

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, 2022 (IFRS)

February 4, 2022

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 9, 2022
 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, 2022 (From April 1, 2021 to December 31, 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	%
Nine-months ended												
December 31, 2021	123,111	16.5	18,172	24.9	18,486	24.4	13,433	13.6	13,320	13.1	16,103	(1.3)
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)

	Basic profit per share	Diluted profit per share
Nine-months ended	Yen	Yen
December 31, 2021	682.48	681.52
December 31, 2020	603.64	602.97

(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, 2021	272,919	197,866	196,385	72.0
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			—	125.00	210.00

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
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	
Fiscal year ending March 31, 2022	166,000	14.8	23,000	33.2	23,000	29.6	16,500	22.3	Yen 845.40

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, 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 December 31, 2021	1,287,913 shares	As of March 31, 2021	1,287,652 shares
3) Average number of shares outstanding during the period	Nine months ended December 31, 2021	19,517,611 shares	Nine months ended December 31, 2020	19,518,193 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 3 of the attached document.

(Attachment)

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(1) Overview of Operating Results for the Period under Review

During the first nine months of the fiscal year ending March 31, 2022, economies around the world continued to show signs of recovery as difficulties caused by the COVID-19 pandemic began to wane. Going forward, the recovery trend is expected to continue in Japan in light of ongoing economic and social activities incorporating measures to prevent the spread of COVID-19, along with the positive effects of various government policies and improvement in overseas economies. Nevertheless, uncertainty remains due to concern over factors such as resurgence in COVID-19 cases, the rising cost of raw materials, 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 nine months of the fiscal year ending March 31, 2022, the Group's revenue and profits increased year on year due mainly to recovery in the Advanced Materials business.

Revenue was 123,111 million yen (up 16.5% year on year), operating profit was 18,172 million yen (up 24.9% year on year), profit before income taxes was 18,486 million yen (+24.4% year on year), net profit was 13,433 million yen (up 13.6% year on year), and net profit attributable to owners of the Company was 13,320 million yen (up 13.1% year on year).

Results by segment were as follows:

(Millions of yen)

	Revenue			Operating profit		
	Nine months ended December 31, 2020	Nine months ended December 31, 2021	Change	Nine months ended December 31, 2020	Nine months ended December 31, 2021	Change
Advanced Materials	31,188	44,974	13,786	1,909	4,182	2,273
Specialty Chemicals	17,597	20,633	3,035	1,897	2,174	277
Specialty Plastics	32,665	35,272	2,606	6,517	8,518	2,000
Construction	9,308	8,485	(822)	694	502	(191)
Other Operations	14,925	13,745	(1,179)	3,555	2,473	(1,081)
Segment Total	105,685	123,111	17,426	14,573	17,851	3,278
Adjustments*	—	—	—	(22)	321	343
Consolidated Total	105,685	123,111	17,426	14,551	18,172	3,621

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, polyphenylene sulfide (PPS), polyglycolic acid (PGA) products used in the process of shale oil and gas fracking, and other processed plastics products, despite the impact of a lack of production activity at a PGA resin manufacturing subsidiary in the U.S. during the first nine months of the fiscal year.

In the carbon products category, revenue and operating profit both rose on higher sales of carbon fiber used in sliding material for automotive parts and heat insulating material for high-temperature furnaces.

As a result, revenue in Advanced Materials was 44,974 million yen (up 44.2% year on year) and operating profit was 4,182 million yen (up 119.1% year on year).

2. Specialty Chemicals

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

In the industrial chemicals category, revenue rose and operating loss narrowed due to higher sales of organic chemicals.

Consequently, revenue in Specialty Chemicals was 20,633 million yen (up 17.3% year on year) and operating profit was 2,174 million yen (up 14.6% 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.

Revenue and operating profit also rose in the packaging materials category. The polyvinylidene chloride (PVDC) film business saw a rise in sales and operating profit in the Asian region, while the heat-shrink multilayer film business in Europe posted an operating loss on a par with the same period the previous fiscal year due to the impact of rising raw material prices, despite higher sales.

As a result, revenue in Specialty Plastics was 35,272 million yen (up 8.0% year on year) and operating profit was 8,518 million yen (up 30.7% year on year).

4. Construction

In Construction, there was an increase in private-sector construction projects, but delays in public-sector construction starts caused both revenue and operating profit to decline year on year.

Consequently, revenue in Construction was 8,485 million yen (down 8.8% year on year) and operating profit was 502 million yen (down 27.6% 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 13,745 million yen (down 7.9% year on year) and operating profit was 2,473 million yen (down 30.4% year on year).

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

Total assets as of December 31, 2021, were 272,919 million yen, up 15,996 million yen compared to March 31, 2021. Current assets totaled 99,449 million yen, up 13,212 million yen from March 31, 2021, due to increases in cash and cash equivalents and trade receivables. Non-current assets stood at 173,470 million yen, up 2,784 million yen from March 31, 2021. Factors contributing to the rise in non-current assets were increases in intangible assets, assets related to equity method investments, and retirement benefit assets, which offset the decline of 1,759 million yen in property, plant and equipment to 118,412 million yen from the reduction entry accompanying receipt of government subsidy.

Total liabilities were 75,053 million yen, up 3,651 million yen compared to March 31, 2021. This was primarily because, although repayment of loans payable reduced interest-bearing debt by 1,140 million yen to 28,366 million yen, there was a greater increase in trade payables.

Total equity was 197,866 million yen, up 12,344 million yen compared to March 31, 2021. This was mainly due to the recording of 13,320 million yen in profit attributable to owners of the Company and an increase in other components of equity, which offset dividend payments of 3,318 million yen from retained earnings.

(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 November 9, 2021. For details, please refer to the "Notice of Revised Financial Forecast and Revised Dividend Forecast" released today (February 4, 2022).