

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 First Quarter of the Fiscal Year Ending March 31, 2024 (IFRS)

August 8, 2023

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: August 10, 2023
Scheduled date of dividend payment: —
Supplementary materials for quarterly financial results: Available
Quarterly financial results briefing: None

(Figures are rounded off to the nearest million yen)

1. Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2024 (From April 1, 2023 to June 30, 2023)

(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	%
Three months ended												
June 30, 2023	43,759	(11.2)	4,937	(39.4)	5,602	(34.2)	3,253	(40.9)	3,237	(40.7)	8,064	(7.8)
June 30, 2022	49,280	30.2	8,145	91.4	8,519	95.4	5,505	64.8	5,460	65.3	8,743	158.6

	Basic profit per share	Diluted profit per share
Three months ended	Yen	Yen
June 30, 2023	167.25	166.96
June 30, 2022	279.79	279.37

(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	%
June 30, 2023	307,267	219,275	217,711	70.9
March 31, 2023	296,404	216,774	215,199	72.6

2. Dividends

	Dividends per share				
	First quarter	Second quarter	Third quarter	Year-end	Total
Fiscal year ended March 31, 2023	Yen —	Yen 125.00	Yen —	Yen 145.00	Yen 270.0
Fiscal year ending March 31, 2024	—				
(Forecast) Fiscal year ending March 31, 2024		130.00	—	130.00	260.00

Note: Changes in the dividend forecast from the most recent announcement: None

2. 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 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, 2023	96,000	(5.7)	8,000	(52.2)	8,000	(54.0)	5,300	(56.5)	Yen 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

Note: Changes in earnings forecast from the most recent announcement: No

* 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 June 30, 2023	19,525,407 shares	As of June 30, 2022	20,805,407 shares
2) Number of treasury shares at the end of the period	As of June 30, 2023	329,594 shares	As of June 30, 2022	1,287,970 shares
3) Average number of shares outstanding during the period	Three months ended June 30, 2023	19,356,584 shares	Three months ended June 30, 2022	19,517,731 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, 2024 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 and Outlook

(1) Overview of Operating Results for the Period

During the first three months of the fiscal year ending March 31, 2024, the Japanese and global economies experienced further normalization of economic and social activities since the spread of COVID-19, raising expectations that a gradual economic recovery will continue. On the other hand, uncertainties about the future also persisted due to concerns over the effects of global monetary tightening, soaring fuel and raw material prices, a shortage of semiconductors, and protracted conflict in Ukraine.

Under these circumstances and as an ongoing effort since the previous fiscal year, the Kureha Group has been taking steps to appropriately pass on the cost of higher fuel and raw material prices to product prices, with the understanding of our customers. Furthermore, to fulfill our dual goals of “improving medium- to long-term corporate value” and “contributing toward a sustainable society” and also to achieve further growth of the Kureha Group by promoting sustainability-focused management, we have newly established the Kureha Group Corporate Philosophy and the Kureha Vision. At the same time, looking toward FY2030, we formulated our Management Policy and the Mid-to Long-term Management Plan “Toward Creating a New Future.”

In the first three months of the fiscal year, the Group’s revenue and profits decreased year on year as sales of polyvinylidene fluoride (PVDF) used as a binder material for lithium-ion secondary batteries declined in the Advanced Materials segment. Revenue was 43,759 million yen (down 11.2% year on year), operating profit was 4,937 million yen (down 39.4% year on year), profit before tax was 5,602 million yen (down 34.2% year on year), and profit attributable to owners of parent was 3,237 million yen (down 40.7% year on year).

Results by segment were as follows:

(Millions of yen)

	Revenue			Operating profit		
	Three months ended June 30, 2022	Three months ended June 30, 2023	Change	Three months ended June 30, 2022	Three months ended June 30, 2023	Change
Advanced Materials	24,492	16,423	(8,069)	5,649	1,197	(4,452)
Specialty Chemicals	6,625	9,210	2,584	(348)	671	1,019
Specialty Plastics	11,912	11,672	(240)	2,094	2,232	138
Construction	1,911	2,159	248	112	88	(23)
Other Operations	4,336	4,292	(44)	610	561	(48)
Segment Total	49,280	43,759	(5,520)	8,118	4,751	(3,366)
Adjustments*	—	—	—	26	185	158
Consolidated Total	49,280	43,759	(5,520)	8,145	4,937	(3,207)

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

1. Advanced Materials

In the advanced plastics category, sales increased for polyglycolic acid (PGA) products used in the process of shale oil and gas fracking, as well as polyphenylene sulfide (PPS). However, revenue and operating profit fell in this category due to lower sales of polyvinylidene fluoride (PVDF) used as a binder material for lithium-ion secondary batteries, and other processed plastics products.

Meanwhile, revenue and operating profit in the carbon products category rose as sales of heat insulating material for high-temperature furnaces increased.

As a result, revenue in Advanced Materials was 16,423 million yen (down 32.9% year on year) and operating profit was 1,197 million yen (down 78.8% year on year).

2. Specialty Chemicals

In the agrochemicals and pharmaceuticals category, revenue and operating profit grew owing to higher sales of agricultural and horticultural fungicides, which absorbed the decline in sales of Kremezin, a therapeutic agent for chronic renal failure. The industrial chemicals category made a turnaround to operating profit from an operating loss reported in the same period of the previous fiscal year, as a result of an increase in sales of inorganic and organic chemicals.

Consequently, revenue in Specialty Chemicals was 9,210 million yen (up 39.0% year on year) and operating profit was 671 million yen (versus an operating loss of 348 million yen in the three months ended June 30, 2022).

3. Specialty Plastics

In the consumer goods category, revenue and operating profit rose due to increases in sales of New Krewrap plastic wrap for household use and Seaguar fluorocarbon fishing lines.

In the packaging materials category, revenue fell due to declines in sales of heat-shrink multilayer film and polyvinylidene chloride (PVDC) film. However, operating profit rose due to lower expenses.

As a result, revenue in Specialty Plastics was 11,672 million yen (down 2.0% year on year) and operating profit was 2,232 million yen (up 6.6% year on year).

4. Construction

In Construction, revenue grew in tandem with an increase in private-sector construction projects, but operating profit remained largely flat year on year.

As a result, revenue in Construction was 2,159 million yen (up 13.0% year on year) and operating profit was 88 million yen (flat year on year).

5. Other Operations

In the environmental engineering category, both revenue and operating profit rose due to higher volumes of industrial waste treatment and processing, including those of low-concentration PCB waste.

In the logistics category, both revenue and operating profit declined.

The hospital operations category saw revenue decline, and recorded an operating loss versus an operating profit posted in the same period of the previous fiscal year.

As a result, revenue in Other Operations was 4,292 million yen (down 1.0% year on year) and operating profit was 561 million yen (down 8.0% year on year).

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

Total assets as of June 30, 2023 were 307,267 million yen, up 10,863 million yen compared to March 31, 2023. Current assets totaled 126,142 million yen, up 5,148 million yen compared to March 31, 2023, mainly due to increases in inventories, trade and other receivables, and cash and cash equivalents. Non-current assets increased from March 31, 2023 by 5,715 million yen to 181,124 million yen, mainly due to increases in other non-current assets, other financial assets, and investments accounted for using equity method.

Total liabilities were 87,992 million yen, up 8,362 million yen compared to March 31, 2023. While there were payments of income taxes and bonuses, an increase in borrowings lifted interest-bearing debt by 13,025 million from March 31, 2023 to 39,300 million yen, causing total liabilities to rise overall.

Total equity was 219,275 million yen, up 2,500 million yen compared to March 31, 2023. This was mainly due to the recording of 3,237 million yen in profit attributable to owners of parent and an increase in other components of equity due to yen depreciation, which together absorbed the dividend payments of 2,830 million yen and the outlay of 2,688 million yen to repurchase Company shares.

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

The company has made no changes in the half and full fiscal year forecast disclosed on May 12, 2023.