Q1 2022 Financial Results (April 2022 to June 2022)

AUGUST 1, 2022

Management Policy

<Vision>

・Create value for all stakeholders through sustainable growth.

・Strengthen the resilient business structure by responding to changes in the environment.

<Business Portfolio>

・Digital Solutions (DS, especially SEMI) and Life Sciences (LS) as the center of our business portfolio.

<Target>

・DS&LS: Exceed prior peak OP, ROE more than 10%, maximize ROIC in FY24.

・Capital allocation:1st priority for future business growth, 50% shareholder return as a guideline.

<Strategy>

■Digital Solutions

・SEMI: More than 8% of rev. CAGR (Double the growth of silicon wafer input by area). Scale and fields expansion including M&A.

・Display materials: Establish the optimized business structure through selection and concentration. Transition to profit growth .

・Edge Computing: Accelerate sales growth.

■Life Sciences

・Revenue: more than 100 billion yen, ROS: 20%

・Sales growth by business expansion through customer pipelines, especially in CDMO and CRO. Strengthen the strategic link among Life Sciences groups for sustainable growth.

■Plastics

・With the strength of our products, we will secure stable earnings.

**Please see the material of Management Policy announced on May 24, 2022 for the detail.

Summary

<22Q1 Result>

・Sales increased but core OP decreased YoY with core OP of 6.2 b yen.

・Our main markets of SEMI and life science fields remained firm. FX rates also contributed to the sales increase.

・On the other hand, core OP decreased due to impacts from up-front investments, sluggish market of display and auto fields, and special factors on quarter basis including those from FY21.

・We revised FY22 projection based on the latest FX, market environment and our own factors.

（Revision） Sales 420.5b yen(Compared to prev. projection:＋10.5b yen)

Core OP 55b yen(Compared to prev. projection: -2.5b yen)

<Digital Solutions Business>

・Sales of SEMI achieved +17% growth YoY. Overall demands and SEMI manufacturers' investment in advanced fields continued to be strong.

・With that, SEMI had a steady growth including EUV expansion. Compared to projection, there was an impact from shipment delays including logistic congestions.

・Sales of Display materials decreased due to rapid operation adjustments by LCD panel makers from May based on a sluggish market environment.

・The FY22 projection was revised based on lower demands of some memory devices, though the advanced logic field is expected to be solid, and for displays materials, based on assumptions that customers' operation adjustments that occurred in Q1 FY22 would continue during this fiscal year.

<Life Sciences Business>

・Achieved strong sales growth of +39% YoY. Each sub-segment's sales expanded due to competitive products and services as well as strong market demand.

・While Q1 FY22 includes sales from the CDMO's new facilities, OP decreased YoY and slightly increased QoQ due to the still upfront investment situation.

・As we revised the CDMO's ramping up plan, the profit/loss projection was lowered to prioritize to strengthen manufacturing infrastructures. (described after)

<Others>

・We'll pay close attention to the change in demand environments and handle properly an increase in raw materials prices, etc.

Summary 1 – 22Q1 Result vs Projection

(100Mil JPY)

		22Q1 Act	FY22 Pro (as of Apr.25)	Progress
Consolidated	Sales	933	4,100	23%
	Core Operating Profit	62	575	11%
	Operating Profit	73	575	13%
	Profit, attributable to owners of parent	57	460	12%
Digital Solutions	Sales	429	1,870	23%
	Semiconductor materials	305	1,295	24%
	Display materials	104	460	23%
	Edge computing	20	115	18%
	Core Operating Profit	77	430	18%
Life Sciences	Sales	227	1,150	20%
	Core Operating Profit	0	140	0%
Plastics	Sales	228	1,000	23%
	Core Operating Profit	-5	65	-
Others/Adjustment	Sales	49	80	61%
	Core Operating Profit	-10	-60	-

		22Q1 Act	FY22 Pro (as of Apr.25)
	Exchange rate (USD/JPY)	130	116

*Core OP is calculated by excluding profit or loss caused by non-recurring factors from OP.

- OP result of 22Q1 progressed lower than the projection announced in April, 2022.
- Digital Solutions : While sales of SEMI expanded steadily, the result of 22Q1 was under the projection due to shipment timing and others. Display materials underperformed the projection due to more-than-expected operation adjustments of customers.
- Life Sciences: CRO and IVD overperformed the projection although CDMO was behind the projection.
- Plastics :Impacted by the delay of auto industry’s operation recovery. Also, there was a negative OP impact of an accounting factor. (It is expected to return throughout FY22)

Summary 2 – YoY, QoQ

(100Mil JPY)

		21Q1	22Q1	YoY	21Q4	22Q1	QoQ
Consolidated	Sales	823	933	+13%	844	933	+11%
	Core Operating Profit	126	62	-50%	10	62	+514%
	Operating Profit	111	73	-35%	17	73	+338%
	Profit, attributable to owners of parent	82	57	-30%	19	57	+197%
Digital Solutions	Sales	393	429	+9%	417	429	+3%
	Core Operating Profit	104	77	-27%	27	77	+187%
Life Sciences	Sales	163	227	+39%	191	227	+19%
	Core Operating Profit	12	0	-97%	-7	0	-
Plastics	Sales	238	228	-4%	199	228	+14%
	Core Operating Profit	19	-5	-	3	-5	-
Others/Adjustment	Sales	29	49	+65%	36	49	+35%
	Core Operating Profit	-9	-10	-	-13	-10	-
	Exchange rate (USD/JPY)	109	130	+18%	116	130	+12%

*Discontinuing business is not shown on the table, except for Profit, attributable to owners of parent.

YoY : Sales increased and OP decreased.

Digital Solutions: Despite the sales decrease from the sluggish market, sales increased due to FX positive impact and sales volume increase in SEMI.
OP decreased YoY due to the sales decrease in Display materials, heavier impact of SEMI's up-front investment, and special factor including FY21.

Life Sciences: Sales increased with overall strong growth across sub-segments while OP decreased due to the CDMO's FC increase.

Plastics: Sales and OP decreased due to sales volume decrease from weak auto production and the trading spread shrunk, etc.

QoQ : Both sales and OP increased.

Digital Solutions: Sales and OP increased due to FX impacts and impairment loss occurred in Q4 FY21.

Life Sciences: Sales and OP increased due to the sales increase across sub-segments.

Plastics: Sales increased and OP decreased from the trading spread shrunk due to higher price of raw materials as well as accounting factor.

Projections for FY22 <Revised>

<Revised on August 1, 2022>

(100Mil JPY)

		FY21 Act	FY22 Pro (as of Apr.25)	FY22 rev Pro	YoY	Pre Pro vs Rev Pro +/-
Consolidated	Sales	3,410	4,100	4,205	+23%	+105
	Core Operating Profit	433	575	550	+27%	-25
	Operating Profit	438	575	560	+28%	-15
	Profit, attributable to owners of parent	373	460	435	+17%	-25
Digital Solutions	Sales	1,650	1,870	1,875	+14%	+5
	Semiconductor materials	1,103	1,295	1,370	+24%	+75
	Display materials	459	460	410	-11%	-50
	Edge computing	88	115	95	+7%	-20
	Core Operating Profit	390	430	465	+19%	+35
Life Sciences	Sales	725	1,150	1,200	+66%	+50
	Core Operating Profit	32	140	90	+184%	-50
Plastics	Sales	906	1,000	1,050	+16%	+50
	Core Operating Profit	53	65	55	+3%	-10
Others/ Adjustment	Sales	129	80	80	-38%	+0
	Core Operating Profit	-42	-60	-60	-	+0
	Exchange rate (USD/JPY)*	112	116	135	+20%	19
	Depreciation **	194	235	235	+21%	0
	CAPEX	419	360	360	-14%	0
	RD expenses	241	255	255	+6%	0

*Exchange rate: Exchange rate of FY22 Pro announced on April 25, 2022 is based on Q4 FY21 result. FY22 Pro revised at this time is based on the current estimated rate.
Exchange rate impact is expected to be approx. 500 million yen per weaker 1 yen. Exchange rate of depreciation, CAPEX, and RD remain the same rate as originally planned.
**Excluding IFRS16 lease asset depreciation.
*Discontinuing business is not shown on the table except for Profit, attributable to owners of parent.

Future Outlook

■Digital Solutions

- SEMI

Partial operation adjustments for the memory field was included. The outlook for advanced SEMI demands and next-gen development including EUV remain steady. The projection includes sales expansion from Q2 FY22 impacted by the shipping timing factor in Q1 FY22.

- Display materials

Included current rapid operation adjustments at customers' industry. This severe environment is expected to continue toward the mid-fiscal year. We'll promote efforts to expand sales for OLED, optical IPS, and others.

- Edge Computing

YoY sales growth with the sales expansion is expected although FY22 projection was lowered due to the sluggish market for smartphones.

■Life Sciences

CDMO's ramp-up estimate was lowered from the original projection. Strong YoY growth for both sales and OP are continuedly expected. The demand trends for overall segment remain favorable.

■Plastics

The delay on the auto production recovery from materials shortage is expected to be solved toward H2 FY22. We will also promote price shifting including formulas.

Segment Data：Digital Solutions business

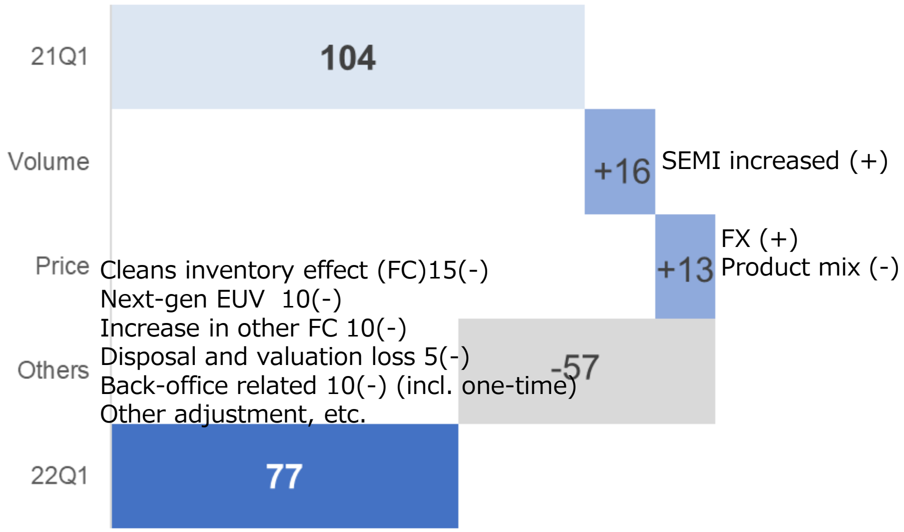
(100Mil JPY)

		21Q1	22Q1	YoY	21Q4	22Q1	QoQ
Sales		393	429	+9%	417	429	+3%
	Semiconductor materials	261	305	+17%	282	305	+8%
	Display materials	111	104	-6%	113	104	-8%
	Edge computing	21	20	-5%	22	20	-9%
Core OP		104	77	-27%	27	77	+187%
Core OP margin		26.6%	17.8%		6.4%	17.8%	

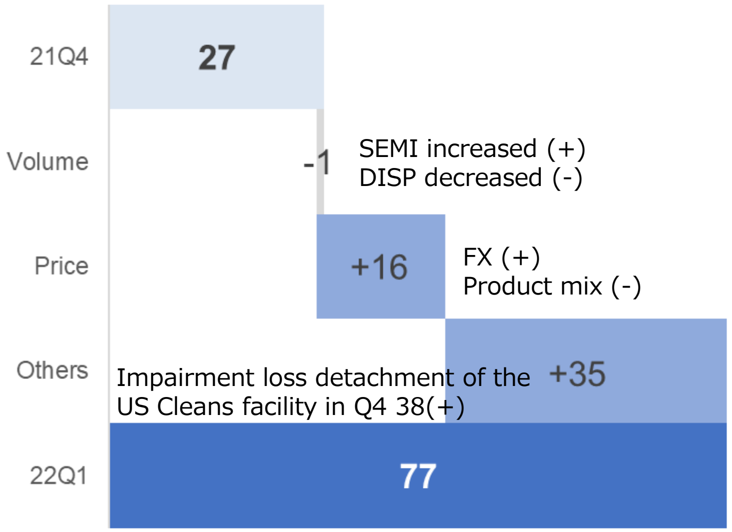
	21Q1	22Q1	YoY	21Q4	22Q1	QoQ
Exchange rate（USD/JPY)	109	130	+18%	116	130	+12%

Core OP analysis

YoY



QoQ



Appendix: Digital Solutions business - Sales growth rate

SEMI	YoY ytd	QoQ
EUV	Approx. +50%	Approx. -5%
ArF	Approx. +20%	Approx. +10%
Multilayer	Slightly over +5%	Approx. +5%
Other Lithography	Approx. +25%	Approx. +10%
CMP	Approx. +25%	Slightly over +20%
Cleaner	Slightly over +45%	Slightly Under +20%
Packaging	Approx. +5%	Approx. +10%

Display	YoY ytd	QoQ
Alignment Films	Flat	Slightly Under -5%
Passivation Coat	Slightly over +5%	Slightly decreased
Color Pigmented Resists	Approx. -65%	Approx. -35%

Edge	YoY ytd	QoQ
ARTON	Approx. -5%	Slightly Under -15%

Segment Data : Life Sciences business

(100Mil JPY)

	21Q1	22Q1	YoY	21Q4	22Q1	QoQ
Sales	163	227	+39%	191	227	+19%
Core OP	12	0	-97%	-7	0	-
Core OP margin	7.3%	0.1%		-	0.1%	

Exchange rate (USD/JPY)	109	130	+18%	116	130	+12%

Core OP analysis

YoY

	Sales	Core Operating Profit
Total	+39%	-97%
CDMO	Approx. +35%	Decrease in OP
CRO	Slightly over +55%	Increase in OP
BPM	Approx. +10%	Decrease in OP
IVD	Slightly over +40%	Increase in OP

QoQ

	Sales	Core Operating Profit
Total	+19%	-
CDMO	Slightly over +20%	Increase in OP
CRO	Approx. +10%	Decrease in OP
BPM	Approx. +160%	Increase in OP
IVD	Slightly increased	Increase in OP

*BPM: Bioprocess Materials

Segment Data：Plastics business

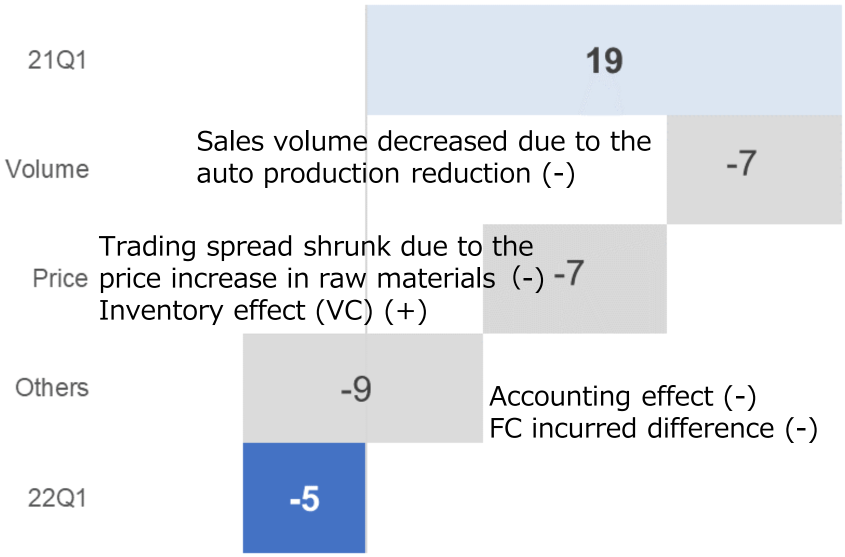
(100Mil JPY)

	21Q1	22Q1	YoY	21Q4	22Q1	QoQ
Sales	238	228	-4%	199	228	+14%
Core OP	19	-5	-	3	-5	-
Core OP margin	7.8%	-		1.4%	-	

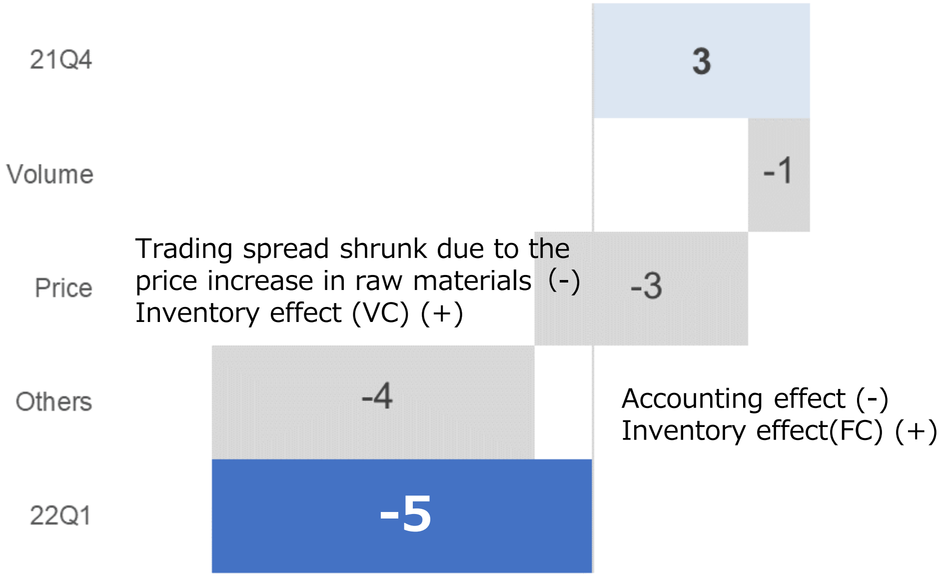
Exchange rate（USD/JPY)	109	130	+18%	116	130	+12%

Core OP analysis

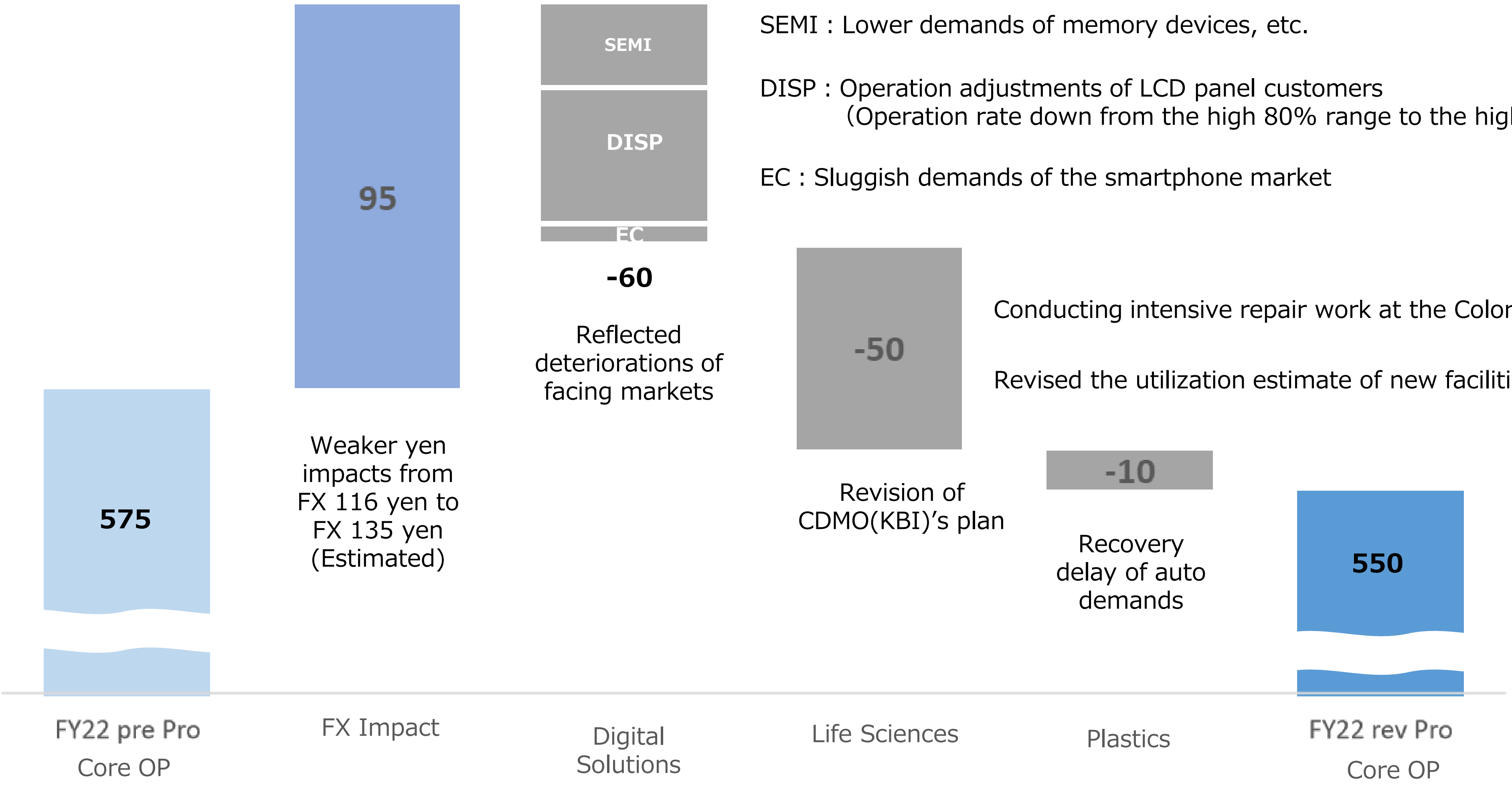
YoY



QoQ



Appendix: Details of Projection



SEMI : Lower demands of memory devices, etc.

DISP : Operation adjustments of LCD panel customers
(Operation rate down from the high 80% range to the high 70% range)

EC : Sluggish demands of the smartphone market

Conducting intensive repair work at the Colorado facility

Revised the utilization estimate of new facilities in US and Europe

Appendix: The Situation on KBI

	Status for Q1	Projection for FY22
Project to strengthen overall core operations	• Strengthening the core operations to achieve a robust strategy execution, streamlined operation process, increased productivity, and enhanced employee engagement (The project started from H2 FY21 and continues throughout FY22) • The actions for this project were reinforced further with new CEO having joined KBI	• Gaining a clear line of sight of significant mid-term business growth opportunities from both strategic and operational perspectives • Decided to prioritize strengthening the business & operational infrastructure and revised our projection in FY22 to realize mid-term growth
Start-up of new facilities in US and Europe	• Started commercial operations in Q1 FY22, although it was behind the budget assumption US : Started commercial production Europe : Started analytical services and first batch production	• Revised the production ramp rate conservatively to establish stable operations as a priority. The production ramp for the facility is on track to achieve maximum utilization by Q4 FY22 • Already moved to volume production mode. Volume production targets for FY22 are well aligned with our client needs
Operation at Colorado facility (For microbial)	• Short operational shutdown due to unscheduled facility maintenance. Previous repairs did not remove all the issues.	• Microbial business is also a growth area in mid-term • Decided to repair the operational issues thoroughly, which requires shutdown of operations for about 3 months in H2 FY22
Others items	• Business development pipeline is strong, showing healthy growth in client programs win and revenue backlog • Mammalian and Microbial Facilities are operating at a high utilization • Staffing, though improving, is somewhat challenging under competitive market environment	• Proactively add capacity at the right time for each service offering • Developed plan to improve employee recruitment and retention • Macro economic impact is manageable, though we have to closely monitor the situation and proactively take necessary actions

Appendix: Overall Statement of P/L

(100Mil JPY)

	21Q1	22Q1	YoY
Sales	823	933	+13%
Cost of sales	505	616	+22%
Gross profit	318	317	-0%
Selling, general and administrative expenses	193	254	+32%
Other operating income/expenses	-13	10	-
Share of profit of investments accounted for using equity method	-1	-0	-
Operating Profit	111	73	-35%
Finance income/cost	-1	24	-
Income taxes	27	41	+52%
Profit from continuing business	83	55	-34%
Profit from discontinued business	3	-	-
Profit	86	55	-36%
Profit, attributable to owners of parent	82	57	-30%
Profit, attributable to non-controlling interests	5	-2	-

EPS(JPY)	37.98	27.09	-29%
EPS - continuing business	35.26	27.09	-23%
EPS - discontinued business	2.72	-	-

Exchange rate(USD/JPY)	109	130	+18%

Breakdown from Core OP to OP

(100Mil JPY)

	21Q1	22Q1
Core Operating Profit	126	62
Loss on valuation of capital investments in subsidiaries	14	-
Profit from sales of subsidiaries' shares	-	10
Operating Profit	111	73

Appendix: Statement of Financial position

(100Mil JPY)

	22/3E	22/6E	+/-
Current assets	4,370	2,755	-1,615
Cash and cash equivalents	456	476	+21
Trade and other receivables	761	985	+224
Inventories	1,049	1,123	+74
Others	191	152	-39
Non-current Assets held for sale	1,913	19	-1,894
Non-current assets	3,724	3,927	+203
Property, plant and equipment	1,595	1,665	+70
Goodwill	1,176	1,303	+127
Other intangible assets	246	263	+17
Others	706	696	-10
Total Assets	8,094	6,682	-1,412
Current liabilities	2,883	1,782	-1,101
Trade and other payables	635	723	+87
Bonds and borrowings	692	716	+24
Others	400	343	-56
Non-current liabilities held for sale	1,156	0	-1,156
Non-current liabilities	1,064	1,046	-18
Bonds and borrowings	487	489	+2
Others	576	557	-20
Total Liabilities	3,946	2,828	-1,119
Equity attributable to owners of parent	3,760	3,606	-154
Non-controlling interests	387	248	-139
Total Equity	4,147	3,854	-293

*Including both continuing business and discontinued business

Equity ratio
(Equity attributable to owners of parents)
2022/3Ｅ：46.5%
2022/6Ｅ：54.0%

Appendix: Quarterly Trends by Segments

(100Mil JPY)

		20Q1	20Q2	20Q3	20Q4	21Q1	21Q2	21Q3	21Q4	22Q1
Consolidated	Sales	675	717	845	883	823	859	884	844	933
	Core Operating Profit	80	86	125	87	126	105	192	10	62
	Operating Profit	80	62	123	77	111	117	192	17	73
	Profit, attributable to owners of parent	11	-18	73	-618	82	94	178	19	57
Digital Solutions	Sales	363	374	384	393	393	413	427	417	429
	Core Operating Profit	78	91	97	79	104	91	167	27	77
Life Sciences	Sales	126	135	142	148	163	174	196	191	227
	Core Operating Profit	8	8	13	6	12	8	19	-7	0
Plastics	Sales	162	164	225	241	238	240	229	199	228
	Core Operating Profit	5	2	18	19	19	16	16	3	-5
Others/Adjustment	Sales	24	43	95	101	29	32	32	36	49
	Core Operating Profit	-11	-15	-4	-17	-9	-10	-10	-13	-10

Exchange rate (USD/JPY)	108	106	105	106	109	110	114	116	130

*Core OP is calculated by excluding profit or loss caused by non-recurring factors from OP.
*Discontinuing business is not shown on the table, except for Profit, attributable to owners of parent.

Appendix: IR Calendar

Announcement of Earnings Results

Q2 FY22	October 31, 2022

*Please note that the above is subject to change.

NB: The forecasts, future plans and strategies made in this document contain a variety of uncertain factors since it has been prepared based on judgments from information that is currently available. Actual business results may differ from those projected, depending on factors such as the economic status of the market surrounding the company.