

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

**May 12, 2021**

**Kuraray Co., Ltd.**

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## Consolidated Earnings Report for the First 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/>

Representative:  
Title: Representative Director and President  
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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 First Quarter of the Fiscal Year Ending December 31, 2021 (January 1, 2021 to March 31, 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 1Q	144,398	5.5	16,786	40.2	16,268	43.9	5,282	(21.2)
Fiscal 2020 1Q	136,927	(3.3)	11,971	(18.2)	11,306	(11.6)	6,705	10.2

Note: Comprehensive income: For the fiscal 2021 first quarter: ¥28,547 million (—%)  
For the fiscal 2020 first quarter: (¥2,205 million) (—%)

	Net Income per Share (Yen)	Fully Diluted Net Income per Share (Yen)
Fiscal 2021 1Q	15.36	15.35
Fiscal 2020 1Q	19.50	19.48

#### (2) Consolidated Financial Position

(Millions of yen)

	Total Assets	Net Assets	Equity Ratio (%)
As of March 31, 2021	1,048,707	538,312	49.6
As of December 31, 2020	1,051,584	515,481	47.4

[Reference] Equity attributable to owners of the parent: As of March 31, 2021: ¥520,151 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	—				
Fiscal 2021 (Forecast)		20.00	—	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)
		(%)		(%)		(%)		(%)	
Interim Period	290,000	10.7	30,000	53.0	29,000	64.4	13,500	47.4	39.25
Full Fiscal Year	570,000	5.2	55,000	24.0	50,000	25.8	30,000	—	87.23

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 March 31, 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 March 31, 2021	10,919,633 shares
As of December 31, 2020	10,940,270 shares
  3. Average number of shares for the period (cumulative):
 

As of March 31, 2021	343,929,902 shares
As of March 31, 2020	343,781,244 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 first quarter of fiscal 2021 (January 1, 2021–March 31, 2021), the world economy is still feeling the effects of the COVID-19 pandemic, and the outlook remains unclear. Amid these circumstances, the Group's business results continued to recover owing to an increase in demand for at-home consumption due to the pandemic and an increase in automotive-related demand. Consequently, consolidated operating results for the first quarter of fiscal 2021 are as follows: net sales rose ¥7,470 million, or 5.5%, compared with the previous fiscal year to ¥144,398 million; operating income increased ¥4,814 million, or 40.2%, to ¥16,786 million; ordinary income increased ¥4,962 million, or 43.9%, to ¥16,268 million; and net income attributable to owners of the parent decreased ¥1,422 million, or 21.2%, to ¥5,282 million. Furthermore, in the first quarter, we recorded a loss on litigation of ¥3,054 million related to a fire that occurred at our U.S. subsidiary in May 2018. We also recorded a disaster loss of ¥3,016 million due mainly to the suspension of production for some equipment at our U.S. subsidiary caused by a severe cold wave in the southern United States in February.

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. We formulated a single-year management plan for fiscal 2021 and 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.

In the Functional Materials segment, due to an organizational reform on January 1, 2021, we integrated the Calgon Carbon Division and Carbon Materials Division, whose core products are activated carbon, into the Environmental Solutions Division.

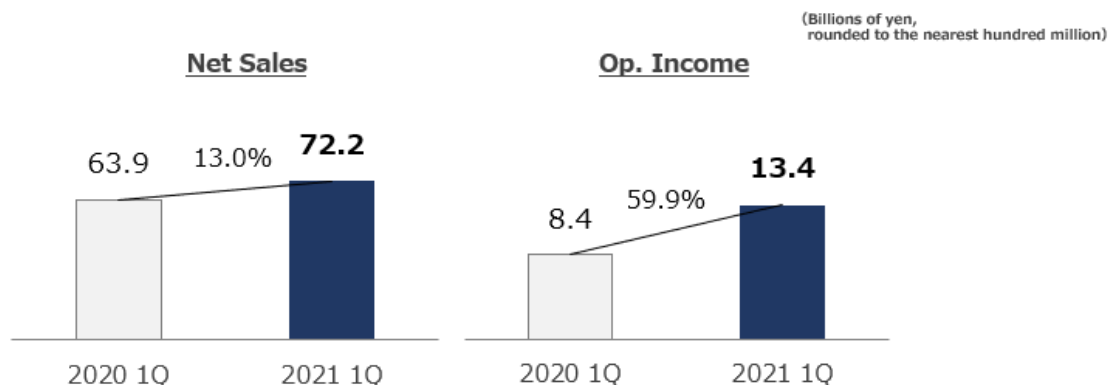
(Millions of yen)

	FY2020 1Q		FY2021 1Q		Change	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Vinyl Acetate	63,866	8,387	72,175	13,415	8,309	5,027
Isoprene	13,162	3,140	14,894	3,046	1,731	(94)
Functional Materials	30,766	1,268	30,294	1,061	(471)	(207)
Fibers and Textiles	14,467	916	13,721	435	(746)	(480)
Trading	29,771	961	32,972	1,074	3,200	113
Others	11,661	43	10,251	(136)	(1,410)	(180)
Elimination & Corporate	(26,769)	(2,745)	(29,912)	(2,110)	(3,143)	635
Total	136,927	11,971	144,398	16,786	7,470	4,814

## Results by Business Segment

### Vinyl Acetate

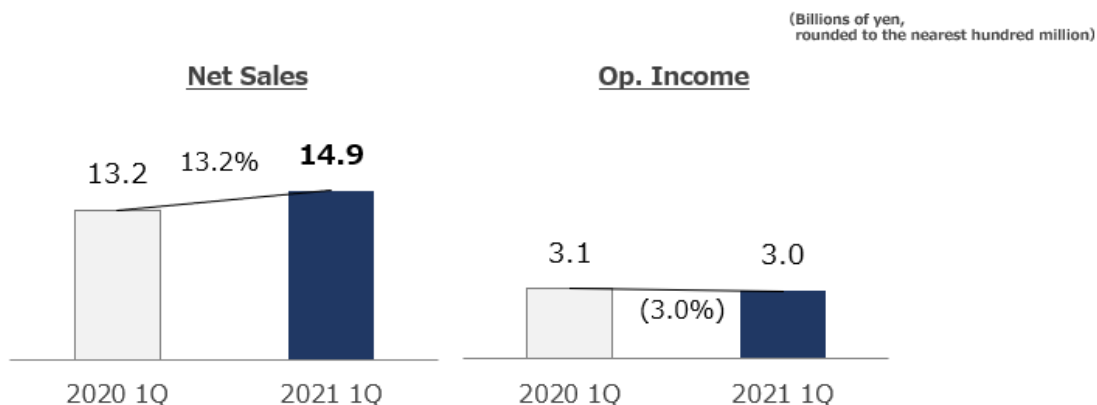
Sales in this segment increased 13.0% year on year to ¥72,175 million, and segment income rose 59.9% year on year to ¥13,415 million.



- (1) Sales of PVA resin increased as global demand began to recover though overall business was affected by the U.S. cold wave. 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 dish detergents, as more customers stay at home due to the COVID-19 pandemic.
- (2) The sales volume of EVAL™ ethylene vinyl alcohol copolymer (EVOH resin) increased as food packaging applications remained firm and demand for gas tank applications recovered, but overall performance was affected by the U.S. cold wave.

### Isoprene

Sales in this segment increased 13.2% year on year to ¥14,894 million, and segment income fell 3.0% year on year to ¥3,046 million.



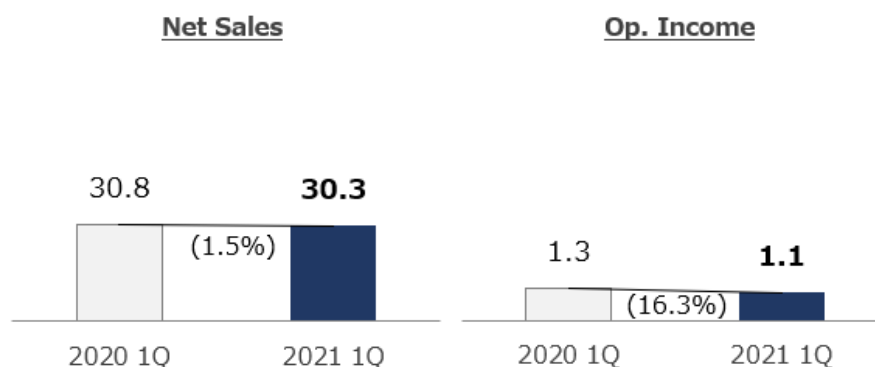
- (1) The sales volume of isoprene chemicals and SEPTON™ thermoplastic elastomer increased by a demand recovery mainly in China and the rest of Asia, but performance was affected by higher raw material and fuel prices.

- (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 decreased 1.5% year on year to ¥30,294 million, and segment income fell 16.3% year on year to ¥1,061 million.

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

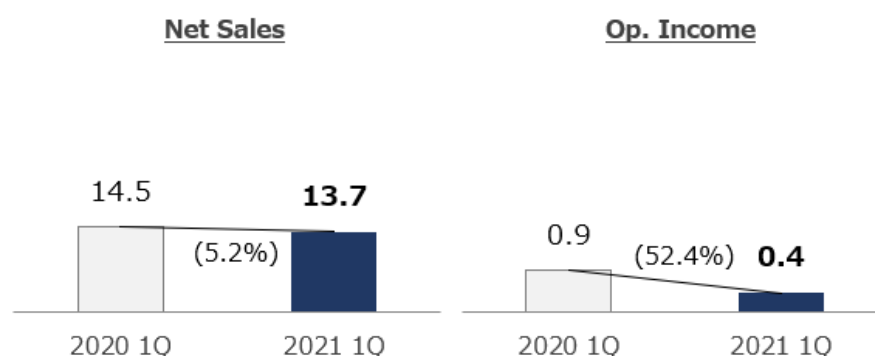


- (1) In the methacrylate business, sales for sign applications were weak despite an increase in sales of spatter-blocking barrier panels and displays.
- (2) In the medical business, the dental materials business saw brisk sales, mainly in Europe and the United States.
- (3) In the environmental solutions business, shipments decreased, especially for industrial applications.

### Fibers and Textiles

Sales in this segment fell 5.2% year on year to ¥13,721 million while segment income decreased 52.4% year on year to ¥435 million.

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



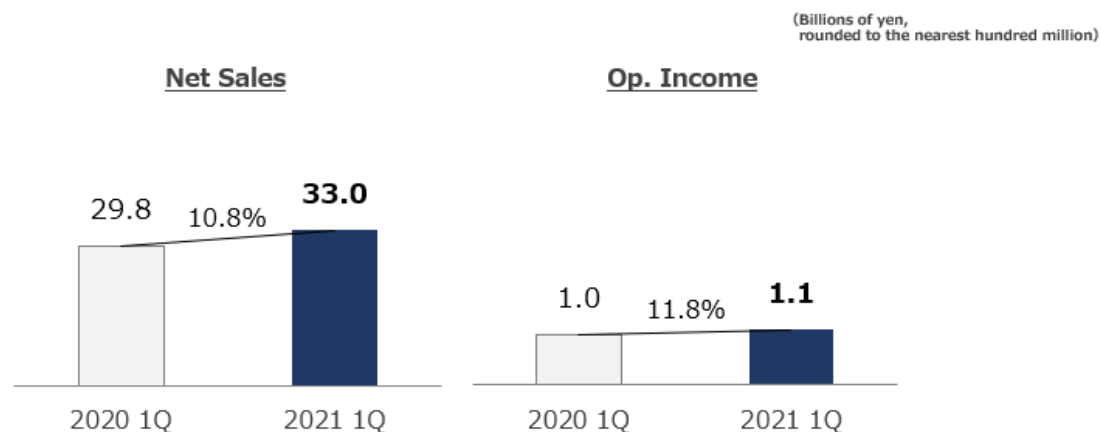
- (1) Sales of CLARINO™ man-made leather remained stable amid signs of a recovery in demand, especially for shoe applications in Asia and luxury good applications in Europe.
- (2) In fibers and industrial materials, sales of KURALON™ were lower than the previous year despite a recovery in demand, which had fallen in the second half of the previous year.
- (3) In consumer goods and materials, the sales volume of KURAFLEX™ decreased as



demand for counter cloths for the restaurant industry remained weak despite an increase in sales volume for mask-related applications.

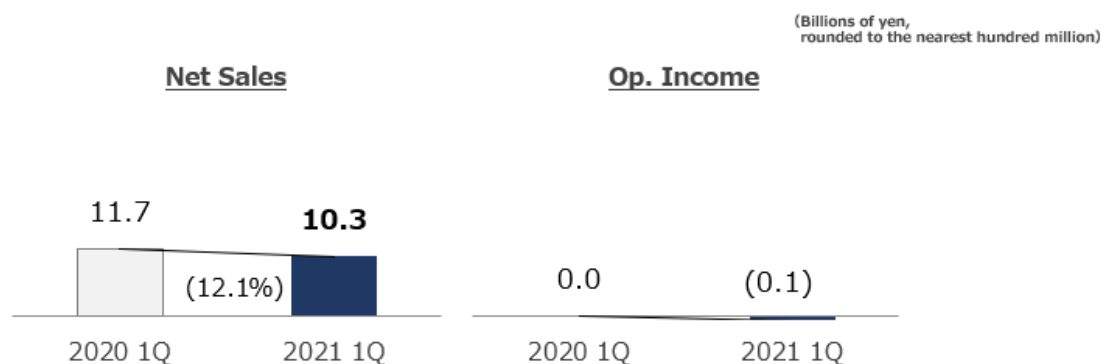
### Trading

In fiber-related businesses, sales stagnated, especially for sports clothing. Sales of resins and chemicals remained favorable due to an increase in demand in Japan and Asia, including China. As a result, segment sales increased 10.8% year on year to ¥32,972 million, and segment income rose 11.8% to ¥1,074 million.



### Others

In other business, due to weak sales of domestic affiliates, segment sales declined 12.1% year on year to ¥10,251 million, and segment loss was 136 million (compared to segment income of 43 million in the first quarter of the previous fiscal year).



### (2) Overview of Financial Position

Total assets decreased ¥2,877 million from the end of the previous fiscal year to ¥1,048,707 million mainly because of a ¥30,184 million decrease in cash and cash deposits and a ¥5,794 million decrease in short-term investment securities, despite a ¥6,845 million increase in construction in progress, a ¥5,067 million increase in notes and accounts receivable-trade, a ¥4,615 million increase in inventories, a ¥4,608 million increase in machinery, equipment and vehicles, a ¥3,314 million in other current assets accompanying mainly an increase in other accounts receivable, and a ¥2,410 million increase in goodwill due to the effects of foreign exchange rates. Total liabilities decreased ¥25,709 million to ¥510,394 million due to factors that included the redemption of commercial paper totaling ¥20,000 million and a ¥11,684 million decrease in other current liabilities accompanying mainly a decrease in other

accounts payable, despite a ¥3,626 million increase in notes and accounts payable–trade.

Net assets rose ¥22,831 million to ¥538,312 million. Equity attributable to owners of the parent amounted to ¥520,151 million, for an equity ratio of 49.6%.

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

In the consolidated first quarter, shipments in many of Kuraray’s businesses increased due to growth in demand, including for mainstay applications for automobiles, displays, and electronic and electric devices. We assume that demand will remain firm in the second quarter as well. Based on these circumstances, the forecast of consolidated operating results for the second quarter of fiscal 2021 (January 1, 2021 to June 30, 2021) is as shown below.

The revised cumulative consolidated operating results forecast for the second quarter of the fiscal year ending December 31, 2021 (January 1, 2021 to June 30, 2021) is as follows.

Furthermore, although we recorded an extraordinary loss in the consolidated first quarter related to the litigation over the fire at the U.S. subsidiary, the litigation is still ongoing.

	(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)	280,000	25,000	22,500	13,500	39.25
Revised Forecast (B)	290,000	30,000	29,000	13,500	39.25
Amount Adjusted (B – A)	10,000	5,000	6,500	-	
Percent Adjusted	3.6%	20.0%	28.9%	-	

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	March 31, 2021
<b>ASSETS</b>		
Current Assets		
Cash and cash deposits	184,319	154,135
Notes and accounts receivable–trade	117,172	122,239
Short-term investment securities	7,924	2,130
Merchandise and finished goods	86,555	89,469
Work in process	14,105	15,527
Raw materials and supplies	31,968	32,247
Other	19,596	22,910
Allowance for doubtful accounts	(439)	(467)
Total current assets	461,202	438,193
Noncurrent Assets		
Tangible fixed assets		
Buildings and structures, net	84,604	85,570
Machinery, equipment and vehicles, net	200,152	204,760
Land	22,204	22,517
Construction in progress	97,451	104,296
Other, net	24,978	25,038
Total tangible fixed assets	429,391	442,182
Intangible fixed assets		
Goodwill	51,105	53,515
Customer-related assets	28,800	30,106
Other	31,143	32,479
Total intangible fixed assets	111,049	116,102
Investments and other assets		
Investment securities	25,477	27,251
Long-term loans receivable	140	143
Net defined benefit assets	2,097	2,221
Deferred tax assets	14,652	14,636
Others	7,597	7,998
Allowance for doubtful accounts	(24)	(24)
Total investments and other assets	49,941	52,228
Total noncurrent assets	590,382	610,513
Total Assets	1,051,584	1,048,707

(Millions of yen)

	December 31, 2020	March 31, 2021
<b>LIABILITIES</b>		
Current Liabilities		
Notes and accounts payable–trade	36,161	39,788
Short-term loans payable	34,509	34,523
Commercial paper	20,000	—
Current portion of bonds payable	20,000	20,000
Accrued expenses	17,956	17,871
Income taxes payable	6,621	5,881
Provision for bonuses	6,745	8,458
Other provision	202	156
Other	52,856	41,172
Total current liabilities	195,053	167,852
Noncurrent Liabilities		
Bonds payable	60,000	60,000
Long-term loans payable	206,881	209,137
Deferred tax liabilities	11,218	11,522
Provision for directors' retirement benefits	375	388
Provision for environmental measures	3,364	998
Net defined benefit liabilities	25,449	26,585
Asset retirement obligations	4,383	4,467
Other	29,376	29,440
Total noncurrent liabilities	341,050	342,541
Total Liabilities	536,103	510,394
<b>NET ASSETS</b>		
Shareholders' Equity		
Capital stock	88,955	88,955
Capital surplus	87,178	87,176
Retained earnings	336,050	334,798
Treasury stock	(16,006)	(15,976)
Total shareholders' equity	496,177	494,953
Accumulated Other Comprehensive Income		
Valuation difference on available-for-sale securities	6,847	8,031
Deferred gain or losses on hedges	(376)	(166)
Foreign currency translation adjustments	1,470	22,728
Remeasurements of defined benefit plans	(5,321)	(5,396)
Total accumulated other comprehensive income	2,620	25,197
Subscription Rights to Shares	328	414
Noncontrolling Interests	16,354	17,746
Total Net Assets	515,481	538,312
Total Liabilities and Net Assets	1,051,584	1,048,707

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

(Millions of yen)

	Fiscal 2020 1Q (January 1, 2020 – March 31, 2020)	Fiscal 2021 1Q (January 1, 2021 – March 31, 2021)
Net sales	136,927	144,398
Cost of sales	94,229	96,998
Gross profit	42,697	47,399
Selling, general and administrative expenses		
Selling expenses	7,824	8,570
General and administrative expenses	22,901	22,042
Total selling, general and administrative expenses	30,725	30,613
Operating income	11,971	16,786
Non-operating income		
Interest income	71	34
Dividend income	73	44
Equity in earnings of affiliates	42	75
Foreign exchange gain	41	139
Gain on extinguishment of debts	163	—
Other	269	392
Total non-operating income	661	686
Non-operating expenses		
Interest expenses	315	382
Other	1,012	822
Total non-operating expenses	1,327	1,204
Ordinary income	11,306	16,268
Extraordinary income		
Subsidy income	—	510
Gain on sale of investment securities	—	154
Insurance income	334	—
Total extraordinary income	334	665
Extraordinary loss		
Loss on litigation	145	3,054
Disaster loss	—	3,016
Loss on disposal of tangible fixed assets	438	838
Loss on tax purpose reduction entry of non-current assets	—	423
Costs related to the suspension of operations	489	—
Total extraordinary loss	1,073	7,333
Income before income taxes and noncontrolling interests	10,567	9,600
Income taxes—current	5,610	4,739
Income taxes—deferred	(2,062)	(789)
Total income taxes	3,547	3,950
Net income	7,019	5,649

Net income attributable to noncontrolling interests	314	366
Net income attributable to owners of the parent	6,705	5,282

## Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal 2020 1Q (January 1, 2020 – March 31, 2020)	Fiscal 2021 1Q (January 1, 2021 – March 31, 2021)
Net income	7,019	5,649
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,863)	1,185
Deferred gains or losses on hedges	464	333
Foreign currency translation adjustment	(7,160)	21,454
Remeasurements of defined benefit plans	335	(74)
Total other comprehensive income	(9,224)	22,898
Quarterly comprehensive income	(2,205)	28,547
Comprehensive income attributable to:		
Owners of the parent	(2,331)	27,859
Noncontrolling interests	126	688

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

#### Notes regarding Going Concern Assumptions

None

#### Material Changes in Shareholders' Equity

None

#### Segment Information, etc.

##### ● Segment Information

I. First Quarter of Fiscal 2020 (January 1, 2020 to March 31, 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	54,212	7,293	26,141	11,177	29,084	127,910	9,017	136,927	—	136,927
(2) Intersegment sales and transfers	9,653	5,869	4,624	3,290	687	24,124	2,644	26,769	(26,769)	—
Total	63,866	13,162	30,766	14,467	29,771	152,034	11,661	163,696	(26,769)	136,927
Segment income (loss)	8,387	3,140	1,268	916	961	14,673	43	14,717	(2,745)	11,971

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 ¥2,745 million is the elimination of intersegment transactions of ¥574 million and corporate expenses of ¥3,319 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. First Quarter of Fiscal 2021 (January 1, 2021 to March 31, 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	60,523	7,916	25,462	10,185	32,448	136,536	7,861	144,398	—	144,398
(2) Intersegment sales and transfers	11,652	6,977	4,832	3,536	523	27,522	2,389	29,912	(29,912)	—
Total	72,175	14,894	30,294	13,721	32,972	164,059	10,251	174,310	(29,912)	144,398
Segment income (loss)	13,415	3,046	1,061	435	1,074	19,033	(136)	18,897	(2,110)	16,786

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 ¥2,110 million is the elimination of intersegment transactions of ¥492 million and corporate expenses of ¥2,602 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.