7	-0.1	
Financial expenses	0.1	0.0	-0.0	
Profit before taxes	3.8	5.6	-1.8	-32.9%
Profit attributable to owners of the Company	2.9	3.2	-0.4	-11.3%

Basic profit per share (¥) **52.74** 55.75

Exchange rates 1USD= **155.9** 137.5

 1EUR= **167.8** 149.6

 1CNY= **21.5** 19.6

Key factors driving YoY changes

- Revenue declined despite higher sales in packaging materials as sales fell for PVDF, agrochemicals, industrial chemicals, and home products.
- Core operating profit fell despite higher equity in earnings, owing to lower profits in PVDF and home products.
- Operating profit dropped due to an increase in other expenses (non-current asset removal expenses) and a decrease in core operating profit.
- Profit before taxes fell due to lower operating profit.
- Profit attributable to owners of the Company declined despite a drop in income tax expenses, due to a decrease in profit before taxes.

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Segment Performance: Advanced Materials and Specialty Chemicals

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Advanced Materials

	FY24	FY23	Change	
	1Q	1Q	Amount	%
Advanced plastics	9.3	11.9	-2.6	-22%
Carbon products	2.0	1.9	0.0	1%
Other	3.0	2.6	0.4	16%
Revenue	14.3	16.4	-2.2	-13%
Operating profit	0.7	1.2	-0.5	-42%

Lower revenue and operating profit

Advanced plastics

Revenue and operating profit declined despite an improvement in equity in earnings of the PPS business. PVDF revenue fell due to a slowdown in the EV market and customer inventory adjustments, while PPS revenue dropped due to sluggish domestic automobile market.

Carbon products

Revenue was same as prior fiscal year despite an increase in sales of bead-shaped activated carbon, as sales of carbon fibers for insulation materials for high-temperature furnaces in China declined. Operating profit fell.

Specialty Chemicals

(billion yen)

	FY24	FY23	Change	
	1Q	1Q	Amount	%
Agrochemicals	2.6	3.3	-0.7	-22%
Pharmaceuticals	0.6	0.9	-0.3	-35%
Industrial chemicals	2.3	2.9	-0.6	-20%
Other	2.9	2.1	0.8	37%
Revenue	8.4	9.2	-0.8	-9%
Operating profit	0.4	0.7	-0.3	-45%

Lower revenue and operating profit

Pharmaceuticals and agrochemicals

Revenue declined owing to customer inventory adjustments in agrochemicals, and NHI price revisions in pharmaceuticals. Operating profit was same as prior fiscal year.

Industrial chemicals

Revenue declined and operating profit dropped to an operating loss due to deteriorating market conditions for caustic soda and lower sales volume of paradichlorobenzene to other PPS companies.

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Segment Performance: Specialty Plastics, Construction, and Other Operations

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Specialty Plastics

	FY24	FY23	Change	
	1Q	1Q	Amount	%
Home products	5.5	6.1	-0.6	-10%
Fishing lines	1.5	1.3	0.2	11%
Packaging materials	5.0	3.2	1.8	55%
Other	1.0	1.0	-0.0	-4%
Revenue	13.0	11.7	1.3	11%
Operating profit	1.7	2.2	-0.5	-22%

Higher revenue and lower operating profit

Home products and fishing lines

Revenue and operating profit fell owing to lower revenue from New Krewrap food wrap film

Packaging materials

Revenue and operating profit rose owing to inventory disposal sales associated with the end of sales of heat shrink multilayer film

Construction

(billion yen)

	FY24	FY23	Change	
	1Q	1Q	Amount	%
Revenue	1.9	2.2	-0.2	-11%
Operating profit	0.1	0.1	0.1	67%

Other Operations

	FY24	FY23	Change	
	1Q	1Q	Amount	%
Environmental engineering	2.8	2.7	0.1	5%
Logistics	0.4	0.4	-0.0	-3%
Hospital operations	1.1	1.0	0.1	9%
Others	0.1	0.2	-0.1	-51%
Revenue	4.4	4.3	0.1	2%
Operating profit	0.5	0.6	-0.0	-3%

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Financial Position

KUREHA CORPORATION

Assets

	Jun. 30, 2024	Mar. 31, 2024	Change
Cash and cash equivalents	23.7	23.1	0.5
Trade and other receivables	36.7	40.6	-3.9
Inventories	50.3	51.2	-1.0
Other current assets	5.2	4.9	0.3
Total current assets	115.8	119.9	-4.1
Property, plant and equipment	140.8	140.5	0.2
Intangible assets	5.3	5.0	0.3
Investments and other assets	69.1	65.2	4.0 *1
			-
			-
			-
Total non-current assets	215.2	210.7	4.5
Total assets	331.0	330.6	0.4

*1 Mark-to-market valuation of investment securities (+1.3)
Foreign exchange fluctuations of equity method investments (+1.1), etc.

Liabilities and Equity

(billion yen)

	Jun. 30, 2024	Mar. 31, 2024	Change
Trade and other payables	21.2	20.5	0.7
Interest-bearing debt	54.1	54.9	-0.8
Provisions	9.3	11.3	-2.0
Other liabilities	22.2	20.8	1.3
Total liabilities	106.8	107.5	-0.7
Shareholders' equity	18.2	18.2	
Capital surplus	14.7	14.7	
Less: Treasury stock	-4.5	-9.6	5.2 *2
Retained earnings	169.5	177.3	-7.8 *3
Other components of equity	24.6	20.8	3.8 *4
Non-controlling interests	1.8	1.8	0.0
Total equity	224.3	223.1	1.1
Total liabilities and equity	331.0	330.6	0.4

*2: Retirement of treasury shares (+8.7), purchase of treasury shares (-3.6), etc.

*3: Net profit (+2.9), dividends (-2.4), retirement of treasury shares (-8.7), etc.

*4: Foreign currency translation adjustments (+2.9), etc.

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(billion yen)

	FY24 1Q	FY23 1Q	Change
Profit before income taxes	3.8	5.6	-1.8
Depreciation	3.2	2.8	0.4
Other	4.2	-11.5	15.6 ^{*1}
Cash flow from operating activities	11.1	-3.1	14.2
Cash flow from investing activities	-4.1	-4.0	-0.2
Free cash flow	7.0	-7.0	14.0
Cash flow from financing activities	-7.4	7.1	-14.5^{*2}
Effect of exchange rate changes on cash and cash equivalents	1.0	1.0	0.0
Increase/decrease in cash and cash equivalents	0.5	1.1	-0.5
Cash and cash equivalents at beginning of period	23.1	32.2	-9.1
Cash and cash equivalents at end of period	23.7	33.3	-9.6

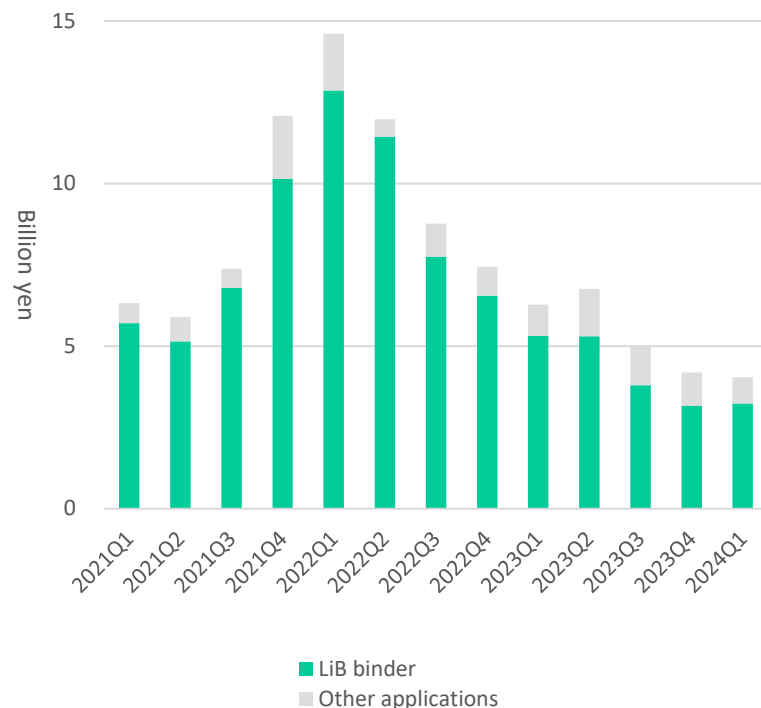
*1

Income taxes paid: +2.7
Trade and other receivables: +5.4
Inventories: +2.3
Trade and other payables: +4.7

*2

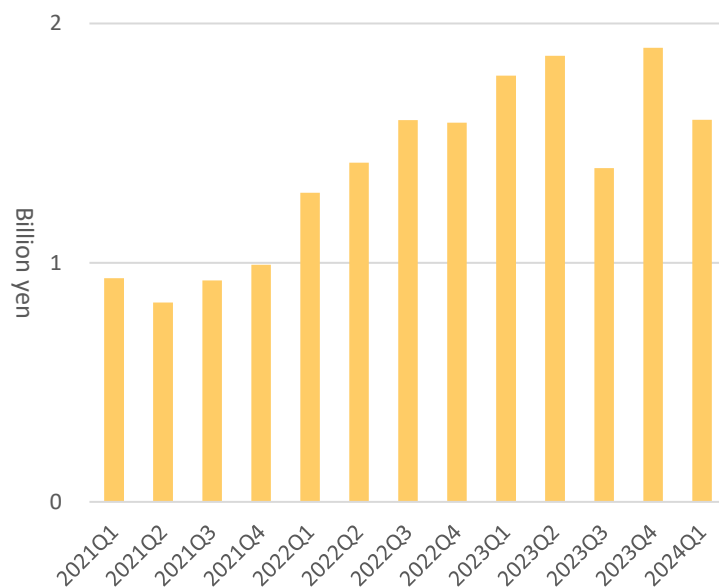
Short-term borrowings and commercial paper: -4.4
long-term borrowings: -10.0

PVDF Revenue

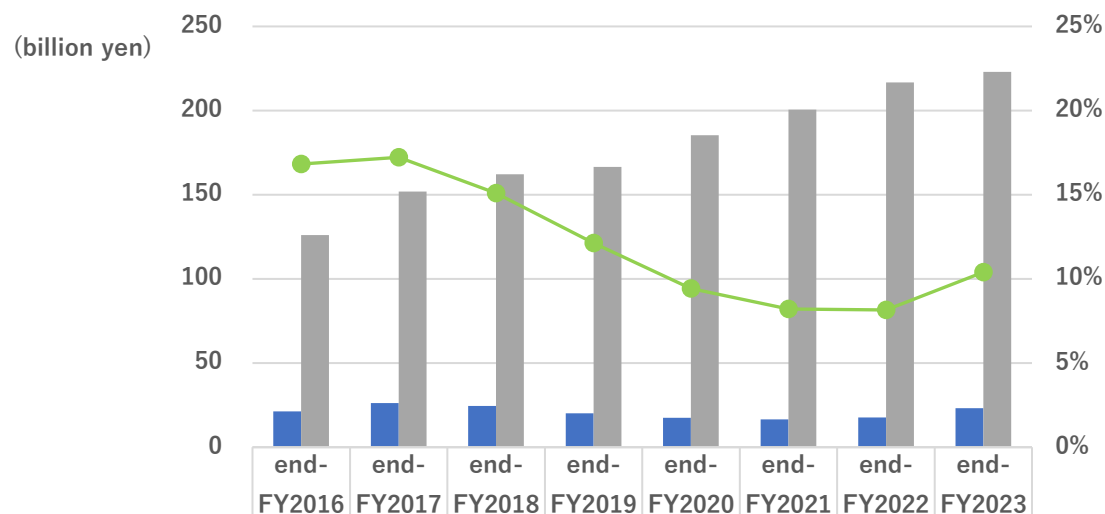


- No change in the medium- to long-term outlook for sustained growth in LiB demand for EVs.
- EV market growth slowed from FY2022 2H, resulting in excess product and raw material inventories at EV and LiB-related companies. As a result, inventory adjustments have continued since FY2022 2H.
- Revenue in FY2024 Q1 remained on par with the previous quarter (FY2023 Q4).
- In the short term, we aim to acquire new LiB binder customers and expand sales for other applications. In the long term, we aim to expand sales volume through expansion of NMC LiB market and development of new grades for LFP.

PGA Revenue



- Weak gas prices have stalled drilling activity at existing customers (high underground temperature areas). We expect gas prices to recover toward FY2024 2H.
- In addition to market recovery in high underground temperature areas, we will continue pursuing orders for full-bore wells in medium to high underground temperature areas, where we currently receive orders only for wellheads.
- We will push for full-bore orders by introducing new grades with improved degradability at lower temperatures and by offering products suitable for the wellbore environment by using temperature sensors, image sensors, and other services.
- Launch of the short-type plug has been delayed, but we will launch it in FY2024 2H and improve product usability.



■ Policy shareholdings	21.2	26.2	24.4	20.2	17.5	16.5	17.7	23.2
■ Consolidated net assets	126.0	152.0	162.2	166.6	185.5	200.7	216.8	223.1
● Ratio (right axis)	16.8%	17.2%	15.1%	12.1%	9.4%	8.2%	8.2%	10.4%
■ Number of listed companies held	43	41	40	40	37	36	34	32

Policy concerning Cross-Shareholdings

Each year, the Board of Directors comprehensively considers the purpose of cross-shareholdings, the benefits and risks associated with such cross-shareholdings, the cost of capital, etc., and reviews the appropriateness of future holding of such shares of stock. Keeping to the standard that the amount held (in total) should be less than 10% of consolidated net assets, Kureha will gradually reduce the number of shares that are no longer significant for Kureha to hold or whose holdings are excessive based on a comprehensive consideration of factors such as dialogue with companies in business relationships, the impact on the market, and availability of effective use of funds.

We are making capital investments to increase PVDF production capacity at our Iwaki Factory. The expansion will help increase EV production and contribute to reducing global CO2 emissions.

We have decided to utilize green bonds to finance this capital investment. By proactively making use of sustainable financing, we will diversify our financing options and work with our investors to expand our business and achieve carbon neutrality.

With regard to our compliance with the Green Bond Principles 2021 and the Green Bond Guidelines 2022, we received the highest rating of "Green1 (F)" in the Green Bond Framework Assessment conducted by Japan Credit Rating Agency, Ltd. (JCR), a third-party organization.

In addition, regarding our use of funds, we received an evaluation for our environmental improvement benefits with reference to the Green Enabling Projects Guidance document.



PVDF (polyvinylidene fluoride), the investment target for the Green Bond funds

Notice Regarding Green Bond Issuance
https://www.kureha.co.jp/en/newsrelease/docs/Notice_Regarding_Green_Bond_Issuance_en.pdf

Kureha Green Bond Framework
https://www.kureha.co.jp/en/ir/pdf/GBframework_en.pdf

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