

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

February 5, 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: February 10, 2021
 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, 2021 (Cumulative period from April 1, 2020 to December 31, 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	%
Nine-month period ended												
December 31, 2020	105,685	0.2	14,551	(43.5)	14,864	(42.5)	11,830	(43.2)	11,781	(43.1)	16,323	(30.3)
December 31, 2019	105,436	(4.9)	25,768	85.4	25,868	82.2	20,810	86.6	20,720	86.5	23,422	128.7

	Basic profit per share	Diluted profit per share
Nine-month period ended	Yen	Yen
December 31, 2020	603.64	602.97
December 31, 2019	1,041.10	1,040.26

(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	%
December 31, 2020	251,231	179,591	177,928	70.8
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: No

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 Yen
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	
Fiscal year ending March 31, 2021	140,000	(1.7)	16,500	(8.5)	17,000	(5.3)	13,300	(3.1)	681.42

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 December 31, 2020	20,805,407 shares	As of March 31, 2020	20,805,407 shares
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2) Number of treasury shares at the end of the period

As of December 31, 2020	1,287,421 shares	As of March 31, 2020	1,286,991 shares
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3) Average number of shares outstanding during the period

Nine months ended December 31, 2020	19,518,193 shares	Nine months ended December 31, 2019	19,902,915 shares
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* 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 nine months ended December 31, 2020, but there were also some signs of recovery. Going forward, the recovery trend is expected to continue as measures to mitigate infections are implemented, due in part to the effects of various policies and improvements in overseas economies, but there still remains much uncertainty over the continuing spread of the pandemic.

Under these circumstances, the Kureha Group has continually worked on 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 nine months ended December 31, 2020, sales in the Advanced Materials segment, which mainly serves the automotive and shale oil and gas industries, showed signs of recovery, and the Group’s production and sales operations were minimally affected by the pandemic. As a result, revenue remained on par with the same period in the previous year. Core operating profit (operating profit before adjustments) improved on the back of lower fuel and materials cost and fewer selling, general and administrative expenses spent during the pandemic. Meanwhile, operating profit decreased year on year due to the absence of other income recorded in the previous year, including a gain of 9,272 million yen on the sale of land for the headquarters annex. For the nine months ended December 31, revenue was 105,685 million yen (up 0.2% year on year), operating profit was 14,551 million yen (down 43.5% year on year), profit before income tax was 14,864 million yen (down 42.5% year on year), net profit for the period was 11,830 million yen (down 43.2% year on year), and profit attributable to owners of the Company was 11,781 million yen (down 43.1% year on year).

Results by segment are as follows:

(Unit: millions of yen)

	Revenue			Operating profit		
	Nine months ended December 31, 2019	Nine months ended December 31, 2020	Change	Nine months ended December 31, 2019	Nine months ended December 31, 2020	Change
Advanced Materials	31,431	31,188	(243)	3,258	1,909	(1,349)
Specialty Chemicals	17,341	17,597	255	1,471	1,897	425
Specialty Plastics	33,989	32,665	(1,324)	5,700	6,517	816
Construction	9,486	9,308	(178)	608	694	85
Other Operations	13,187	14,925	1,738	1,955	3,555	1,599
Adjustments*	—	—	—	12,773	(22)	(12,795)
Consolidated Total	105,436	105,685	248	25,768	14,551	(11,216)

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

1. Advanced Materials

In the advanced plastics category, sales of polyphenylene sulfide (PPS) and polyglycolic acid (PGA) products used in the process of shale oil and gas drilling declined, but sales of polyvinylidene fluoride (PVDF) used as a binder material for lithium-ion secondary batteries rose to more than offset the declines for PPS and PGA, leading to higher revenue. However, the category reported lower operating profit due to widened operating loss related to PGA and a decrease in equity income in an US affiliate.

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 31,188 million yen (down 0.8% year on year), and operating profit was 1,909 million yen (down 41.4% year on year).

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 17,597 million yen (up 1.5% year on year), and operating profit was 1,897 million yen (up 28.9% 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.

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 32,665 million yen (down 3.9% year on year), and operating profit was 6,517 million yen (up 14.3% year on year).

4. Construction

In Construction, revenue fell despite volume growth in the public-sector projects due to the cancellation and postponement of private-sector construction, but operating profit remained on par with the previous year.

Consequently, revenue in Construction was 9,308 million yen (down 1.9% year on year), and operating profit was 694 million yen (up 14.0% 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 widened operating loss.

As a result, revenue in Other Operations was 14,925 million yen (up 13.2% year on year), and operating profit was 3,555 million yen (up 81.8% year on year).

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

Total assets as of December 31, 2020 were 251,231 million yen, up 4,341 million yen compared to March 31, 2020. Current assets totaled 82,078 million yen, up 3,066 million yen compared to March 31, 2020, due mainly to an increase in cash and cash equivalents. Non-current assets were 169,153 million yen, up 1,274 million yen compared to March 31, 2020 despite a decline in assets associated with the sale of investment securities, due to a 541 million yen increase in property, plant and equipment to 120,324 million yen, and an increase in retirement benefit assets under other non-current assets.

Total liabilities were 71,640 million yen, down 8,626 million yen compared to March 31, 2020. This was due mainly to a 5,586 million yen decline in interest-bearing debt to 31,730 million yen as a result of loan repayments and other factors.

Total equity was 179,591 million yen, up 12,967 million yen compared to March 31, 2020. This was due primarily to the recording of 11,781 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 3,318 million yen from retained earnings.

As of December 31, 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

In light of recent business trends, the Company has revised its consolidated earnings forecast for the fiscal year ending March 31, 2021 announced on November 10, 2020.

The Company expects revenues to exceed previous forecasts due to an increase in sales of polyvinylidene fluoride (PVDF) used as a binder material for lithium-ion secondary batteries in the Advanced Materials segment, as well as an increase in revenue in the environmental engineering category in the Other Operations segment. Additionally, it projects operating profit to exceed previous forecasts due mainly to higher revenue and lower SG&A expenses. As a result, the Company expects profit before income tax and profit attributable to owners of the Company to also exceed previous forecasts.

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)	138,000	14,500	14,500	11,500	589.19
Current forecast (B)	140,000	16,500	17,000	13,300	681.42
Change (B-A)	2,000	2,000	2,500	1,800	—
Change (%)	1.4	13.8	17.2	15.7	—
(Reference) Results for fiscal year ended March 31, 2020	142,398	18,041	17,944	13,719	692.61

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.