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, 2023 (IFRS)

August 9, 2022

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 10, 2022
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, 2023 (From April 1, 2022 to June 30, 2022)

(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, 2022	49,280	30.2	8,145	91.4	8,519	95.4	5,505	64.8	5,460	65.3	8,743	158.6
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)

	Basic profit per share	Diluted profit per share
Three months ended	Yen	Yen
June 30, 2022	279.79	279.37
June 30, 2021	169.26	169.04

(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, 2022	290,710	206,987	205,500	70.7
March 31, 2022	282,639	200,724	199,219	70.5

2. Dividends

	Dividends per share				
	First quarter	Second quarter	Third quarter	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	—	85.00	—	125.00	210.0
Fiscal year ending March 31, 2023	—				
(Forecast) Fiscal year ending March 31, 2023		125.00	—	125.00	250.00

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

2. Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2023 (From April 1, 2022 to March 31, 2023)

(% 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, 2022	100,000	26.5	13,000	14.4	13,500	17.9	9,500	14.1	486.74
Fiscal year ending March 31, 2023	180,000	6.9	22,000	9.2	22,000	7.9	16,000	13.0	819.77

Note: Changes in earnings forecast from the most recent announcement: Yes

* 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, 2022	20,805,407 shares	As of June 30, 2021	20,805,407 shares
2) Number of treasury shares at the end of the period	As of June 30, 2022	1,287,768 shares	As of June 30, 2021	1,288,121 shares
3) Average number of shares outstanding during the period	Three months ended June 30, 2022	19,517,731 shares	Three months ended June 30, 2021	19,517,737 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, 2023 and beyond" included under the section "1. Overview of Operating Results and Outlook" on page 3 of the attached document.

(Attachment)

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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, 2023, the Japanese and global economies continued to show signs of recovery as extremely challenging conditions wrought by the COVID-19 pandemic moderated. While the trend toward recovery is expected to continue as economic activity normalizes, the outlook remains uncertain owing to soaring costs for fuel and raw materials, a semiconductor shortage, the protracted Ukraine crisis, and concerns that economic activity could be curtailed again by renewed growth in COVID-19 infections.

Under these circumstances, the Kureha Group maintained stable business activities while endeavoring to prevent the spread of infections and reduce related risk factors. A renewed surge in COVID-19 infections triggered lockdowns in China, in turn causing a halt to operations at the local plant manufacturing carbon products for the Advanced Materials business. However, operations have resumed. In addition, 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, 2023, the Group's revenue and profits increased year on year on growth in Advanced Materials business sales, especially in polyvinylidene fluoride (PVDF) used as a binder material for lithium-ion secondary batteries.

Revenue was 49,280 million yen (up 30.2% year on year), operating profit was 8,145 million yen (up 91.4% year on year), profit before income taxes was 8,519 million yen (up 95.4% year on year), net profit was 5,505 million yen (up 64.8% year on year), and net profit attributable to owners of the Company was 5,460 million yen (up 65.3% year on year).

Results by segment were as follows:

(Millions of yen)

	Revenue			Operating profit		
	Three months ended June 30, 2021	Three months ended June 30, 2022	Change	Three months ended June 30, 2021	Three months ended June 30, 2022	Change
Advanced Materials	14,238	24,492	10,254	971	5,649	4,677
Specialty Chemicals	5,325	6,625	1,300	(47)	(348)	(300)
Specialty Plastics	11,219	11,912	692	2,301	2,094	(206)
Construction	2,615	1,911	(703)	135	112	(23)
Other Operations	4,448	4,336	(111)	864	610	(254)
Segment Total	37,848	49,280	11,431	4,226	8,118	3,892
Adjustments*	—	—	—	28	26	(1)
Consolidated Total	37,848	49,280	11,431	4,254	8,145	3,890

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, polyphenylene sulfide (PPS), polyglycolic acid (PGA) products used in the process of shale oil and gas fracking, and other processed plastics products. Segment revenue and operating profit both increased.

Revenue and operating profit in the carbon products category were flat year on year, as sales of heat insulating materials for high-temperature furnaces and carbon fiber used in sliding materials for automotive parts were unchanged year on year.

As a result, revenue in Advanced Materials was 24,492 million yen (up 72.0% year on year), and operating profit was 5,649 million yen (up 481.3% year on year).

2. Specialty Chemicals

Revenue in the agrochemicals and pharmaceuticals category rose as sales of agricultural and horticultural fungicides grew, but operating profit fell due to lower sales of Kremezin (therapeutic agent for chronic renal failure).

In the industrial chemicals category, sales of organic and non-organic chemicals rose but operating profits decreased year on year due to sharply higher costs for fuel and raw materials.

Consequently, revenue in Specialty Chemicals was 6,625 million yen (up 24.4% year on year), and operating losses were 348 million yen (versus operating losses of 47 million yen in the first three months of the fiscal year ending March 31, 2022).

3. Specialty Plastics

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

Meanwhile, revenue and operating profit rose in the packaging materials category on the back of higher sales of heat-shrink multilayer film and polyvinylidene chloride (PVDC) film.

As a result, revenue in Specialty Plastics was 11,912 million yen (up 6.2% year on year), and operating profit was 2,094 million yen (down 9.0% year on year).

4. Construction

In Construction, public-sector construction projects were on par with the previous year, but private-sector construction projects decreased, leading to declines in revenue and operating profit.

Consequently, revenue in Construction was 1,911 million yen (down 26.9% year on year), and operating profit was 112 million yen (down 17.2% year on year).

5. Other Operations

Both revenue and operating profit fell in the environmental engineering category due to lower 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.

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

As a result, revenue in Other Operations was 4,336 million yen (down 2.5% year on year), and operating profit was 610 million yen (down 29.4% year on year).

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

Total assets as of June 30, 2022 were 290,710 million yen, up 8,070 million yen compared to March 31, 2022. Current assets totaled 120,764 million yen, up 8,346 million yen compared to March 31, 2022, amid increases in inventories and trade and other receivables, and classification of some equity method investments as assets held for sale. Non-current assets were 169,945 million yen, down 275 million yen compared to March 31, 2022, as the classification of some equity method investments as assets held for sale offset an increase in property, plant and equipment.

Total liabilities were 83,722 million yen, up 1,807 million yen compared to March 31, 2022. While on the one hand there were bonus payments, there was also an increase of 2,322 million yen in interest-bearing debt to 30,829 million yen due to an increase in borrowings.

Total equity was 206,987 million yen, up 6,262 million yen compared to March 31, 2022. This was due primarily to the recording of 5,460 million yen in profit attributable to owners of the Company and an increase in other components of equity associated with depreciation of the yen, which offset dividend payments of 2,439 million yen from retained earnings.

(3) Outlook for the Fiscal Year Ending March 31, 2023 and beyond

In light of recent performance trends, the Company has revised its second quarter consolidated earnings forecast for the fiscal year ending March 31, 2023 from the figures announced on May 12, 2022. For details, please refer to the "Notice of Revised FY2022 Half-Year Earnings Forecast" released today (August 9, 2022).