

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 Second Quarter of the Fiscal Year Ending March 31, 2023 (IFRS)

November 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

Contact/Inquiries: Kazushige Tsurutani, General Manager, Public and Investor Relations Dept.; Phone +81-3-3249-4651

Scheduled date for filing quarterly securities report: November 14, 2022

Scheduled date of dividend payment: December 2, 2022

Supplementary materials for quarterly financial results: Available

Quarterly financial results briefing: Yes (for institutional investors and analysts)

(Figures are rounded off to the nearest million yen)

1. Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2023 (From April 1, 2022 to September 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	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended												
September 30, 2022	101,755	28.7	16,737	47.3	17,377	51.8	12,278	46.1	12,190	46.4	16,389	59.4
September 30, 2021	79,069	19.7	11,364	84.0	11,450	79.2	8,405	74.8	8,328	73.0	10,284	28.0

	Basic profit per share	Diluted profit per share
Six months ended	Yen	Yen
September 30, 2022	624.60	623.63
September 30, 2021	426.73	426.16

(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	%
September 30, 2022	295,788	214,640	213,116	72.1
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
Fiscal year ended March 31, 2022	Yen —	Yen 85.00	Yen —	Yen 125.00	Yen 210.0
Fiscal year ending March 31, 2023	—	125.00			
(Forecast) Fiscal year ending March 31, 2023			—	125.00	250.00

Note: Changes in the dividend forecast from the most recent announcement: No

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 Yen
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	
Fiscal year ending March 31, 2023	190,000	12.9	27,000	34.0	28,000	37.3	20,000	41.2	1,024.72

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 September 30, 2022	20,805,407 shares	As of March 31, 2022	20,805,407 shares
2) Number of treasury shares at the end of the period	As of September 30, 2022	1,287,888 shares	As of March 31, 2022	1,288,121 shares
3) Average number of shares outstanding during the period	Six months ended September 30, 2022	19,517,642 shares	Six months ended September 30, 2021	19,517,659 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 2 of the attached document.

(Attachment)

Contents

1. Overview of Operating Results and Outlook.....	1
(1) Overview of Operating Results for the Period under Review.....	1
(2) Overview of Financial Position for the Period under Review.....	2
(3) Outlook for the Fiscal Year Ending March 31, 2022 and beyond.....	2

1. Overview of Operating Results and Outlook

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

During the first six months of the fiscal year ending March 31, 2023, the Japanese and global economies continued to show signs of recovery as the impact of the COVID-19 pandemic moderated. Although the economy is expected to continue on a recovery track as economic and social activities normalize, the outlook remains uncertain due to concerns about the effects of global monetary tightening and the resulting sharp depreciation of the yen, soaring fuel and raw material prices, a shortage of semiconductors, and the protracted conflict in Ukraine.

Under these circumstances, the Kureha Group maintained stable business activities while striving to prevent the spread of COVID-19 infection and reduce the risk of infection. Early in the first quarter, a renewed surge in COVID-19 infections triggered lockdowns in China, which caused a halt to operations at the local plant that manufactures carbon products for the Advanced Materials business. But the impact of this temporary shutdown was immaterial. Furthermore, although higher fuel and raw material prices have had an adverse impact on our business results, we are taking steps such as appropriately reflecting these costs in product prices with the understanding of our customers.

In the first six 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 101,755 million yen (up 28.7% year on year), operating profit was 16,737 million yen (up 47.3% year on year), profit before income taxes were 17,377 million yen (up 51.8% year on year), net profit was 12,278 million yen (up 46.1% year on year), and net profit attributable to owners of the Company was 12,190 million yen (up 46.4% year on year).

Results by segment were as follows:

	Revenue			Operating profit		
	Six months ended September 30, 2021	Six months ended September 30, 2022	Change	Six months ended September 30, 2021	Six months ended September 30, 2022	Change
Advanced Materials	28,794	47,296	18,502	2,600	9,034	6,434
Specialty Chemicals	12,804	17,524	4,719	1,168	1,617	448
Specialty Plastics	22,942	23,782	840	5,140	4,270	(869)
Construction	5,524	4,231	(1,292)	414	265	(149)
Other Operations	9,003	8,920	(83)	1,799	1,387	(411)
Segment Total	79,069	101,755	22,686	11,123	16,575	5,452
Adjustments*	—	—	—	241	161	(79)
Consolidated Total	79,069	101,755	22,686	11,364	16,737	5,372

Note: Operating profit adjustments include other income and expenses not allocated to reporting segments. For details, refer to "(4) Notes to 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, polyphenylene sulfide (PPS), polyglycolic acid (PGA) products used in the process of shale oil and gas fracking, and other processed plastics products.

Revenue and operating profit also rose in the carbon products category as sales of carbon fiber used in heat insulating material for high-temperature furnaces increased.

As a result, revenue in Advanced Materials was 47,296 million yen (up 64.3% year on year) and operating profit was 9,034 million yen (up 247.4% year on year).

2. Specialty Chemicals

In the agrochemicals and pharmaceuticals category, revenue and operating profit rose on higher sales of agricultural and horticultural fungicides, despite a decrease in sales of Kremezin (therapeutic agent for chronic renal failure).

The industrial chemicals category reported an operating loss, compared with an operating profit in the same period last year, due to the impact of sharply higher fuel and raw material costs, despite an increase in sales of organic and non-organic chemicals.

Consequently, revenue in Specialty Chemicals was 17,524 million yen (up 36.9% year on year) and operating profit was 1,617 million (up 38.4% year on year).

3. Specialty Plastics

In the consumer goods category, revenue and operating profit fell due to lower sales of New Krewrap plastic wrap for household use and soaring fuel and raw material prices, despite higher sales of Seaguar fluorocarbon fishing lines.

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

As a result, revenue in Specialty Plastics was 23,782 million yen (up 3.7% year on year) and operating profit was 4,270 million yen (down 16.9% year on year).

4. Construction

In Construction, revenue and operating profit declined due to a decrease in private-sector construction projects, while public-sector construction projects were on par with the previous year.

Consequently, revenue in Construction was 4,231 million yen (down 23.4% year on year) and operating profit was 265 million yen (down 36.0% year on year).

5. Other Operations

In the environmental engineering category, revenue and operating profit declined 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, revenue and operating profit were also flat year on year.

As a result, revenue in Other Operations was 8,920 million yen (down 0.9% year on year) and operating profit was 1,387 million yen (down 22.9% year on year).

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

Total assets as of September 30, 2022 were 295,788 million yen, up 13,148 million yen compared to March 31, 2022. Current assets totaled 121,976 million yen, up 9,558 million yen compared to March 31, 2022, amid increases in inventories and trade and other receivables. Non-current assets were 173,811 million yen, up 3,590 million yen compared to March 31, 2022, mainly due to an increase in property, plant and equipment.

Total liabilities were 81,147 million yen, down 767 million yen compared to March 31, 2022. This was primarily because interest-bearing debt fell 2,124 million yen to 26,382 million yen from March 31, 2022 owing to bond redemption, despite an increase in income taxes payable.

Total equity was 214,640 million yen, up 13,915 million yen compared to March 31, 2022, owing mainly to the recording of 12,190 million yen in profit attributable to owners of the Company and an increase in other components of equity associated with yen depreciation, which more than offset dividend payments from retained earnings of 2,439 million yen.

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

In light of recent performance trends, the Company has revised its 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 Earnings Forecast" released today (November 9, 2022).