

**Business Results for the  
Second Quarter of the Fiscal Year Ending  
December 31, 2021 (Unaudited)**

**August 12, 2021**

**Kuraray Co., Ltd.**

August 12, 2021  
Kuraray Co., Ltd.

## Consolidated Earnings Report for the Second Quarter of the Fiscal Year Ending December 31, 2021

Name of listed company: Kuraray Co., Ltd.  
Stock code: 3405  
Stock exchange listing: Tokyo, first section  
URL: <https://www.kuraray.com/>

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Preparation of supplementary documentation for the quarterly earnings report: Yes  
Holding of quarterly earnings results briefing: Yes (for securities analysts and institutional investors)

(Millions of yen rounded down unless otherwise stated)

### 1. Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending December 31, 2021 (January 1, 2021 to June 30, 2021)

#### (1) Consolidated Operating Results

(Percentage changes displayed for net sales, operating income, ordinary income and net income attributable to owners of the parent are comparisons with the corresponding period of the previous fiscal year.)

(Millions of yen)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of the Parent	
		(%)		(%)		(%)		(%)
Fiscal 2021 2Q	302,296	15.4	30,398	55.0	28,496	61.6	11,710	27.8
Fiscal 2020 2Q	262,006	(8.8)	19,611	(29.8)	17,638	(28.5)	9,160	(30.9)

Note: Comprehensive income: For the fiscal 2021 second quarter: ¥36,011 million (—%)  
For the fiscal 2020 second quarter: (¥504 million) (—%)

	Net Income per Share (Yen)	Fully Diluted Net Income per Share (Yen)
Fiscal 2021 2Q	34.04	34.02
Fiscal 2020 2Q	26.64	26.62

#### (2) Consolidated Financial Position

(Millions of yen)

	Total Assets	Net Assets	Equity Ratio (%)
As of June 30, 2021	1,045,867	545,858	50.5
As of December 31, 2020	1,051,584	515,481	47.4

[Reference] Equity attributable to owners of the parent: As of June 30, 2021: ¥527,708 million  
As of December 31, 2020: ¥498,798 million

## 2. Dividends

(Yen)

Record Date	Cash Dividends per Share				
	Mar. 31	Jun. 30	Sep. 30	Dec. 31	Annual
Fiscal 2020	—	21.00	—	19.00	40.00
Fiscal 2021	—	20.00			
Fiscal 2021 (Forecast)			—	20.00	40.00

Note: Revisions to cash dividend forecast during this period: No

## 3. Forecasts of Consolidated Financial Results for the Fiscal Year Ending December 31, 2021 (January 1, 2021 to December 31, 2021)

(Percentage changes displayed for net sales, operating income, ordinary income and net income attributable to owners of the parent are comparisons with the corresponding period of the previous fiscal year.)

(Millions of yen)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of the Parent		Net Income per Share (Yen)
		(%)		(%)		(%)		(%)	
Full Fiscal Year	610,000	12.6	66,000	48.8	61,000	53.5	33,000	(—)	95.93

Note: Revisions to forecasts of consolidated financial results during this period: Yes

### [Reference]

- (1) Changes in Important Subsidiaries during the Period (Changes in Special Subsidiaries Involving Changes in the Scope of Consolidation)  
Added: No companies                      Excluded: No companies
- (2) Adoption of Special Accounting Practices in the Preparation of Quarterly Consolidated Financial Statements  
No
- (3) Changes in Accounting Principles, Procedures and Presentation Methods in Connection with the Preparation of Quarterly Consolidated Financial Statements
  1. Changes following revision of accounting standards: No
  2. Changes besides 1. above: No
  3. Changes in accounting estimates: No
  4. Restatement: No
- (4) Number of Shares Issued and Outstanding (Common Shares)
  1. Number of shares issued and outstanding (including treasury stock) as of the period-end:
 

As of June 30, 2021	354,863,603 shares
As of December 31, 2020	354,863,603 shares
  2. Number of treasury shares as of the period-end:
 

As of June 30, 2021	10,857,091 shares
As of December 31, 2020	10,940,270 shares
  3. Average number of shares for the period (cumulative):
 

As of June 30, 2021	343,968,281 shares
As of June 30, 2020	343,835,380 shares

Note: It is not required that this type of earnings report be audited.

### *Cautionary Statement with Respect to Forecasts of Consolidated Business Results (Cautionary note regarding forward-looking statements)*

The results forecasts presented in this document are based upon currently available information and assumptions deemed rational. A variety of factors could cause actual results to differ materially from forecasts. Please refer to “(3) Basis for the Revision in Forecasts, Including Consolidated Operating Results Forecasts” on page 6 of the Attachment for the assumptions used.

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## 1. Qualitative Information regarding Business Results

### (1) Overview of Consolidated Business Results

In the second quarter of fiscal 2021 (January 1, 2021–June 30, 2021), the world economy was still feeling the effects of the COVID-19 pandemic, and the outlook remained unclear; however, with the United States and China in the lead, some nations and regions began to make progress on recovery. However, soaring raw material and fuel prices, material supply shortages, and rising logistics costs are pushing down corporate profits. Consequently, consolidated operating results for the second quarter of fiscal 2021 are as follows: net sales rose ¥40,290 million, or 15.4%, compared with the previous fiscal year to ¥302,296 million; operating income increased ¥10,787 million, or 55.0%, to ¥30,398 million; ordinary income increased ¥10,858 million, or 61.6%, to ¥28,496 million; and net income attributable to owners of the parent increased ¥2,549 million, or 27.8%, to ¥11,710 million.

The Group's long-term vision for its 100th anniversary coming up in 2026, Kuraray Vision 2026, is to become a "Specialty Chemical Company, growing sustainably by incorporating new foundational platforms into its own technologies." We will continue striving to optimize our business portfolio by steadily taking specific measures based on the three basic policies of Kuraray Vision 2026: pursuing competitive superiority, expanding new business fields and enhancing comprehensive strength of the Kuraray Group. In fiscal 2021, we will focus on safe and stable operations amid the pandemic as well as thoroughly implement various measures decided on during the period of the previous medium-term management plan "PROUD 2020." At the same time, we will move ahead with formulating the next medium-term management plan, which is set to start in fiscal 2022.

(Millions of yen)

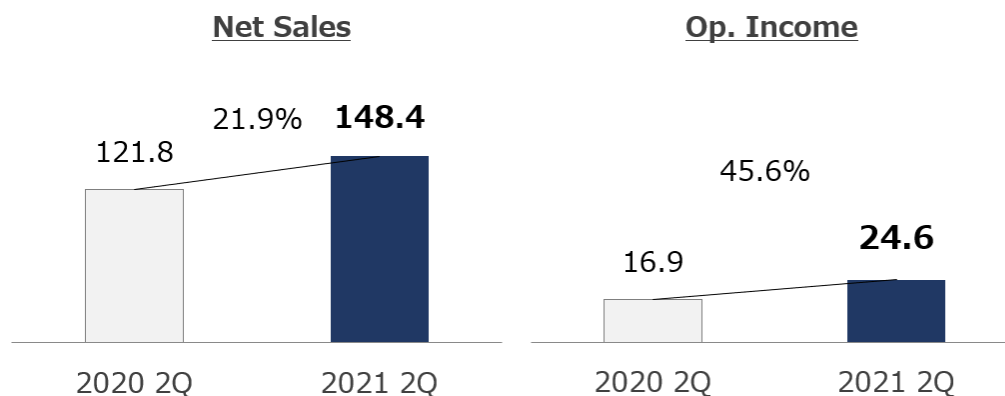
	FY2020 2Q		FY2021 2Q		Difference	
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income
<b>Vinyl Acetate</b>	121,809	16,924	148,426	24,644	26,617	7,720
<b>Isoprene</b>	24,720	2,116	30,462	3,210	5,741	1,094
<b>Functional Materials</b>	59,143	1,054	64,721	3,042	5,578	1,988
<b>Fibers and Textiles</b>	28,224	1,656	29,890	1,992	1,665	336
<b>Trading</b>	60,037	2,078	69,137	2,326	9,100	247
<b>Others</b>	22,155	206	21,754	20	(401)	(186)
<b>Elimination &amp; Corporate</b>	(54,085)	(4,425)	(62,096)	(4,839)	(8,011)	(413)
<b>Total</b>	262,006	19,611	302,296	30,398	40,290	10,787

### Results by Business Segment

#### Vinyl Acetate

Sales in this segment increased 21.9% year on year to ¥148,426 million, and segment income rose 45.6% year on year to ¥24,644 million.

(Billions of yen,  
rounded to the nearest hundred million)

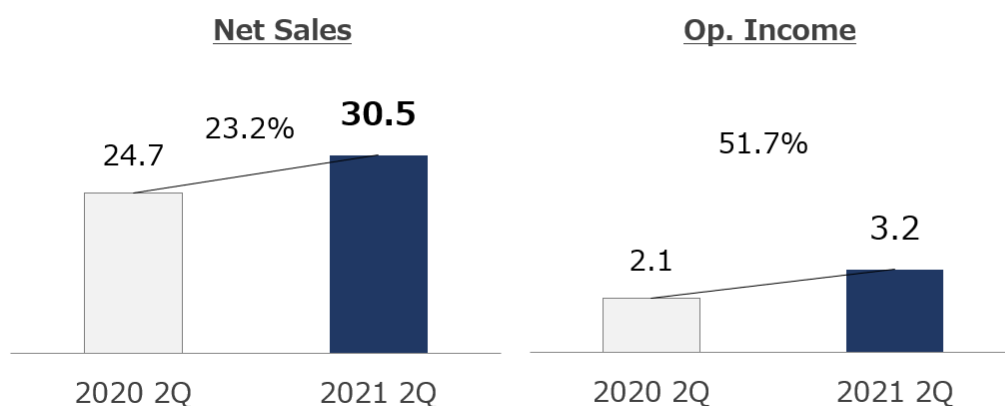


- (1) Sales of PVA resin increased as global demand began to recover, but production was affected by the cold wave that hit the southern United States in February 2021. Sales of optical-use poval film were brisk due to an increase in demand for LCD panels, especially large displays, from the second half of the previous fiscal year. The sales volume of PVB film rose on the back of a recovery in demand for both construction and automotive applications. Sales of water-soluble PVA film steadily expanded for use in unit dose detergent packets, including for laundry and dish detergents.
- (2) The sales volume of EVAL™ ethylene vinyl alcohol copolymer (EVOH resin) increased as demand for gas tank applications recovered, but production was affected by the cold wave in the southern United States.

### Isoprene

Sales in this segment increased 23.2% year on year to ¥30,462 million, and segment income rose 51.7% year on year to ¥3,210 million.

(Billions of yen,  
rounded to the nearest hundred million)

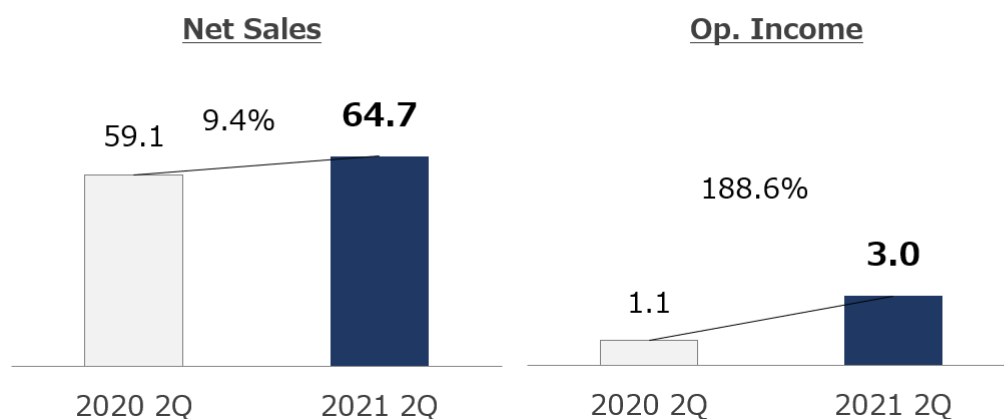


- (1) The sales volume of isoprene chemicals and SEPTON™ thermoplastic elastomer increased due to a demand recovery.
- (2) Sales of GENESTAR™ heat-resistant polyamide resin remained brisk for electric and electronic device applications and automotive applications amid growing demand.

## Functional Materials

Sales in this segment increased 9.4% year on year to ¥64,721 million, and segment income rose 188.6% year on year to ¥3,042 million.

(Billions of yen,  
rounded to the nearest hundred million)

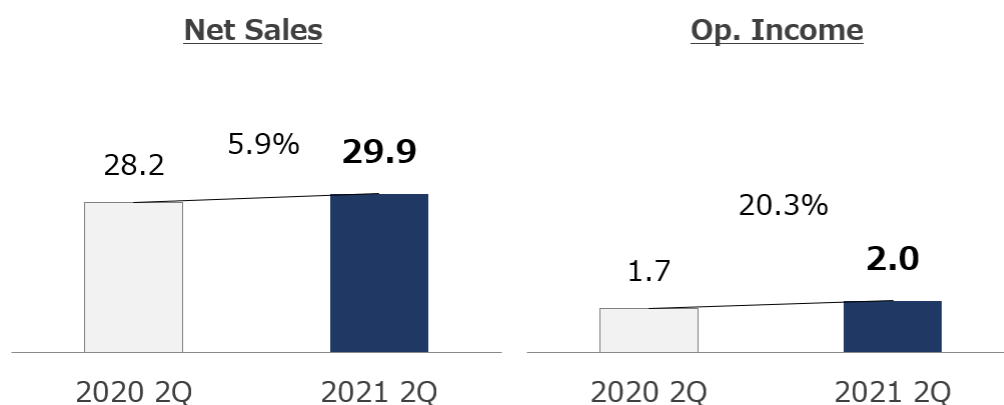


- (1) In the methacrylate business, sales of spatter-blocking barrier panels and displays increased. In addition, market conditions recovered.
- (2) In the medical business, the dental materials business saw brisk sales, mainly in Europe and the United States, with contributions from the launch of new products.
- (3) In the environmental solutions business, there were signs of a recovery for industrial applications, and sales of activated carbon remained steady.

## Fibers and Textiles

Sales in this segment rose 5.9% year on year to ¥29,890 million while segment income increased 20.3% year on year to ¥1,992 million.

(Billions of yen,  
rounded to the nearest hundred million)

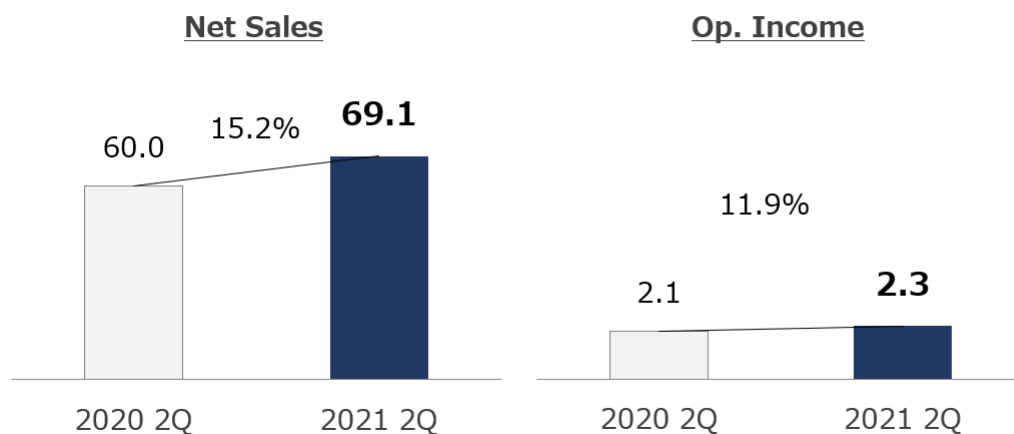


- (1) Sales of CLARINO™ man-made leather remained brisk amid a recovery in demand for shoe applications and luxury good applications.
- (2) In fibers and industrial materials, sales volume for KURALON™ increased due to a recovery in demand for cement reinforcement and rubber materials applications.
- (3) In consumer goods and materials, as for KURAFLEX™, demand for counter cloths for the restaurant industry was weak.

## Trading

In fiber-related businesses, sales for material applications were stable, but clothing applications were affected by a downturn in the market. Sales of resins and chemicals remained brisk due to an increase in demand in Japan and Asia, including China. As a result, segment sales increased 15.2% year on year to ¥69,137 million, and segment income rose 11.9% to ¥2,326 million.

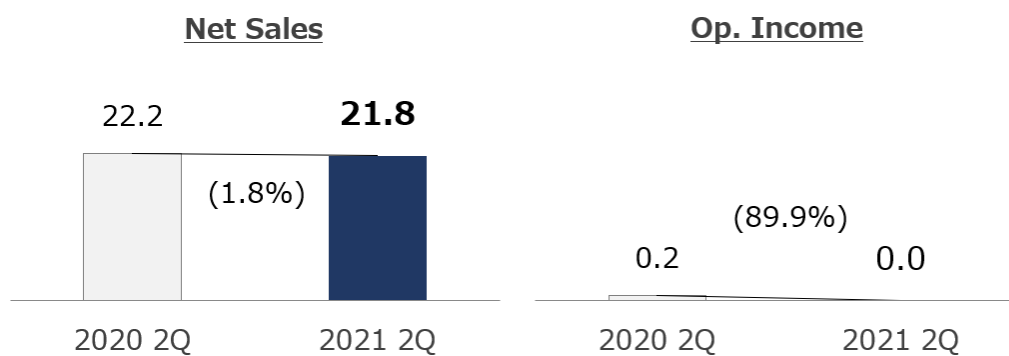
(Billions of yen,  
rounded to the nearest hundred million)



## Others

In other business, due to weak sales of domestic affiliates, segment sales declined 1.8% year on year to ¥21,754 million, and segment income fell 89.9% to ¥20 million.

(Billions of yen,  
rounded to the nearest hundred million)





## (2) Overview of Financial Position

Total assets decreased ¥5,717 million from the end of the previous fiscal year to ¥1,045,867 million mainly because of a ¥41,536 million decrease in cash and cash deposits and a ¥5,159 million decrease in short-term investment securities, despite a ¥15,598 million increase in construction in progress, a ¥11,952 million increase in notes and accounts receivable—trade, a ¥3,416 million increase in inventories, a ¥3,281 million in other current assets, a ¥1,895 million increase in other investments and assets, and a ¥1,513 million increase in goodwill due to the effects of foreign exchange rates. Total liabilities decreased ¥36,094 million to ¥500,009 million due to factors that included the redemption of commercial paper totaling ¥20,000 million, the redemption of bonds totaling ¥10,000 million, and a ¥18,948 million decrease in other current liabilities accompanying mainly a decrease in other accounts payable, despite a ¥6,012 million increase in notes and accounts payable—trade.

Net assets rose ¥30,377 million to ¥545,858 million. Equity attributable to owners of the parent amounted to ¥527,708 million, for an equity ratio of 50.5%.

## (3) Basis for the Revision in Forecasts, Including Consolidated Operating Results Forecasts

Although the COVID-19 pandemic is still ongoing, demand for our mainstay applications, including automobiles, displays, and electronic and electric devices, remained brisk due to strong economic recovery centered in the United States and China. From the consolidated third quarter on, sales are expected to stay firm.

The forecast of consolidated operating results for the fiscal year ending December 31, 2021 (January 1, 2021 to December 31, 2021) is as shown below.

### Revised Consolidated Operating Results Forecast for Fiscal 2021

	(Millions of yen)				(Yen)
	Net Sales	Operating Income	Ordinary Income	Net Income Attributable to Owners of the Parent	Net Income Per Share
Original Forecast (A)	570,000	55,000	50,000	30,000	87.23
Revised Forecast (B)	610,000	66,000	61,000	33,000	95.93
Amount Adjusted (B - A)	40,000	11,000	11,000	3,000	—
Percent Adjusted	7.0	20.0	22.0	10.0	—
Ref: FY2020 Results	541,797	44,341	39,740	2,570	7.48

Note: The above forecasts are based on the best information currently available. Actual operating results may vary significantly due to various factors.

**2. Quarterly Consolidated Financial Statements and Notes**  
**(1) Quarterly Consolidated Balance Sheets**

(Millions of yen)

	December 31, 2020	June 30, 2021
<b>ASSETS</b>		
Current Assets		
Cash and cash deposits	184,319	142,782
Notes and accounts receivable—trade	117,172	129,124
Short-term investment securities	7,924	2,765
Merchandise and finished goods	86,555	86,353
Work in process	14,105	15,225
Raw materials and supplies	31,968	34,467
Other	19,596	22,877
Allowance for doubtful accounts	(439)	(524)
Total current assets	461,202	433,071
Noncurrent Assets		
Tangible fixed assets		
Buildings and structures, net	84,604	85,392
Machinery, equipment and vehicles, net	200,152	200,897
Land	22,204	22,559
Construction in progress	97,451	113,049
Other, net	24,978	24,604
Total tangible fixed assets	429,391	446,504
Intangible fixed assets		
Goodwill	51,105	52,618
Customer-related assets	28,800	29,411
Other	31,143	32,024
Total intangible fixed assets	111,049	114,055
Investments and other assets		
Investment securities	25,477	26,182
Long-term loans receivable	140	138
Net defined benefit assets	2,097	2,297
Deferred tax assets	14,652	14,149
Others	7,597	9,492
Allowance for doubtful accounts	(24)	(24)
Total investments and other assets	49,941	52,235
Total noncurrent assets	590,382	612,795
Total Assets	1,051,584	1,045,867

(Millions of yen)

	December 31, 2020	June 30, 2021
<b>LIABILITIES</b>		
Current Liabilities		
Notes and accounts payable–trade	36,161	42,174
Short-term loans payable	34,480	34,480
Commercial paper	20,000	—
Current portion of bonds payable	20,000	10,000
Current portion of long-term loans payable	29	55,013
Accrued expenses	17,956	18,686
Income taxes payable	6,621	9,443
Provision for bonuses	6,745	5,925
Other provision	202	167
Other	52,856	33,908
Total current liabilities	195,053	209,799
Noncurrent Liabilities		
Bonds payable	60,000	60,000
Long-term loans payable	206,881	155,606
Deferred tax liabilities	11,218	12,430
Provision for directors' retirement benefits	375	385
Provision for environmental measures	3,364	700
Net defined benefit liabilities	25,449	26,972
Asset retirement obligations	4,383	4,571
Other	29,376	29,542
Total noncurrent liabilities	341,050	290,209
Total Liabilities	536,103	500,009
<b>NET ASSETS</b>		
Shareholders' Equity		
Capital stock	88,955	88,955
Capital surplus	87,178	87,166
Retained earnings	336,050	341,226
Treasury stock	(16,006)	(15,884)
Total shareholders' equity	496,177	501,463
Accumulated Other Comprehensive Income		
Valuation difference on available-for-sale securities	6,847	7,493
Deferred gain or losses on hedges	(376)	(53)
Foreign currency translation adjustments	1,470	24,003
Remeasurements of defined benefit plans	(5,321)	(5,198)
Total accumulated other comprehensive income	2,620	26,245
Subscription Rights to Shares	328	414
Noncontrolling Interests	16,354	17,734
Total Net Assets	515,481	545,858
Total Liabilities and Net Assets	1,051,584	1,045,867

**(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income**

**Quarterly Consolidated Statements of Income**

(Millions of yen)

	Fiscal 2020 2Q (January 1, 2020 – June 30, 2020)	Fiscal 2021 2Q (January 1, 2021 – June 30, 2021)
Net sales	262,006	302,296
Cost of sales	182,449	208,258
Gross profit	79,557	94,038
Selling, general and administrative expenses		
Selling expenses	15,457	18,427
General and administrative expenses	44,488	45,212
Total selling, general and administrative expenses	59,946	63,640
Operating income	19,611	30,398
Non-operating income		
Interest income	156	64
Dividend income	325	292
Equity in earnings of affiliates	58	137
Other	598	622
Total non-operating income	1,138	1,116
Non-operating expenses		
Interest expenses	651	759
Foreign exchange loss	194	—
Other	2,265	2,258
Total non-operating expenses	3,111	3,018
Ordinary income	17,638	28,496
Extraordinary income		
Subsidy income	—	510
Compensation for transfer	—	422
Gain on sale of investment securities	—	201
Insurance income	393	—
Gain on reversal of share acquisition rights	285	—
Total extraordinary income	679	1,134
Extraordinary loss		
Loss on litigation	2,422	3,422
Disaster loss	—	3,222
Loss on disposal of tangible fixed assets	508	862
Loss on tax purpose reduction entry of non-current assets	—	423
Costs related to the suspension of operations	2,122	—
Total extraordinary loss	5,053	7,931
Income before income taxes and noncontrolling interests	13,264	21,699
Income taxes—current	5,478	8,695
Income taxes—deferred	(1,796)	708

Total income taxes	3,681	9,403
Net income	9,582	12,295
Net income attributable to noncontrolling interests	422	585
Net income attributable to owners of the parent	9,160	11,710

## Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal 2020 2Q (January 1, 2020 – June 30, 2020)	Fiscal 2021 2Q (January 1, 2021 – June 30, 2021)
Net income	9,585	12,295
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,014)	646
Deferred gains or losses on hedges	(275)	437
Foreign currency translation adjustment	(8,127)	22,507
Remeasurements of defined benefit plans	329	123
Total other comprehensive income	(10,087)	23,715
Quarterly comprehensive income	(504)	36,011
Comprehensive income attributable to:		
Owners of the parent	(637)	35,334
Noncontrolling interests	132	676

### (3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal 2020 2Q (January 1, 2020 – June 30, 2020)	Fiscal 2021 2Q (January 1, 2021 – June 30, 2021)
<b>Net cash provided by (used in) operating activities</b>		
Income before income taxes and noncontrolling interests	13,264	21,699
Depreciation and amortization	31,026	28,801
Loss (gain) on sale of investment securities	—	(201)
Loss on litigation	2,422	3,422
Loss on disposal of tangible fixed assets	508	862
Decrease (increase) in notes and accounts receivable – trade	9,712	(8,479)
Decrease (increase) in inventories	378	1,191
Increase (decrease) in notes and accounts payable – trade	(7,911)	5,206
Other, net	(1,987)	(2,496)
Subtotal	47,414	50,007
Income taxes (paid) refund	(4,269)	(5,624)
Loss on litigation paid	(31,303)	(22,840)
Other, net	252	(412)
Net cash provided by (used in) operating activities	12,093	21,128
<b>Net cash provided by (used in) investing activities</b>		
Net decrease (increase) in time deposits	(2,360)	(842)
Net decrease (increase) in short-term investment securities	3,625	6,000
Purchase of tangible fixed assets and intangible fixed assets	(46,937)	(37,447)
Purchase of investment securities	(85)	(8)
Proceeds from sale and redemption of investment securities	156	777
Other, net	(1,372)	(1,114)
Net cash provided by (used in) investing activities	(46,973)	(32,635)
<b>Net cash provided by (used in) financing activities</b>		
Net increase (decrease) in short-term loans payable	340	—
Net (decrease) increase in commercial paper	36,000	(20,000)
Proceeds from long-term loans payable	79,261	3,870
Repayment of long-term loans payable	(16)	(23)
Proceeds from issuance of bonds	30,000	—
Redemption of bonds	—	(10,000)
Cash dividends paid	(7,562)	(6,534)
Proceeds from stock issuance to noncontrolling interests	2,211	924
Other, net	(1,153)	(1,021)
Net cash provided by (used in) financing activities	139,081	(32,785)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(1,150)	2,754
Net Increase (Decrease) in Cash and Cash Equivalents	103,050	(41,538)

Cash and Cash Equivalents, Beginning of the Period	75,967	182,084
Increase in Cash and Cash Equivalents from Newly Consolidated Subsidiaries	228	—
Cash and Cash Equivalents, End of the Period	179,246	140,545



#### (4) Notes regarding Quarterly Consolidated Financial Statements

##### Notes regarding Going Concern Assumptions

None

##### Material Changes in Shareholders' Equity

None

##### Segment Information, etc.

###### ● Segment Information

I. Second Quarter of Fiscal 2020 (January 1, 2020 to June 30, 2020)

1. Net sales, income and loss by reporting segment

(Millions of yen)

	Reporting Segment						Other Business <sup>1</sup>	Total	Adjustment <sup>2</sup>	Consolidated Statements <sup>3</sup> of Income
	Vinyl Acetate	Isoprene	Functional Materials	Fibers and Textiles	Trading	Total				
Net sales										
(1) Outside customers	102,466	13,387	50,466	21,299	58,593	246,212	15,793	262,006	—	262,006
(2) Intersegment sales and transfers	19,343	11,333	8,677	6,925	1,444	47,723	6,362	54,085	(54,085)	—
Total	121,809	24,720	59,143	28,224	60,037	293,936	22,155	316,091	(54,085)	262,006
Segment income (loss)	16,924	2,116	1,054	1,656	2,078	23,829	206	24,036	(4,425)	19,611

Notes:

1. The “Other Business” category incorporates operations not included in business segment reporting, including the environmental business and engineering business.
2. Adjustment is as follows: Included within segment loss of ¥4,425 million is the elimination of intersegment transactions of ¥1,044 million and corporate expenses of ¥5,470 million. Corporate expenses mainly comprise the submitting company’s basic research expenses.
3. Segment income is adjusted to agree with operating income in the consolidated statements of income.

II. Second Quarter of Fiscal 2021 (January 1, 2021 to June 30, 2021)

1. Net sales, income and loss by reporting segment

(Millions of yen)

	Reporting Segment						Other Business <sup>1</sup>	Total	Adjustment <sup>2</sup>	Consolidated Statements of Income <sup>3</sup>
	Vinyl Acetate	Isoprene	Functional Materials	Fibers and Textiles	Trading	Total				
Net sales										
(1) Outside customers	124,039	15,868	54,983	22,351	68,076	285,320	16,976	302,296	—	302,296
(2) Intersegment sales and transfers	24,386	14,594	9,737	7,538	1,061	57,318	4,777	62,096	(62,096)	—
Total	148,426	30,462	64,721	29,890	69,137	342,639	21,754	364,393	(62,096)	302,296
Segment income (loss)	24,644	3,201	3,042	1,992	2,326	35,216	20	35,237	(4,839)	30,398

Notes:

1. The “Other Business” category incorporates operations not included in business segment reporting, including the environmental business and engineering business.
2. Adjustment is as follows: Included within segment loss of ¥4,839 million is the elimination of intersegment transactions of ¥910 million and corporate expenses of ¥5,749 million. Corporate expenses mainly comprise the submitting company’s basic research expenses.
3. Segment income is adjusted to agree with operating income in the consolidated statements of income.