

**Business Results for the
Third Quarter of the Fiscal Year Ending
December 31, 2022 (Unaudited)**

November 9, 2022

Kuraray Co., Ltd.

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Consolidated Earnings Report for the Third Quarter of the Fiscal Year Ending December 31, 2022

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

Representative:
Title: Representative Director and President
Name: Hitoshi Kawahara

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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, 2022 (January 1, 2022 to September 30, 2022)

(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 2022 3Q	553,150	—	70,846	—	70,078	—	47,174	—
Fiscal 2021 3Q	459,159	16.6	54,318	67.0	51,001	71.0	28,602	88.8

Note: Comprehensive income: For the fiscal 2022 third quarter: ¥137,969 million (—%)
For the fiscal 2021 third quarter: ¥56,553 million (—%)

	Net Income per Share (Yen)	Fully Diluted Net Income per Share (Yen)
Fiscal 2022 3Q	139.64	139.53
Fiscal 2021 3Q	83.15	83.08

Note: Due to the adoption of the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29; March 31, 2020) from January 1, 2022, the figures for the third quarter of fiscal 2022 reflect the application of the newly applied accounting standard. Therefore, the rate of change from the same quarter of the previous year is not shown.

(2) Consolidated Financial Position

(Millions of yen)

	Total Assets	Net Assets	Equity Ratio (%)
As of September 30, 2022	1,215,627	693,133	55.2
As of December 31, 2021	1,091,014	579,602	51.3

[Reference] Equity attributable to owners of the parent:

As of September 30, 2022: ¥671,487 million

As of December 31, 2021: ¥559,984 million

Note: Due to the adoption of the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29; March 31, 2020) from January 1, 2022, the figures for the third quarter of fiscal 2022 reflect the application of the newly applied accounting standard.

2. Dividends

(Yen)

Record Date	Cash Dividends per Share				
	Mar. 31	Jun. 30	Sep. 30	Dec. 31	Annual
Fiscal 2021	—	20.00	—	20.00	40.00
Fiscal 2022	—	21.00	—		
Fiscal 2022 (Forecast)				21.00	42.00

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

3. Forecasts of Consolidated Financial Results for the Fiscal Year Ending December 31, 2022 (January 1, 2022 to December 31, 2022)

(Percentage changes displayed for net sales, operating income, ordinary income and net income attributable to owners of the parent are comparisons with 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	760,000	—	78,000	—	75,000	—	48,000	—	143.41

Notes: 1. Revisions to forecasts of consolidated financial results during this period: Yes

2. Due to the adoption of the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29; March 31, 2020) from January 1, 2022, the figures for fiscal 2022 reflect the application of the newly applied accounting standard. Therefore, the rate of change from the previous fiscal year is not shown.

[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: Yes
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 shares) as of the period-end:

As of September 30, 2022 354,863,603 shares

As of December 31, 2021	354,863,603 shares
2. Number of treasury shares as of the period-end:	
As of September 30, 2022	20,170,573 shares
As of December 31, 2021	10,858,263 shares
3. Average number of shares for the period (cumulative):	
As of September 30, 2022	337,836,766 shares
As of September 30, 2021	343,980,899 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 7 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 2022 (January 1, 2022–September 30, 2022), the world economy continued to gradually recover as restrictions on economic activities were eased. However, the recent trend toward economic deceleration grew stronger due in part to a rise in interest rates in various countries amid rapid inflation and the prolonged Russia-Ukraine crisis, causing the future outlook to become even murkier. Amid these circumstances, consolidated operating results for the third quarter of fiscal 2022 are as follows: net sales were ¥553,150 million (¥459,159 million in the same period of the previous fiscal year); operating income was ¥70,846 million (¥54,318 million in the same period of the previous fiscal year); ordinary income was ¥70,078 million (¥51,001 million in the same period of the previous fiscal year); and net income attributable to owners of the parent was ¥47,174 million (¥28,602 million in the same period of the previous fiscal year). Furthermore, in the third quarter, we recorded an extraordinary loss of ¥5,429 million as costs related to the suspension of operations due mainly to the suspension of some production facilities at a U.S. subsidiary.

On January 1, 2022, the Company revised its organizational structure and changed the segment classification of the aqua business from “Others” to “Functional Materials.” In addition, the method of allocating eliminations of profits from some internal transactions among segments and the corporate has been changed. Figures used in comparisons and analyses of the third quarter reflect these changes. Furthermore, from January 1, 2022, we have adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29; March 31, 2020). In line with the transition provisions set out in the revision to paragraph 84, the new accounting principle was not retroactively applied to the consolidated third quarter of the previous fiscal year. Net sales for the Trading segment and elimination & corporate for the third quarter of fiscal 2022 have significantly changed compared to the third quarter of fiscal 2021, mainly due to changes in accounting methods for revenues attributable to agent transactions in the Trading segment as a result of the adoption of the Accounting Standard for Revenue Recognition and other factors. Because of these changes, revenues from such transactions, which have previously been recorded on the basis of total transactional value, are now recorded on a net basis. Due to this change, net sales in the Trading segment was ¥63,010 million lower compared with the original method.

To realize its long-term vision, Kuraray Vision 2026, the Group launched a medium-term management plan, “PASSION 2026,” from January 1, 2022. In line with “PASSION 2026,” we set three challenges to tackle: 1) Sustainability as an opportunity, 2) Innovations starting from networking, and 3) Transformation of people and organizations. Through these initiatives, we aim to establish an upgraded business portfolio and, in fiscal 2026, the centennial of Kuraray’s founding, achieve net sales of ¥750.0 billion and operating income of ¥100.0 billion.

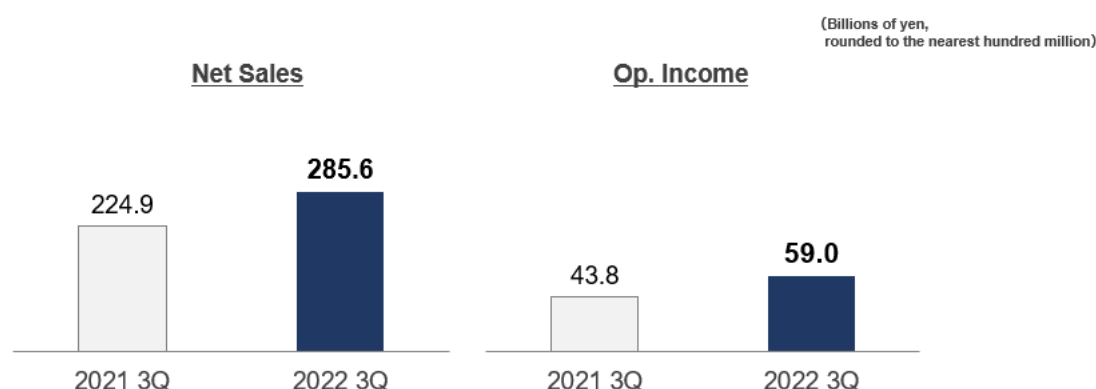
(Millions of yen)

	Fiscal 2021 3Q		Fiscal 2022 3Q		Change	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Vinyl Acetate	224,861	43,775	285,641	58,987	60,780	15,212
Isoprene	45,480	5,042	48,717	4,145	3,236	(897)
Functional Materials	101,878	5,414	123,720	6,493	21,842	1,078
Fibers and Textiles	44,779	4,583	48,630	6,580	3,850	1,996
Trading	105,301	3,565	43,778	3,926	(61,523)	361
Others	31,609	1,007	37,633	1,938	6,024	931
Elimination & Corporate	(94,752)	(9,071)	(34,972)	(11,226)	59,779	(2,154)
Total	459,159	54,318	553,150	70,846	93,990	16,527

Results by Business Segment

Vinyl Acetate

Sales in this segment were ¥285,641 million (¥224,861 million in the same period of the previous fiscal year), and segment income was ¥58,987 million (¥43,775 million in the same period of the previous fiscal year).

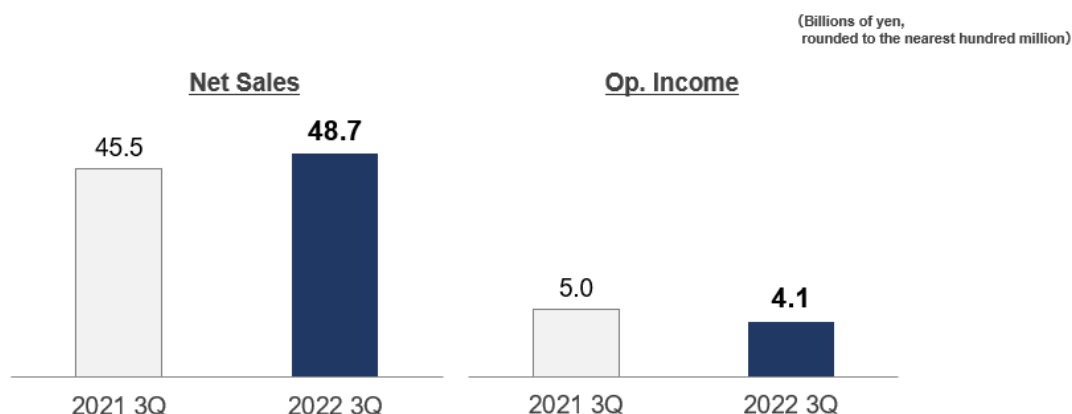


- (1) The sales volume of PVOH resin decreased due to the suspension of some production facilities at a U.S. subsidiary because of malfunctions and logistics disruptions. On the other hand, we continued revising prices amid soaring raw material and fuel prices. Shipments of optical-use poval film declined significantly in the July–September 2022 period due to the impact of LCD panel inventory adjustments. In addition, to meet needs for larger TV panel sizes, we decided to make a capital investment at the Kurashiki Plant (slated to begin operating in mid 2024), announcing this intention on May 9, 2022. As for Advanced Interlayer Solutions, the sales of PVB film for use in construction applications held steady. Sales of water-soluble PVOH film were firm for use in unit dose laundry detergent packets.
- (2) As for EVAL™ ethylene vinyl alcohol copolymer (EVOH resin), the sales volume increased as steady performance for use in food packaging

applications offset a decrease for use in automotive applications. We also revised prices.

Isoprene

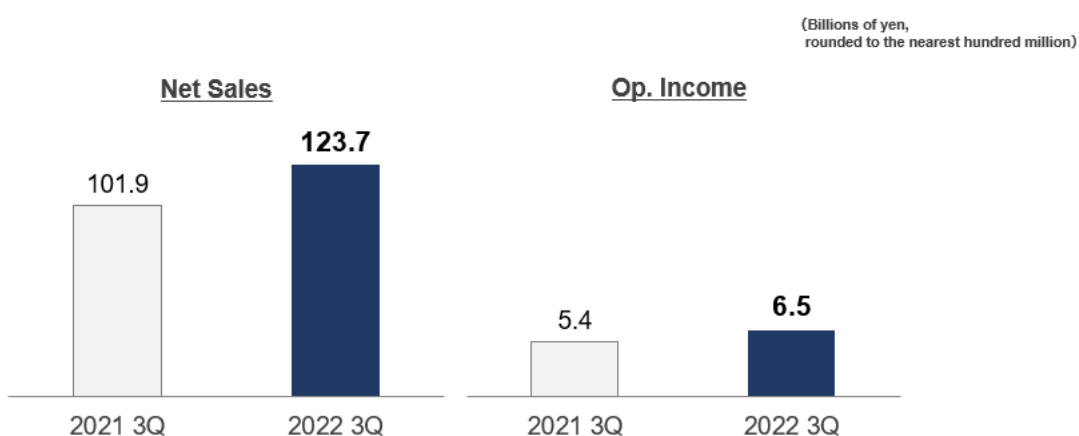
Sales in this segment were ¥48,717 million (¥45,480 million in the same period of the previous fiscal year), and segment income was ¥4,145 million (¥5,042 million in the same period of the previous fiscal year).



- (1) Amid soaring raw material and fuel prices, we revised prices of isoprene chemicals and elastomer. Nevertheless, the sales volume decreased due to a temporary difficulty in procuring raw materials and lockdowns in China.
- (2) The sales volume of GENESTAR™ heat-resistant polyamide resin decreased due in part to a decrease in automotive production and inventory adjustments in electric and electronic devices.

Functional Materials

Sales in this segment were ¥123,720 million (¥101,878 million in the same period of the previous fiscal year), and segment income was ¥6,493 million (¥5,414 million in the same period of the previous fiscal year).



- (1) In the methacrylate business, the sales volume decreased due in part to electric and electronic device inventory adjustments.
- (2) In the medical business, sales of dental materials expanded in Japan and overseas.
- (3) In the environmental solutions business, demand increased, especially in

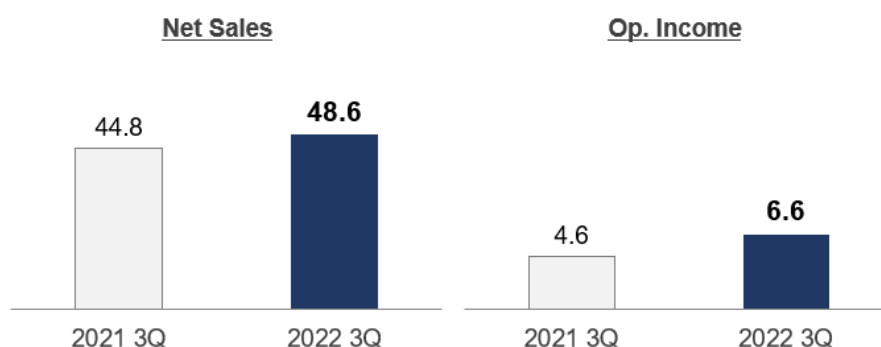
Europe, and sales of activated carbon expanded.

- (4) In the aqua business, demand for hollow fiber membranes for water treatment remained steady.

Fibers and Textiles

Sales in this segment were ¥48,630 million (¥44,779 million in the same period of the previous fiscal year), and segment income was ¥6,580 million (¥4,583 million in the same period of the previous fiscal year).

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

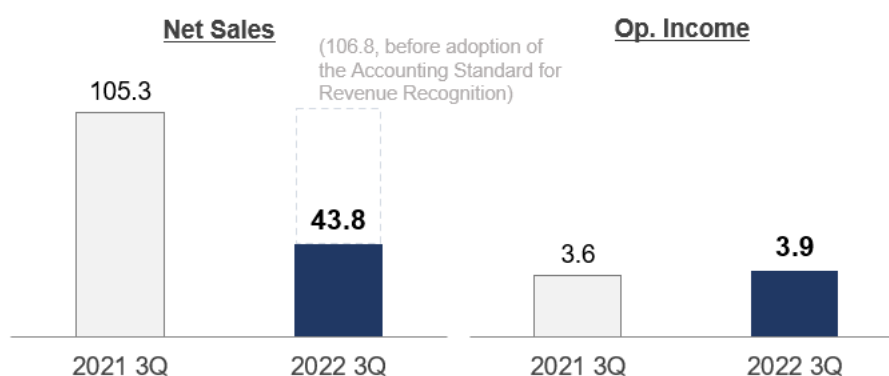


- (1) Sales of CLARINO™ man-made leather remained steady, especially for use in luxury products.
- (2) In fibers and industrial materials, KURALON™ was affected by a decrease in the production of automobiles, while sales of VECTRAN™ were favorable, especially for exports.
- (3) In consumer goods and materials, demand for KURAFLEX™ in the restaurant industry was weak.

Trading

Sales in this segment were ¥43,778 million (¥105,301 million in the same period of the previous fiscal year), and segment income was ¥3,926 million (¥3,565 million in same period of the previous fiscal year). In comparison with the previous methods, net sales decreased ¥63,010 million due to the adoption of the Accounting Standard for Revenue Recognition and other factors.

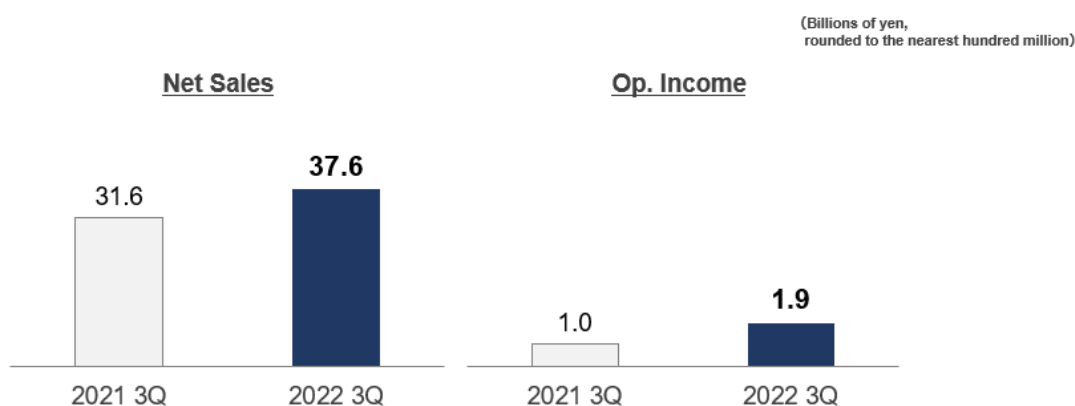
(Billions of yen, rounded to the nearest hundred million)



- (1) In fiber-related businesses, sales of sportswear and other products were brisk.
- (2) Although sales of resins and chemicals had been brisk in the Asian market until the end of the April–June 2022 period, demand retreated in the July–September 2022 period.

Others

In Others, domestic affiliates saw sales recover. As a result, segment sales were ¥37,633 million (¥31,609 million in the same period of the previous fiscal year), and segment income was ¥1,938 million (¥1,007 million in the same period of the previous fiscal year).



(2) Overview of Financial Position

Total assets increased ¥124,612 million from the end of the previous fiscal year to ¥1,215,627 million mainly because of a ¥84,003 million increase in inventories, a ¥39,346 million increase in construction in progress, a ¥20,823 million increase in notes and accounts receivable–trade, and contract assets (notes and accounts receivable–trade in the previous fiscal year), and a ¥10,299 million increase in machinery, equipment and vehicles, net despite a ¥63,018 million decrease in cash and deposits.

Total liabilities increased ¥11,082 million to ¥522,493 million due to factors that included the issuance of ¥20,000 million in commercial paper and ¥10,000 million in bonds payable despite a ¥38,275 million decrease in current portion of long-term borrowings.

Net assets rose ¥113,530 million to ¥693,133 million. Equity attributable to owners of the parent amounted to ¥671,487 million, for an equity ratio of 55.2%.

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

Reflecting the Company's business performance for the third quarter of fiscal 2022 as well as the business environment, foreign exchange rates, and raw material and fuel prices, the forecast of consolidated operating results for the full fiscal 2022 (January 1, 2022 to December 31, 2022), which was announced on August 10, 2022, is revised as follows.

Revised Consolidated Operating Results Forecast for Fiscal 2022

	(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)	740,000	78,000	75,000	45,000	134.45
Revised Forecast (B)	760,000	78,000	75,000	48,000	143.41
Amount Adjusted (B - A)	20,000	—	—	3,000	
Percent Adjusted	2.7%	—	—	6.7%	
(Ref.) Fiscal 2021 results	629,370	72,256	68,765	37,262	108.32

Figures for fiscal 2021 are presented without applying the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29; March 31, 2020).

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, 2021	September 30, 2022
ASSETS		
Current Assets		
Cash and deposits	151,942	88,923
Notes and accounts receivable—trade	135,768	—
Notes and accounts receivable—trade, and contract assets	—	156,592
Securities	3,855	4,335
Merchandise and finished goods	103,505	162,241
Work in process	15,699	21,946
Raw materials and supplies	38,100	57,122
Other	21,745	23,683
Allowance for doubtful accounts	(443)	(517)
Total current assets	470,174	514,327
Non-current Assets		
Property, plant and equipment		
Buildings and structures, net	88,801	94,647
Machinery, equipment and vehicles, net	200,500	210,799
Land	22,648	23,572
Construction in progress	117,319	156,666
Other, net	25,997	27,793
Total property, plant, and equipment	455,266	513,478
Intangible assets		
Goodwill	52,635	61,977
Customer-related assets	29,176	34,017
Other	32,243	37,119
Total intangible assets	114,055	133,114
Investments and other assets		
Investment securities	25,689	23,121
Long-term loans receivable	121	108
Retirement benefit asset	3,066	3,491
Deferred tax assets	13,980	16,433
Other	8,686	11,578
Allowance for doubtful accounts	(26)	(26)
Total investments and other assets	51,517	54,707
Total non-current assets	620,839	701,300
Total Assets	1,091,014	1,215,627

(Millions of yen)

	December 31, 2021	September 30, 2022
LIABILITIES		
Current Liabilities		
Notes and accounts payable–trade	49,641	52,658
Short-term borrowings	34,480	34,480
Commercial paper	—	20,000
Current portion of bonds payable	—	10,000
Current portion of long-term borrowings	55,013	27,088
Accrued expenses	19,863	24,179
Income taxes payable	13,133	10,476
Provision for bonuses	7,996	10,844
Other provisions	89	124
Other	39,246	42,035
Total current liabilities	219,464	231,887
Non-current Liabilities		
Bonds payable	60,000	60,000
Long-term borrowings	157,945	147,594
Deferred tax liabilities	12,022	13,860
Provision for retirement benefits for directors (and other officers)	375	344
Provision for environmental measures	365	398
Retirement benefit liability	25,629	28,221
Asset retirement obligations	4,821	5,153
Other	30,787	35,033
Total non-current liabilities	291,947	290,606
Total Liabilities	511,411	522,493
NET ASSETS		
Shareholders' Equity		
Share capital	88,955	88,955
Capital surplus	87,166	87,152
Retained earnings	359,898	392,777
Treasury shares	(15,885)	(25,735)
Total shareholders' equity	520,134	543,150
Accumulated Other Comprehensive Income		
Valuation difference on available-for-sale securities	7,273	5,326
Deferred gain or losses on hedges	219	1,375
Foreign currency translation adjustment	34,648	123,197
Remeasurements of defined benefit plans	(2,291)	(1,563)
Total accumulated other comprehensive income	39,850	128,337
Share Acquisition Rights	414	341
Non-controlling Interests	19,203	21,305
Total Net Assets	579,602	693,133
Total Liabilities and Net Assets	1,091,014	1,215,627

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

(Millions of yen)

	Fiscal 2021 3Q (January 1, 2021 – September 30, 2021)	Fiscal 2022 3Q (January 1, 2022 – September 30, 2022)
Net sales	459,159	553,150
Cost of sales	309,095	369,455
Gross profit	150,063	183,694
Selling, general and administrative expenses		
Selling expenses	27,949	34,436
General and administrative expenses	67,796	78,412
Total selling, general and administrative expenses	95,745	112,848
Operating income	54,318	70,846
Non-operating income		
Interest income	84	201
Dividend income	340	388
Share of profit of entities accounted for using equity method	189	210
Other	971	2,191
Total non-operating income	1,585	2,992
Non-operating expenses		
Interest expenses	1,161	1,063
Other	3,740	2,696
Total non-operating expenses	4,902	3,760
Ordinary income	51,001	70,078
Extraordinary income		
Gain on sale of investment securities	535	2,510
Insurance claim income	—	1,178
Subsidy income	510	—
Compensation for transfer	422	—
Total extraordinary income	1,468	3,689
Extraordinary losses		
Costs related to the suspension of operations	—	5,429
Loss on litigation	3,772	1,714
Loss on disposal of non-current assets	1,151	275
Loss on disaster	3,245	—
Loss on tax purpose reduction entry	423	—
Total extraordinary losses	8,593	7,419
Income before income taxes and non-controlling interests	43,876	66,347
Income taxes—current	15,381	21,330
Income taxes—deferred	(1,025)	(3,195)
Total income taxes	14,356	18,135
Net income	29,520	48,212
Net income attributable to non-controlling interests	917	1,037
Net income attributable to owners of the parent	28,602	47,174

Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal 2021 3Q (January 1, 2021 – September 30, 2021)	Fiscal 2022 3Q (January 1, 2022 – September 30, 2022)
Net income	29,520	48,212
Other comprehensive income		
Valuation difference on available-for-sale securities	441	(1,946)
Deferred gains or losses on hedges	836	1,510
Foreign currency translation adjustment	23,193	89,465
Remeasurements of defined benefit plans, net of tax	2,562	728
Total other comprehensive income	27,033	89,757
Quarterly comprehensive income	56,553	137,969
Comprehensive income attributable to:		
Owners of the parent	55,808	135,661
Non-controlling interests	745	2,308

(3) Notes regarding Quarterly Consolidated Financial Statements

Notes regarding Going Concern Assumptions

None

Material Changes in Shareholders' Equity

At the Board of Directors meeting held on February 9, 2022, Kuraray resolved to undertake a share buyback, and has acquired 9,424 thousand shares, amounting to ¥9,999 million. As a result, treasury shares increased ¥9,849 million in the third quarter and totaled ¥25,735 million as of September 30, 2022.

Changes in Accounting Principles

Adoption of Accounting Standard for Revenue Recognition

Kuraray has adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) from January 1, 2022, and recognizes revenue for goods or services based on the amount estimated to be received in exchange for such goods or services at the point when control of the promised goods or services is transferred to the customer.

The main changes resulting from the adoption of the standards are as follows.

- (1) In supply transactions with repurchase obligations, we changed the method by which the elimination of supplied goods is not recognized and changed the method by which liabilities related to supply transactions regarding consideration received from suppliers are recognized.
- (2) In contracts with customers that include a variable consideration among their considerations, when the uncertainty related to the amount of the variable consideration is eventually eliminated (restricted to portions that have a high probability of not generating a significant drop in revenue until the uncertainty is eliminated), the variable consideration is included in the transaction price. In addition, a portion of such variable considerations was formerly presented under selling, general and administrative expenses, however, the presentation method has been changed so that it is now presented after being excluded from net sales.
- (3) Regarding transactions where the role of providing products or goods corresponds to that of an agent, we have changed the previous method of recognizing the total consideration received from the customer as revenue to a method in which we recognize the net amount received from the customer, excluding the amount paid to the buyer, as revenue.

Regarding the adoption of the revenue recognition standards, in line with the transition provisions set out in the revision to paragraph 84, the cumulative effect of retroactively applying the new accounting principle before January 1, 2022, is added or subtracted to retained earnings as of January 1, 2022, and the new accounting principle is adopted from January 1, 2022.

As a result, net sales in the third quarter decreased ¥3,422 million. The effect on operating income, ordinary income, and income before income taxes and non-controlling interests was minimal. In addition, the balance of retained earnings as of January 1, 2022, decreased ¥388 million.

Because we adopted the revenue recognition standards, in the consolidated balance sheet for the previous fiscal year, “notes and accounts receivable–trade” previously presented under current assets is included in “notes and accounts receivable–trade and contract assets” from January 1, 2022. Furthermore, in line with the transition provisions set out in Paragraph 89-2 of the revenue recognition standard, we have not revised the presentation method for the previous fiscal year.

Adoption of Accounting Standard for Fair Value Measurement

Kuraray has adopted the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019) from January 1, 2022. The Company has prospectively adopted new accounting policies based on the Accounting Standard for Fair Value Measurement in accordance with the transition provisions in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). These changes have no impact on quarterly financial statements.

Segment Information, etc.

● Segment Information

I. Third Quarter of Fiscal 2021 (January 1, 2021 to September 30, 2021)

1. Net sales, income and loss by reporting segment

(Millions of yen)

	Reporting Segment						Others ¹	Total	Adjustment ²	Consolidated Statements of Income ³
	Vinyl Acetate	Isoprene	Functional Materials	Fibers and Textiles	Trading	Total				
Net sales										
(1) Outside customers	187,077	23,964	85,463	33,659	103,362	433,527	25,631	459,159	—	459,159
(2) Intersegment sales and transfers	37,783	21,516	16,415	11,119	1,939	88,774	5,977	94,752	(94,752)	—
Total	224,861	45,480	101,878	44,779	105,301	522,302	31,609	553,911	(94,752)	459,159
Segment income (loss)	43,775	5,042	5,414	4,583	3,565	62,382	1,007	63,389	(9,071)	54,318

Notes:

1. The “Others” category incorporates operations not included in business segment reporting, including the engineering business.
2. Adjustment is as follows: Included within segment loss of ¥9,071 million is the elimination of intersegment transactions of ¥660 million and corporate expenses of ¥8,411 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 2022 (January 1, 2022 to September 30, 2022)

1. Net sales, income and loss by reporting segment

(Millions of yen)

	Reporting Segment						Others ¹	Total	Adjustment ²	Consolidated Statements of Income
	Vinyl Acetate	Isoprene	Functional Materials	Fibers and Textiles	Trading	Total				
Net sales (3) Outside customers	274,196	38,725	121,016	45,943	42,537	522,420	30,730	553,150	—	553,150
(4) 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 (loss)	58,987	4,145	6,493	6,580	3,926	80,133	1,938	82,072	(11,226)	70,846

Notes:

1. The “Others” category incorporates operations not included in business segment reporting, including the 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.

2. Matters related to changes in reporting segments

Changes in methods for estimating net sales and profit for reporting segments

As detailed in changes to accounting principles, because we adopted revenue recognition standards from January 1, 2022, and changed the accounting treatment method related to revenue recognition, the method for estimating the net sales and profit of business segments changed accordingly. Due to these changes, in comparison with previous methods, net sales to outside customers in the third quarter increased ¥26,581 million in Vinyl Acetate, increased ¥7,352 million in Isoprene, increased ¥14,762 million in Functional Materials, increased ¥8,022 million in Fibers and Textiles, decreased ¥60,767 million in Trading, and increased ¥625 million in Others.

In addition, intersegment net sales or transfers decreased ¥27,604 million in Vinyl Acetate, decreased ¥8,280 million in Isoprene, decreased ¥14,918 million in Functional Materials, decreased ¥8,650 million in Fibers and Textiles, decreased ¥2,243 million in Trading, and decreased ¥736 million in Others, and adjustments increased ¥62,433 million.

The impact on segment income was minimal.

Furthermore, from January 1, 2022, regarding the elimination of some intersegment transaction profit, we changed the method for allocating it to each segment and the Company. Segment information in the third quarter of the previous fiscal year is presented based on the changed allocation method.

Changes in reporting segments

Following the revision to our organizational structure, from January 1, 2022, the aqua business was transferred from Others to Functional Materials. Furthermore, the segment information for the third quarter of the previous fiscal year is presented based on the changed reporting segments.