

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, 2023 (IFRS)

May 12, 2023

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
Contact/Inquiries: Takayuki Ogawa, IR Group Leader, Corporate Planning Department; Phone +81-3-3249-4651
 Scheduled date for general meeting of shareholders: June 27, 2023
 Scheduled date for filing securities report: June 27, 2023
 Scheduled date of dividend payment: June 2, 2023
 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, 2023 (From April 1, 2022 to March 31, 2023)

(1) Consolidated Operating Results

(% figures indicate year-on-year changes)

| | Revenue | | Operating profit | | Profit before tax | | Profit | | Profit attributable to owners of parent | | Total comprehensive income | |
|-------------------|-----------------|------|------------------|------|-------------------|------|-----------------|------|---|------|----------------------------|--------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| Fiscal year ended | | | | | | | | | | | | |
| March 31, 2023 | 191,277 | 13.6 | 22,350 | 11.0 | 22,992 | 12.7 | 16,978 | 18.8 | 16,868 | 19.1 | 20,947 | 10.5 |
| 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) |

| | Basic earnings per share | Diluted earnings per share | Return on equity | Return on assets | Operating profit to revenue ratio |
|-------------------|--------------------------|----------------------------|------------------|------------------|-----------------------------------|
| Fiscal year ended | Yen | Yen | % | % | % |
| March 31, 2023 | 864.30 | 862.89 | 8.1 | 7.9 | 11.7 |
| March 31, 2022 | 725.73 | 724.67 | 7.4 | 7.6 | 12.0 |

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

Fiscal year ended March 31, 2023: 1,325 million yen

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

(2) Consolidated Financial Position

| | Total assets | Total equity | Equity attributable to owners of parent | Ratio of equity attributable to owners of parent to total assets | Equity attributable to owners of parent per share |
|----------------|-----------------|-----------------|---|--|---|
| As of | Millions of yen | Millions of yen | Millions of yen | % | Yen |
| March 31, 2023 | 296,404 | 216,774 | 215,199 | 72.6 | 11,026.02 |
| March 31, 2022 | 282,639 | 200,724 | 199,219 | 70.5 | 10,207.32 |

(3) Consolidated Cash Flows

| | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Cash and cash equivalents at end of period |
|-------------------|--------------------------------------|--------------------------------------|--------------------------------------|--|
| Fiscal year ended | Millions of yen | Millions of yen | Millions of yen | Millions of yen |
| March 31, 2023 | 22,744 | (11,100) | (10,484) | 32,205 |
| March 31, 2022 | 28,581 | (10,999) | (6,105) | 30,639 |

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, 2022 | — | 85.00 | — | 125.00 | 210.0 | 4,098 | 28.9 | 2.1 |
| March 31, 2023 | — | 125.00 | — | 145.00 | 270.0 | 5,269 | 31.2 | 2.5 |
| (Forecast) Fiscal year ending March 31, 2024 | — | 130.00 | — | 130.00 | 260.00 | | 31.7 | |

3. Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2024 (From April 1, 2023 to March 31, 2024)

(% figures indicate year-on-year changes)

| | Revenue | | Operating profit | | Profit before tax | | Profit attributable to owners of parent | | Basic earnings per share |
|---|-----------------|-------|------------------|--------|-------------------|--------|---|--------|--------------------------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % | Yen |
| Six months ending September 30, 2023 | 96,000 | (5.7) | 8,000 | (52.2) | 8,000 | (54.0) | 5,300 | (56.5) | 280.16 |
| Fiscal year ending March 31, 2024 | 190,000 | (0.7) | 22,000 | (1.6) | 22,000 | (4.3) | 15,500 | (8.1) | 819.35 |

* 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, 2023 | 20,805,407 shares | As of March 31, 2022 | 20,805,407 shares |
| 2) Number of treasury shares at the end of the period | As of March 31, 2023 | 1,287,970 shares | As of March 31, 2022 | 1,288,121 shares |
| 3) Average number of shares outstanding during the period | As of March 31, 2023 | 19,517,564 shares | As of March 31, 2022 | 19,517,544 shares |

(Reference) Summary of Non-consolidated Financial Results**1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2023****(from April 1, 2022 to March 31, 2023)****(1) Non-consolidated Operating Results**

(% figures indicate year-on-year changes)

| | Revenue | | Operating profit | | Ordinary profit | | Profit | |
|-------------------|-----------------|------|------------------|------|-----------------|------|-----------------|--------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| Fiscal year ended | | | | | | | | |
| March 31, 2023 | 108,234 | 20.8 | 11,397 | 9.4 | 13,992 | 1.7 | 12,228 | 10.0 |
| March 31, 2022 | 89,585 | 19.7 | 10,414 | 34.7 | 13,757 | 39.7 | 11,114 | (22.5) |

| | Basic earnings per share | Diluted earnings per share |
|-------------------|--------------------------|----------------------------|
| | Yen | Yen |
| Fiscal year ended | | |
| March 31, 2023 | 626.54 | 625.52 |
| March 31, 2022 | 569.48 | 568.64 |

(2) Non-consolidated Financial Position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|----------------|-----------------|-----------------|--------------|----------------------|
| | Millions of yen | Millions of yen | % | % |
| As of | | | | |
| March 31, 2023 | 216,612 | 164,126 | 75.7 | 8,400.40 |
| March 31, 2022 | 205,013 | 155,874 | 76.0 | 7,979.23 |

(Reference) Equity: As of March 31, 2023: 163,954 million yen

As of March 31, 2022: 155,732 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, 2024 and Beyond” included under the section “1. Overview of Operating Results and Outlook” on page 4 of the attached document.

(Attachment)

| | |
|--|-----|
| 1. Overview of Operating Results and Outlook..... | 2 |
| (1) Overview of Operating Results for the Period under Review | 2 |
| (2) Overview of Financial Position for the Period under Review | 3 |
| (3) Overview of Cash Flows for the Period under Review | 4 |
| (4) Outlook for the Fiscal Year Ending March 31, 2024 and Beyond | 4 |
| 2. Group Companies | 5 |
| 3. Basic Policy Regarding Selection of Accounting Standards | 5 |
| 4. Consolidated Financial Statements and Important Notes | 6 |
| (1) Consolidated Statement of Financial Position..... | 6 |
| (2) Consolidated Statements of Income and Comprehensive Income..... | 8 |
| (3) Consolidated Statement of Changes in Equity | 10 |
| (4) Consolidated Statement of Cash Flows | 12 |
| (5) Notes to Consolidated Financial Statements | 13 |
| (Notes Regarding Assumption of a Going Concern) | 13 |
| (Segment Information)..... | 13 |
| (Consolidated Statement of Income)..... | 14 |
| (Per-share Data) | 16 |
| (Important Subsequent Events) | 167 |

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 tax | Profit | Profit attributable to owners of parent | Basic earnings per share |
|----------------------------------|---------|------------------|-------------------|--------|---|--------------------------|
| Fiscal year ended March 31, 2023 | 191,277 | 22,350 | 22,992 | 16,978 | 16,868 | 864.30 yen |
| Fiscal year ended March 31, 2022 | 168,341 | 20,142 | 20,398 | 14,293 | 14,164 | 725.73 yen |
| Change | 22,936 | 2,207 | 2,594 | 2,684 | 2,704 | — |

During the fiscal year ended March 31, 2023, the Japanese and global economies saw increased normalization of economic and social activities as the impact of the COVID-19 pandemic moderated. Despite expectations of economic recovery, the outlook remained uncertain due to concerns about the effects of global monetary tightening, soaring fuel and raw material prices, a shortage of semiconductors, and the protracted conflict in Ukraine.

Under these circumstances, the Kureha Group maintained stable business activities while striving to prevent the spread of COVID-19 infection and reduce the risk of infection. Early in the first quarter, a renewed surge in COVID-19 infections triggered lockdowns in China, which caused a halt to operations at the local plant that manufactures carbon products for the Advanced Materials business. But the impact of this temporary shutdown was immaterial. Furthermore, although higher fuel and raw material prices have had an adverse impact on our business results, we are taking steps such as appropriately reflecting these costs in product prices with the understanding of our customers.

Revenue in the fiscal year ended March 31, 2023, increased year on year, especially with increased sales of polyvinylidene fluoride (PVDF) used as a binder material for lithium-ion secondary batteries at the Advanced Materials segment. Although, core operating profit decreased due to fuel and raw material cost increase, Operating profit increased year on year despite impairment losses on fixed assets related to the packaging materials category at the Specialty Plastics segment recorded under “Other expenses”, which had smaller impact compared to impairment losses on fixed assets related to Advanced Material segment recorded last fiscal year.

Revenue was 191,277 million yen (up 13.6% year on year), operating profit was 22,350 million yen (up 11.0% year on year), profit before tax was 22,992 million yen (up 12.7% year on year), profit was 16,978 million yen (up 18.8% year on year), and profit attributable to owners of parent was 16,868 million yen (up 19.1% year on year).

Results by segment were as follows:

(Millions of yen)

| | Revenue | | | Operating profit | | |
|---------------------|----------------------------------|----------------------------------|--------|----------------------------------|----------------------------------|---------|
| | Fiscal year ended March 31, 2022 | Fiscal year ended March 31, 2023 | Change | Fiscal year ended March 31, 2022 | Fiscal year ended March 31, 2023 | Change |
| Advanced Materials | 66,687 | 82,693 | 16,005 | 9,953 | 10,147 | 193 |
| Specialty Chemicals | 26,157 | 31,784 | 5,627 | 1,432 | 1,849 | 417 |
| Specialty Plastics | 44,773 | 46,792 | 2,018 | 9,862 | 8,607 | (1,254) |
| Construction | 12,174 | 11,310 | (864) | 985 | 881 | (104) |
| Other Operations | 18,547 | 18,696 | 148 | 3,069 | 2,821 | (248) |
| Segment Total | 168,341 | 191,277 | 22,936 | 25,304 | 24,308 | (995) |
| Adjustments* | — | — | — | (5,161) | (1,957) | 3,203 |
| Consolidated Total | 168,341 | 191,277 | 22,936 | 20,142 | 22,350 | 2,207 |

Note: Operating profit adjustments include other income and expenses not allocated to reporting segments. For details, refer to “Consolidated Statement of Income” under “(5) Notes to Consolidated Financial Statements.”

1. Advanced Materials

In the advanced plastics category, revenue 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. However, operating profit declined in part due to such as energy and raw material cost increase.

Revenue and operating profit also rose in the carbon products category as sales of carbon fiber used in heat insulating material for high-temperature furnaces and sliding additive for automotive application increased.

As a result, revenue in Advanced Materials was 82,693 million yen (up 24.0% year on year) and operating profit was 10,147 million yen (up 1.9% year on year).

2. Specialty Chemicals

In the agrochemicals and pharmaceuticals category, revenue rose on higher sales of agricultural and horticultural fungicides, but operating profit declined in part due to lower sales of Kremezine, a treatment for chronic failure.

The industrial chemicals category reported an operating profit, compared with an operating loss in the same period of the previous year, on increased sales of organic and inorganic chemicals.

As a result, revenue in Specialty Chemicals was 31,784 million yen (up 21.5% year on year), and operating profit was 1,849 million yen (up 29.1% year on year).

3. Specialty Plastics

In the consumer goods category, sales of Seaguar fluorocarbon fishing lines rose, but revenue and operating profit fell due to lower sales of New Krewrap plastic wrap for household use and the impact of soaring fuel and raw material prices.

In the packaging materials category, revenue and operating profit rose on the back of higher sales of polyvinylidene chloride (PVDC) film.

As a result, revenue in Specialty Plastics was 46,792 million yen (up 4.5% year on year), and operating profit was 8,607 million yen (down 12.7% year on year).

4. Construction

In Construction, revenue and operating profit declined due to decreases in public- and private-sector construction projects.

As a result, revenue in Construction was 11,310 million yen (down 7.1% year on year), and operating profit was 881 million yen (down 10.6% year on year).

5. Other Operations

In the environmental engineering category, revenue was flat year on year, but operating profit declined.

In the logistics category, revenue and operating profit declined.

In the hospital operations category, revenue was flat year on year, and operating loss increased.

As a result, revenue in Other Operations was 18,696 million yen (up 0.8% year on year), and operating profit was 2,821 million yen (down 8.1% year on year).

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

Total assets as of March 31, 2023, were 296,404 million yen, up 13,764 million yen compared to March 31, 2022.

Current assets increased from March 31, 2022, by 8,576 million yen to 120,994 million yen due to increases in inventories and cash and cash equivalents, despite a decrease in trade and other receivables. Non-current assets increased from March 31, 2022, by 5,188 million yen to 175,409 million yen, mainly due to increases in property, plant and equipment and other non-current assets.

Total liabilities were 79,629 million yen, down 2,284 million yen compared to March 31, 2022. This was due to a reduction in interest-bearing debt from March 31, 2022, by 2,231 million yen to 26,275 million yen, mainly due to the redemption of bonds.

Total equity was 216,774 million yen, up 16,049 million yen compared to March 31, 2022, owing mainly to the recording of 16,868 million yen in profit attributable to owners of parent and an increase in other components of equity associated with yen depreciation, which more than offset dividend payments from retained earnings of 4,879 million yen.

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

(Millions of yen)

| | Fiscal year ended March 31, 2022 | Fiscal year ended March 31, 2023 | Change |
|--|-------------------------------------|-------------------------------------|----------|
| Cash flows from operating activities | 28,581 | 22,744 | (5,837) |
| Cash flows from investing activities | (10,999) | (11,100) | (100) |
| Cash flows from financing activities | (6,105) | (10,484) | (4,378) |
| Effect of exchange rate changes on cash and cash equivalents | 1,328 | 405 | (923) |
| Net increase (decrease) in cash and cash equivalents | 12,805 | 1,565 | (11,239) |
| Cash and cash equivalents at beginning of period | 17,834 | 30,639 | 12,805 |
| Cash and cash equivalents at end of period | 30,639 | 32,205 | 1,565 |
| Interest-bearing debt at end of period | 28,507 | 26,275 | (2,231) |

Net cash provided by operating activities totaled 22,814 million yen (down 5,766 million yen from March 31, 2022). This mainly reflected an increase in inventories.

Net cash used in investing activities came to 11,170 million yen (up 170 million yen from March 31, 2022). This was mainly attributable to a decline in proceeds from government subsidies and an increase in expenditures for the purchase of property, plant and equipment and intangible assets, while proceeds from the sale of investments accounted for using the equity method were generated.

Net cash used in financing activities amounted to 10,484 million yen (up 4,378 million yen from March 31, 2022). This was mainly due to the redemption of bonds and an increase in expenditures to reduce short-term borrowings and commercial papers, offsetting the proceeds from long-term borrowings.

As a result, cash and cash equivalents at the end of the period under review were 32,205 million yen, up 1,565 million yen from March 31, 2022.

(4) Outlook for the Fiscal Year Ending March 31, 2024 and Beyond

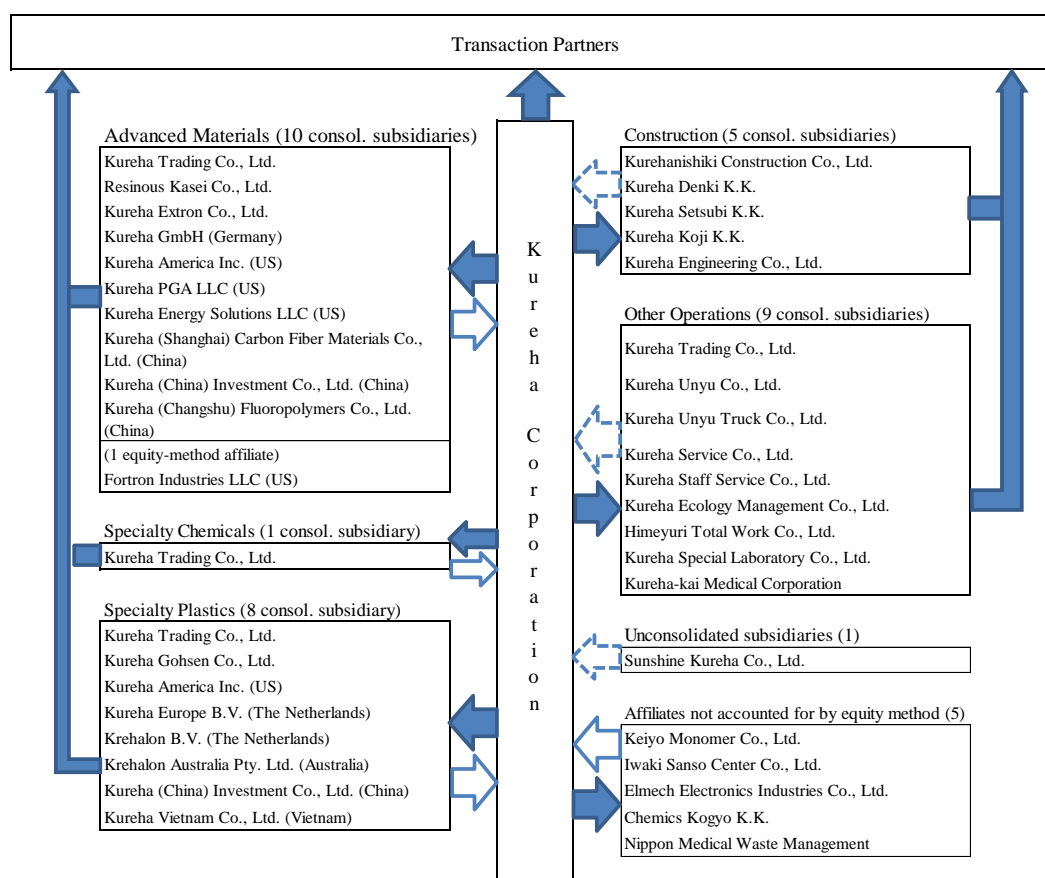
In the Advanced Materials segment, the Group expects firm demand for polyvinylidene fluoride (PVDF) used as a binder material for lithium-ion secondary batteries and anticipates continued strong demand for polyphenylene sulfide (PPS), particularly from the automotive industry. For processed polyglycolic acid (PGA) products, the Group looks for sales growth and profitability improvement. In the Specialty Chemicals segment, the Group anticipates growth in overseas demand for agrochemicals and plans to advance the development of new chemicals, while seeking to improve profitability in the industrial chemicals category. In the Specialty Plastics segment, the Group expects stable demand in the consumer goods category, but anticipates an increase in expenses. In the packaging materials category, the Group plans to expand sales in Southeast Asia. In the Construction segment, the Group expects to maintain revenue from construction projects but anticipates the impact of rising construction material costs. In the Other Operations segment, the Group expects a decrease in waste treatment and processing volumes and an increase in processing costs due to rising fuel and raw material prices in the environmental engineering category.

For the fiscal year ending March 31, 2024, the Group forecasts consolidated revenue of 190 billion yen, operating profit of 22 billion yen, profit before tax of 22 billion yen, and profit attributable to owners of parent of 15.5 billion yen.

The forecast above assumes currency exchange rates of JPY135/USD, JPY140/EUR, and JPY19.0/CNY.

2. Group Companies

The Kureha Group consists of the Company, 29 subsidiaries (of which 28 are consolidated), and six affiliates (of which one is an equity-method affiliate). It manufactures and sells advanced materials, chemical materials, and specialty plastics as its core business, and also provides construction and repairs of facilities for its segments, logistics, environmental solutions, and other services.



Total consolidated subsidiaries: 28

Total equity-method affiliates: 1

Main transaction flows

Sales of products and services

Sales of products and supply of raw materials

Provision of services

- (Note)
1. Kureha Corporation sells the products in the Advanced Materials, Specialty Chemicals, and Specialty Plastics segments.
 2. Kureha Trading Co., Ltd., Kureha America Inc., and Kureha (China) Investment Co., Ltd. operate across several segments, and their results are therefore presented under the relevant segments.
 3. On June 10, 2022, the Group entered an agreement to transfer all shares in Nantong SKT New Material Co., Ltd. (China), an equity-method affiliate at the Specialty Plastics segment, to a third party and transferred all shares in July 6.

3. Basic Policy Regarding Selection of Accounting Standards

To strengthen global business development and centralized promotion of its business plans, and respond to the global expansion in its stakeholders, the Company has voluntarily adopted the International Financial Reporting Standards (IFRS) since the fiscal year ended March 31, 2017.

4. Consolidated Financial Statements and Important Notes
(1) Consolidated Statement of Financial Position

(Millions of yen)

| | As of March 31, 2022 | As of March 31, 2023 |
|---|----------------------|----------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 30,639 | 32,205 |
| Trade and other receivables | 35,808 | 31,855 |
| Other financial assets | 16 | 15 |
| Inventories | 41,698 | 52,000 |
| Other current assets | 4,255 | 4,918 |
| Total current assets | <u>112,418</u> | <u>120,994</u> |
| Non-current assets | | |
| Property, plant and equipment | 114,435 | 117,438 |
| Intangible assets | 4,041 | 4,453 |
| Investments accounted for using equity method | 16,836 | 15,400 |
| Other financial assets | 21,514 | 22,745 |
| Deferred tax assets | 1,604 | 1,924 |
| Other non-current assets | 11,787 | 13,447 |
| Total non-current assets | <u>170,221</u> | <u>175,409</u> |
| Total assets | <u>282,639</u> | <u>296,404</u> |

(Millions of yen)

| | As of March 31, 2022 | As of March 31, 2023 |
|--|----------------------|----------------------|
| Liabilities and equity | | |
| Current liabilities | | |
| Trade and other payables | 29,476 | 27,670 |
| Bonds and borrowings | 14,750 | 13,389 |
| Other financial liabilities | 1,522 | 1,728 |
| Income taxes payable | 2,287 | 2,904 |
| Provisions | 6,893 | 7,166 |
| Other current liabilities | 7,671 | 7,936 |
| Total current liabilities | 62,602 | 60,796 |
| Non-current liabilities | | |
| Bonds and borrowings | 11,428 | 8,605 |
| Other financial liabilities | 2,028 | 3,746 |
| Deferred tax liabilities | 2,269 | 2,949 |
| Provisions | 1,342 | 1,322 |
| Retirement benefit liability | 316 | 297 |
| Other non-current liabilities | 1,926 | 1,912 |
| Total non-current liabilities | 19,311 | 18,833 |
| Total liabilities | 81,914 | 79,629 |
| Equity | | |
| Share capital | 18,169 | 18,169 |
| Capital surplus | 14,724 | 14,724 |
| Treasury shares | (8,701) | (8,701) |
| Retained earnings | 166,005 | 178,956 |
| Other components of equity | 9,020 | 12,050 |
| Total equity attributable to owners of parent | 199,219 | 215,199 |
| Non-controlling interests | 1,505 | 1,574 |
| Total equity | 200,724 | 216,774 |
| Total liabilities and equity | 282,639 | 296,404 |

(2) Consolidated Statements of Income and Comprehensive Income
 Consolidated Statement of Income

| | (Millions of yen) | |
|--|--|--|
| | Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022) | Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023) |
| Revenue | 168,341 | 191,277 |
| Cost of sales | 117,463 | 136,488 |
| Gross profit | 50,878 | 54,788 |
| Selling, general and administrative expenses | 27,521 | 31,973 |
| Share of profit of investments accounted for using equity method | 2,020 | 1,325 |
| Other income | 1,246 | 1,164 |
| Other expenses | 6,481 | 2,954 |
| Operating profit | 20,142 | 22,350 |
| Finance income | 532 | 871 |
| Finance costs | 276 | 228 |
| Profit before tax | 20,398 | 22,992 |
| Corporate income tax expenses | 6,104 | 6,014 |
| Profit | 14,293 | 16,978 |
| Profit attributable to: | | |
| Owners of parent | 14,164 | 16,868 |
| Non-controlling interests | 129 | 109 |
| Profit | 14,293 | 16,978 |
| Earnings per share | | |
| Basic earnings per share (yen) | 725.73 | 864.30 |
| Diluted earnings per share (yen) | 724.67 | 862.89 |

Consolidated Statement of Comprehensive Income

(Millions of yen)

| | Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022) | Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023) |
|---|--|--|
| Profit | 14,293 | 16,978 |
| Other comprehensive income | | |
| Items that will not be reclassified to profit or loss | | |
| Financial assets measured at fair value through other comprehensive income | (742) | 1,044 |
| Remeasurements of defined benefit plans | 868 | 828 |
| Total | <u>126</u> | <u>1,873</u> |
| Items that may be reclassified to profit or loss: | | |
| Exchange differences on translation of foreign operations | 4,535 | 2,094 |
| Total | <u>4,535</u> | <u>2,094</u> |
| Other comprehensive income, net of tax | <u>4,661</u> | <u>3,968</u> |
| Comprehensive income | <u>18,955</u> | <u>20,947</u> |
| Comprehensive income attributable to: | | |
| Owners of parent | 18,849 | 20,831 |
| Non-controlling interests | 106 | 115 |
| Comprehensive income | <u>18,955</u> | <u>20,947</u> |

(3) Consolidated Statement of Changes in Equity

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Millions of yen)

| | Equity attributable to owners of parent | | | | | |
|---|---|-----------------|-----------------|-------------------|----------------------------|---|
| | Share capital | Capital surplus | Treasury shares | Retained earnings | Other components of equity | |
| | | | | | Share acquisition rights | Exchange differences on translation of foreign operations |
| Balance as of April 1, 2021 | 18,169 | 14,897 | (8,697) | 154,166 | 110 | (3,161) |
| Profit | | | | 14,164 | | |
| Other comprehensive income | | | | | | 4,535 |
| Total comprehensive income | — | — | — | 14,164 | — | 4,535 |
| Purchase of treasury shares | | | (3) | | | |
| Share-based payment transactions | | | | | 31 | |
| Dividends | | | | (3,318) | | |
| Capital transactions with non-controlling interests | | (172) | | | | |
| Transfer from other components of equity to retained earnings | | | | 992 | | |
| Total transactions with owners | — | (172) | (3) | (2,325) | 31 | — |
| Balance as of March 31, 2022 | 18,169 | 14,724 | (8,701) | 166,005 | 141 | 1,373 |

| | Equity attributable to owners of parent | | | | | |
|---|--|---|-------|---------|---------------------------|--------------|
| | Other components of equity | | | | | |
| | Financial assets measured at fair value through other comprehensive income | Remeasurements of defined benefit plans | Total | Total | Non-controlling interests | Total equity |
| Balance as of April 1, 2021 | 8,345 | — | 5,294 | 183,830 | 1,690 | 185,521 |
| Profit | | | — | 14,164 | 129 | 14,293 |
| Other comprehensive income | (713) | 862 | 4,685 | 4,685 | (23) | 4,661 |
| Total comprehensive income | (713) | 862 | 4,685 | 18,849 | 106 | 18,955 |
| Purchase of treasury shares | | | — | (3) | | (3) |
| Share-based payment transactions | | | 31 | 31 | | 31 |
| Dividends | | | — | (3,318) | (62) | (3,380) |
| Capital transactions with non-controlling interests | 1 | | 1 | (171) | (228) | (399) |
| Transfer from other components of equity to retained earnings | (129) | (862) | (992) | — | | — |
| Total transactions with owners | (128) | (862) | (959) | (3,461) | (290) | (3,752) |
| Balance as of March 31, 2022 | 7,504 | — | 9,020 | 199,219 | 1,505 | 200,724 |

Fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(Millions of yen)

| | Equity attributable to owners of parent | | | | | |
|---|---|-----------------|-----------------|-------------------|----------------------------|---|
| | | | | | Other components of equity | |
| | Share capital | Capital surplus | Treasury shares | Retained earnings | Share acquisition rights | Exchange differences on translation of foreign operations |
| Balance as of April 1, 2021 | 18,169 | 14,724 | (8,701) | 166,005 | 141 | 1,373 |
| Profit | | | | 16,868 | | |
| Other comprehensive income | | | | | | 2,094 |
| Total comprehensive income | — | — | — | 16,868 | — | 2,094 |
| Purchase of treasury shares | | | (4) | | | |
| Share-based payment transactions | | | 4 | (1) | 30 | |
| Dividends | | | | (4,879) | | |
| Transfer from other components of equity to retained earnings | | | | 962 | | |
| Total transactions with owners | — | — | (0) | (3,918) | 30 | — |
| Balance as of March 31, 2022 | 18,169 | 14,724 | (8,701) | 178,956 | 171 | 3,468 |

| | Equity attributable to owners of parent | | | | | |
|---|--|---|--------|---------|----------------------------|--------------|
| | | | | | Other components of equity | |
| | Financial assets measured at fair value through other comprehensive income | Remeasurements of defined benefit plans | Total | Total | Non-controlling interests | Total equity |
| Balance as of April 1, 2022 | 7,504 | — | 9,020 | 199,219 | 1,505 | 200,724 |
| Net profit | | | — | 16,868 | 109 | 16,978 |
| Other comprehensive income | 1,037 | 829 | 3,962 | 3,962 | 6 | 3,968 |
| Total comprehensive income | 1,037 | 829 | 3,962 | 20,831 | 115 | 20,947 |
| Purchase of treasury shares | | | — | (4) | | (4) |
| Share-based payment transactions | | | 30 | 33 | | 33 |
| Dividends | | | — | (4,879) | (46) | (4,925) |
| Transfer from other components of equity to retained earnings | (132) | (829) | (962) | — | | — |
| Total transactions with owners | (132) | (829) | (932) | (4,850) | (46) | (4,897) |
| Balance as of March 31, 2023 | 8,409 | — | 12,050 | 215,199 | 1,574 | 216,774 |

(4) Consolidated Statement of Cash Flows

| | (Millions of yen) | |
|--|--|--|
| | Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022) | Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023) |
| Cash flows from operating activities | | |
| Profit before tax | 20,398 | 22,992 |
| Depreciation and amortization | 11,550 | 11,615 |
| Impairment losses | 5,306 | 2,141 |
| Finance income | (532) | (725) |
| Finance costs | 155 | 222 |
| Share of loss (profit) of investments accounted for using equity method | (2,020) | (1,325) |
| Loss (gain) on sale and retirement of property, plant and equipment, and intangible assets | 627 | 464 |
| Decrease (increase) in trade and other receivables | (6,657) | 4,667 |
| Decrease (increase) in inventories | (4,045) | (9,574) |
| Increase (decrease) in trade and other payables | 8,357 | (1,916) |
| Increase (decrease) in provisions | 449 | 233 |
| Increase (decrease) in retirement benefit asset or liability | (184) | (504) |
| Other | (98) | (949) |
| Subtotal | 33,305 | 27,342 |
| Interest and dividends received | 1,655 | 1,534 |
| Interest paid | (149) | (202) |
| Income taxes paid | (6,230) | (5,929) |
| Net cash provided by (used in) operating activities | 28,581 | 22,744 |
| Cash flows from investing activities | | |
| Proceeds from sale of property, plant and equipment, and intangible assets | 192 | 166 |
| Purchase of property, plant and equipment, and intangible assets | (12,586) | (14,239) |
| Proceeds from sale of investment securities | 271 | 296 |
| Purchase of investment securities | (379) | (13) |
| Proceeds from sale of investments accounted for using equity method | — | 3,335 |
| Proceeds from government subsidies | 2,231 | 88 |
| Other | (729) | (734) |
| Net cash provided by (used in) investing activities | (10,999) | (11,100) |
| Cash flows from financing activities | | |
| Dividends paid | (3,318) | (4,879) |
| Dividends paid to non-controlling interests | (62) | (46) |
| Increase (decrease) in short-term borrowings and commercial papers | 506 | (1,546) |
| Proceeds from long-term borrowings | — | 5,000 |
| Repayments of long-term borrowings | (1,496) | (694) |
| Redemption of bonds | — | (7,000) |
| Purchase of shares of subsidiaries not resulting in change in scope of consolidation | (399) | — |
| Purchase of treasury shares | (3) | (4) |
| Other | (1,331) | (1,313) |
| Net cash provided by (used in) financing activities | (6,105) | (10,484) |
| Effect of exchange rate changes on cash and cash equivalents | 1,328 | 405 |
| Net increase (decrease) in cash and cash equivalents | 12,805 | 1,565 |
| Cash and cash equivalents at beginning of period | 17,834 | 30,639 |
| Cash and cash equivalents at end of period | 30,639 | 32,205 |

(5) Notes to Consolidated Financial Statements
 (Notes Regarding Assumption of a Going Concern)
 No applicable matters to report.

(Segment Information)

(1) Overview of Reporting Segments

The Kureha Group's reportable segments are components for which separate financial information is available and whose operating results are regularly reviewed by the Board of Directors to decide on the allocation of operating resources and assess their performance.

The Group has separate divisions by product, and each division formulates a comprehensive product strategy for domestic and overseas markets, and conducts related business activities.

Accordingly, the Group consists of segments by product and service on the basis of the business divisions, and has the five reportable segments of Advanced Materials, Specialty Chemicals, Specialty Plastics, Construction, and Other Operations.

Major products and services for each segment are as follows.

| Segment | Major Products and Services |
|---------------------|---|
| Advanced Materials | Polyphenylene sulfide (PPS), polyvinylidene fluoride (PVDF), processed polyglycolic acid (PGA) products, carbon fiber, bead-shaped activated carbon |
| Specialty Chemicals | Agricultural and horticultural fungicides, therapeutic agent for chronic renal failure, caustic soda, hydrochloric acid, sodium hypochlorite, monochlorobenzene, para-dichlorobenzene, ortho-dichlorobenzene |
| Specialty Plastics | Household plastic wrap, garbage bags for kitchen sink, plastic food containers, cooking paper, PVDF fishing lines, polyvinylidene chloride (PVDC) film, multilayer heat-shrinkable film, auto-pack machinery (for food packaging) |
| Construction | Civil engineering and construction contracting business, construction supervision services |
| Other operations | Industrial waste treatment and environmental processing facilities, physiochemical analysis, measurement, testing, and inspection services, transportation and warehousing, medical services |

(2) Information on Reportable Segments

The accounting policies for the reportable segments are the same as those applied in the consolidated financial statements. Intersegment revenue is mainly based on market prices.

The Kureha Group's segment information is as follows.

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Millions of yen)

| | Advanced Materials | Specialty Chemicals | Specialty Plastics | Construction | Other Operations | Total | Adjustments (Note) | Consolidated |
|---------------------------------|--------------------|---------------------|--------------------|--------------|------------------|---------|--------------------|--------------|
| Revenue | | | | | | | | |
| Revenue from external customers | 66,687 | 26,157 | 44,773 | 12,174 | 18,547 | 168,341 | — | 168,341 |
| Intersegment revenue | 1,020 | 198 | 257 | 6,520 | 6,539 | 14,535 | (14,535) | — |
| Total | 67,708 | 26,355 | 45,030 | 18,694 | 25,086 | 182,876 | (14,535) | 168,341 |
| Operating profit | 9,953 | 1,432 | 9,862 | 985 | 3,069 | 25,304 | (5,161) | 20,142 |
| Finance income | | | | | | | | 532 |
| Finance costs | | | | | | | | (276) |
| Profit before tax | | | | | | | | 20,398 |

(Note) The adjustment to operating profit mainly comprises 73 million yen of profit resulting from the elimination of intersegment transactions, 1,246 million yen of other revenue not allocated to any reportable segment, and 6,481 million yen in other expenses (including 5,306 million yen in impairment losses)

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Millions of yen)

| | Advanced Materials | Specialty Chemicals | Specialty Plastics | Construction | Other Operations | Total | Adjustments (Note) | Consolidated |
|---------------------------------|-----------------------|------------------------|-----------------------|--------------|---------------------|---------|-----------------------|--------------|
| Revenue | | | | | | | | |
| Revenue from external customers | 82,693 | 31,784 | 46,792 | 11,310 | 18,696 | 191,277 | — | 191,277 |
| Intersegment revenue | 1,285 | 222 | 326 | 7,838 | 6,711 | 16,383 | (16,383) | — |
| Total | 83,979 | 32,007 | 47,118 | 19,148 | 25,407 | 207,661 | (16,383) | 191,277 |
| Operating profit | 10,147 | 1,849 | 8,607 | 881 | 2,821 | 24,308 | (1,957) | 22,350 |
| Finance income | | | | | | | | 871 |
| Finance costs | | | | | | | | (228) |
| Profit before tax | | | | | | | | 22,992 |

(Note) The adjustment to operating profit mainly comprises 167 million yen of loss resulting from the elimination of intersegment transactions, 1,164 million yen of other revenue not allocated to any reportable segment, and 2,954 million yen in other expenses (including 2,141 million yen in impairment losses).

(Consolidated Statement of Income)

(1) Other Revenue

(Millions of yen)

| | Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022) | Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023) |
|-------------------------|--|--|
| Gain on subsidy revenue | 887 | 679 |
| Other | 359 | 485 |
| Total | 1,246 | 1,164 |

(2) Other Expenses

(Millions of yen)

| | Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022) | Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023) |
|--|--|--|
| Impairment losses | 5,306 | 2,141 |
| Loss on sale and retirement of non-current assets | 639 | 569 |
| Loss on revision of retirement benefit plan (Note) | 306 | — |
| Other | 228 | 243 |
| Total | 6,481 | 2,954 |

(Note) Loss on revision of retirement benefit plan refers to an increase in retirement benefit obligations resulting from the revision of the defined-benefit plan (introduction of new personnel systems including an extension of the retirement age) implemented by the Company and certain consolidated subsidiaries, which was recognized as past service costs.

(3) Impairment of Non-financial Assets

i. Impairment Losses

If the book value of its assets or cash-generating units exceeds the recoverable amount, the Kureha Group recognizes impairment losses.

In principle, it groups operating assets by company and segment, and assets for lease and idle assets by individual property.

The recoverable amount of an asset or a cash-generating unit is the higher of its value in use and its fair value less costs of disposal. Value in use is the present value of future cash flows calculated by using the pre-tax weighted average cost of capital of a cash-generating unit. Fair value less costs of disposal is evaluated either by the estimated disposal amount or the amount reasonably calculated based on assessed values of fixed assets for property tax.

The Group recognized impairment losses on property, plant and equipment, and intangible assets of 5,306 million yen in the fiscal year ended March 31, 2022, and 2,141 million yen in the fiscal year ended March 31, 2023.

ii. Recognized Impairment Losses, and Main Events or Circumstances that Led to such Recognition

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Millions of yen)

| Segments | Purpose of Use | Location | Type of Assets | Amount |
|--------------------|------------------------|-------------------|-------------------------|--------|
| Advanced Materials | Manufacturing facility | West Virginia, US | Buildings | 1,026 |
| | | | Machinery and equipment | 4,279 |
| Total | | | | 5,306 |

For manufacturing facilities in the Advanced Materials segment, the Company carefully reviewed changes in the business environment for the PGA business, such as crude oil prices, operating rates at shale oil and gas fracking companies (customers), and market price trends, as well as its earnings outlook in light of product development conditions at the Company. Consequently, it wrote down the carrying amount of fixed assets related to the PGA business to the recoverable amount and recognized a reduction of 5,306 million yen as other expenses. The Group measured the recoverable amount based on the value in use and calculated it by discounting future cash flows at a rate of 6.7%.

Actual results may differ from these estimates.

Fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(Millions of yen)

| Segments | Purpose of Use | Location | Type of Assets | Amount |
|-------------------------|------------------------|-----------------------|-------------------------|--------|
| Specialty Plastics | Manufacturing facility | Deventer, Netherlands | Buildings | 571 |
| | | | Machinery and equipment | 751 |
| | | | Other | 471 |
| | | | Total | 1,794 |
| | | Dong Nai, Vietnam | Machinery and equipment | 172 |
| | | | Total | 172 |
| | | Victoria, Australia | Buildings | 27 |
| Machinery and equipment | 139 | | | |
| Other | 7 | | | |
| Total | | | | 174 |
| Total | | | | 2,141 |

Regarding heat-shrink multilayer film manufacturing facilities in the packaging materials category, due to declining profitability triggered by intensifying competition in Europe and Australia and other changes in the market environment, the Company reviewed its earnings outlook and determined that a quick recovery would be difficult to achieve. Consequently, it wrote down the carrying amount of fixed assets related to the business to the recoverable amount and recognized a reduction of 2,141 million yen as other expenses. The Group measured the recoverable amount based on the value in use and calculated it by discounting future cash flows at a rate of 6.9%.

Actual results may differ from these estimates.

(Per-share Data)

(1) Basis of Calculation of Basic Earnings Per Share

(Millions of yen)

| | Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023) |
|--|--|
| Profit attributable to ordinary shareholders of parent | |
| Profit attributable to owners of parent | 16,868 |
| Profit not attributable to ordinary shareholders of parent | — |
| Profit used to calculate basic earnings per share | 16,868 |
| Average number of common shares outstanding during the period (shares) | 19,517,564 |
| Basic earnings per share | 864.30 yen |

(2) Basis of Calculation of Diluted Earnings Per Share

(Millions of yen)

| | Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023) |
|--|--|
| Diluted profit attributable to ordinary shareholders of parent | |
| Profit used to calculate basic earnings per share | 16,868 |
| Profit adjustments | — |
| Profit used to calculate diluted earnings per share | 16,868 |
| Average number of common shares outstanding during the period (shares) | 19,517,564 |
| Impact of dilutive effect (shares) | 31,833 |
| After adjustment for dilutive effect (shares) | 19,549,397 |
| Diluted earnings per share | 862.89 yen |

(Important Subsequent Events)

(Acquisition and Retirement of Treasury Stock)

At the Board of Directors meeting held on May 12, 2023, the Company resolved on matters related to the acquisition of treasury stock in accordance with Article 156 of the Companies Act, as applied pursuant to Article 165, Paragraph 3 of the same Act, and matters related to the retirement of treasury stock in accordance with Article 178 of the same Act.

1. Reasons for the acquisition and retirement of treasury stock
To enhance shareholder returns and improve capital efficiency.

2. Details of the acquisition

- (1) Type of shares to be acquired: Common stock of the Company
- (2) Total number of shares to be acquired: 1,200,000 shares (maximum)
(Representing 6.15% of the total number of shares outstanding [excluding treasury shares])
- (3) Total acquisition cost: 10,000,000,000 yen (maximum)
- (4) Acquisition period: May 15, 2023 to March 31, 2024

3. Details of the retirement

- (1) Type of shares to be retired: Common stock of the Company
- (2) Total number of shares to be retired: 1,280,000 shares
- (3) Total number of shares outstanding after retirement: 19,525,407 shares
- (4) Planned retirement date: June 30, 2023

Reference: Treasury stock held as of March 31, 2023

Total number of shares outstanding (excluding treasury shares): 19,517,437 shares

Total number of treasury shares: 1,287,970 shares