

**Business Results for the Fiscal Year Ended
December 31, 2023 (Unaudited)**

February 8, 2024

KURARAY CO., LTD.

February 8, 2024
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Consolidated Earnings Report for the Fiscal Year Ended 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:
Title: Representative Director and President
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Preparation of supplementary documentation for the earnings report: Yes
Holding of earnings results briefing: Yes (for securities analysts and institutional investors)

(Millions of yen rounded down unless otherwise stated)

1. Consolidated Financial Results for the Fiscal Year Ended December 31, 2023 (January 1, 2023 to December 31, 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 previous fiscal year.)

(Millions of yen)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of the Parent	
Fiscal 2023	780,938	3.2 (%)	75,475	(13.4) (%)	69,025	(17.9) (%)	42,446	(21.8) (%)
Fiscal 2022	756,376	—	87,139	—	84,060	—	54,307	—

Note: Comprehensive income: For fiscal 2023: ¥ 84,134 million (-25.8%)
For fiscal 2022: ¥113,371 million (—%)

	Net Income per Share (Yen)	Fully Diluted Net Income per Share (Yen)	Return on Equity (%)	Return on Total Assets (%)	Operating Income/Net Sales (%)
Fiscal 2023	126.80	126.71	6.2	5.6	9.7
Fiscal 2022	161.13	161.00	9.0	7.3	11.5

[Reference] Equity in earnings of affiliate: For fiscal 2023: ¥200 million
For fiscal 2022: ¥271 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 fiscal 2022 onward reflect the application of the newly applied accounting standard. Therefore, the rate of change from fiscal 2021 is not shown.

(2) Consolidated Financial Position

(Millions of yen)

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (Yen)
Fiscal 2023	1,254,485	736,156	56.9	2,133.75
Fiscal 2022	1,221,533	668,534	52.9	1,932.37

[Reference] Equity attributable to owners of the parent: For fiscal 2023: ¥714,285 million
For fiscal 2022: ¥646,750 million

(3) Consolidated Cash Flows

(Millions of yen)

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at End of Period
Fiscal 2023	129,298	(63,151)	(64,959)	133,663
Fiscal 2022	51,727	(68,624)	(12,053)	127,616

2. Dividends

(Yen)

Record Date	Cash Dividends per Share					Total Dividends Paid (full year) (¥ million)	Payout Ratio (consolidated) (%)	Dividends/Net Assets (consolidated) (%)
	Mar. 31	Jun. 30	Sep. 30	Dec. 31	Annual			
Fiscal 2022	—	21.00	—	23.00	44.00	14,726	27.3	2.5
Fiscal 2023	—	25.00	—	25.00	50.00	16,737	39.4	2.5
Fiscal 2024 (Forecast)	—	25.00	—	25.00	50.00		35.6	

3. Forecasts of Consolidated Financial Results for the Fiscal Year Ending December 31, 2024 (January 1, 2024 to December 31, 2024)

(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)
		(%)		(%)		(%)		(%)	
Interim Period	400,000	5.0	40,000	(2.4)	37,000	(4.0)	23,000	5.3	68.71
Full Fiscal Year	830,000	6.3	83,000	10.0	77,000	11.6	47,000	10.7	140.40

[Reference]

- (1) Changes in Important Subsidiaries during the Period (Changes in Special Subsidiaries Involving Changes in the Scope of Consolidation)
No
- (2) Changes in Accounting Principles, Procedures and Presentation Methods in Connection with the Preparation of 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
- (3) 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 December 31, 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 December 31, 2023	20,107,257 shares
As of December 31, 2022	20,171,061 shares
 3. Average number of shares for the period (cumulative):

As of December 31, 2023	334,741,276 shares
As of December 31, 2022	337,050,748 shares

[Reference]

Summary of Unconsolidated Results

1. Unconsolidated Results for Fiscal 2023 (January 1, 2023 – December 31, 2023)

(Percentages displayed for net sales, operating income, ordinary income and net income are comparisons with the previous fiscal year.)

(1) Unconsolidated Operating Results

(Millions of yen)

	Net Sales		Operating Income		Ordinary Income		Net Income	
		(Change)		(Change)		(Change)		(Change)
Fiscal 2023	253,693	(0.1)	7,708	(78.2)	12,022	(69.3)	8,461	(69.8)
Fiscal 2022	253,982	—	35,328	—	39,151	—	28,026	—

	Net Income per Share (Yen)	Fully Diluted Net Income per Share (Yen)
Fiscal 2023	25.28	25.26
Fiscal 2022	83.15	83.09

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 fiscal 2022 onward reflect the application of the newly applied accounting standard. Therefore, the rate of change from fiscal 2021 is not shown.

(2) Unconsolidated Financial Position

(Millions of yen)

	Total Assets	Net Assets	Shareholders' Equity Ratio (%)	Net Assets per Share (Yen)
Fiscal 2023	1,033,558	398,812	38.6	1,190.33
Fiscal 2022	1,010,196	405,322	40.1	1,210.01

[Reference] Shareholders' equity: For fiscal 2023: ¥398,471 million For fiscal 2022: ¥404,981 million

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 (4) Outlook for Fiscal 2024" on page 8 of the Attachment for the assumptions used.

Access to Documents and Other Materials Relating to the Year-End Results Briefing to Be Held on February 8, 2024

Supplementary results presentation materials will be disclosed on TDnet and posted on the Company's website on the day results are announced.

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1. Qualitative Information regarding Business Results

(1) Overview of Consolidated Business Results

In the fiscal year ended December 31, 2023 (“fiscal 2023”), the trend toward deceleration in the world economy strengthened in the latter half of the year 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 geopolitical tensions in various places around the world.

Amid these circumstances, consolidated operating results for fiscal 2023, are as follows: net sales increased ¥24,562 million (3.2%) year on year to ¥780,938 million; operating income decreased ¥11,663 million (13.4%) year on year to ¥75,475 million; ordinary income decreased ¥15,035 million (17.9%) year on year to ¥69,025 million; and net income attributable to owners of the parent decreased ¥11,861 million (21.8%) year on year to ¥42,446 million.

The Group works to tackle the three challenges outlined in the medium-term management plan “PASSION 2026,” which was launched in fiscal 2022: 1) Sustainability as an opportunity, 2) Innovations starting from networking, and 3) Transformation of people and organization. Through these efforts, the Group aims to achieve sustainable growth by contributing to customers, society, and the world.

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 fiscal 2023, we recorded an extraordinary loss of ¥7,806 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.

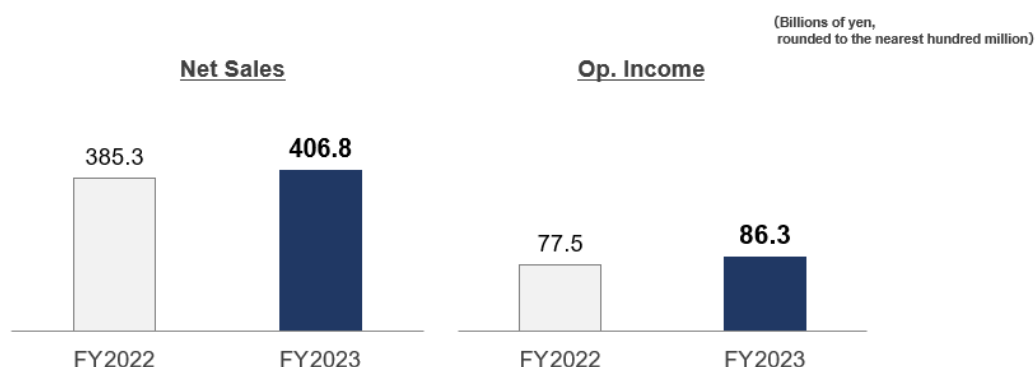
(Millions of yen)

	FY2022		FY2023		Change	
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income
Vinyl Acetate	385,345	77,547	406,771	86,344	21,426	8,796
Isoprene	65,635	4,270	65,683	(10,871)	47	(15,141)
Functional Materials	174,059	8,574	189,794	10,323	15,734	1,748
Fibers and Textiles	66,859	6,736	61,858	1,827	(5,001)	(4,909)
Trading	58,844	5,121	61,588	5,183	2,743	62
Others	52,051	2,679	45,672	506	(6,378)	(2,173)
Elimination & Corporate	(46,420)	(17,792)	(50,430)	(17,839)	(4,010)	(46)
Total	756,376	87,139	780,938	75,475	24,562	(11,663)

Results by Business Segment

Vinyl Acetate

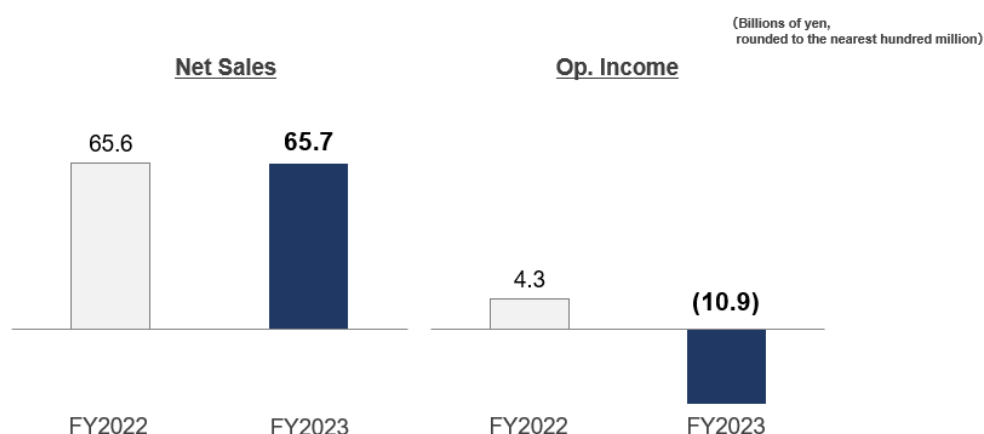
Sales in this segment were ¥406,771 million (up 5.6% year on year), and segment income was ¥86,344 million (up 11.3% year on year).



- (1) We further promoted a shift to high value-added products for PVOH resin. However, sales volume declined due to receding demand, especially in Europe and the United States. Shipments of optical-use poval film recovered in stages 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, mainly in Europe, demand for automotive applications remained firm. Shipments of water-soluble PVOH film showed signs of recovery in the latter half of the year despite continued 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 in part to a temporary drop in demand for food packaging applications in the latter half of the year.

Isoprene

Sales in this segment were ¥65,683 million (up 0.1% year on year), and segment loss was ¥10,871 million (compared with segment income of ¥4,270 million in the previous fiscal year). In addition, a new plant in Thailand began operations in stages from February.

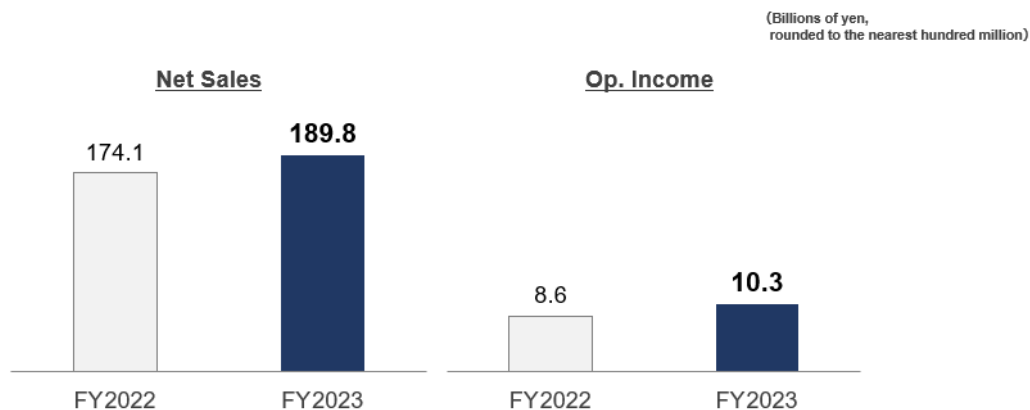


- (1) Results for isoprene chemicals and elastomer were affected by intensifying competition in addition to stagnant demand.
- (2) Regarding GENESTAR™ heat-resistant polyamide resin, although demand for automotive applications were on a recovery track, there was a delay in recovery for demand for electric and

electronic device applications.

Functional Materials

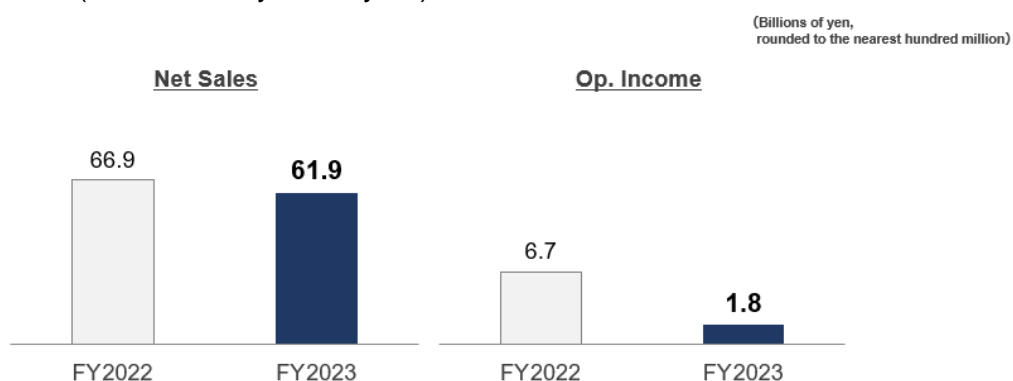
Sales in this segment were ¥189,794 million (up 9.0% year on year), and segment income was ¥10,323 million (up 20.4% year on year).



- (1) In the methacrylate business, results were affected by higher raw material and fuel prices in addition to a delay in demand recovery for electric and electronic devices.
- (2) In the medical business, sales of cosmetic dental materials, mainly in Europe and the United States, remained brisk.
- (3) In the environmental solutions business, despite the effects of economic deceleration in Europe, demand increased for drinking water and other applications in North America, and sales of activated carbon remained steady.

Fibers and Textiles

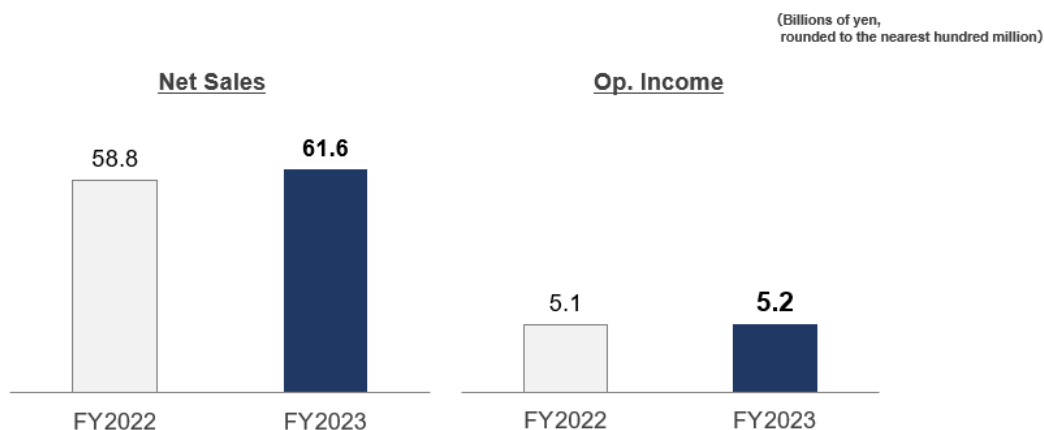
Sales in this segment were ¥61,858 million (down 7.5% year on year), and segment income was ¥1,827 million (down 72.9% year on year).



- (1) Shipments of CLARINO™ man-made leather decreased due to the effects of lower demand for luxury applications despite a continued recovery in automotive and sports applications.
- (2) In fibers and industrial materials, sales of KURALON™ were weak in Europe, but we saw signs of recovery for automotive applications in the United States and other countries. In addition, sales of VECTRAN™ remained stable, especially with regard to exports.
- (3) In consumer goods and materials, demand for KURAFLEX™ in the restaurant industry was weak.

Trading

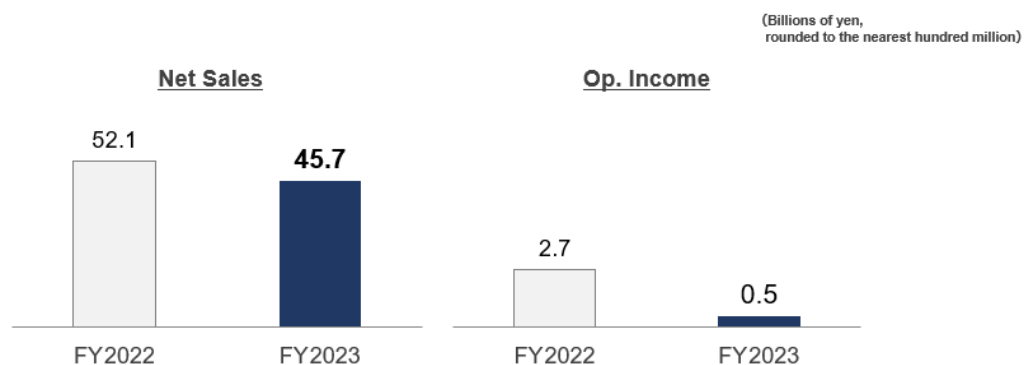
Sales in this segment were ¥61,588 million (up 4.7% year on year), and segment income was ¥5,183 million (up 1.2% year on year).



- (1) In fiber-related businesses, the materials business struggled, but sales of sportswear applications remained brisk.
- (2) Sales of resins and chemicals in Asia expanded in the latter half of the fiscal year.

Others

In Others, net sales were ¥45,672 million (down 12.3% year on year), and operating income was ¥506 million (down 81.1% year on year).



(2) Overview of Financial Position

Total assets increased ¥32,952 million from the end of the previous fiscal year to ¥1,254,485 million due to factors that include a ¥14,415 million increase in property, plant and equipment and a ¥7,420 million rise in cash and deposits. Total liabilities decreased ¥34,669 million to ¥518,329 million due to factors that included a ¥42,380 million decrease in interest-bearing debt.

Net assets rose ¥67,621 million to ¥736,156 million due in part to an increase in foreign currency translation adjustment and retained earnings. Equity attributable to owners of the parent amounted to ¥714,285 million, for an equity ratio of 56.9%.

(3) Overview of Cash Flows

Cash Flows from Operating Activities:

Net cash provided by operating activities totaled ¥129,298 million. Cash provided included ¥61,273 million from income before income taxes and noncontrolling interests. Cash used included ¥77,163 million in depreciation and amortization, ¥23,180 million in income taxes paid, and ¥12,842 million in loss on litigation.

Cash Flows from Investing Activities:

Net cash used in investing activities totaled ¥63,151 million. Contributing factors included ¥59,027 million used for the purchase of tangible fixed assets and intangible fixed assets.

Cash Flows from Financing Activities:

Net cash used in financing activities was ¥64,959 million. Contributing factors included a ¥45,388 million decrease in interest-bearing debt and cash dividends paid totaling ¥16,066 million.

The above factors along with the effect of exchange rate changes on cash and cash equivalents resulted in a ¥6,046 million increase in cash and cash equivalents at the end of the fiscal year to ¥133,663 million.

(Millions of yen)

	Fiscal Year Ended December 31, 2022	Fiscal Year Ended December 31, 2023
Net cash provided by operating activities	51,727	129,298
Net cash used in investing activities	(68,624)	(63,151)
Net cash used in financing activities	(12,053)	(64,959)
Effect of exchange rate changes on cash and cash equivalents	4,943	4,858
Net increase in cash and cash equivalents	(24,006)	6,046
Cash and cash equivalents, beginning of the period	151,487	127,616
Increase in cash and cash equivalents from newly consolidated subsidiaries	136	-
Cash and cash equivalents, end of the period	127,616	133,663

[Reference] Cash Flow Indicators for the Kuraray Group

	Fiscal Year Ended December 31, 2019	Fiscal Year Ended December 31, 2020	Fiscal Year Ended December 31, 2021	Fiscal Year Ended December 31, 2022	Fiscal Year Ended December 31, 2023
Equity ratio (%)	53.0	47.4	51.3	52.9	56.9
Equity ratio (%; market basis)	46.2	35.9	31.5	29.0	38.0
Ratio of cash flow to interest-bearing liabilities (%)	2.5	4.3	3.9	6.3	2.2
Interest coverage ratio (times)	68.5	57.0	50.9	43.6	57.3

Notes:

Equity ratio: Total net assets excluding both subscription rights to shares and noncontrolling interests/total liabilities and net assets

Equity ratio (market basis): Total market value of shares issued and outstanding/total net assets

Ratio of cash flow to interest-bearing liabilities: Interest-bearing liabilities/net cash provided by (used in) operating activities

Interest coverage ratio: Net cash provided by (used in) operating activities/interest expenses

1. All indicators are calculated using the consolidated financial statements.

2. The total market value of shares issued and outstanding was calculated by multiplying the closing price at the end of the fiscal year by the total number of shares issued and outstanding (after subtracting treasury stock) at the end of the fiscal year.

3. The calculations use net cash provided by (used in) operating activities as reported in the consolidated statements of cash flows.

4. Interest-bearing liabilities are all liabilities reported in the consolidated balance sheets that require the payment of interest.

(4) Outlook for Fiscal 2024

The outlook for the economic environment over the next year is expected to gradually head toward a recovery in the latter half of the year due to efforts to revise financial policies amid easing inflation pressure despite ongoing uncertainty, such as geopolitical risks in various places around the world and economic stagnation in China.

Amid this situation, the Group will continue to promote measures in line with its medium-term management plan "PASSION 2026." In addition to an isoprene base in Thailand, we will swiftly begin stable operations of new activated carbon manufacturing equipment in the United States, optical-use poval film productions facilities, and the new water soluble PVOH film plant in Poland, and connect these operations to profit expansion.

Based on these circumstances, the outlook for fiscal 2024 is as follows.

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

	Fiscal 2023	Forecast for Fiscal 2024	Change (Adjusted)
Net sales	780.9	830.0	6.3%
Operating income	75.5	83.0	10.0%
Ordinary income	69.0	77.0	11.6%
Net income attributable to owners of the parent	42.4	47.0	10.7%

For the forecast of operating results for fiscal 2024, we assume average exchange rates of ¥145 to the U.S. dollar and ¥160 to the euro, as well as a domestic naphtha price of ¥75,000 per kiloliter.

[Reference] Forecast of Results by Segment for Fiscal 2024

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

	Net Sales		Operating Income	
	Fiscal 2023	Forecast for Fiscal 2024	Fiscal 2023	Forecast for Fiscal 2024
Vinyl Acetate	406.8	416.0	86.3	84.0
Isoprene	65.7	76.0	(10.9)	(9.0)
Functional Materials	189.8	210.0	10.3	13.5
Fibers and Textiles	61.9	72.0	1.8	4.0
Trading	61.6	66.0	5.2	5.5
Others	45.7	43.0	0.5	2.0
Elimination & Corporate	(50.4)	(53.0)	(17.8)	(17.0)
Total	780.9	830.0	75.5	83.0

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

(5) Basic Policies Related to Profit Distribution and Dividends in Fiscal 2023 and 2024

The Company positions the distribution of profits to all shareholders as a priority management issue. During the period of the medium-term management plan “PASSION 2026” (FY2022–FY2026), our basic policy is to ensure a total return ratio of at least 35% as a proportion of net income attributable to owners of the parent, and an annual dividend of at least ¥40 per share.

For fiscal 2023, we plan to pay out an annual dividend of ¥50 per share comprising an interim dividend of ¥25 and a year-end dividend of ¥25.

For fiscal 2024, we plan to pay out an annual dividend of ¥50 per share comprising an interim dividend of ¥25 and a year-end dividend of ¥25, premised on net income attributable to owners of the parent ¥47.0 billion.

2. Management Policies

(1) Fundamental Management Policies

Kuraray’s mission in its corporate statement is: “For people and the planet—to achieve what no one else can.” Based on this, the Company aims to be a “Specialty Chemical Company contributing to customers, society and the planet and growing sustainably by incorporating new innovation platforms into its own technologies.” This is the Kuraray Vision 2026 long-term vision, which we aim to realize by 2026, the centennial of the Company’s founding.

(2) Management Indicator Targets, Medium- to Long-Term Strategies and Issues to Be Addressed

In the five-year medium-term management plan “PASSION 2026,” which began from fiscal 2022, the Group set the three challenges to tackle listed below to realize its long-term Kuraray Vision 2026.

1) Sustainability as an opportunity

Take sustainability as an opportunity and promote it with the collective strength of the whole group

2) Innovations starting from networking

Create a growth driver by connecting people with people, and technologies with technologies, both outside and within the Company

3) Transformation of people and organization

Transform people and organization via the digital-driven process innovation and the promotion of diversity which will, in turn, help us bring to bear a broad range of ideas

In fiscal 2024, which is the third year of “PASSION 2026,” we will swiftly begin stable operations at the new activated carbon manufacturing facility in the United States, optical-use poval film production facilities, and water-soluble PVOH film production base in Poland in addition to the isoprene base in Thailand. We will also hold deeper discussions about further upgrading our business portfolio. The Group will continue taking on such challenges as a sustainably growing specialty chemical company looking toward the centennial in 2026.

In addition, since its founding, the Group has conducted management that contributes to sustainable development by aiming to improve natural and living environments through business activities.

We consider sustainability a key management strategy. We select material issues to prioritize for the sustainable development of the Company and society at the management level and work to solve these

issues as a unified company.

Under the medium-term management plan “PASSION 2026,” the Group has put together and is implementing a medium-term sustainability plan comprising measures related to sustainability.

We have announced our support of the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) and are diligently working on the four items suggested: governance, strategy, risk management, and indicators and targets. The Group proactively promotes sustainability and will continue contributing to the natural environment and the enriched lives of people everywhere through its highly unique technologies and products. Details of the Group’s sustainability-related initiatives and disclosures based on the TCFD framework are uploaded on the Company’s official website.

Kuraray Report (Integrated report) https://www.kuraray.com/csr/report_backnumber

Sustainability Website <https://www.kuraray.com/csr>

Sustainability Medium-term Plan <https://www.kuraray.com/csr/report2023/4p-model>

In addition, there was a fire that resulted in injuries of outside contract workers at a U.S. subsidiary in May 2018, and multiple civil lawsuits were filed seeking damages. In April 2023, all of the lawsuits that had been active were resolved and the litigation came to a close. A large number of outside contract workers were injured in this accident and resolution took around five years, with the final settlement coming to about ¥80.0 billion. In light of the resolution of this litigation, Kuraray established the Accident Investigation Committee, centered on external officers (independent officers), conducted an investigation, and announced a summary of the results in December 2023 in a release entitled, “U.S. EVAL Plant Fire Incident Investigation Results.” Based on these results, we steadily implement measures to ensure a similar accident never occurs. In addition, by rolling out the results of the investigation into this accident across the Group, we aim to further strengthen the entire Group’s safety and risk management systems.

3. Basic Approach to Selection of Accounting Standards

The Kuraray Group applies Japanese generally accepted accounting principles (“GAAP”). The Kuraray Group is considering the adoption of International Financial Reporting Standards (“IFRS”) and other matters while taking into account various circumstances in Japan and overseas.

4. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	December 31, 2022	December 31, 2023
ASSETS		
Current Assets		
Cash and deposits	123,724	131,144
Notes and accounts receivable–trade, and contract assets	157,016	161,904
Securities	4,852	3,478
Merchandise and finished goods	145,851	146,924
Work in process	19,078	17,502
Raw materials and supplies	60,104	63,601
Other	23,815	28,040
Allowance for doubtful accounts	(510)	(869)
Total current assets	533,933	551,727
Non-current Assets		
Property, plant and equipment		
Buildings and structures, net	94,745	110,214
Machinery, equipment and vehicles, net	219,200	270,408
Land	23,264	22,618
Construction in progress	137,424	80,344
Other, net	37,926	43,390
Total property, plant, and equipment	512,562	526,977
Intangible assets		
Goodwill	56,058	55,386
Customer-related assets	30,432	29,149
Other	34,993	35,965
Total intangible assets	121,484	120,501
Investments and other assets		
Investment securities	23,194	23,966
Long-term loans receivable	97	140
Retirement benefit asset	2,104	3,227
Deferred tax assets	16,718	16,530
Other	11,458	11,509
Allowance for doubtful accounts	(20)	(95)
Total investments and other assets	53,553	55,278
Total non-current assets	687,600	702,757
Total Assets	1,221,533	1,254,485

(Millions of yen)

	December 31, 2022	December 31, 2023
LIABILITIES		
Current Liabilities		
Notes and accounts payable–trade	52,717	49,124
Short-term borrowings	34,480	40,014
Commercial paper	10,000	—
Current portion of bonds payable	10,000	—
Current portion of long-term borrowings	30,434	24,698
Accrued expenses	21,075	16,734
Income taxes payable	11,370	11,033
Provision for bonuses	9,132	10,275
Other	42,119	48,690
Total current liabilities	221,330	200,571
Non-current Liabilities		
Bonds payable	60,000	60,000
Long-term borrowings	179,491	157,312
Deferred tax liabilities	17,279	18,754
Retirement benefit liability	25,626	29,487
Asset retirement obligations	5,303	6,338
Other	43,968	45,864
Total non-current liabilities	331,668	317,757
Total Liabilities	552,998	518,329
NET ASSETS		
Shareholders' Equity		
Share capital	88,955	88,955
Capital surplus	87,152	87,146
Retained earnings	399,910	426,290
Treasury shares	(25,735)	(25,654)
Total shareholders' equity	550,282	576,737
Accumulated Other Comprehensive Income		
Valuation difference on available-for-sale securities	5,769	6,856
Deferred gain or losses on hedges	611	(53)
Foreign currency translation adjustment	90,555	131,269
Remeasurements of defined benefit plans	(468)	(524)
Total accumulated other comprehensive income	96,467	137,548
Share Acquisition Rights	341	341
Non-controlling Interests	21,443	21,529
Total Net Assets	668,534	736,156
Total Liabilities and Net Assets	1,221,533	1,254,485

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

Consolidated Statements of Income

(Millions of yen)

	Fiscal 2022 (January 1, 2022 – December 31, 2022)	Fiscal 2023 (January 1, 2023 – December 31, 2023)
Net sales	756,376	780,938
Cost of sales	514,713	540,956
Gross profit	241,663	239,982
Selling, general and administrative expenses		
Selling expenses	46,678	42,137
General and administrative expenses	107,845	122,369
Total selling, general and administrative expenses	154,524	164,506
Operating income	87,139	75,475
Non-operating income		
Interest income	450	1,841
Dividend income	714	779
Share of profit of entities accounted for using equity method	271	200
Other	2,091	930
Total non-operating income	3,527	3,751
Non-operating expenses		
Interest expenses	1,457	2,815
Foreign exchange loss	1,021	2,611
Other	4,127	4,774
Total non-operating expenses	6,606	10,202
Ordinary income	84,060	69,025
Extraordinary income		
Insurance claim income	1,415	2,781
Compensation income	—	1,216
Gain on sale of investment securities	2,614	891
Gain on sale of shares of subsidiaries and associates	—	715
Total extraordinary income	4,030	5,604
Extraordinary losses		
Loss on litigation	1,819	7,806
Impairment loss	1,385	4,390
Loss on disposal of tangible non-current assets	450	1,159
Costs related to the suspension of operations	5,785	—
Loss on disaster	653	—
Total extraordinary losses	10,094	13,356
Income before income taxes and non-controlling interests	77,997	61,273
Income taxes—current	21,232	18,079
Income taxes—deferred	1,155	908
Total income taxes	22,388	18,987
Net income	55,608	42,285
Net income (loss) attributable to non-controlling interests	1,300	(160)
Net income attributable to owners of the parent	54,307	42,446

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal 2022 (January 1, 2022 – December 31, 2022)	Fiscal 2023 (January 1, 2023 – December 31, 2023)
Net income	55,608	42,285
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,504)	1,087
Deferred gains or losses on hedges	645	(676)
Foreign currency translation adjustment	56,638	41,326
Remeasurements of defined benefit plans, net of tax	1,822	(55)
Share of other comprehensive income of entities accounted for using equity method	160	166
Total other comprehensive income	57,762	41,848
Quarterly comprehensive income	113,371	84,134
Comprehensive income attributable to:		
Owners of the parent	110,925	83,527
Non-controlling interests	2,446	606

(3) Consolidated Statements of Changes in Net Assets

Fiscal 2022 (January 1, 2022 – December 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at January 1, 2022	88,955	87,166	359,898	(15,885)	520,134
Cumulative effect of changes in accounting policies			(388)		(388)
Restated balance	88,955	87,166	359,509	(15,885)	519,745
Changes of items during the period					
Cash dividends			(13,908)		(13,908)
Net income attributable to owners of the parent			54,307		54,307
Changes resulting from additions to consolidation			2		2
Purchase of treasury stock				(10,002)	(10,002)
Disposal of treasury stock		(14)		152	138
Balance at December 31, 2022					
Balance at January 1, 2022	—	(14)	40,401	(9,849)	30,537
Cumulative effect of changes in accounting policies	88,955	87,152	399,910	(25,735)	550,282

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurement of defined benefit plans	Total accumulated other comprehensive income			
Balance at January 1, 2022	7,273	219	34,648	(2,291)	39,850	414	19,203	579,602
Cumulative effect of changes in accounting policies								(388)
Restated balance	7,273	219	34,648	(2,291)	39,850	414	19,203	579,213
Changes of items during the period								
Cash dividends								(13,908)
Net income attributable to owners of the parent								54,307
Changes resulting from additions to consolidation								2
Purchase of treasury stock								(10,002)
Disposal of treasury stock								138
Net changes of items other than shareholders' equity	(1,504)	392	55,906	1,822	56,617	(73)	2,240	58,783
Total changes of items during the period	(1,504)	392	55,906	1,822	56,617	(73)	2,240	89,321
Balance at December 31, 2022	5,769	611	90,555	(468)	96,467	341	21,443	668,534

Fiscal 2023 (January 1, 2023 – December 31, 2023)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at January 1, 2023	88,955	87,152	399,910	(25,735)	550,282
Changes of items during the period					
Cash dividends			(16,066)		(16,066)
Net income attributable to owners of the parent			42,446		42,446
Purchase of treasury stock				(4)	(4)
Disposal of treasury stock		(6)		85	79
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	(6)	26,379	80	26,454
Balance at December 31, 2023	88,955	87,146	426,290	(25,654)	576,737

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurement of defined benefit plans	Total accumulated other comprehensive income			
Balance at January 1, 2023	5,769	611	90,555	(468)	96,467	341	21,443	668,534
Changes of items during the period								
Cash dividends								(16,066)
Net income attributable to owners of the parent								42,446
Purchase of treasury stock								(4)
Disposal of treasury stock								79
Net changes of items other than shareholders' equity	1,087	(664)	40,714	(55)	41,081	-	86	41,167
Total changes of items during the period	1,087	(664)	40,714	(55)	41,081	-	86	67,621
Balance at December 31, 2023	6,856	(53)	131,269	(524)	137,548	341	21,529	736,156

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal 2022 (January 1, 2022 – December 31, 2022)	Fiscal 2023 (January 1, 2023 – December 31, 2023)
Net cash provided by (used in) operating activities		
Income before income taxes and noncontrolling interests	77,997	61,273
Depreciation and amortization	65,456	77,163
Increase (decrease) in allowance for doubtful accounts	9	402
Loss (gain) on sale of investment securities	(2,614)	(891)
Loss on litigation	1,819	7,806
Impairment loss	1,385	4,390
Loss on disposal of tangible fixed assets	450	1,159
Foreign exchange losses (gains)	(2,777)	(3,324)
Interest and dividend income	(1,165)	(2,621)
Interest expenses	1,457	2,815
Decrease (increase) in notes and accounts receivable – trade	(12,500)	2,111
Decrease (increase) in inventories	(54,716)	8,363
Increase (decrease) in notes and accounts payable – trade	691	(5,122)
Increase (decrease) in provision for bonuses	632	825
Increase (decrease) in net defined benefit liabilities	678	1,751
Decrease (increase) in net defined benefit assets	664	(274)
Other, net	(4,771)	9,146
Subtotal	72,696	164,976
Interest and dividends received	1,246	2,602
Interest paid	(1,186)	(2,257)
Income taxes (paid) refund	(19,453)	(23,180)
Payments for loss on litigation	(1,575)	(12,842)
Net cash provided by (used in) operating activities	51,727	129,298
Net cash provided by (used in) investing activities		
Net decrease (increase) in time deposits	3,350	-
Proceeds from sale and redemption of investment securities	3,336	1,907
Purchase of tangible fixed assets and intangible fixed assets	(71,635)	(59,027)
Payments for disposal of tangible fixed assets and intangible fixed assets	(1,022)	(1,524)
Proceeds from sales of tangible fixed assets and intangible fixed assets	613	214
Other, net	(3,266)	(4,720)
Net cash provided by (used in) investing activities	(68,624)	(63,151)

(Millions of yen)

	Fiscal 2022 (January 1, 2022 – December 31, 2022)	Fiscal 2023 (January 1, 2023 – December 31, 2023)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	-	5,413
Net increase (decrease) in commercial paper	10,000	(10,000)
Proceeds from long-term loans payable	49,375	-
Repayment of long-term loans payable	(55,013)	(30,801)
Proceeds from corporate bonds	10,000	-
Payment for redemption of corporate bonds	-	(10,000)
Purchase of treasury stock	(10,002)	(4)
Dividends paid	(13,908)	(16,066)
Proceeds from stock issuance to noncontrolling interests	502	-
Dividends paid to noncontrolling interests	(708)	(520)
Other, net	(2,297)	(2,978)
Net cash provided by (used in) financing activities	(12,053)	(64,959)
Effect of exchange rate changes on cash and cash equivalents	4,943	4,858
Net increase (decrease) in cash and cash equivalents	(24,006)	6,046
Cash and cash equivalents, beginning of the period	151,487	127,616
Increase in cash and cash equivalents from newly consolidated subsidiaries	136	-
Cash and cash equivalents, end of the period	127,616	133,663

(5) Notes regarding Consolidated Financial Statements

Notes regarding Going Concern Assumptions

None

Changes in Presentation Methods

Consolidated Balance Sheets

In the previous fiscal year, “other provisions” was presented as an independent line item under current liabilities but is included in “other” from fiscal 2023 due to diminished financial importance. To reflect this change in presentation method, some items presented in the consolidated financial statements for the previous fiscal year have been restated.

As a result, under current liabilities in the consolidated statements of income for the previous fiscal year, “other provisions” amounting to ¥111 million and “other” amounting to ¥42,008 million have been restated as “other” of ¥42,119 million.

In the previous fiscal year, “provision for directors’ retirement benefits” and “provision for environmental measures” were presented as independent line items under noncurrent liabilities but are included in “other” from fiscal 2023 due to diminished financial importance. To reflect this change in presentation method, some items presented in the consolidated financial statements for the previous fiscal year have been restated.

As a result, under noncurrent liabilities in the consolidated statements of income for the previous fiscal year, “provision for directors’ retirement benefits” amounting to ¥294 million, “provision for environmental measures” amounting to ¥397 million and “other” amounting to ¥43,275 million have been restated as “other” of ¥43,968 million.

Consolidated Statements of Income

In the previous fiscal year, “gain on investments in investment partnerships” was presented as an independent line item under non-operating income but changed to “loss on investments in investment partnerships” under non-operating expenses in fiscal 2023 and is included in “other” from fiscal 2023 due to diminished financial importance. To reflect this change in presentation method, some items presented in the consolidated financial statements for the previous fiscal year have been restated.

As a result, under non-operating income in the consolidated statements of income for the previous fiscal year, “gain on investments in investment partnerships” amounting to ¥382 million and “other” amounting to ¥1,708 million have been restated as “other” of ¥2,091 million.

In the previous fiscal year, “loss on disposal of tangible fixed assets” was presented as an independent line item under non-operating expenses but will be included in “other” from fiscal 2023 due to diminished financial importance. To reflect this change in presentation method, some items presented in the consolidated financial statements for the previous fiscal year have been restated.

As a result, under non-operating expenses in the consolidated statements of income for the previous fiscal year, “loss on disposal of tangible fixed assets” amounting to ¥986 million and “other” amounting to ¥3,140 million have been restated as “other” of ¥4,127 million.

Consolidated Statements of Cash Flows

In the previous fiscal year, “proceeds from sale of treasury stock” was presented as an independent line item under net cash provided by (used in) financing activities but will be included in “other” from fiscal 2023 due to diminished financial importance. To reflect this change in presentation method, some items presented in the consolidated financial statements for the previous fiscal year have been restated.

As a result, under net cash provided by (used in) financing activities in the consolidated statements of cash flows for the previous fiscal year, “proceeds from sale of treasury stock” amounting to ¥0 million and “other” amounting to ¥(2,297) million have been restated as “other” of ¥(2,297) million.

Additional Information

Resolution of Civil Lawsuits Related to the Fire at a U.S. Subsidiary

Regarding the civil lawsuits related to the fire that occurred at a U.S. subsidiary in May 2018, we reached resolutions with all of the plaintiffs in April 2023, except for one for which a motion to dismiss was expected to be granted. Accordingly, we recorded an extraordinary loss of ¥7,806 million as loss on litigation related to the lawsuits, etc., in fiscal 2023's Consolidated Statements of Income. The motion to dismiss the individual's lawsuit was granted in July 2023. The lawsuits have therefore been resolved.

Segment and Other Information

(Segment Information)

1. Segment Overview

The business segments reported by Kuraray are the business units for which the Company is able to obtain respective financial information separately in order for the Board of Directors to conduct periodic investigations to determine the distribution of management resources and evaluate their business results.

Kuraray adopts an in-house company system where each in-house company conducts business activities and establishes its own comprehensive strategy, both for Japan and for overseas markets, for the products it handles. In addition, among Kuraray subsidiaries, Kuraray Trading Co., Ltd. independently conducts propriety planning and sales activities, including the processing and sale of Kuraray Group products as well as other companies' products.

Consequently, Kuraray has created five business segments for reporting – “Vinyl Acetate,” “Isoprene,” “Functional Materials,” “Fibers and Textiles” and “Trading” – categorized by product group based on the respective in-house companies and the Trading segment.

The Vinyl Acetate segment manufactures and markets functional resins and film, including PVOH, PVB and EVAL™. The Isoprene segment manufactures and markets SEPTON™ thermoplastic elastomer, isoprene-related products and GENESTAR™. The Functional Materials segment manufactures and markets methacrylic resin, medical products, carbon materials and others. The Fibers and Textiles segment manufactures and sells synthetic fibers and textiles, CLARINO™ man-made leather, non-woven fabrics and others. The Trading segment mainly processes and sells synthetic fibers and man-made leather, and conducts planning and marketing for other products produced by the Kuraray Group and other companies.

2. Methods for Calculating Reporting Segment Net Sales, Income and Loss, Assets and Other Items

The accounting method applied to reporting segments is the same as that used in creating the consolidated financial statements. Income(loss) from reporting segments is operating income(loss), and intersegment sales and transfers are based on the prevailing market prices.

3. Net Sales, Income and Loss, Net Assets and Other Items by Reporting Segment Fiscal 2022 (January 1, 2022 to December 31, 2022)

(Millions of yen)

	Reporting Segment						Others ¹	Total	Adjustment ^{2,4}	Consolidated Statements of Income ³
	Vinyl Acetate	Isoprene	Functional Materials	Fibers and Textiles	Trading	Total				
Net sales Outside customers	371,214	52,449	170,329	63,102	57,155	714,252	42,124	756,376	—	756,376
Intersegment sales and transfers	14,130	13,186	3,730	3,756	1,689	36,493	9,927	46,420	(46,420)	—
Total	385,345	65,635	174,059	66,859	58,844	750,745	52,051	802,796	(46,420)	756,376
Segment income	77,547	4,270	8,574	6,736	5,121	102,251	2,679	104,931	(17,792)	87,139
Segment assets	487,392	158,821	284,016	82,638	51,058	1,063,926	51,246	1,115,173	106,360	1,221,533
Other items										
Depreciation and amortization (other than goodwill)	35,769	2,768	13,249	4,709	187	56,683	1,111	57,794	3,343	61,138
Impairment loss	1,036	—	291	18	—	1,346	—	1,346	39	1,385
Amortization of goodwill	1,508	—	2,809	—	—	4,318	—	4,318	—	4,318
Balance of goodwill at end of current period	15,272	—	40,786	—	—	56,058	—	56,058	—	56,058
Investments in equity method affiliates	—	—	—	3,298	—	3,298	—	3,298	—	3,298
Increase in tangible fixed assets and intangible fixed assets ⁵	22,303	13,978	24,981	4,879	219	66,362	934	67,297	5,302	72,599

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 ¥17,792 million is the elimination of intersegment transactions of ¥1,887 million and corporate expenses of ¥15,904 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.
4. Adjustment is as follows: Included with segment assets of ¥106,360 million is the elimination of intersegment transactions of ¥47,242 million and unallocated corporate assets of ¥153,602 million. Corporate assets mainly comprise the submitting company’s surplus funds, long-term investments and assets related to basic research and administrative divisions at headquarters.
5. The increase in tangible fixed assets and intangible fixed assets is not included in the increase attributable to the adoption of a new lease accounting standard (ASC 842).

Fiscal 2023 (January 1, 2023 to December 31, 2023)

(Millions of yen)

	Reporting Segment						Others 1,5	Total	Adjustment 2,4	Consolidated Statements of Income ³
	Vinyl Acetate	Isoprene	Functional Materials	Fibers and Textiles	Trading	Total				
Net sales										
Outside customers	391,300	52,970	185,692	57,875	60,281	748,120	32,818	780,938	—	780,938
Inter-segment sales and transfers	15,471	12,712	4,102	3,982	1,307	37,576	12,854	50,430	(50,430)	—
Total	406,771	65,683	189,794	61,858	61,588	785,697	45,672	831,369	(50,430)	780,938
Segment income (loss)	86,344	(10,871)	10,323	1,827	5,183	92,808	506	93,314	(17,839)	75,475
Segment assets	523,793	161,904	296,633	79,994	52,959	1,115,283	33,760	1,149,044	105,440	1,254,485
Other items										
Depreciation and amortization (other than goodwill)	39,469	9,076	14,191	5,073	216	68,028	1,142	69,170	3,284	72,455
Impairment loss	1,369	—	—	—	—	1,369	2,715	4,084	305	4,390
Amortization of goodwill	1,625	—	3,082	—	—	4,708	—	4,708	—	4,708
Balance of goodwill at end of current period	14,816	—	40,570	—	—	55,386	—	55,386	—	55,386
Investments in equity method affiliates	—	—	—	3,531	—	3,531	—	3,531	—	3,531
Increase in tangible fixed assets and intangible fixed assets	32,596	5,351	18,211	5,172	92	61,423	859	62,282	4,999	67,282

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 ¥17,839 million is the elimination of intersegment transactions of ¥250 million and corporate expenses of ¥17,588 million. Corporate expenses mainly comprise the submitting company’s basic research expenses.
3. Segment income(loss) is adjusted to agree with operating income in the consolidated statements of income.
4. Adjustment is as follows: Included with segment assets of ¥105,440 million is the elimination of intersegment transactions of ¥56,605 million and unallocated corporate assets of ¥162,046 million. Corporate assets mainly comprise the submitting company’s surplus funds, long-term investments and assets related to basic research and administrative divisions at headquarters.
5. Impairment loss in “Others” mainly relates to the VECSTAR business.

Related Information

Fiscal 2022 (January 1, 2022 – December 31, 2022)

1. Information by Each Product and Service

(Millions of yen)

	Vinyl Acetate	Isoprene	Functional Materials	Fibers and Textiles	Others	Total
Net sales to outside customers	378,334	64,847	172,838	93,484	46,871	756,376

Notes:

Principal products of each segment are as follows:

Vinyl Acetate: PVOH resin and film, PVB resin and film, EVAL™ resin and others

Isoprene: SEPTON™ thermoplastic elastomer, isoprene chemicals, GENESTAR™ heat-resistant polyamide resin and others

Functional Materials: Methacrylic resin, medical products, carbon materials, aqua business and others

Fibers and Textiles: KURALON™, CLARINO™ man-made leather, KURAFLEX™ non-woven fabrics, MAGICTAPE™ hook and loop fasteners, polyester and others

Others: Engineering business and others

2. Information by Geographical Segment

(1) Net Sales

(Millions of yen)

Japan	United States	China	Europe	Asia	Other Area	Total
178,774	164,673	90,028	193,938	84,974	43,987	756,376

Note: Net sales are classified by country or area based on customer location.

(2) Tangible Fixed Assets

(Millions of yen)

Japan	United States	Thailand	Other Area	Total
187,974	156,214	79,722	88,650	512,562

3. Major Customers

No information is available as there is no single outside customer accounting for 10% or more of the Company's total net sales.

Fiscal 2023 (January 1, 2023 – December 31, 2023)

1. Information by Each Product and Service

(Millions of yen)

	Vinyl Acetate	Isoprene	Functional Materials	Fibers and Textiles	Others	Total
Net sales to outside customers	400,476	65,664	188,620	88,419	37,757	780,938

Notes:

Principal products of each segment are as follows:

Vinyl Acetate: PVOH resin and film, PVB resin and film, EVAL™ resin and others

Isoprene: SEPTON™ thermoplastic elastomer, isoprene chemicals, GENESTAR™ heat-resistant polyamide resin and others

Functional Materials: Methacrylic resin, medical products, carbon materials, aqua business and others

Fibers and Textiles: KURALON™, CLARINO™ man-made leather, KURAFLEX™ non-woven fabrics, MAGICTAPE™ hook and loop fasteners, polyester and others

Others: Engineering business and others

2. Information by Geographical Segment

(1) Net Sales

(Millions of yen)

Japan	United States	China	Europe	Asia	Other Area	Total
166,801	171,333	105,235	204,876	84,232	48,459	780,938

Note: Net sales are classified by country or area based on customer location.

(2) Tangible Fixed Assets

(Millions of yen)

Japan	United States	Thailand	Other Area	Total
188,417	162,401	79,434	96,723	526,977

3. Major Customers

No information is available as there is no single outside customer accounting for 10% or more of the Company's total net sales.

Noncurrent assets and impairment loss by reporting segment

Fiscal 2022 (January 1, 2022 – December 31, 2022)

Omitted because the same information is provided under segment information

Fiscal 2023 (January 1, 2023 – December 31, 2023)

Omitted because the same information is provided under segment information

Amortization of goodwill and unamortized balances by reporting segment

Fiscal 2022 (January 1, 2022 – December 31, 2022)

Omitted because the same information is provided under segment information

Fiscal 2023 (January 1, 2023 – December 31, 2023)

Omitted because the same information is provided under segment information

Negative goodwill by reporting segment

Fiscal 2022 (January 1, 2022 – December 31, 2022)

None

Fiscal 2023 (January 1, 2023 – December 31, 2023)

None

Per Share Information

	Fiscal 2022 (January 1, 2022 – December 31, 2022)	Fiscal 2023 (January 1, 2023 – December 31, 2023)
Net assets per share (yen)	1,932.37	2,133.75
Basic net income per share (yen)	161.13	126.80
Diluted net income per share (yen)	161.00	126.71

Note: The basis for the computation of basic and diluted income per share is as follows:

	Fiscal 2022 (January 1, 2022 – December 31, 2022)	Fiscal 2023 (January 1, 2023 – December 31, 2023)
Basic net income per share		
Net income attributable to owners of the parent (millions of yen)	54,307	42,446
Amount unallocated to common stock (millions of yen)	—	—
Net income attributable to owners of the parent allocated to common stock (millions of yen)	54,307	42,446
Average number of common stock outstanding during the fiscal year (thousand shares)	337,050	334,741
Diluted net income per share		
Adjustment made on net income (millions of yen)	—	—
Increase of common stocks (thousand shares)	266	253
[Subscription rights to shares included in above]	(266)	(253)
Outline of the residual securities not included in the calculation of the diluted net income	—	—

Significant Subsequent Information

None