

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 Third Quarter of the Fiscal Year Ending March 31, 2024 (IFRS)

February 7, 2024

Company name: Kureha Corporation
Stock listing: Tokyo Stock Exchange
TSE code: 4023
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Scheduled date for filing quarterly securities report: February 9, 2024
Scheduled date of dividend payment: -
Supplementary materials for quarterly financial results: Available
Quarterly financial results briefing: No

(Figures are rounded off to the nearest million yen)

1. Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2024 (From April 1, 2023 to December 31, 2023)

(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	%
Nine-months ended												
December 31, 2023	132,854	△10.8	15,457	△36.9	16,323	△34.8	10,320	△41.9	10,238	△42.0	16,185	△12.5
December 31, 2022	148,980	21.0	24,483	34.7	25,053	35.5	17,769	32.3	17,657	32.6	18,489	14.8

	Basic profit per share	Diluted profit per share
Nine-months ended	Yen	Yen
December 31, 2023	180.67	180.35
December 31, 2022	301.56	301.09

Note: Effective January 1, 2024, the Company conducted a three-for-one split on common stock.

Basic profit per share and diluted profit per share are calculated on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

(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	%
December 31, 2023	322,240	217,672	216,016	67.0
March 31, 2023	296,404	216,774	215,199	72.6

2. Dividends

	Dividends per share				
	First quarter	Second quarter	Third quarter	Year-end	Total
Fiscal year ended March 31, 2023	Yen —	Yen 125.00	Yen —	Yen 145.00	Yen 270.00
Fiscal year ending March 31, 2024	—	130.00			
(Forecast) Fiscal year ending March 31, 2024			—	43.43	—

Note: Changes in the dividend forecast from the most recent announcement:

2. Effective January 1, 2024, the Company conducted a three-for-one split on common stock.

Dividends at the end of the second quarter for both the fiscal year ended March 31, 2023 and the fiscal year ending March 31, 2023 are the amounts before the split. The dividend forecast for the fiscal year ending March 31, 2024 is the amount after the split. The annual dividend forecast is not shown because a simple total cannot be made due to the implementation of a stock split. Without taking the stock split into consideration, the year-end dividend would be 130.02 yen per share, and the annual dividend 260.02 yen per share.

2. Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2024 (From April 1, 2023 to March 31, 2024)

(% 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, 2024	190,000	12.9	27,000	34.0	28,000	37.3	20,000	41.2	1024.72

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

2. Effective January 1, 2024, the Company conducted a three-for-one split on common stock.

Basic profit per share in the consolidated earnings forecast for the fiscal year ending March 31, 2024 is the amount after the stock split.

* Notes

(1) Changes in significant subsidiaries (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 December 31, 2023	58,576,221 shares	As of March 31, 2023	62,416,221 shares
2) Number of treasury shares at the end of the period	As of December 31, 2023	3,543,291 shares	As of March 31, 2023	3,863,910 shares
3) Average number of shares outstanding during the period	Nine months ended December 31, 2023	56,672,108 shares	Nine months ended December 31, 2022	58,552,796 shares

Note: Effective January 1, 2024, the Company conducted a three-for-one split on common stock.

The number of shares outstanding at the end of the period, the number of treasury shares at the end of the period, and the average number of shares outstanding during the period are calculated assuming that the stock split was carried out at the beginning of the previous fiscal year.

* 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, 2024 and beyond” included under the section “1. Overview of Operating Results and Outlook” on page 4 of the attached document.

(Attachment)

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1. Overview of Operating Results and Outlook

(1) Overview of Operating Results

During the first nine months of the fiscal year ending March 31, 2024, as the impact of the COVID-19 pandemic wanes, the Japanese and global economies continued to show signs of normalization of socioeconomic activity and are expected to continue their gradual recovery. Nevertheless, the outlook remains uncertain due to concerns over the effects of global monetary tightening, a slowdown of the Chinese and European economies, and the protracted conflicts in the Middle East and Ukraine.

Under these circumstances, the Kureha Group, to fulfill our dual goals of “improving medium- to long-term corporate value” and “contributing toward a sustainable society,” and to achieve further growth of the Kureha Group by promoting sustainability-focused management, has newly established the Kureha Group Corporate Philosophy and the Kureha Vision. At the same time, looking toward FY2030, we formulated our Management Policy and the Medium- to Long-term Management Plan “Toward Creating a New Future.”

In the first nine months of the fiscal year, the Group’s revenue and profits decreased year on year as sales of polyvinylidene fluoride (PVDF), used as a binder material for lithium-ion secondary batteries, declined in the Advanced Materials segment.

Revenue was 132,854 million yen (down 10.8% year on year), operating profit was 15,457 million yen (down 36.9% year on year), profit before income taxes was 16,323 million yen (down 34.8% year on year), net profit was 10,320 million yen (down 41.9% year on year), and profit attributable to owners of the Company was 10,238 million yen (down 42.0% year on year).

Results by segment were as follows:

	Revenue			Operating Profit		
	Nine months ended December 31, 2022	Nine months ended December 31, 2023	Change	Nine months ended December 31, 2022	Nine months ended December 31, 2023	Change
Advanced Materials	66,063	49,357	△16,706	11,494	6,100	△5,394
Specialty Chemicals	25,381	24,465	△916	2,174	944	△1,230
Specialty Plastics	36,494	36,524	29	7,469	7,049	△419
Construction	6,946	9,257	2,310	402	787	384
Other Operations	14,094	13,249	△844	2,550	1,797	△752
Segment Total	148,980	132,854	△16,126	24,091	16,679	△7,412
Adjustments*	—	—	—	391	△1,222	△1,614
Consolidated Total	148,980	132,854	△16,126	24,483	15,457	△9,026

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, sales increased for polyphenylene sulfide (PPS) and polyglycolic acid (PGA) products used in the process of shale oil and gas fracking. However, revenue and operating profit fell in this category due to lower sales of polyvinylidene fluoride (PVDF), used as a binder material for lithium-ion secondary batteries, and other processed plastics products.

Meanwhile, revenue and operating profit in the carbon products category rose as sales of heat insulating material for high-temperature furnaces increased.

As a result, revenue in Advanced Materials was 49,357 million yen (down 25.3% year on year), and operating profit was 6,100 million yen (down 46.9% year on year).

(2) Specialty Chemicals

In the agrochemicals and pharmaceuticals category, revenue and operating profit declined due to lower sales of agricultural and horticultural fungicides and of Kremezin, a therapeutic agent for chronic renal failure.

In the industrial chemicals category, sales of inorganic and organic chemicals increased, and both revenue and operating profit in this category increased.

As a result, revenue in Specialty Chemicals was 24,465 million yen (down 3.6% year on year), and operating profit was 944 million yen (down 56.6% year on year).

(3) Specialty Plastics

In the consumer goods category, due to higher sales of New Krewrap plastic wrap for household use and Seaguar fluorocarbon fishing lines, both revenue and operating profit increased in this category.

In the packaging materials category, sales of heat-shrink multilayer film and polyvinylidene chloride (PVDC) film decreased, resulting in a decline in both revenue and operating profit in this category.

As a result, revenue in Specialty Plastics was 36,524 million yen (up 0.1% year on year), and operating profit was 7,049 million yen (down 5.6% year on year).

(4) Construction

In Construction, both revenue and operating profit rose due to an increase in private-sector construction projects.

As a result, revenue in Construction was 9,257 million yen (up 33.3% year on year), and operating profit was 787 million yen (up 95.6% year on year).

(5) Other Operations

In the environmental engineering category, both revenue and operating profit decreased due to lower volumes of industrial waste treatment and processing.

In the logistics category, both revenue and operating profit declined.

In the hospital operations category, revenue was largely flat year on year, but operating loss widened.

As a result, revenue in Other Operations was 13,249 million yen (down 6.0% year on year), and operating profit was 1,797 million yen (down 29.5% year on year).

(2) Overview of Financial Position

Total assets as of December 31, 2023 were 322,240 million yen, up 25,835 million yen compared to March 31, 2023. Current assets totaled 119,029 million yen, down 1,965 million yen compared to March 31, 2023, due mainly to a decrease in cash and cash equivalents, while inventories and trade and other receivables increased. Non-current assets totaled 203,210 million yen, up 27,800 million yen from March 31, 2023 due mainly to increases in tangible fixed assets and other financial assets.

Total liabilities were 104,567 million yen, up 24,937 million yen compared to March 31, 2023. This was due to a decrease in trade payables and provisions, while interest-bearing debt increased by 30,183 million yen to 56,458 million yen compared to March 31, 2023, mainly due to an increase in corporate bonds and loans payable.

Total equity was 217,672 million yen, up 897 million yen compared to March 31, 2023. This was mainly due to the recording of 10,238 million yen in profit attributable to owners of the Company and an increase in other components of equity due to an increase in the value of investment securities and the depreciation of the yen, which together absorbed the 10,003 million yen to repurchase Company shares and 5,268 million yen in dividend payments.

(3) Outlook for the Fiscal Year Ending March 31, 2024 and beyond

Outlook for the Fiscal Year Ending March 2024 and beyond The company has no change in the full fiscal year forecast disclosed on November 9, 2023.

(Significant subsequent events)

(Stock Split and Partial Amendments to the Articles of Incorporation in Connection with the Stock Split)

Based on a resolution passed at a meeting of the Board of Directors held on November 21, 2023, the Company conducted a stock split effective January 1, 2024, and partial amendments to its Articles of Incorporation in conjunction with the stock split.

1. Stock Split

(1) Purpose of implementing a stock split

Kureha aims to reduce the minimum investment price and make the Company's shares more accessible to investors, thereby increasing the liquidity of its shares and further expanding its investor base.

(2) Outline of the Stock Split

<1> Split Method

Each share of Kureha Corporation common stock held by shareholders of record at the close/ of trading on Sunday, December 31, 2023 (record date) is split into three shares.

<2> Number of shares increased by the stock split

Total number of shares issued and outstanding before the stock split	19,525,407 shares
Number of shares increased as a result of stock split	39,050,814 shares
Total number of shares issued after stock split	58,576,221 shares
Total number of shares authorized to issue after stock split	180,000,000 shares

<3>Schedule of the stock split

Date of public notice of record date	December 11, 2023
Record date	December 31, 2023
Ex-split date	January 1, 2024

(3) Effect on per share information

The effect of the stock split is stated in the relevant section.

(4) Change in amount of capital stock

There will be no change in the amount of capital stock as a result of this stock split.

2. Partial Amendments to the Articles of Incorporation in connection with the Stock Split

(1) Reason for the amendment to the Articles of Incorporation

Due to the stock split described above, pursuant to the provisions of Article 184, Paragraph 2 of the Companies Act, Kureha will amend the total number of authorized shares stipulated in Article 6 of the Company's Articles of Incorporation effective January 1, 2024.

(2) Details of the Amendments to the Articles of Incorporation

See below changes underlined:

Articles of Incorporation before amendment	Articles of Incorporation after amendment
(Total Number of Authorized Shares) Article 6 The total number of shares which the Corporation is authorized to issue shall be <u>60,000,000</u> shares.	(Total Number of Authorized Shares) Article 6 The total number of shares which the Corporation is authorized to issue shall be <u>180,000,000</u> shares

(3) Schedule of Amendments to the Articles of Incorporation

Date of approval by the Board of Directors: November 21, 2023

Effective date January 1, 2024