

## Quarterly Financial Summary

Note: This is an English translation of selected parts 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 Fiscal Year Ended March 31, 2021 (IFRS)

May 12, 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 general meeting of shareholders: June 25, 2021  
 Scheduled date for filing securities report: June 25, 2021  
 Scheduled date of dividend payment: June 3, 2021  
 Supplementary materials for quarterly financial results: Available  
 Financial results briefing: Yes (for institutional investors and analysts)

(Figures are rounded off to the nearest million yen)

#### 1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2021 (From April 1, 2020 to March 31, 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	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended												
March 31, 2021	144,575	1.5	17,263	(4.3)	17,748	(1.1)	13,611	(1.6)	13,493	(1.6)	22,520	71.7
March 31, 2020	142,398	(4.0)	18,041	5.1	17,944	2.9	13,827	(1.2)	13,719	(1.5)	13,119	(20.5)

	Basic profit per share	Diluted profit per share	Return on equity	Return on assets	Operating profit to revenue ratio
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2021	691.33	690.51	7.7	7.0	11.9
March 31, 2020	692.61	692.03	8.4	7.3	12.7

(Reference) Share of profit of entities accounted for using equity method:

Fiscal year ended March 31, 2021: 1,472 million yen

Fiscal year ended March 31, 2020: 1,998 million yen

##### (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	Equity attributable to owners of the Company per share
As of	Millions of yen	Millions of yen	Millions of yen	%	Yen
March 31, 2021	256,923	185,521	183,830	71.6	9,418.64
March 31, 2020	246,890	166,623	164,990	66.8	8,453.07

##### (3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2021	26,704	(3,876)	(12,516)	17,834
March 31, 2020	15,150	5,483	(19,353)	7,268

## 2. Dividends

	Annual dividends					Total dividends paid (annual)	Payout ratio (consolidated)	Dividend on equity ratio (consolidated)
	First quarter	Second quarter	Third quarter	Year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
March 31, 2020	—	85.00	—	85.00	170.0	3,341	24.5	2.1
March 31, 2021	—	85.00	—	85.00	170.0	3,318	24.6	1.9
(Forecast) Fiscal year ending March 31, 2022	—	85.00	—	85.00	170.0		31.0	

## 3. 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	%	
Six months ending September 30, 2021	74,500	12.8	7,500	21.4	7,500	17.4	5,700	18.4	Yen 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

### \* 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 March 31, 2021	20,805,407 shares	As of March 31, 2020	20,805,407 shares
2) Number of treasury shares at the end of the period	As of March 31, 2021	1,287,652 shares	As of March 31, 2020	1,286,991 shares
3) Average number of shares outstanding during the period	As of March 31, 2021	19,518,109 shares	As of March 31, 2020	19,807,880 shares

**(Reference) Summary of Non-consolidated Financial Results****1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2021****(from April 1, 2020 to March 31, 2021)****(1) Non-consolidated Operating Results**

	Revenue		Operating profit		Ordinary profit		Net profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended								
March 31, 2021	74,811	(2.7)	7,732	(4.7)	9,846	(12.4)	14,334	(15.4)
March 31, 2020	76,908	(8.0)	8,110	(14.8)	11,242	(15.3)	16,934	25.9

	Basic profit per share	Diluted profit per share
	Yen	Yen
Fiscal year ended		
March 31, 2021	734.41	733.55
March 31, 2020	854.93	854.21

**(2) Non-consolidated Financial Position**

	Net assets	Total assets	Equity ratio	Book value per share
	Millions of yen	Millions of yen	%	%
As of				
March 31, 2021	193,665	148,872	76.8	7,621.90
March 31, 2020	187,272	139,110	74.2	7,123.03

(Reference) Equity: Fiscal year ended March 31, 2021: 148,762 million yen  
 Fiscal year ended March 31, 2020: 139,030 million yen

\* This 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 “(4) Outlook for the Fiscal Year Ending March 31, 2022” included under the section “1. Overview of Operating Results and Outlook” on page 4 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) Overview of Cash Flows for the Period under Review.....	4
(4) Outlook for the Fiscal Year Ending March 31, 2022.....	4
2. Group Companies.....	5
3. Basic Policy Regarding Selection of Accounting Standards.....	5
4. Consolidated Financial Statements and Important Notes.....	6
(1) Consolidated Statement of Financial Position.....	6
(2) Consolidated Statement of Income and Comprehensive Income.....	8
(3) Consolidated Statement of Changes in Equity.....	10
(4) Consolidated Statement of Cash Flows.....	12
(5) Notes to Consolidated Financial Statements.....	14
(Notes Regarding Assumption of a Going Concern).....	14
(Segment Information).....	14
(Consolidated Statement of Income).....	15
(Business Combination).....	17
(Per-share Data).....	19
(Important Subsequent Events).....	19

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

(Millions of yen)

	Revenue	Operating profit	Profit before income taxes	Net Profit	Profit attributable to owners of the Company	Basic profit per share
Fiscal year ended March 31, 2021	144,575	17,263	17,748	13,611	13,493	691.33 yen
Fiscal year ended March 31, 2020	142,398	18,041	17,944	13,827	13,719	692.61 yen
Change	2,177	(777)	(196)	(215)	(225)	—

In the fiscal year ended March 31, 2021, the Japanese and global economies slowed down from the start of the year due to impact from the COVID-19 pandemic, and extremely challenging conditions rapidly spread across the business environment as a result. While there were signs of a recovery in the second half of the year as various government and other measures to combat the spread of the virus produced results and economies overseas improved, the overall climate remained harsh. The recovery is expected to continue going forward, but the outlook is uncertain as the pandemic has yet to subside.

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 infections and reducing related risk factors. As a result, the Group's production and sales systems were only minimally affected by the pandemic. The Group suffered some delays in the procurement of raw materials and logistics, but these did not have a major impact on its operations. On the financial front, the Group maintained a sound position and stable liquidity.

By segment, revenue in the Advanced Materials segment, which mainly serves the automotive and shale oil and gas industries, was lackluster in the first half of the year due to the pandemic, but started recovering from the second half. In the Specialty Chemicals segment, operations in the pharmaceuticals and agrochemicals category did not suffer any major impact, but demand declined across various industries in the industrial chemicals category. In the Specialty Plastics segment, revenue rose in the consumer goods category supported by stay-at-home consumption and other factors, but fell in the packaging materials category due to impact of lockdowns in Europe and other causes. The Construction segment was adversely affected by the cancellation and postponement of private-sector construction. In Other Operations, there was no major impact across the board, and revenue climbed in the environmental engineering category due to an increase in temporary waste treatment and processing work related to natural disasters. In addition, Group-wide profit improved on the back of lower fuel and raw materials expenses and reduced selling, general and administrative expenses as economic activity stagnated in the wake of the pandemic.

As a result, revenue in the fiscal year ended March 31, 2021 remained on par with the previous year, while core operating profit (profit before adjustments) increased year on year. Operating profit declined year on year due to factors such as the booking of impairment losses on polyglycolic acid (PGA) products under "Other expenses."

Revenue was 144,575 million yen (up 1.5% year on year), operating profit was 17,263 million yen (down 4.3% year on year), profit before income taxes was 17,748 million yen (down 1.1% year on year), net profit was 13,611 million yen (down 1.6% year on year), and profit attributable to owners of the Company was 13,493 million yen (down 1.6% year on year).

Results by segment were as follows:

(Millions of yen)

	Revenue			Operating profit		
	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Change	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Change
Advanced Materials	41,842	44,465	2,622	3,711	3,473	(238)
Specialty Chemicals	24,331	23,543	(788)	2,127	2,228	100
Specialty Plastics	43,473	42,352	(1,120)	6,306	7,708	1,402
Construction	14,457	13,919	(537)	1,147	1,077	(70)
Other Operations	18,293	20,294	2,001	2,713	4,363	1,649
Segment Total	142,398	144,575	2,177	16,007	18,850	2,842
Adjustments*	—	—	—	2,033	(1,587)	(3,620)
Consolidated Total	142,398	144,575	2,177	18,041	17,263	(777)

Note: Operating profit adjustments include other income and expenses not allocated to reporting segments. For details, refer to "Consolidated Statement of Income" under "(5) Notes to Consolidated Financial Statements."

#### 1. Advanced Materials

In the advanced plastics category, sales of polyphenylene sulfide (PPS) and polyglycolic acid (PGA) products used in the process of shale oil and gas fracking declined, but sales of polyvinylidene fluoride (PVDF) used as a binder material for lithium-ion secondary batteries rose to more than offset the declines for PPS and PGA, contributing to higher revenue for the category. Operating profit was flat year on year due to higher PGA losses, a decline in equity income from a US affiliate, and other factors.

Revenue and operating profit in the carbon products category fell due to lower sales of carbon fiber used in sliding materials for automotive parts and heat insulating materials for high-temperature furnaces.

As a result, revenue in Advanced Materials was 44,465 million yen (up 6.3% year on year), and operating profit was 3,473 million yen (down 6.4% year on year).

#### 2. Specialty Chemicals

Revenue and operating profit in the agrochemicals and pharmaceuticals category increased as a rise in sales of agricultural and horticultural fungicides offset lower sales of Kremezin (therapeutic agent for chronic renal failure).

Meanwhile, revenue and operating profit in the industrial chemicals category fell due to lower sales of organic and inorganic chemicals.

Consequently, revenue in Specialty Chemicals was 23,543 million yen (down 3.2% year on year), and operating profit was 2,228 million yen (up 4.7% year on year).

#### 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 and profit both fell in the packaging materials category due primarily to declines in sales of heat-shrink multilayer film and other products and due partly to the transfer of the blow bottle business in the previous year.

As a result, revenue in Specialty Plastics was 42,352 million yen (down 2.6% year on year), and operating profit was 7,708 million yen (up 22.2% year on year).

#### 4. Construction

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

Consequently, revenue in Construction was 13,919 million yen (down 3.7% year on year), and operating profit was 1,077 million yen (down 6.1% 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 and a temporary increase in the volume of waste treatment and processing related to natural disasters.

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

Meanwhile, the hospital operations category reported a decline in sales and a wider operating loss.

As a result, revenue in Other Operations was 20,294 million yen (up 10.9% year on year), and operating profit was 4,363 million yen (up 60.8% year on year).

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

Total assets as of March 31, 2021 were 256,923 million yen, up 10,032 million yen compared to March 31, 2020.

Current assets totaled 86,237 million yen, up 7,225 million yen compared to March 31, 2020, as declines in inventories and other items were offset by increases in cash and cash equivalents and other items. Non-current assets were 170,686 million yen, up 2,807 million yen compared to March 31, 2020, as a decline in assets associated with the sale of investment securities was offset by a 389 million yen increase in property, plant and equipment to 120,171 million yen, and increases in retirement benefit assets and other items under "Other non-current assets."

Total liabilities were 71,402 million yen, down 8,864 million yen compared to March 31, 2020. This was mainly due to a 7,810 million yen decline in interest-bearing debt to 29,506 million yen as a result of repayments of loans and other items.

Total equity was 185,521 million yen, up 18,897 million yen compared to March 31, 2020. This was due primarily to the recording of 13,493 million yen in profit attributable to owners of the Company and the booking of a gain on valuation of investment securities, which offset dividend payments of 3,318 million yen from retained earnings.

As of March 31, 2021, the COVID-19 pandemic has had no impact on the Group's capacity to secure liquidity or conduct credit protection.

### (3) Overview of Cash Flows for the Period under Review

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Change
Cash flows from operating activities	15,150	26,704	11,553
Cash flows from investing activities	5,483	(3,876)	(9,359)
Cash flows from financing activities	(19,353)	(12,516)	6,837
Effect of exchange rate changes on cash and cash equivalents	(1)	254	255
Net increase (decrease) in cash and cash equivalents	1,278	10,566	9,287
Cash and cash equivalents at beginning of period	5,989	7,268	1,278
Cash and cash equivalents at end of period	7,268	17,834	10,566
Interest-bearing debt at end of period	37,317	29,506	(7,810)

Net cash provided by operating activities totaled 26,704 million yen (up 11,553 million yen from the previous year). This mainly reflected an increase in inflows from a decline in inventories, and a drop in outflows from a decline in trade and other payables.

Net cash used in investing activities came to 3,876 million yen (versus 5,483 million yen provided in the previous year). This was mainly attributable to a decline in proceeds from the sale of property, plant and equipment, and intangible assets.

Net cash used in financing activities amounted to 12,516 million yen (down 6,837 million yen from the previous year). This was mainly due to a decline in the redemption of bonds.

As a result, cash and cash equivalents at the end of the period under review were 17,834 million yen, up 10,566 million yen from March 31, 2020. This reflected a buildup in cash and cash equivalents to ensure future liquidity.

As for the impact of the COVID-19 pandemic, the Company plans to utilize its cash and cash equivalents, its secured capacity for the issuance of commercial paper, and its committed credit line and overdraft facility agreements with financial institutions, and therefore does not expect fund shortages to emerge in the foreseeable future.

### (4) Outlook for the Fiscal Year Ending March 31, 2022

The recovery from the harsh conditions precipitated by the COVID-19 pandemic is expected to continue, but the outlook remains uncertain as the pandemic has yet to subside.

The Kureha Group's earnings outlook for its segments assumes that the impact of the pandemic will ease in the second half of the fiscal year ending March 31, 2022.

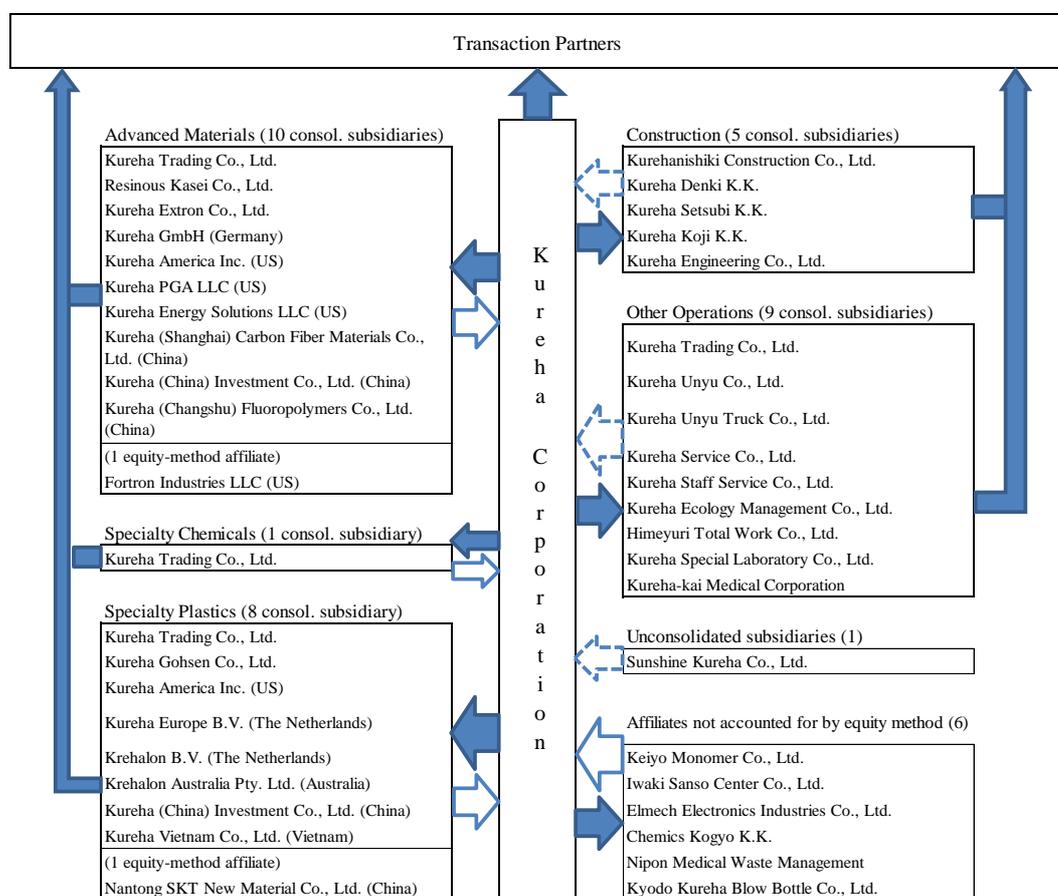
In the Advanced Materials segment, the Group anticipates firm demand for polyvinylidene fluoride (PVDF) used as a binder material for lithium-ion secondary batteries, but concurrently expects a surge in raw materials prices. It forecasts continued strong demand for polyphenylene sulfide (PPS) mainly from the automotive industry, and contributions from an expansion in related production capacity. For processed polyglycolic acid (PGA) products, the Group looks for sales growth in tandem with a recovery in the shale oil and gas industries in the US, which is the main target market. In the Specialty Chemicals segment, the Group forecasts a gradual decline in agrochemicals demand overseas. In the Specialty Plastics, the Group looks to secure stable revenue in the consumer goods category by promoting the value of its products through quality enhancements. In the packaging materials category, the Group will aim to strengthen its cost competitiveness as it expects European markets to gradually recover from COVID-19 impact. In the Construction segment, the Group forecasts a decline in private-sector construction projects and an increase in construction expenses. In the Other Operations segment, the Group looks for a decline in the volume of waste treatment and processing related to natural disasters.

In the fiscal year ending March 31, 2022, the Group forecasts consolidated revenue of 150 billion yen, operating profit of 15 billion yen, profit before income taxes of 15 billion yen, and profit attributable to owners of the Company of 10.7 billion yen.

The forecast above assumes currency exchange rates of JPY107/USD, JPY120/EUR, and JPY16.5/CNY.

## 2. Group Companies

The Kureha Group consists of the Company, 29 subsidiaries (of which 28 consolidated), and eight affiliates (of which two equity-method affiliates). It manufactures and sells advanced materials, chemical materials, and specialty plastics as its core business, and also provides construction and repairs of facilities for its segments, logistics, environmental solutions, and other services.



Total consolidated subsidiaries: 28

Total equity-method affiliates: 2

Main transaction flows

Sales of products and services

Sales of products and supply of raw materials

Provision of services

(Note) 1. Kureha Corporation sells the products in the Advanced Materials, Specialty Chemicals, and Specialty Plastics segments.

2. Kureha Trading Co., Ltd., Kureha America Inc., and Kureha (China) Investment Co., Ltd. operate across several segments, and their results are therefore presented under the relevant segments.

## 3. Basic Policy Regarding Selection of Accounting Standards

To strengthen global business development and centralized promotion of its business plans, and respond to the global expansion in its stakeholders, the Company has voluntarily adopted the International Financial Reporting Standards (IFRS) since the fiscal year ended March 31, 2017.

#### 4. Consolidated Financial Statements and Important Notes

##### (1) Consolidated Statement of Financial Position

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
<b>Assets</b>		
Current assets		
Cash and cash equivalents	7,268	17,834
Trade and other receivables	28,327	28,212
Other financial assets	2	3
Inventories	38,240	36,452
Other current assets	5,173	3,735
Total current assets	<u>79,011</u>	<u>86,237</u>
Non-current assets		
Property, plant and equipment	119,782	120,171
Intangible assets	842	2,202
Investments accounted for using the equity method	13,120	14,042
Other financial assets	24,574	22,407
Deferred tax assets	2,599	1,569
Other non-current assets	6,958	10,292
Total non-current assets	<u>167,879</u>	<u>170,686</u>
Total assets	<u>246,890</u>	<u>256,923</u>

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
<b>Liabilities and equity</b>		
<b>Current liabilities</b>		
Trade and other payables	19,424	19,221
Bonds and borrowings	15,549	7,841
Other financial liabilities	1,582	1,724
Corporate income tax payable	4,750	2,587
Provisions	6,339	6,379
Other current liabilities	6,473	7,110
<b>Total current liabilities</b>	<b>54,121</b>	<b>44,865</b>
<b>Non-current liabilities</b>		
Bonds and borrowings	18,648	19,014
Other financial liabilities	2,580	2,145
Deferred tax liabilities	1,221	1,795
Provisions	1,465	1,388
Retirement benefit liability	295	291
Other non-current liabilities	1,932	1,900
<b>Total non-current liabilities</b>	<b>26,144</b>	<b>26,536</b>
<b>Total liabilities</b>	<b>80,266</b>	<b>71,402</b>
<b>Equity</b>		
Share capital	18,169	18,169
Capital surplus	15,044	14,897
Treasury shares	(8,693)	(8,697)
Retained earnings	135,918	154,166
Other components of equity	4,551	5,294
<b>Total equity attributable to owners of parent</b>	<b>164,990</b>	<b>183,830</b>
Non-controlling interests	1,633	1,690
<b>Total equity</b>	<b>166,623</b>	<b>185,521</b>
<b>Total liabilities and equity</b>	<b>246,890</b>	<b>256,923</b>

(2) Consolidated Statements of Income and Comprehensive Income  
Consolidated Statement of Income

	(Millions of yen)	
	Fiscal year ended March 31, 2020 (From April 1, 2019 to March 31, 2020)	Fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)
Revenue	142,398	144,575
Cost of sales	100,265	101,702
Gross profit	42,132	42,872
Selling, general and administrative expenses	28,105	25,438
Share of profit of entities accounted for using equity method	1,998	1,472
Other revenue	13,447	872
Other expenses	11,431	2,516
Operating profit	18,041	17,263
Financial revenue	545	703
Financial expenses	642	219
Profit before income taxes	17,944	17,748
Corporate income tax expenses	4,117	4,136
Profit	13,827	13,611
Profit attributable to:		
Owners of the Company	13,719	13,493
Non-controlling interests	108	118
Net profit	13,827	13,611
Profit per share		
Basic profit per share (yen)	692.61	691.33
Diluted profit per share (yen)	692.03	690.51

## Consolidated Statement of Comprehensive Income

(Millions of yen)

	Fiscal year ended March 31, 2020 (From April 1, 2019 to March 31, 2020)	Fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)
Net profit	13,827	13,611
Other comprehensive income		
Items not reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	796	5,148
Remeasurements of defined benefit plans	(328)	2,066
Total	467	7,214
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	(1,174)	1,693
Total	(1,174)	1,693
Other comprehensive income, net of tax	(707)	8,908
Comprehensive income	13,119	22,520
Comprehensive income attributable to:		
Owners of parent	13,046	22,280
Non-controlling interests	72	240
Comprehensive income	13,119	22,520

(3) Consolidated Statement of Changes in Equity  
Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)

(Millions of yen)

	Equity attributable to owners of parent					
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	
					Share acquisition rights	Exchange differences on translation of foreign operations
Balance as of April 1, 2019	18,169	15,044	(3,689)	122,363	63	(3,686)
Cumulative effect of changes in accounting policies				(13)		
Balance as of April 1, 2019 reflecting changes in accounting policies	18,169	15,044	(3,689)	122,349	63	(3,686)
Net profit				13,719		
Other comprehensive income						(1,172)
Total comprehensive income	—	—	—	13,719	—	(1,172)
Purchase of treasury shares			(5,003)			
Share-based payments					17	
Dividends				(3,608)		
Capital transactions with non-controlling interests				0		
Transfer from other components of equity to retained earnings				3,457		
Total transactions with owners	—	—	(5,003)	(150)	17	—
Balance as of March 31, 2020	18,169	15,044	(8,693)	135,918	80	(4,858)

	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, 2019	12,286	—	8,664	160,551	1,616	162,167
Cumulative effect of changes in accounting policies			—	(13)		(13)
Balance as of April 1, 2019 reflecting changes in accounting policies	12,286	—	8,664	160,537	1,616	162,153
Net profit			—	13,719	108	13,827
Other comprehensive income	824	(325)	(672)	(672)	(35)	(707)
Total comprehensive income	824	(325)	(672)	13,046	72	13,119
Purchase of treasury shares			—	(5,003)		(5,003)
Share-based payments			17	17		17
Dividends			—	(3,608)	(54)	(3,663)
Capital transactions with non-controlling interests			—	0	(0)	0
Transfer from other components of equity to retained earnings	(3,782)	325	(3,457)	—		—
Total transactions with owners	(3,782)	325	(3,439)	(8,594)	(55)	(8,649)
Balance as of March 31, 2020	9,329	—	4,551	164,990	1,633	166,623

Fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

(Millions of yen)

	Equity attributable to owners of parent					
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	
					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				13,493		
Other comprehensive income						1,696
Total comprehensive income	—	—	—	13,493	—	1,696
Purchase of treasury shares			(3)			
Share-based payments					29	
Dividends				(3,318)		
Capital transactions with non-controlling interests		(146)				
Transfer from other components of equity to retained earnings				8,073		
Total transactions with owners	—	(146)	(3)	4,755	29	—
Balance as of March 31, 2021	18,169	14,897	(8,697)	154,166	110	(3,161)

	Equity attributable to owners of parent						
	Other components of equity			Total	Total	Non-controlling interests	Total equity
	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total				
Balance as of April 1, 2020	9,329	—	4,551	164,990	1,633	166,623	
Net profit			—	13,493	118	13,611	
Other comprehensive income	5,068	2,021	8,786	8,786	121	8,908	
Total comprehensive income	5,068	2,021	8,786	22,280	240	22,520	
Purchase of treasury shares			—	(3)		(3)	
Share-based payments			29	29		29	
Dividends			—	(3,318)	(56)	(3,374)	
Capital transactions with non-controlling interests			—	(146)	(126)	(273)	
Transfer from other components of equity to retained earnings	(6,052)	(2,021)	(8,073)	—		—	
Total transactions with owners	(6,052)	(2,021)	(8,044)	(3,439)	(183)	(3,623)	
Balance as of March 31, 2021	8,345	—	5,294	183,830	1,690	185,521	

## (4) Consolidated Statement of Cash Flows

	(Millions of yen)	
	Fiscal year ended March 31, 2020 (From April 1, 2019 to March 31, 2020)	Fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)
Cash flows from operating activities		
Profit before income taxes	17,944	17,748
Depreciation and amortization	12,110	11,672
Impairment losses	5,218	1,624
Gain on bargain purchase	(1,460)	—
Gain on sale of business	(1,200)	—
Financial revenue	(544)	(469)
Financial expenses	312	211
Share of loss (profit) of entities accounted for using equity method	(1,998)	(1,472)
Loss (gain) on sale and retirement of property, plant and equipment, and intangible assets	(9,585)	402
Decrease (increase) in trade and other receivables	2,427	428
Decrease (increase) in inventories	(419)	2,286
Increase (decrease) in trade and other payables	(3,410)	(753)
Increase (decrease) in provisions	(55)	(47)
Increase (decrease) in retirement benefit asset or liability	(457)	(469)
Other	(197)	1,902
Subtotal	18,684	33,063
Interest and dividends received	1,757	1,475
Interest paid	(274)	(218)
Income taxes paid	(5,016)	(7,615)
Net cash provided by (used in) operating activities	15,150	26,704
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment, and intangible assets	10,826	23
Purchase of property, plant and equipment, and intangible assets	(13,649)	(12,878)
Proceeds from sale of investment securities	6,146	9,582
Purchase of investment securities	(624)	(13)
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	1,409	—
Proceeds from sale of business	1,677	—
Proceeds from government subsidies	79	—
Other	(381)	(590)
Net cash provided by (used in) investing activities	5,483	(3,876)
Cash flows from financing activities		
Dividends paid	(3,608)	(3,318)
Dividends paid to non-controlling interests	(54)	(56)
Increase (decrease) in short-term borrowings and commercial papers	1,293	(6,889)
Proceeds from long-term borrowings	6,000	1,965
Repayments of long-term borrowings	(9,250)	(2,603)
Redemption of bonds	(7,000)	—
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	—	(318)
Purchase of treasury shares	(5,003)	(3)
Other	(1,729)	(1,291)
Net cash provided by (used in) financing activities	(19,353)	(12,516)
Effect of exchange rate changes on cash and cash equivalents	(1)	254

	(Millions of yen)	
	Fiscal year ended March 31, 2020 (From April 1, 2019 to March 31, 2020)	Fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)
Net increase (decrease) in cash and cash equivalents	1,278	10,566
Cash and cash equivalents at beginning of period	5,989	7,268
Cash and cash equivalents at end of period	<u>7,268</u>	<u>17,834</u>

(5) Notes to 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.

Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)

(Millions of yen)

	Advanced Materials	Specialty Chemicals	Specialty Plastics	Construction	Other Operations	Total	Adjustments (Note)	Consolidated
Revenue								
Revenue from external customers	41,842	24,331	43,473	14,457	18,293	142,398	—	142,398
Intersegment revenue	608	218	200	5,739	6,330	13,097	(13,097)	—
Total	42,451	24,549	43,673	20,197	24,623	155,495	(13,097)	142,398
Operating profit	3,711	2,127	6,306	1,147	2,713	16,007	2,033	18,041
Financial revenue								545
Financial expenses								(642)
Profit before income taxes								17,944

(Note) The adjustment to operating profit mainly comprises 17 million yen of profit resulting from the elimination of intersegment transactions and other factors, 13,447 million yen of other revenue not allocated to any reportable segment (including a 10,177 million yen gain on the sale of non-current assets, a 1,460 million yen gain on a bargain purchase, and a 1,200 million yen gain on the sale of a business), and 11,431 million yen in other expenses (including 10,607 million yen in business restructuring expenses).

Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

(Millions of yen)

	Advanced Materials	Specialty Chemicals	Specialty Plastics	Construction	Other Operations	Total	Adjustments (Note)	Consolidated
Revenue								
Revenue from external customers	44,465	23,543	42,352	13,919	20,294	144,575	—	144,575
Intersegment revenue	604	191	185	5,862	6,120	12,964	(12,964)	—
Total	45,069	23,734	42,537	19,782	26,414	157,539	(12,964)	144,575
Operating profit	3,473	2,228	7,708	1,077	4,363	18,850	(1,587)	17,263
Financial revenue								703
Financial expenses								(219)
Profit before income taxes								17,748

(Note) The adjustment to operating profit mainly comprises 56 million yen of profit resulting from the elimination of intersegment transactions, 872 million yen of other revenue not allocated to any reportable segment, and 2,516 million yen in other expenses (including 1,624 million yen in impairment losses).

(Consolidated Statement of Income)

(1) Other Revenue

(Millions of yen)

	Fiscal year ended March 31, 2020 (From April 1, 2019 to March 31, 2020)	Fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)
Gain on subsidy revenue	317	438
Gain on sale of property, plant and equipment (Note)	10,177	—
Gain on bargain purchase	1,460	—
Gain on sale of business	1,200	—
Other	292	434
Total	13,447	872

(Note) The gain on the sale of property, plant and equipment mainly reflects a 9,272 million yen gain on the sale of the land that houses the annex of the Company's head office.

(2) Other Expenses

(Millions of yen)

	Fiscal year ended March 31, 2020 (From April 1, 2019 to March 31, 2020)	Fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)
Impairment losses	—	1,624
Loss on sale and retirement of non-current assets	591	421
Business restructuring expenses (Note)	10,607	—
Other	232	470
Total	11,431	2,516

(Note) Business restructuring expenses comprise a 5,218 million impairment loss on property, plant and equipment, and intangible assets, and a 5,388 million yen impact from a change in the valuation method of inventories.

### (3) Impairment of Non-financial Assets

#### i. Impairment Losses

If the book value of its assets or cash-generating units exceeds the recoverable amount, the Kureha Group recognizes impairment losses.

In principle, it groups operating assets by company and by segment, and assets for lease and idle assets by individual properties.

The recoverable amount of an asset or a cash-generating unit is the higher of its value in use and its fair value less costs of disposal. Value in use is the present value of future cash flows calculated by using the pre-tax weighted average cost of capital of a cash-generating unit. Fair value less costs of disposal is evaluated either by the estimated disposal amount or the amount reasonably calculated based on assessed values of fixed assets for property tax.

The Group recognized impairment losses on property, plant and equipment, and intangible assets of 5,218 million yen in the fiscal year ended March 31, 2020, and 1,624 million yen in the fiscal year ended March 31, 2021.

#### ii. Recognized Impairment Losses, and Main Events or Circumstances that Led to such Recognition

Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)

(Millions of yen)				
Segments	Purpose of Use	Location	Type of Assets	Amount
Advanced Materials	Manufacturing facility	Omitama City, Ibaraki Prefecture	Buildings	22
			Machinery and equipment	359
			Tools, furniture and fixtures	12
			Intangible assets	310
		Total	705	
		West Virginia, US	Buildings	762
			Machinery and equipment	3,751
Total	4,513			
Total				5,218

For the manufacturing facility in the Advanced Materials segment, the Company reviewed the future business environment and earnings outlook in connection with the business restructuring in the PGA business. Consequently, it wrote down the carrying amount of non-current assets related to the PGA business to their recoverable values and recognized a reduction of 5,218 million yen under "Other expenses." The Group measures recoverable value based on value in use, which is calculated by discounting future cash flows at rate of 8.6%.

In recording impairments, etc., of business assets for the PGA business, estimates have been made assuming a decrease in demand in the fiscal year ending March 31, 2021 due to the COVID-19 pandemic and a drop in crude oil prices. In addition, actual results may differ from these estimates.

Fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

(Millions of yen)				
Segments	Purpose of Use	Location	Type of Assets	Amount
Advanced Materials	Manufacturing facility	West Virginia, US	Buildings	285
			Machinery and equipment	1,338
			Total	1,624

For the manufacturing facility in the Advanced Materials segment, the Company reviewed changes in the business environment for the PGA business such as crude oil prices, operating rates at shale oil and gas exploration companies (customers), and market price trends, as well as its earnings outlook in light of product development conditions at the Company. Consequently, it wrote down the carrying amount of fixed assets related to the PGA business to their recoverable values and recognized a reduction of 1,624 million yen as other expenses. The Group measures recoverable value based on value in use, which is calculated by discounting future cash flows at a rate of 9.3%.

In recording impairments, etc., of business assets for the PGA business, estimates have been made assuming the COVID-19 pandemic will ease in the second half of the fiscal year ending March 31, 2022, paving the way for a gradual recovery in the markets. In addition, actual results may differ from these estimates.

(Business Combinations)

Fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020)

(Business Acquisition)

(1) Outline of Business Combination

On April 1, 2019, Kureha Ecology Management Co., Ltd., a consolidated subsidiary of the Company, acquired the shares in Himeyuri Total Work Co., Ltd. based on a share transfer agreement concluded on March 1, 2019.

i. Name and Business of Acquired Company

Name: Himeyuri Total Work Co., Ltd.  
Main businesses: Final treatment of industrial waste (controlled landfill sites)

ii. Main Reason for Acquisition

The Kureha Group resolutely undertakes business activities that resolve social problems in the fields of global environment, energy and resources, food, living, and medical care and health. Kureha Ecology Management Co., Ltd. works to preserve the global environment through the collection, transportation, and intermediate treatment of industrial waste. The Kureha Group has conducted business with Himeyuri Total Work Co., Ltd., an operator of a final treatment site for industrial waste, since its inception. Having made Himeyuri Total Work a subsidiary, Kureha Ecology Management can now provide integrated services ranging from collection and transportation of industrial waste to intermediate and final treatment, and address the needs of a wider range of customers, as well as those of people around the world.

iii. Date of Acquisition

April 1, 2019

iv. Percentage of Voting Rights Acquired

Percentage of voting rights held immediately prior to the acquisition date: 19%  
Percentage of voting rights additionally acquired on the acquisition date: 81%  
Percentage of voting rights held after the acquisition: 100%

v. Consideration for Acquisition, Fair Value of Acquired Assets and Assumed Liabilities, Equity Share Held Immediately Prior to Acquisition Date, Gain on Bargain Purchase

Item	Amount (millions of yen)
Consideration for the acquisition (cash)	470
Fair value of acquired assets and assumed liabilities	
Current assets	2,164
Property, plant and equipment	5,493
Other non-current assets	797
Non-current assets	6,290
Current liabilities	(451)
Long-term borrowings	(4,583)
Other non-current liabilities	(1,037)
Non-current liabilities	(5,621)
Net fair value of acquired assets and assumed liabilities	2,382
Equity interests held immediately prior to acquisition date *1	452
Gain on bargain purchase *2	1,460

\*1 The Company remeasured the fair value of its equity share in the acquired company held immediately prior to the acquisition date, on the acquisition date, and consequently recorded a 20 million yen gain on step acquisitions under "Other revenue" on the consolidated statement of income.

\*2 The gain on bargain purchase arose as the net fair value of the acquired assets and assumed liabilities exceeded the fair value of the consideration for the acquisition, and was recorded under "Other revenue" on the consolidated statement of income.

vi. Acquisition-related Expenses

The impact of the acquisition costs was negligible, and related information has therefore been omitted.

(2) Cash Flows Associated with Acquisition	
Cash and cash equivalents used in acquisition	475 million yen
Cash and cash equivalents held by acquired company at time of acquisition	1,884 million yen
Proceeds from acquisition of subsidiary	1,409 million yen

(3) Impact on Earnings

The impact of the revenue and profit generated by the acquired company from the acquisition date on the consolidated statement of income is negligible, and related information has therefore been omitted.

(Transfer of Business through Company Split)

On July 24, 2019, the Company entered into an agreement by which the blow bottle business operated by the Company was succeeded by Kyodo Printing Co., Ltd. (hereinafter, “Kyodo Printing”) by way of a company split (simplified absorption-type company split) (hereinafter, the “Company Split”). On November 1, 2019, Kyodo Printing succeeded the business.

(1) Purpose of the Company Split

The Company believes that the succession of the blow bottle business by Kyodo Printing will bring a synergistic effect to the living and industrial materials business and product line of Kyodo Printing, allow for the continuous provision of value-added products and services to its customers, and contribute to the mutual development of the business of the Company and Kyodo Printing.

(2) Summary of the Company Split

i. Date of Company Split

November 1, 2019

ii. Form of Company Split

The Company Split was an absorption-type company split by which the Company became the split company and Kyodo Printing became the succeeding company. The company split took place without the approval of a general meeting of shareholders of the Company as it was a simplified absorption-type company split as stipulated in Article 784, Paragraph 2 of the Companies Act.

iii. Allotment in the Company Split

As consideration for the Company Split, the Company received cash in an amount of 1,677 million yen from Kyodo Printing.

(3) Details of Business that was Split

i. Details of Business that was Split

Manufacturing and sales of blow bottles

ii. Operating Results of Business that was Split (from April 1, 2019 to October 31, 2019)

Revenue: 1,101 million yen

iii. Assets and Liabilities that were Split and Amounts Thereof

Inventories:	186 million yen
Property, plant and equipment:	291 million yen
Total assets:	477 million yen

(Note) No liabilities were succeeded

iv. Accounting Treatment

The gain on the sale of the business of 1,200 million yen, which is the difference between the consideration for the Company Split and the assets that were split, was recorded under “Other revenue” on the consolidated statement of income.

Fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

No applicable matters to report.

(Per-share Data)

(1) Basis of Calculation of Basic Profit Per Share

(Millions of yen)

	Fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)
Profit attributable to ordinary shareholders of the Company	
Profit attributable to owners of the Company	13,493
Profit not attributable to ordinary shareholders of the Company	—
Profit used to calculate basic profit per share	<u>13,493</u>
Average number of common shares outstanding during the period (shares)	19,518,109
Basic profit per share	691.33 yen

(2) Basis of Calculation of Diluted Profit Per Share

(Millions of yen)

	Fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)
Diluted profit attributable to ordinary shareholders of the Company	
Profit used to calculate basic profit per share	13,493
Profit adjustments	—
Profit used to calculate diluted profit per share	<u>13,493</u>
Average number of common shares outstanding during the period (shares)	19,518,109
Impact of dilutive effect (shares)	<u>23,017</u>
After adjustment for dilutive effect (shares)	<u>19,541,126</u>
Diluted profit per share	690.51 yen

(Important Subsequent Events)

No applicable matters to report.