

## 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 Second Quarter of the Fiscal Year Ending March 31, 2021 (IFRS)

November 10, 2020

**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 filing quarterly securities report:** November 13, 2020  
**Scheduled date of dividend payment:** December 2, 2020  
**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, 2021 (Cumulative period from April 1, 2020 to September 30, 2020)

##### (1) Consolidated Operating Results

(% figures indicate year-on-year changes)

	Revenue		Operating profit		Profit before income tax		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	%
Six-month period ended												
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)
September 30, 2019	69,578	(4.0)	10,230	44.8	10,141	38.4	8,411	57.8	8,357	57.0	8,565	(17.9)

	Basic profit per share	Diluted profit per share
Six-month period ended	Yen	Yen
September 30, 2020	246.64	246.39
September 30, 2019	417.23	416.91

##### (2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the Company	Ratio of equity attributable to owners of the Company to total assets
As of	Millions of yen	Millions of yen	Millions of yen	%
September 30, 2020	248,757	172,958	171,357	68.9
March 31, 2020	246,890	166,623	164,990	66.8

## 2. Dividends

	Dividends per share				
	First quarter	Second quarter	Third quarter	Year-end	Total
Fiscal year ended March 31, 2020	Yen —	Yen 85.00	Yen —	Yen 85.00	Yen 170.00
Fiscal year ending March 31, 2021	—	85.00			
(Forecast) Fiscal year ending March 31, 2021			—	85.00	170.00

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

## 3. Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2021 (Period April 1, 2020 through March 31, 2021)

(% figures indicate year-on-year changes)

	Revenue		Operating profit		Profit before income tax		Profit attributable to owners of the Company		Basic profit per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending March 31, 2021	138,000	(3.1)	14,500	(19.6)	14,500	(19.2)	11,500	(16.2)	589.19

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, 2020	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 September 30, 2020	1,287,226 shares	As of March 31, 2020	1,286,991 shares
3) Average number of shares outstanding during the period	Six months ended September 30, 2020	19,518,258 shares	Six months ended September 30, 2019	20,029,802 shares

\* This quarterly financial summary is outside the scope of quarterly 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, 2021” 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

Due to the novel coronavirus outbreak, the Japanese and global economies continued to face extremely difficult conditions during the six months ended September 30, 2020. Although the global economy is expected to recover as measures to mitigate infections are implemented and socio-economic activities gradually return to higher levels, there still remains much uncertainty going forward over the continuing spread of the pandemic.

Under these circumstances, the Kureha Group is implementing its medium-term management plan, “Kureha’s Challenge 2020,” through which it aims to lay a foundation for future development, achieve sustainable growth, and raise corporate value. During the six months ended September 30, 2020, the Group’s production and sales systems were minimally affected by the novel coronavirus pandemic, but revenue and operating profit fell year on year due to weak sales in the Advanced Materials segment, which mainly serves the automotive and shale oil and gas industries. For the six months ended September 30, revenue was 66,038 million yen (down 5.1% year on year) and operating profit was 6,177 million yen (down 39.6% year on year), declining due in part to the absence of a bargain purchase gain of 1,460 million yen associated with Kureha subsidiary’s business combination recorded in the previous year. Meanwhile, profit before income tax was 6,390 million yen (down 37.0% year on year), net profit for the period was 4,808 million yen (down 42.8% year on year) and profit attributable to owners of the Company was 4,813 million yen (down 42.4% year on year).

Results by segment are as follows:

(Unit: millions of yen)

	Revenue			Operating profit (loss)		
	Six months ended September 30, 2019	Six months ended September 30, 2020	Change	Six months ended September 30, 2019	Six months ended September 30, 2020	Change
Advanced Materials	21,068	18,590	(2,477)	2,670	(760)	(3,431)
Specialty Chemicals	11,664	11,067	(597)	989	882	(106)
Specialty Plastics	22,932	21,086	(1,845)	3,723	3,722	(0)
Construction	5,398	5,828	430	440	462	22
Other Operations	8,514	9,464	950	1,108	2,003	895
Adjustments*	—	—	—	1,297	(134)	(1,431)
Consolidated Total	69,578	66,038	(3,540)	10,230	6,177	(4,053)

\* Operating profit (loss) adjustments include other income and expenses not allocated to reporting segments.

#### 1. Advanced Materials

In the advanced plastics category, revenue fell as an increase in sales of polyvinylidene fluoride (PVDF) used as a binder material for lithium-ion secondary batteries was offset by declines in sales of polyphenylene sulfide (PPS) and polyglycolic acid (PGA) products used in the process of shale oil and gas drilling. The segment reported an operating loss (versus an operating profit in the previous year) due mainly to impact of suspended production activity at the US PGA manufacturing facility during the period.

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 18,590 million yen (down 11.8% year on year), and operating loss was 760 million yen (versus operating profit of 2,670 million yen in the six months ended September 30, 2019).

#### 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 11,067 million yen (down 5.1% year on year), and operating profit was 882 million yen (down 10.8% year on year).

#### 3. Specialty Plastics

Both revenue and operating profit increased in the consumer goods category as sales of Seaguar fluorocarbon fishing lines increased while sales of New Krewrap plastic wrap for household use remained flat year on year.

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 21,086 million yen (down 8.0% year on year), and operating profit was 3,722 million yen (flat year on year).

#### 4. Construction

In Construction, revenue increased on volume growth in the civil engineering sector, but operating profit remained flat year on year.

Consequently, revenue in Construction was 5,828 million yen (up 8.0% year on year), and operating profit was 462 million yen (flat 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.

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

Meanwhile, the hospital operations category reported lower sales and an operating loss.

As a result, revenue in Other Operations was 9,464 million yen (up 11.2% year on year), and operating profit was 2,003 million yen (up 80.8% year on year).

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

Total assets as of September 30, 2020 were 248,757 million yen, up 1,866 million yen compared to March 31, 2020. Current assets totaled 82,897 million yen, up 3,886 million yen compared to March 31, 2020 due mainly to a decline in trade and other receivables and an increase in cash and cash equivalents. Non-current assets were 165,859 million yen, down 2,019 million yen compared to March 31, 2020 due primarily to a 595 million yen decline in property, plant and equipment to 119,187 million yen and, a decline in assets associated with sales of investment securities.

Total liabilities were 75,798 million yen, down 4,468 million yen compared to March 31, 2020. This was due mainly to a 2,382 million yen decline in interest-bearing debt to 34,934 million yen as a result of loan repayments and other factors, and a decline in trade and other payables.

Total equity was 172,958 million yen, up 6,334 million yen compared to March 31, 2020. This was due primarily to the recording of 4,813 million yen in profit attributable to owners of the Company and the booking of a gain on valuation of investment securities, which more than offset dividend payments of 1,659 million yen from retained earnings.

As of September 30, 2020, the novel coronavirus pandemic has had no impact on the Group's capacity to secure liquidity or conduct credit protection.

### (3) Outlook for the Fiscal Year Ending March 31, 2021

#### 1. Earnings forecast

The Company's consolidated earnings forecast for the fiscal year ending March 31, 2021, which was not determined at the time of releasing the "Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2021 (IFRS)" on August 11, 2020, is hereby announced as follows.

Changes in consolidated earnings forecast for the fiscal year ending March 31, 2021 (Period April 1, 2020 through March 31, 2021)

	Revenue	Operating profit	Profit before income tax	Profit attributable to owners of the Company	Basic profit per share
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Yen
Previous forecast (A)	—	—	—	—	—
Current forecast (B)	138,000	14,500	14,500	11,500	589.19
Change (B-A)	—	—	—	—	—
Change (%)	—	—	—	—	—
(Reference) Results for fiscal year ended March 31, 2020	142,398	18,041	17,944	13,719	692.61

#### Reason for announcement

The Company previously did not provide its consolidated earnings forecast for the fiscal year ending March 31, 2021 because it was unable to make rational estimates regarding the impact of the novel coronavirus pandemic on its earnings performance. However, taking into consideration its recent performance trends and other available information collectively, the Company developed its consolidated earnings forecast as described above.

For the fiscal year ending March 31, 2021, the Company expects revenue to fall year on year mainly due to declines in sales of PPS and PGA products in the Advanced Materials segment and of packaging materials in the Specialty Plastics segment. Operating profit is forecast to decrease despite fewer SG&A expenses due mainly to lower revenue and a decrease of roughly 2,000 million yen in other income net of expenses, reflecting the absence of a bargain purchase gain, gains on sale of business asset and transfer of businesses, and business restructuring expenses recorded in the previous year.

Meanwhile, the Company assumes that the impact of the novel coronavirus pandemic on its earnings has bottomed out in the first half-year period and expects its operating environment to recover in the third quarter onward. As uncertainty still remains, the Company will continually work to minimize the impact of the pandemic by implementing necessary and appropriate measures.

#### 2. Dividend forecast

Announcement of year-end dividend forecast for fiscal year ending March 31, 2021 (Period April 1, 2020 through March 31, 2021)

	Annual dividend				
	End of Q1	End of Q2	End of Q3	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Previous forecast	—	—	—	—	—
Current forecast	—	—	—	85.00	170.00
Six months ended September 2020	—	85.00	—	—	—
(Reference) Results for fiscal year ended March 31, 2020	—	85.00	—	85.00	170.00

#### Reason for announcement

With regard to the distribution of retained earnings for dividends, the Company's basic policy is to pay a steady dividend over a long period of time, while strengthening the Company's financial structure to sustain mid- and long-term growth and future business development.

The Company previously did not provide its year-end dividend forecast for the fiscal year ending March 31, 2021 due to difficulties in projecting its full-year earnings. However, based on the current earnings forecast above, it now expects to pay a year-end dividend of 85 yen.

Note: The earnings forecast above is based on information available as of the date of release of these materials. Actual results may differ due to a number of factors in the future.