Quarterly Financial Summary

Note: This is an English translation of the Quarterly Financial Summary in Japanese and is for reference purposes only. In the event of any discrepancy between the translation and the original Japanese text, the latter will prevail.

Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2022 (IFRS)

August 5, 2021

Company name: **Kureha Corporation**
Stock listing: **Tokyo Stock Exchange**
TSE code: **4023**
URL: **https://www.kureha.co.jp/en/**
Representative: **Yutaka Kobayashi, President and Chief Executive Officer**
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Scheduled date for filing quarterly securities report: August 11, 2021
Scheduled date of dividend payment: —
Supplementary materials for quarterly financial results: Available
Quarterly financial results briefing: None

(Figures are rounded off to the nearest million yen)

1. Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2022 (From April 1, 2021 to June 30, 2021)

(1) Consolidated Operating Results (% figures indicate year-on-year changes)

	Revenue		Operating profit		Profit before income taxes		Net profit		Profit attributable to owners of the Company		Total comprehensive income	
Three months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2021	37,848	20.3	4,254	69.4	4,360	54.4	3,340	63.8	3,303	61.2	3,380	(22.5)
June 30, 2020	31,465	(1.7)	2,512	(44.7)	2,824	(38.2)	2,039	(46.5)	2,049	(46.2)	4,362	32.1

	Basic profit per share	Diluted profit per share
Three months ended	Yen	Yen
June 30, 2021	169.26	169.04
June 30, 2020	105.03	104.93

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the Company	Equity attributable to owners of the Company to total assets ratio
As of	Millions of yen	Millions of yen	Millions of yen	%
June 30, 2021	254,581	187,187	185,536	72.9
March 31, 2021	256,923	185,521	183,830	71.6

2. Dividends

	Dividends per share				
	First quarter	Second quarter	Third quarter	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2021	—	85.00	—	85.00	170.0
Fiscal year ending March 31, 2022	—				
(Forecast) Fiscal year ending March 31, 2022		85.00	—	85.00	170.00

Note: Changes in the dividend forecast from the most recent announcement: None

2. Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2022 (From April 1, 2021 to March 31, 2022)

(% figures indicate year-on-year changes)

	Revenue		Operating profit		Profit before income taxes		Profit attributable to owners of the Company		Basic profit per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2021	74,500	12.8	7,500	21.4	7,500	17.4	5,700	18.4	292.04
Fiscal year ending March 31, 2022	150,000	3.8	15,000	(13.1)	15,000	(15.5)	10,700	(20.7)	548.22

Note: Changes in earnings forecast from the most recent announcement: None

* Notes

(1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries affecting the scope of consolidation): None

(2) Changes in accounting policies and changes in accounting estimates

1) Changes in accounting policies required under IFRS: None
2) Changes in accounting policies other than those in item 1) above: None
3) Changes in accounting estimates: None

(3) Number of shares issued (common stock)

1) Number of shares outstanding at the end of the period (including treasury shares)	As of June 30, 2021	20,805,407 shares	As of June 30, 2020	20,805,407 shares
2) Number of treasury shares at the end of the period	As of June 30, 2021	1,287,705 shares	As of June 30, 2020	1,287,652 shares
3) Average number of shares outstanding during the period	Three months ended June 30, 2021	19,517,737 shares	Three months ended June 30, 2020	19,518,334 shares

* This quarterly financial summary is outside the scope of review by certified public accountants or audit corporations.

* Note to ensure proper use of financial forecasts, and other noteworthy matters

All forecasts and forward-looking statements in this report are based on information currently available to the Company and assumptions that are deemed to be reasonable, but Kureha Corporation does not guarantee the achievement of these forecasts. Actual results may differ significantly as a consequence of numerous factors. For more information regarding the assumptions and terms the Company applied when formulating earnings forecasts and precautions that should be taken when utilizing these earnings forecasts, please refer to "(3) Outlook for the Fiscal Year Ending March 31, 2022 and beyond" included under the section "1. Overview of Operating Results and Outlook" on page 3 of the attached document.

(Attachment)

Contents

1. Overview of Operating Results and Outlook…….. 2
(1) Overview of Operating Results for the Period under Review……..... 2
(2) Overview of Financial Position for the Period under Review……. 3
(3) Outlook for the Fiscal Year Ending March 31, 2022 and beyond……..... 3
2. Consolidated Financial Statements and Important Notes……..…….. 4
(1) Consolidated Statement of Financial Position…….…….... 4
(2) Consolidated Statement of Income and Comprehensive Income…….… 6
(3) Consolidated Statement of Changes in Equity……..…….. 8
(5) Notes to Consolidated Financial Statements…….…….. 10
(Notes Regarding Assumption of a Going Concern)…….…….. 10
(Segment Information)…….……. 10

1. Overview of Operating Results and Outlook

(1) Overview of Operating Results for the Period under Review

During the first three months of the fiscal year ending March 31, 2022, the Japanese and global economies continued to face difficult conditions due to impact from the COVID-19 pandemic. While there are some signs of recovery, the situation is increasingly deteriorating in some areas. During the first three months of the fiscal year ending March 31, 2022, economies around the world (including Japan's) continued to struggle in the face of the COVID-19 pandemic. While some signs of recovery were evident, the situation deteriorated further in some areas. Going forward, the recovery trend is expected to continue in Japan as measures to mitigate infections are implemented and the vaccine rollout progresses, due also to the effects of various policies and improvements in overseas economies. However, there still remains much uncertainty over the continuing spread of the pandemic.

Under these circumstances, the Kureha Group maintained stable business activities while endeavoring to provide a safe working environment for its employees by taking measures to prevent the spread of the virus and reduce the risk of infection. Meanwhile, there are concerns that rising fuel and raw material prices may adversely affect business results, but the Group plans to appropriately reflect these costs on product prices and implement other measures.

In the first three months of the fiscal year ending March 31, 2022, the Group's revenue and profits increased year on year, as sales in the Advanced Materials business picked up, whereas sales were weaker due to the spread of COVID-19 during the same period in the previous year.

Revenue was 37,848 million yen (up 20.3% year on year), operating profit was 4,254 million yen (up 69.4% year on year), profit before income taxes was 4,360 million yen (up 54.4% year on year), net profit was 3,340 million yen (up 63.8% year on year), and net profit attributable to owners of the Company was 3,303 million yen (up 61.2% year on year).

Results by segment were as follows:

(Millions of yen)

	Revenue			Operating profit		
	Three months ended June 30, 2020	Three months ended June 30, 2021	Change	Three months ended June 30, 2020	Three months ended June 30, 2021	Change
Advanced Materials	8,653	14,238	5,585	(281)	971	1,253
Specialty Chemicals	5,339	5,325	(14)	198	(47)	(245)
Specialty Plastics	10,552	11,219	667	1,779	2,301	521
Construction	2,657	2,615	(42)	205	135	(70)
Other Operations	4,261	4,448	186	620	864	244
Segment Total	31,465	37,848	6,382	2,521	4,226	1,704
Adjustments*	−	−	−	(9)	28	38
Consolidated Total	31,465	37,848	6,382	2,512	4,254	1,742

Note: Operating profit adjustments include other income and expenses not allocated to reporting segments. For details, refer to “(4) Notes on Condensed Quarterly Consolidated Financial Statements (Segment information)”

1. Advanced Materials

In the advanced plastics category, revenue and operating profit rose on higher sales of polyvinylidene fluoride (PVDF) used as a binder material for lithium-ion secondary batteries, polyglycolic acid (PGA) products used in the process of shale oil and gas fracking, polyphenylene sulfide (PPS), and other processed plastics products.

In the carbon products category, revenue rose on higher sales of carbon fiber used in heat insulating material for high-temperature furnaces, but operating profit was flat year on year.

As a result, revenue in Advanced Materials was 14,238 million yen (up 64.5% year on year), and operating profit was 971 million yen (versus operating loss of 281 million yen in the three months ended June 30, 2020).

2. Specialty Chemicals

Revenue and operating profit in the agrochemicals and pharmaceuticals category fell despite higher sales of Kremezin (therapeutic agent for chronic renal failure), as this was offset by lower sales of agricultural and horticultural fungicides.

Meanwhile, revenue and operating profit in the industrial chemicals category rose due to higher sales of organic chemicals.

Consequently, revenue in Specialty Chemicals was 5,325 million yen (down 0.3% year on year), resulting in an operating loss of 47 million yen (versus operating profit of 198 million yen in the three months ended June 30, 2020).

3. Specialty Plastics

Both revenue and operating profit increased in the consumer goods category as sales of New Krewrap plastic wrap for household use and Seaguar fluorocarbon fishing lines increased.

Meanwhile, revenue rose in the packaging materials category on the back of higher sales of heat-shrink multilayer film and other products, but operating profit fell due to higher raw material prices.

As a result, revenue in Specialty Plastics was 11,219 million yen (up 6.3% year on year), and operating profit was 2,301 million yen (up 29.3% year on year).

4. Construction

In Construction, private-sector construction projects were on par with the previous year, but delays of public-sector construction starts drove declines in revenue and operating profit.

Consequently, revenue in Construction was 2,615 million yen (down 1.6% year on year), and operating profit was 135 million yen (down 34.2% year on year).

5. Other Operations

Both revenue and operating profit rose in the environmental engineering category due to higher volumes of industrial waste treatment and processing, including low-concentration PCB waste.

In the logistics category, both revenue and operating profit remained flat year on year.

Meanwhile, the hospital operations category reported higher sales and a smaller operating loss.

As a result, revenue in Other Operations was 4,448 million yen (up 4.4% year on year), and operating profit was 864 million yen (up 39.3% year on year).

(2) Overview of Financial Position for the Period under Review

Total assets as of June 30, 2021 were 254,581 million yen, down 2,341 million yen compared to March 31, 2021. Current assets totaled 83,011 million yen, down 3,225 million yen compared to March 31, 2021, due to declines in inventories and cash and cash equivalents. Non-current assets were 171,570 million yen, up 883 million yen compared to March 31, 2021, as a 441 million yen decline in property, plant and equipment to 119,730 million yen and a decrease in valuation of investment securities were offset by increases in intangible assets, assets related to equity method investments, and retirement benefit assets.

Total liabilities were 67,393 million yen, down 4,008 million yen compared to March 31, 2021. This primarily reflects the payment of bonuses and corporate taxes, and a decrease of 1,106 million yen in interest-bearing debt to 28,400 million yen due to the repayment of loans payable.

Total equity was 187,187 million yen, up 1,666 million yen compared to March 31, 2021. This was mainly due to the recording of 3,303 million yen in net profit attributable to owners of the Company and dividend payments of 1,659 million yen from retained earnings.

As of June 30, 2021, the COVID-19 pandemic has had no impact on the Group’s capacity to secure liquidity or collect accounts receivable.

(3) Outlook for the Fiscal Year Ending March 2022 and beyond

The company has no change in the half and full fiscal year forecast disclosed on May 12, 2021.

2. Condensed Quarterly Consolidated Financial Statements and Important Notes

(1) Condensed Quarterly Consolidated Statement of Financial Position

(Millions of yen)

	As of March 31, 2021	As of June 30, 2021
Assets		
Current assets		
Cash and cash equivalents	17,834	16,760
Trade and other receivables	28,212	28,064
Other financial assets	3	0
Inventories	36,452	34,655
Other current assets	3,735	3,530
Total current assets	86,237	83,011
Non-current assets		
Property, plant and equipment	120,171	119,730
Intangible assets	2,202	2,943
Investments accounted for using the equity method	14,042	14,753
Other financial assets	22,407	21,634
Deferred tax assets	1,569	1,511
Other non-current assets	10,292	10,995
Total non-current assets	170,686	171,570
Total assets	256,923	254,581

(Millions of yen)

	As of March 31, 2021	As of June 30, 2021
Liabilities and equity		
Current liabilities		
Trade and other payables	19,221	19,325
Bonds and borrowings	7,841	7,111
Other financial liabilities	1,724	2,886
Corporate income tax payable	2,587	699
Provisions	6,379	4,715
Other current liabilities	7,110	6,463
Total current liabilities	44,865	41,202
Non-current liabilities		
Bonds and borrowings	19,014	18,819
Other financial liabilities	2,145	2,008
Deferred tax liabilities	1,795	1,804
Provisions	1,388	1,368
Retirement benefit liability	291	283
Other non-current liabilities	1,900	1,906
Total non-current liabilities	26,536	26,191
Total liabilities	71,402	67,393
Equity		
Share capital	18,169	18,169
Capital surplus	14,897	14,897
Treasury shares	(8,697)	(8,697)
Retained earnings	154,166	156,216
Other components of equity	5,294	4,949
Total equity attributable to owners of parent	183,830	185,536
Non-controlling interests	1,690	1,651
Total equity	185,521	187,187
Total liabilities and equity	256,923	254,581

(2) Condensed Quarterly Consolidated Statements of Income and Comprehensive Income

Condensed Quarterly Consolidated Statement of Income

(Millions of yen)

	Three months ended June 30, 2020 (from April 1, 2020 to June 30, 2020)	Three months ended June 30, 2021 (from April 1, 2021 to June 30, 2021)
Revenue	31,465	37,848
Cost of sales	23,115	27,599
Gross profit	8,350	10,248
Selling, general and administrative expenses	6,227	6,677
Share of profit of entities accounted for using equity method	406	673
Other revenue	104	90
Other expenses	122	81
Operating profit	2,512	4,254
Financial revenue	361	220
Financial expenses	48	113
Profit before income taxes	2,824	4,360
Corporate income tax expenses	785	1,020
Profit	2,039	3,340
Profit attributable to:		
Owners of the Company	2,049	3,303
Non-controlling interests	(10)	37
Net profit	2,039	3,340
Profit per share		
Basic profit per share (yen)	105.03	169.26
Diluted profit per share (yen)	104.93	169.04

Condensed Quarterly Consolidated Statement of Comprehensive Income

(Millions of yen)

	Three months ended June 30, 2020 (from April 1, 2020 to June 30, 2020)	Three months ended June 30, 2021 (from April 1, 2021 to June 30, 2021)
Net profit	2,039	3,340
Other comprehensive income		
Items not reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	1,855	(544)
Remeasurements of defined benefit plans	736	405
Total	2,592	(138)
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	(269)	178
Total	(269)	178
Other comprehensive income, net of tax	2,322	40
Comprehensive income	4,362	3,380
Comprehensive income attributable to:		
Owners of parent	4,341	3,357
Non-controlling interests	20	23
Comprehensive income	4,362	3,380

(3) Condensed Quarterly Consolidated Statement of Changes in Equity

Three months ended June 30, 2020 (from April 1, 2020 to June 30, 2020)

(Millions of yen)

	Equity attributable to owners of parent					
					Other components of equity	
	Share capital	Capital surplus	Treasury shares	Retained earnings	Share acquisition rights	Exchange differences on translation of foreign operations
Balance as of April 1, 2020	18,169	15,044	(8,693)	135,918	80	(4,858)
Net profit				2,049		
Other comprehensive income						(267)
Total comprehensive income	—	—	—	2,049	—	(267)
Purchase of treasury shares			(0)			
Share-based payments					6	
Dividends				(1,659)		
Transfer from other components of equity to retained earnings				1,688		
Total transactions with owners	—	—	(0)	29	6	—
Balance as of June 30, 2020	18,169	15,044	(8,694)	137,997	87	(5,126)

	Equity attributable to owners of parent					
	Other components of equity					
	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total	Total	Non-controlling interests	Total equity
Balance as of April 1, 2020	9,329	—	4,551	164,990	1,633	166,623
Net profit			—	2,049	(10)	2,039
Other comprehensive income	1,823	736	2,291	2,291	31	2,322
Total comprehensive income	1,823	736	2,291	4,341	20	4,362
Purchase of treasury shares			—	(0)		(0)
Share-based payments			6	6		6
Dividends			—	(1,659)	(56)	(1,715)
Transfer from other components of equity to retained earnings	(952)	(736)	(1,688)	—		—
Total transactions with owners	(952)	(736)	(1,682)	(1,653)	(56)	(1,709)
Balance as of June 30, 2020	10,199	—	5,161	167,678	1,597	169,276

Three months ended June 30, 2021 (April 1, 2021 to June 30, 2021)

(Millions of yen)

	Equity attributable to owners of parent					
					Other components of equity	
	Share capital	Capital surplus	Treasury shares	Retained earnings	Share acquisition rights	Exchange differences on translation of foreign operations
Balance as of April 1, 2021	18,169	14,897	(8,697)	154,166	110	(3,161)
Net profit				3,303		
Other comprehensive income						178
Total comprehensive income	—	—	—	3,303	—	178
Purchase of treasury shares			(0)			
Share-based payments					7	
Dividends				(1,659)		
Transfer from other components of equity to retained earnings				405		
Total transactions with owners	—	—	(0)	(1,253)	7	—
Balance as of June 30, 2021	18,169	14,897	(8,697)	156,216	117	(2,982)

	Equity attributable to owners of parent					
	Other components of equity					
	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total	Total	Non-controlling interests	Total equity
Balance as of April 1, 2021	8,345	—	5,294	183,830	1,690	185,521
Net profit			—	3,303	37	3,340
Other comprehensive income	(530)	405	53	53	(13)	40
Total comprehensive income	(530)	405	53	3,357	23	3,380
Purchase of treasury shares			—	(0)		(0)
Share-based payments			7	7		7
Dividends			—	(1,659)	(62)	(1,721)
Transfer from other components of equity to retained earnings	—	(405)	(405)	—		—
Total transactions with owners	—	(405)	(398)	(1,651)	(62)	(1,714)
Balance as of June 30, 2021	7,814	—	4,949	185,536	1,651	187,187

(4) Notes to Condensed Quarterly Consolidated Financial Statements

(Notes Regarding Assumption of a Going Concern)

No applicable matters to report.

(Segment Information)

(1) Overview of Reporting Segments

The Kureha Group's reportable segments are components for which separate financial information is available and whose operating results are regularly reviewed by the Board of Directors to decide on the allocation of operating resources and assess their performance.

The Group has separate divisions by product, and each division formulates a comprehensive product strategy for domestic and overseas markets, and conducts related business activities.

Accordingly, the Group consists of segments by product and service on the basis of the business divisions, and has the five reportable segments of "Advanced Materials," "Specialty Chemicals," "Specialty Plastics," "Construction," and "Other Operations."

Major products and services for each segment are as follows.

Segment	Major Products and Services
Advanced Materials	Polyphenylene sulfide (PPS), polyvinylidene fluoride (PVDF), processed polyglycolic acid (PGA) products, carbon fiber, bead-shaped activated carbon
Specialty Chemicals	Agricultural and horticultural fungicides, therapeutic agent for chronic renal failure, caustic soda, hydrochloric acid, sodium hypochlorite, monochlorobenzene, para-dichlorobenzene, ortho-dichlorobenzene
Specialty Plastics	Household plastic wrap, garbage bags for kitchen sink, plastic food containers, cooking paper, PVDF fishing lines, polyvinylidene chloride (PVDC) film, multilayer heat-shrinkable film, auto-pack machinery (for food packaging)
Construction	Civil engineering and construction contracting business, construction supervision services
Other operations	Industrial waste treatment and environmental processing facilities, physiochemical analysis, measurement, testing, and inspection services, transportation and warehousing, medical services

(2) Information on Reportable Segments

The accounting policies for the reportable segments are the same as those applied in the consolidated financial statements for the previous year. Intersegment revenue is mainly based on market prices.

The Kureha Group's segment information is as follows.

Three months ended June 30, 2020 (from April 1, 2020 to June 30, 2020)

(Millions of yen)

	Advanced Materials	Specialty Chemicals	Specialty Plastics	Construction	Other Operations	Total	Adjustments (Note)	Condensed Quarterly Consolidated Amount
Revenue								
Revenue from external customers	8,653	5,339	10,552	2,657	4,261	31,465	—	31,465
Intersegment revenue	159	47	31	1,490	1,421	3,151	(3,151)	—
Total	8,813	5,386	10,584	4,148	5,683	34,617	(3,151)	31,465
Operating profit (loss)	(281)	198	1,779	205	620	2,521	(9)	2,512
Financial revenue								361
Financial expenses								(48)
Profit before income taxes								2,824

(Note) The adjustment to operating profit mainly comprises 7 million yen of profit resulting from the elimination of intersegment transactions and other factors, 104 million yen of other revenue not allocated to any reportable segment, and 122 million yen in other expenses.

Three months ended June 30, 2021 (from April 1, 2021 to June 30, 2021)

(Millions of yen)

	Advanced Materials	Specialty Chemicals	Specialty Plastics	Construction	Other Operations	Total	Adjustments (Note)	Condensed Quarterly Consolidated Amount
Revenue								
Revenue from external customers	14,238	5,325	11,219	2,615	4,448	37,848	—	37,848
Intersegment revenue	197	48	41	1,599	1,592	3,479	(3,479)	—
Total	14,435	5,373	11,261	4,214	6,041	41,327	(3,479)	37,848
Operating profit (loss)	971	(47)	2,301	135	864	4,226	28	4,254
Financial revenue								220
Financial expenses								(113)
Profit before income taxes								4,360

(Note) The adjustment to operating profit mainly comprises 19 million yen of profit resulting from the elimination of intersegment transactions and other factors, 90 million yen of other revenue not allocated to any reportable segment, and 81 million yen in other expenses.