

**Business Results for the
Third Quarter of the Fiscal Year Ending
December 31, 2023 (Unaudited)**

November 9, 2023

KURARAY CO., LTD.

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Consolidated Earnings Report for the Third Quarter of the Fiscal Year Ending December 31, 2023

Name of listed company: KURARAY CO., LTD.
Stock code: 3405
Stock exchange listing: Tokyo Stock Exchange, Prime Market
URL: <https://www.kuraray.com/>

Representative:
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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 Third Quarter of the Fiscal Year Ending December 31, 2023 (January 1, 2023 to September 30, 2023)

(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 2023 3Q	574,374	3.8%	61,702	(12.9%)	57,753	(17.6%)	36,487	(22.7%)
Fiscal 2022 3Q	553,150	—	70,846	—	70,078	—	47,174	—

Note: Comprehensive income: For the fiscal 2023 third quarter: ¥102,575 million (–25.7%)
For the fiscal 2022 third quarter: ¥137,969 million (—)

	Net Income per Share (Yen)	Fully Diluted Net Income per Share (Yen)
Fiscal 2023 3Q	109.00	108.92
Fiscal 2022 3Q	139.64	139.53

Note: The Company adopted the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29; March 31, 2020) from January 1, 2022. Therefore, year-on-year percent changes from the figures for the third quarter of fiscal 2021, which predates the adoption of the standard, are not presented.

(2) Consolidated Financial Position

(Millions of yen)

	Total Assets	Net Assets	Equity Ratio (%)
As of September 30, 2023	1,271,568	754,599	57.6
As of December 31, 2022	1,221,533	668,534	52.9

[Reference] Equity attributable to owners of the parent:

As of September 30, 2023: ¥732,219 million
As of December 31, 2022: ¥646,750 million

2. Dividends

(Yen)

Record Date	Cash Dividends per Share				
	Mar. 31	Jun. 30	Sep. 30	Dec. 31	Annual
Fiscal 2022	—	21.00	—	23.00	44.00
Fiscal 2023	—	25.00	—		
Fiscal 2023 (Forecast)				25.00	50.00

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

3. Forecasts of Consolidated Financial Results for the Fiscal Year Ending December 31, 2023 (January 1, 2023 to December 31, 2023)

(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	770,000	1.8	78,000	(10.5)	73,000	(13.2)	45,000	(17.1)	134.43

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)

No

(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 September 30, 2023	354,863,603 shares
As of December 31, 2022	354,863,603 shares
2. Number of treasury shares as of the period-end:

As of September 30, 2023	20,106,297 shares
As of December 31, 2022	20,171,061 shares
3. Average number of shares for the period (cumulative):

As of September 30, 2023	334,736,132 shares
As of September 30, 2022	337,836,766 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 “1. Qualitative Information regarding Business Results (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 third quarter of fiscal 2023 (January 1, 2023–September 30, 2023), the world economy gradually recovered due in part to the resolution of supply chain disruptions and the easing of supply limitations that had been caused by a semiconductor shortage, but the pace was slow and lacked robustness. Moreover, the outlook remained unclear due in part to economic stagnation caused by continued financial tightening in Europe, slowing growth caused mainly by stagnation in the real estate market in China, and such geopolitical tensions as the Russia-Ukraine situation, for which there seems to be no offramp.

Amid these circumstances, consolidated operating results for the third quarter of fiscal 2023 are as follows: net sales increased ¥21,224 million (3.8%) year on year to ¥574,374 million; operating income decreased ¥9,143 million (12.9%) year on year to ¥61,702 million; ordinary income decreased ¥12,324 million (17.6%) year on year to ¥57,753 million; and net income attributable to owners of the parent decreased ¥10,687 million (22.7%) year on year to ¥36,487 million.

Regarding the civil lawsuits related to the fire that occurred at a U.S. subsidiary in May 2018, we reached settlements with the remaining plaintiffs in April 2023, except for one for which a motion to dismiss was expected to be granted. Accordingly, in the third quarter, we recorded an extraordinary loss of ¥7,675 million as loss on litigation related to the lawsuits, etc. The motion to dismiss the individual's lawsuit was granted in July 2023. The lawsuits have therefore been resolved.

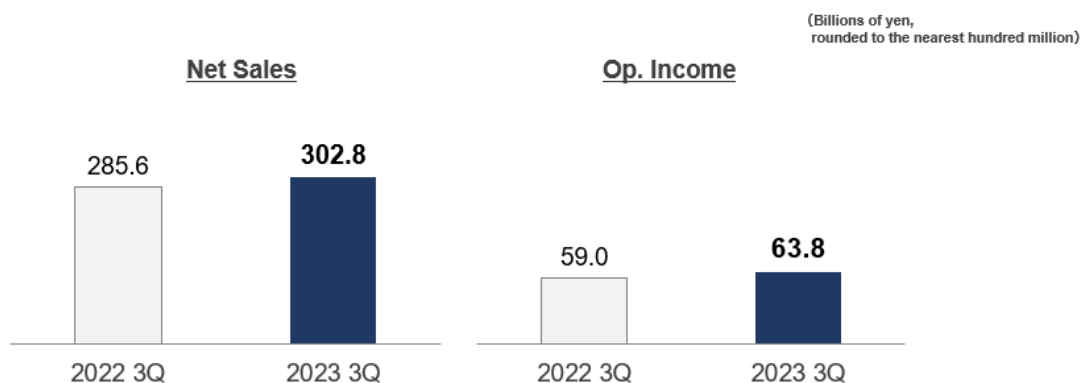
(Millions of yen)

	FY2022 3Q Consolidated Period		FY2023 3Q Consolidated Period		Change	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Vinyl Acetate	285,641	58,987	302,782	63,773	17,140	4,785
Isoprene	48,717	4,145	46,833	(4,066)	(1,883)	(8,211)
Functional Materials	123,720	6,493	139,645	8,125	15,924	1,632
Fibers and Textiles	48,630	6,580	44,946	1,741	(3,684)	(4,838)
Trading	43,778	3,926	44,760	3,740	982	(186)
Others	37,633	1,938	33,989	581	(3,643)	(1,357)
Elimination & Corporate	(34,972)	(11,226)	(38,583)	(12,194)	(3,611)	(968)
Total	553,150	70,846	574,374	61,702	21,224	(9,143)

Results by Business Segment

Vinyl Acetate

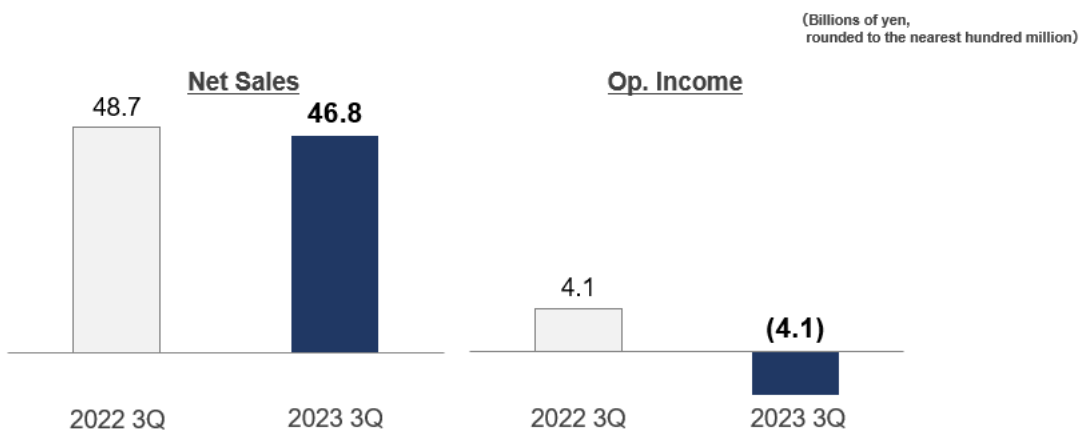
Sales in this segment were ¥302,782 million (up 6.0% year on year), and segment income was ¥63,773 million (up 8.1%).



- (1) The sales volume of PVOH resin was impacted by receding global demand, but we further promoted a shift to high value-added products. Shipments of optical-use poval film recovered favorably due to inventory adjustments for LCD panels returning to normal. As for Advanced Interlayer Solutions, although demand for PVB film showed signs of receding for construction applications, demand for automotive applications remained firm. Shipments of water-soluble PVOH film decreased mainly for use in unit dose detergent packets in Europe due to inflation-driven belt tightening and other effects.
- (2) As for EVAL™ ethylene vinyl alcohol copolymer (EVOH resin), although sales for automotive applications remained firm, sales volume decreased due to weak sales for food packaging applications.

Isoprene

Sales in this segment were ¥46,833 million (down 3.9% year on year), and segment loss was ¥4,066 million (operating income in the same period of previous fiscal year was ¥4,145 million). In addition, a new plant in Thailand began operations in stages from February.

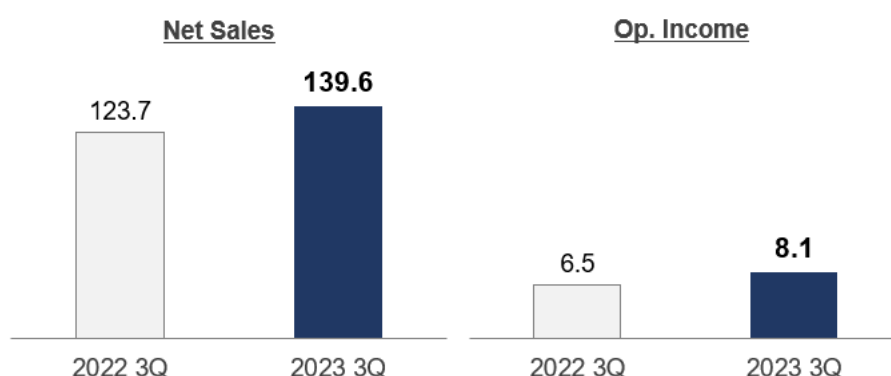


- (1) Results for isoprene chemicals and elastomer were affected by intensifying competition in addition to lower demand, which began in the latter half of the previous year.
- (2) The sales volume of GENESTAR™ heat-resistant polyamide resin decreased due to inventory adjustments for electric and electronic devices despite demand for automobile applications being on a recovery track.

Functional Materials

Sales in this segment were ¥139,645 million (up 12.9% year on year), and segment income was ¥8,125 million (up 25.1%).

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

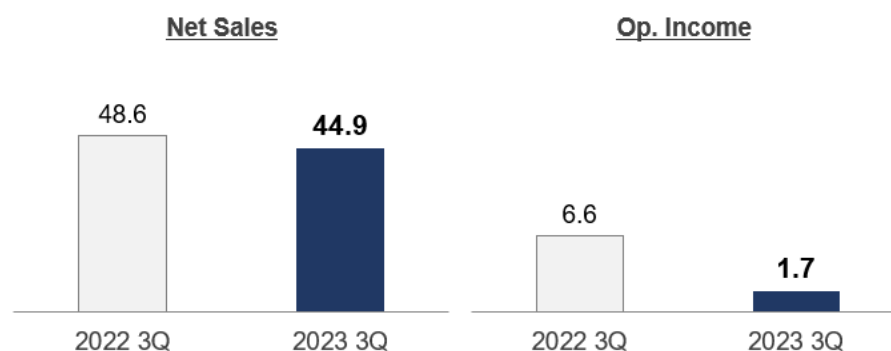


- (1) In the methacrylate business, results were affected by higher raw material and fuel prices in addition to a decrease in sales volume due in part to inventory adjustments for electric and electronic devices.
- (2) In the medical business, sales of cosmetic dental materials, mainly in Europe and the United States, remained favorable.
- (3) In the environmental solutions business, demand increased for drinking water and industrial applications in North America, and sales of activated carbon remained steady.

Fibers and Textiles

Sales in this segment were ¥44,946 million (down 7.6% year on year), and segment income was ¥1,741 million (down 73.5%).

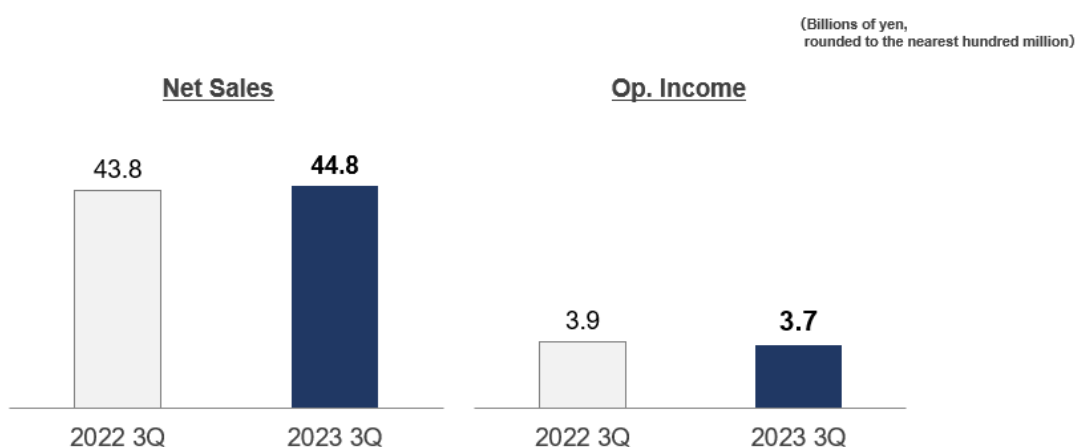
(Billions of yen, rounded to the nearest hundred million)



- (1) Shipments of CLARINO™ man-made leather decreased due to the effects of lower demand for luxury applications despite signs of a recovery in sports applications.
- (2) In fibers and industrial materials, sales of KURALON™ were weak in Europe, but sales of VECTRAN™ remained stable.
- (3) In consumer goods and materials, demand for KURAFLEX™ in the restaurant industry was weak.

Trading

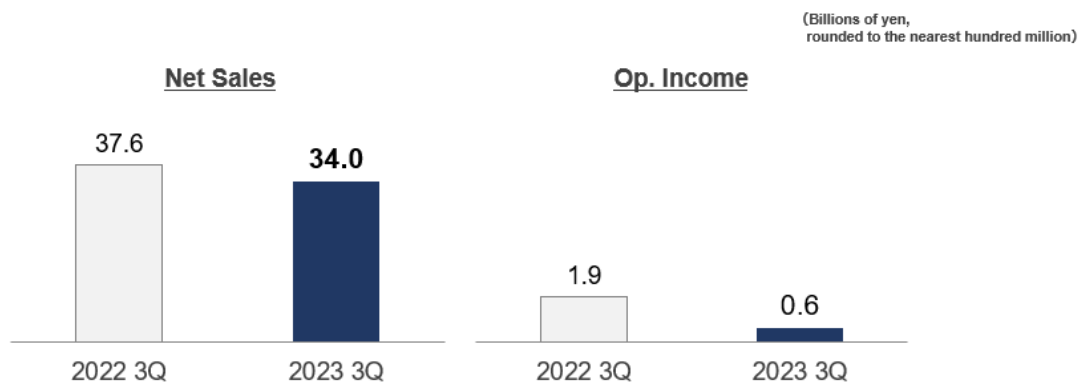
Sales in this segment were ¥44,760 million (up 2.2% year on year), and segment income was ¥3,740 million (down 4.7%).



- (1) In fiber-related businesses, the materials business struggled, but sales of sportswear applications remained firm.
- (2) Demand for resins and chemicals in Asia was on a recovery track despite being weak up to the second quarter.

Others

Sales in this segment were ¥33,989 million (down 9.7% year on year), and segment income was ¥581 million (down 70.0%).



(2) Overview of Financial Position

Total assets increased ¥50,035 million from the end of the previous fiscal year to ¥1,271,568 million despite a ¥10,589 million decrease in cash and deposits, which were offset by a ¥26,404 million increase in property, plant and equipment and a ¥23,009 million increase in inventories. Total liabilities decreased ¥36,029 million to ¥516,969 million due to factors that included a ¥43,031 million decrease in interest-bearing debt.

Net assets rose ¥86,064 million to ¥754,599 million due in part to an increase in foreign currency translation adjustment. Equity attributable to owners of the parent amounted to ¥732,219 million, for an equity ratio of 57.6%.

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

Based on the operating results in the third quarter and the recent business environment, the full- year forecasts of consolidated operating results for fiscal 2023 (January 1, 2023 to December 31, 2023), which were announced on August 9, 2023, were revised as follows.

Revised Consolidated Operating Results Forecast for Fiscal 2023

	(Millions of yen)				(Yen)
	Net Sales	Operating Income	Ordinary Income	Net Income Attributable to Owners of the Parent	Net Income Per Share
Previous Forecast (A)	810,000	84,000	79,000	47,000	140.43
Revised Forecast (B)	770,000	78,000	73,000	45,000	134.43
Amount Adjusted (B – A)	(40,000)	(6,000)	(6,000)	(2,000)	
Percent Adjusted	(4.9%)	(7.1%)	(7.6%)	(4.3%)	
(Ref.) Fiscal 2022 results	756,376	87,139	84,060	54,307	161.13

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, 2022	September 30, 2023
ASSETS		
Current Assets		
Cash and deposits	123,724	113,134
Notes and accounts receivable—trade, and contract assets	157,016	160,024
Securities	4,852	3,553
Merchandise and finished goods	145,851	164,437
Work in process	19,078	19,683
Raw materials and supplies	60,104	63,923
Other	23,815	22,864
Allowance for doubtful accounts	(510)	(623)
Total current assets	533,933	546,998
Non-current Assets		
Property, plant and equipment		
Buildings and structures, net	94,745	112,353
Machinery, equipment and vehicles, net	219,200	281,362
Land	23,264	22,833
Construction in progress	137,424	78,299
Other, net	37,926	44,118
Total property, plant, and equipment	512,562	538,966
Intangible assets		
Goodwill	56,058	59,439
Customer-related assets	30,432	31,607
Other	34,993	38,121
Total intangible assets	121,484	129,167
Investments and other assets		
Investment securities	23,194	25,568
Long-term loans receivable	97	138
Retirement benefit asset	2,104	2,319
Deferred tax assets	16,718	16,902
Other	11,458	11,600
Allowance for doubtful accounts	(20)	(94)
Total investments and other assets	53,553	56,435
Total non-current assets	687,600	724,570
Total Assets	1,221,533	1,271,568

(Millions of yen)

	December 31, 2022	September 30, 2023
LIABILITIES		
Current Liabilities		
Notes and accounts payable–trade	52,717	47,815
Short-term borrowings	34,480	36,525
Commercial papers	10,000	—
Current portion of bonds payable	10,000	—
Current portion of long-term borrowings	30,434	24,658
Accrued expenses	21,075	18,986
Income taxes payable	11,370	9,809
Accrued bonuses	9,132	12,535
Other	42,119	47,986
Total current liabilities	221,330	198,316
Non-current Liabilities		
Bonds payable	60,000	60,000
Long-term borrowings	179,491	160,190
Deferred tax liabilities	17,279	17,934
Retirement benefit liability	25,626	28,484
Asset retirement obligations	5,303	5,628
Other	43,968	46,414
Total non-current liabilities	331,668	318,652
Total Liabilities	552,998	516,969
NET ASSETS		
Shareholders' Equity		
Share capital	88,955	88,955
Capital surplus	87,152	87,146
Retained earnings	399,910	420,330
Treasury shares	(25,735)	(25,653)
Total shareholders' equity	550,282	570,779
Accumulated Other Comprehensive Income		
Valuation difference on available-for-sale securities	5,769	7,761
Deferred gain or losses on hedges	611	277
Foreign currency translation adjustment	90,555	153,557
Remeasurements of defined benefit plans	(468)	(156)
Total accumulated other comprehensive income	96,467	161,440
Share Acquisition Rights	341	341
Non-controlling Interests	21,443	22,038
Total Net Assets	668,534	754,599
Total Liabilities and Net Assets	1,221,533	1,271,568

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

(Millions of yen)

	Fiscal 2022 3Q (January 1, 2022 – September 30, 2022)	Fiscal 2023 3Q (January 1, 2023 – September 30, 2023)
Net sales	553,150	574,374
Cost of sales	369,455	392,686
Gross profit	183,694	181,688
Selling, general and administrative expenses		
Selling expenses	34,436	30,742
General and administrative expenses	78,412	89,243
Total selling, general and administrative expenses	112,848	119,986
Operating income	70,846	61,702
Non-operating income		
Interest income	201	1,231
Dividend income	388	434
Share of profit of entities accounted for using equity method	210	122
Other	2,191	909
Total non-operating income	2,992	2,699
Non-operating expenses		
Interest expenses	1,063	2,028
Foreign exchange losses	—	1,498
Other	2,696	3,120
Total non-operating expenses	3,760	6,648
Ordinary income	70,078	57,753
Extraordinary income		
Insurance claim income	1,178	2,421
Gain on sale of investment securities	2,510	800
Gain on sale of shares of subsidiaries and associates	—	715
Total extraordinary income	3,689	3,937
Extraordinary losses		
Loss on litigation	1,714	7,675
Loss on abandonment of non-current assets	275	718
Costs related to the suspension of operations	5,429	—
Total extraordinary losses	7,419	8,393
Income before income taxes and non-controlling interests	66,347	53,297
Income taxes—current	21,330	18,343
Income taxes—deferred	(3,195)	(1,865)
Total income taxes	18,135	16,478
Net income	48,212	36,819
Net income attributable to non-controlling	1,037	332
Net income attributable to owners of the parent	47,174	36,487

Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal 2022 3Q (January 1, 2022 – September 30, 2022)	Fiscal 2023 3Q (January 1, 2023 – September 30, 2023)
Net income	48,212	36,819
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,946)	1,993
Deferred gains or losses on hedges	1,510	(254)
Foreign currency translation adjustment	89,465	63,704
Remeasurements of defined benefit plans, net of tax	728	312
Total other comprehensive income	89,757	65,756
Quarterly comprehensive income	137,969	102,575
Comprehensive income attributable to:		
Owners of the parent	135,661	101,459
Non-controlling interests	2,308	1,116

(3) Notes regarding Quarterly Consolidated Financial Statements

Notes regarding Going Concern Assumptions

None

Notes regarding Material Changes in Shareholders' Equity

None

Additional Information

Regarding the civil lawsuits related to the fire that occurred at a U.S. subsidiary in May 2018, we reached settlements with the remaining plaintiffs in April 2023, except for one for which a motion to dismiss was expected to be granted. Accordingly, in the third quarter, we recorded an extraordinary loss of ¥7,675 million as loss on litigation related to the lawsuits, etc. The motion to dismiss the individual's lawsuit was granted in July 2023. The lawsuits have therefore been resolved.

Segment Information, etc.

● Segment Information

I. Third Quarter of Fiscal 2022 (January 1, 2022 to September 30, 2022)

1. Net sales, income and loss by reporting segment

(Millions of yen)

	Reporting Segment						Other Business ¹	Total	Adjustment ²	Consolidated Statements of Income
	Vinyl Acetate	Isoprene	Functional Materials	Fibers and Textiles	Trading	Total				
Net sales										
Outside customers	274,196	38,725	121,016	45,943	42,537	522,420	30,730	553,150	—	553,150
Intersegment sales and transfers	11,445	9,991	2,703	2,686	1,240	28,068	6,903	34,972	(34,972)	—
Total	285,641	48,717	123,720	48,630	43,778	550,488	37,633	588,122	(34,972)	553,150
Segment income	58,987	4,145	6,493	6,580	3,926	80,133	1,938	82,072	(11,226)	70,846

Notes:

1. The "Other Business" category incorporates operations not included in business segment reporting, including engineering business.
2. Adjustment is as follows: Included within segment loss of ¥11,226 million is the elimination of intersegment transactions of ¥1,338 million and corporate expenses of ¥9,887 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. Third Quarter of Fiscal 2023 (January 1, 2023 to September 30, 2023)

1. Net sales, income and loss by reporting segment

(Millions of yen)

	Reporting Segment						Other Business ¹	Total	Adjustment ²	Consolidated Statements of Income ³
	Vinyl Acetate	Isoprene	Functional Materials	Fibers and Textiles	Trading	Total				
Net sales										
Outside customers	289,374	37,665	136,694	42,133	43,693	549,562	24,812	574,374	—	574,374
Intersegment sales and transfers	13,407	9,168	2,950	2,812	1,067	29,405	9,177	38,583	(38,583)	—
Total	302,782	46,833	139,645	44,946	44,760	578,968	33,989	612,958	(38,583)	574,374
Segment income (loss)	63,773	(4,066)	8,125	1,741	3,740	73,315	581	73,896	(12,194)	61,702

Notes:

1. The “Other Business” category incorporates operations not included in business segment reporting, including engineering business.
2. Adjustment is as follows: Included within segment loss of ¥12,194 million is the elimination of positive intersegment transactions of ¥293 million and corporate expenses of ¥12,487 million. Corporate expenses mainly comprise the submitting company’s basic research expenses.
3. Segment income or loss is adjusted to agree with operating income in the consolidated statements of income.