

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, 2022 (IFRS)

November 9, 2021

Company name: Kureha Corporation
Stock listing: Tokyo Stock Exchange
TSE code: 4023
URL: <https://www.kureha.co.jp/en/>
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 Scheduled date for filing quarterly securities report: November 12, 2021
 Scheduled date of dividend payment: December 2, 2021
 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, 2022 (From April 1, 2021 to September 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	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended												
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
September 30, 2020	66,038	(5.1)	6,177	(39.6)	6,390	(37.0)	4,808	(42.8)	4,813	(42.4)	8,037	(6.2)

	Basic profit per share	Diluted profit per share
Six months ended	Yen	Yen
September 30, 2021	426.73	426.19
September 30, 2020	246.64	246.39

(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, 2021	264,557	193,698	192,226	72.7
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
Fiscal year ended March 31, 2021	Yen —	Yen 85.00	Yen —	Yen 85.00	Yen 170.0
Fiscal year ending March 31, 2022	—	85.00			
(Forecast) Fiscal year ending March 31, 2022			—	100.00	185.00

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

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 Yen
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	
Fiscal year ending March 31, 2022	160,000	10.7	19,500	13.0	19,500	9.9	14,000	3.8	717.30

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, 2021	20,805,407 shares	As of March 31, 2021	20,805,407 shares
2) Number of treasury shares at the end of the period	As of September 30, 2021	1,287,855 shares	As of March 31, 2021	1,287,652 shares
3) Average number of shares outstanding during the period	Six months ended September 30, 2021	19,517,659 shares	Six months ended September 30, 2020	19,518,258 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)

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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, 2022, economies around the world continued to show signs of recovery despite persistent difficulties in the face of the COVID-19 pandemic. Going forward, the recovery trend is expected to continue in Japan on the back of the measures taken to mitigate infections and progress in the vaccine rollout, along with the positive effects of various policies and improvements in overseas economies. Still, uncertainty remains as there are concerns over factors such as the future trajectory of the pandemic and the shortage of semiconductors.

Under these circumstances, the Kureha Group maintained stable business activities while ensuring a safe working environment for its employees and making efforts to prevent the spread of the virus and reduce the risk of infection. Although there are concerns about the rise in fuel and raw material prices having an adverse impact on business performance, particularly in the Advanced Materials business, the Group has implemented measures to address the issue, including the appropriate pass-through of cost to product prices.

In the first six months of the fiscal year ending March 31, 2022, the Group's revenue and profits increased year on year due to the recovery of the Advanced Materials business among other factors.

Revenue was 79,069 million yen (up 19.7% year on year), operating profit was 11,364 million yen (up 84.0% year on year), profit before income taxes was 11,450 million yen (up 79.2% year on year), net profit was 8,405 million yen (up 74.8% year on year), and net profit attributable to owners of the Company was 8,328 million yen (up 73.0% year on year).

Results by segment were as follows:

(Millions of yen)

	Revenue			Operating profit		
	Six months ended September 30, 2020	Six months ended September 30, 2021	Change	Six months ended September 30, 2020	Six months ended September 30, 2021	Change
Advanced Materials	18,590	28,794	10,203	(760)	2,600	3,361
Specialty Chemicals	11,067	12,804	1,737	882	1,168	285
Specialty Plastics	21,086	22,942	1,855	3,722	5,140	1,417
Construction	5,828	5,524	(304)	462	414	(48)
Other Operations	9,464	9,003	(461)	2,003	1,799	(204)
Segment Total	66,038	79,069	13,030	6,311	11,123	4,811
Adjustments*	—	—	—	(134)	241	375
Consolidated Total	66,038	79,069	13,030	6,177	11,364	5,187

Note: Operating profit adjustments include other income and expenses not allocated to reporting segments.

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 and sliding material for automotive parts, but operating profit was flat year on year.

As a result, revenue in Advanced Materials was 28,794 million yen (up 54.9% year on year), and operating profit was 2,600 million yen (versus operating loss of 760 million yen in the six months ended September 30, 2020).

2. Specialty Chemicals

Revenue increased in the agrochemicals and pharmaceuticals category owing to higher sales of Kremezin (therapeutic agent for chronic renal failure) as well as agricultural and horticultural fungicides. However, operating profit was flat year on year.

In the industrial chemicals category, revenue rose due to higher sales of organic chemicals, and earnings recovered to an operating profit from an operating loss recorded in the same period the previous year.

Consequently, revenue in Specialty Chemicals was 12,804 million yen (up 15.7% year on year), resulting in an operating profit of 1,168 million yen (up 32.3% 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.

In the packaging materials category, revenue and operating profit also increased due to higher sales of polyvinylidene chloride (PVDC) film and heat-shrink multilayer film.

As a result, revenue in Specialty Plastics was 22,942 million yen (up 8.8% year on year), and operating profit was 5,140 million yen (up 38.1% 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 caused both revenue and operating profit to decline year on year.

Consequently, revenue in Construction was 5,524 million yen (down 5.2% year on year), and operating profit was 414 million yen (down 10.5% year on year).

5. Other Operations

In the environmental engineering category, despite higher volumes of industrial waste treatment and processing including low-concentration PCB waste, revenue and operating profit declined on the completion of the natural disaster-related waste treatment and processing conducted during the same period the previous year.

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

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

As a result, revenue in Other Operations was 9,003 million yen (down 4.9% year on year), and operating profit was 1,799 million yen (down 10.2% year on year).

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

Total assets as of September 30, 2021 were 264,557 million yen, up 7,634 million yen compared to March 31, 2021. Current assets totaled 91,804 million yen, up 5,567 million yen from March 31, 2021, due to increases in cash and cash equivalents and trade receivables. Non-current assets stood at 172,752 million yen, up 2,066 million yen from March 31, 2021. Contributing factors to the rise in non-current assets were increases in the valuation of investment securities, intangible assets, assets related to equity method investments, and retirement benefit asset, which offset the 2,280 million yen decline in property, plant and equipment to 117,891 million yen from the reduction entry accompanying receipt of government subsidy.

Total liabilities were 70,859 million yen, down 542 million yen compared to March 31, 2021. This primarily reflects the repayment of loans payable, which minimized the interest-bearing debt by 2,042 million yen to 27,464 million yen, more than absorbing the increase in trade payables.

Total equity was 193,698 million yen, up 8,176 million yen compared to March 31, 2021. This was mainly due to the recording of 8,328 million yen in profit attributable to owners of the Company and an increase in other components of equity, which offset the dividend payments of 1,659 million yen from retained earnings.

As of September 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

In light of recent performance trends, the Company has revised its consolidated earnings forecast for the fiscal year ending March 31, 2022 from the figures announced on May 12, 2021. For details, please refer to the "Notice of Revised Financial Forecast and Revised Dividend Forecast" released today (November 9, 2021).