

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, 2022 (IFRS)

May 12, 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 general meeting of shareholders: June 24, 2022
 Scheduled date for filing securities report: June 24, 2022
 Scheduled date of dividend payment: June 2, 2022
 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, 2022 (From April 1, 2021 to March 31, 2022)

(1) Consolidated Operating Results

(% figures indicate year-on-year changes)

Fiscal year ended	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	%
March 31, 2022	168,341	16.4	20,142	16.7	20,398	14.9	14,293	5.0	14,164	5.0	18,955	(15.8)
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

Fiscal year ended	Basic profit per share	Diluted profit per share	Return on equity	Return on assets	Operating profit to revenue ratio
	Yen	Yen	%	%	%
March 31, 2022	725.73	724.67	7.4	7.6	12.0
March 31, 2021	691.33	690.51	7.7	7.0	11.9

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

Fiscal year ended March 31, 2022: 2,020 million yen

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

(2) Consolidated Financial Position

As of	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
	Millions of yen	Millions of yen	Millions of yen	%	Yen
March 31, 2022	282,639	200,724	199,219	70.5	10,207.32
March 31, 2021	256,923	185,521	183,830	71.6	9,418.64

(3) Consolidated Cash Flows

Fiscal year ended	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2022	28,581	(10,999)	(6,105)	30,639
March 31, 2021	26,704	(3,876)	(12,516)	17,834

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, 2021	—	85.00	—	85.00	170.0	3,318	24.6	1.9
March 31, 2022	—	85.00	—	125.00	210.0	4,098	28.9	2.1
(Forecast) Fiscal year ending March 31, 2023	—	125.00	—	125.00	250.00		30.5	

3. 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	%	
Six months ending September 30, 2022	90,000	13.8	10,000	(12.0)	10,000	(12.7)	7,500	(10.0)	384.27
Fiscal year ending March 31, 2023	180,000	6.9	22,000	9.2	22,000	7.9	16,000	13.0	819.79

* 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, 2022	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 March 31, 2022	1,288,121 shares	As of March 31, 2021	1,287,652 shares
3) Average number of shares outstanding during the period	As of March 31, 2022	19,517,544 shares	As of March 31, 2021	19,518,109 shares

(Reference) Summary of Non-consolidated Financial Results**1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2022****(from April 1, 2021 to March 31, 2022)****(1) Non-consolidated Operating Results**

Fiscal year ended	Revenue		Operating profit		Ordinary profit		Net profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2022	89,585	19.7	10,414	34.7	13,757	39.7	11,114	(22.5)
March 31, 2021	74,811	(2.7)	7,732	(4.7)	9,846	(12.4)	14,334	(15.4)

Fiscal year ended	Basic profit per share	Diluted profit per share
	Yen	Yen
March 31, 2022	569.48	568.64
March 31, 2021	734.41	733.55

(2) Non-consolidated Financial Position

As of	Net assets	Total assets	Equity ratio	Book value per share
	Millions of yen	Millions of yen	%	%
March 31, 2022	205,013	155,874	76.0	7,979.23
March 31, 2021	193,665	148,872	76.8	7,621.90

(Reference) Equity: Fiscal year ended March 31, 2022: 155,732 million yen
Fiscal year ended March 31, 2021: 148,762 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)

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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, 2022	168,341	20,142	20,398	14,293	14,164	725.73 yen
Fiscal year ended March 31, 2021	144,575	17,263	17,748	13,611	13,493	691.33 yen
Change	23,765	2,879	2,650	681	671	—

In the fiscal year ended March 31, 2022, the Japanese and global economies showed signs of recovery as extremely challenging conditions wrought by the COVID-19 pandemic moderated. While the trend toward recovery is expected to continue as ongoing measures to combat the spread of the virus support economic activity, the outlook remains uncertain owing to lingering pandemic effects compounded by factors including soaring costs for fuel and raw materials, a semiconductor shortage, and the Ukraine crisis.

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 local plants manufacturing carbon products for the Advanced Materials business. However, the impact was minimal. Similarly, while sharply higher fuel and raw material costs dented earnings at the Advanced Materials business in particular, the Group was able to compensate by passing on cost increases to users when appropriate.

Revenue in the fiscal year ended March 31, 2022, increased year on year, especially in polyvinylidene fluoride (PVDF) used as a binder material for lithium-ion secondary batteries. Core operating profit (profit before adjustments) increased year on year despite losses caused by suspension of production at a PGA resin manufacturing subsidiary in the US, and operating profit likewise rose despite the booking of impairment losses on fixed assets at the Advanced Materials business under “Other expenses.”

Revenue was 168,341 million yen (up 16.4% year on year), operating profit was 20,142 million yen (up 16.7% year on year), profit before income taxes was 20,398 million yen (+14.9% year on year), net profit was 14,293 million yen (up 5.0% year on year), and net profit attributable to owners of the Company was 14,164 million yen (up 5.0% year on year).

Results by segment were as follows:

(Millions of yen)

	Revenue			Operating profit		
	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Change	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Change
Advanced Materials	44,465	66,687	22,222	3,473	9,953	6,480
Specialty Chemicals	23,543	26,157	2,613	2,228	1,432	(795)
Specialty Plastics	42,352	44,773	2,421	7,708	9,862	2,153
Construction	13,919	12,174	(1,745)	1,077	985	(91)
Other Operations	20,294	18,547	(1,746)	4,363	3,069	(1,293)
Segment Total	144,575	168,341	23,765	18,850	25,304	6,453
Adjustments*	—	—	—	(1,587)	(5,161)	(3,574)
Consolidated Total	144,575	168,341	23,765	17,263	20,142	2,879

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

1. Advanced Materials

In the advanced plastics category, sales of polyvinylidene fluoride (PVDF) used as a binder material for lithium-ion secondary batteries increased, as did sales of polyphenylene sulfide (PPS), processed polyglycolic acid (PGA) products used in the process of shale oil and gas fracking, and other plastic products. Segment revenue and operating profit both increased in the fiscal year ended March 31, 2022, despite effects from suspending production at a PGA resin manufacturing subsidiary in the US.

Revenue and operating profit in the carbon products category also rose, amid increased sales of heat insulating materials for high-temperature furnaces and carbon fiber used in sliding materials for automotive parts.

As a result, revenue in Advanced Materials was 66,687 million yen (up 50.0% year on year), and operating profit was 9,953 million yen (up 186.6% year on year).

2. Specialty Chemicals

Revenue in the agrochemicals and pharmaceuticals category rose as sales of agricultural and horticultural fungicides were flat year on year while sales of Kremezin (therapeutic agent for chronic renal failure) increased. Operating profit, however, decreased year on year due to soaring costs for fuel and raw materials.

While revenue in the industrial chemicals category rose amid higher sales of organic chemicals, operating losses decreased year on year.

Consequently, revenue in Specialty Chemicals was 26,157 million yen (up 11.1% year on year), and operating profit was 1,432 million yen (down 35.7% 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.

In the packaging materials category, revenue and operating profit both increased, as robust sales of polyvinylidene chloride (PVDC) film in Asia markets led to profit growth, while stronger sales of heat shrink multilayer film in Europe resulted in operating losses narrowing.

As a result, revenue in Specialty Plastics was 44,773 million yen (up 5.7% year on year), and operating profit was 9,862 million yen (up 27.9% year on year).

4. Construction

In Construction, a reduction in private- and public-sector construction projects drove declines in revenue and operating profit.

Consequently, revenue in Construction was 12,174 million yen (down 12.5% year on year), and operating profit was 985 million yen (down 8.5% year on year).

5. Other Operations

Despite treatment volumes for low-level PCB and other industrial wastes were level with the previous year, both revenue and operating profit fell in the environmental engineering category due to the completion of disaster waste treatment projects, which was the case in the same period of the previous year.

In the logistics category, revenue and operating profit both remained at prior-year levels.

In the hospital operations category, revenue and operating losses were level with the previous year.

As a result, revenue in Other Operations was 18,547 million yen (down 8.6% year on year), and operating profit was 3,069 million yen (down 29.6% year on year).

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

Total assets as of March 31, 2022 were 282,639 million yen, up 25,716 million yen compared to March 31, 2021. Current assets totaled 112,418 million yen, up 26,181 million yen compared to March 31, 2021, amid increases in cash and cash equivalents, trade and other receivables, and inventories. Non-current assets were 170,221 million yen, down 465 million yen from March 31, 2021. Factors contributing to the decrease in non-current assets were a decline of 5,735 million yen in property, plant and equipment to 114,435 million yen owing to tax purpose reduction entries accompanying receipt of government subsidies and the booking of impairment losses, which offset increases in intangible assets, assets related to equity method investments, and retirement benefit assets.

Total liabilities were 81,914 million yen, up 10,512 million yen compared to March 31, 2021. This was mainly due to a 999 million yen decline in interest-bearing debt to 28,507 million yen from paying down loans and other items.

Total equity was 200,724 million yen, up 15,203 million yen compared to March 31, 2021. This was due primarily to the recording of 14,164 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 3,318 million yen from retained earnings.

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

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Change
Cash flows from operating activities	26,704	28,581	1,877
Cash flows from investing activities	(3,876)	(10,999)	(7,123)
Cash flows from financing activities	(12,516)	(6,105)	6,410
Effect of exchange rate changes on cash and cash equivalents	254	1,328	1,074
Net increase (decrease) in cash and cash equivalents	10,566	12,805	2,239
Cash and cash equivalents at beginning of period	7,268	17,834	10,566
Cash and cash equivalents at end of period	17,834	30,639	12,805
Interest-bearing debt at end of period	29,506	28,507	(999)

Net cash provided by operating activities totaled 28,581 million yen (up 1,877 million yen from March 31, 2021). This mainly reflected an increase in profit before income taxes.

Net cash used in investing activities came to 10,999 million yen (up 7,123 million yen from March 31, 2021). This was mainly attributable to a decline in proceeds from the sale of investment securities.

Net cash used in financing activities amounted to 6,105 million yen (down 6,410 million yen from March 31, 2021). This was mainly due to an increase (decrease) in short-term borrowings and commercial papers.

As a result, cash and cash equivalents at the end of the period under review were 30,639 million yen, up 12,805 million yen from March 31, 2021. This reflected a buildup in cash and cash equivalents to ensure future liquidity.

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

While the trend toward recovery from COVID-19 effects is expected to continue as ongoing measures to combat the spread of the virus support economic activity, the outlook remains uncertain owing to lingering pandemic effects compounded by factors including soaring costs for fuel and raw materials, a semiconductor shortage, and the Ukraine crisis.

Under these circumstances, the Group's earnings outlook for each segment is as follows.

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 at the same time expects continued volatility in raw material prices and potential effects on business activity at key manufacturing sites from geopolitical risk and the COVID-19 pandemic. The Group forecasts continued strong demand for polyphenylene sulfide (PPS), mainly from the automotive industry, and contributions from expansion in related production capacity. For processed polyglycolic acid (PGA) products, the Group looks for sales growth in tandem with recovery in shale oil and gas production in the US, which is the main target market. In the Specialty Chemicals segment, the Group forecasts growth in agrochemicals demand overseas, and plans to advance development of new chemicals. In the Specialty Plastics segment, the Group expects to secure stable revenue in the consumer goods category thanks to firm demand, while in the packaging materials category the Group will aim to improve profitability in Europe by passing sharply higher input costs on to users. In the Construction segment, the Group forecasts heightened competition owing to declines in large public-sector construction projects and private-sector investment. In the Other Operations segment, the Group looks for a decline in the service unit price amid greater competition with rivals in the environmental business.

In the fiscal year ending March 31, 2023, the Group forecasts consolidated revenue of 180 billion yen, operating profit of 22 billion yen, profit before income taxes of 22 billion yen, and profit attributable to owners of the Company of 16 billion yen.

The forecast above assumes currency exchange rates of JPY120/USD, JPY132/EUR, and JPY18.5/CNY.