

**Business Results for the
Interim Period of the Fiscal Year Ending
December 31, 2024 (Unaudited)**

August 9, 2024

KURARAY CO., LTD.

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Consolidated Earnings Report for the Interim Period of the Fiscal Year Ending December 31, 2024

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 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 Interim Period of the Fiscal Year Ending December 31, 2024 (January 1, 2024 to June 30, 2024)

(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 2024 1H	411,217	7.9	45,464	11.0	44,022	14.2	30,446	39.4
Fiscal 2023 1H	380,998	6.4	40,970	7.6	38,538	1.7	21,842	(9.8)

Note: Comprehensive income: For the fiscal 2024 interim period: ¥103,896 million (41.6%)
For the fiscal 2023 interim period: ¥73,371 million (-23.2%)

	Net Income per Share (Yen)	Fully Diluted Net Income per Share (Yen)
Fiscal 2024 1H	91.20	91.14
Fiscal 2023 1H	65.26	65.21

(2) Consolidated Financial Position

(Millions of yen)

	Total Assets	Net Assets	Equity Ratio (%)
As of June 30, 2024	1,327,219	819,436	60.4
As of December 31, 2023	1,254,485	736,156	56.9

[Reference] Equity attributable to owners of the parent:

As of June 30, 2024: ¥801,383 million
As of December 31, 2023: ¥714,285 million

2. Dividends

(Yen)

Record Date	Cash Dividends per Share				
	Mar. 31	Jun. 30	Sep. 30	Dec. 31	Annual
Fiscal 2023	—	25.00	—	25.00	50.00
Fiscal 2024	—	27.00			
Fiscal 2024 (Forecast)			—	27.00	54.00

Note: Revisions to cash dividend forecast during this period: Yes

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 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)
	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(Yen)	
Full Fiscal Year	850,000	8.8	89,000	17.9	84,000	21.7	55,000	29.6	166.42

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

[Reference]

(1) Changes in Important Subsidiaries during the Period

Yes

Included two companies in consolidation: Chemviron Parentis SAS and Foggia Perlite S.r.l.

Excluded two companies from consolidation: Okayama Rinkoh Co., Ltd. and Okayama Rinkoh Warehouse and Transport Co., Ltd.

(2) Adoption of Special Accounting Practices in the Preparation of the Interim Consolidated Financial Statements

No

(3) Changes in Accounting Principles, Procedures and Presentation Methods in Connection with the Preparation of the Interim Consolidated Financial Statements

1. Changes following revision of accounting standards: No

2. Changes besides 1. above: No

3. Changes in accounting estimates: No

4. Restatement: No

(4) Number of Shares Issued and Outstanding (Common Shares)

1. Number of shares issued and outstanding (including treasury stock) as of the period-end:

As of June 30, 2024 354,863,603 shares

As of December 31, 2023 354,863,603 shares

2. Number of treasury shares as of the period-end:

As of June 30, 2024 24,365,792 shares

As of December 31, 2023 20,107,257 shares

3. Average number of shares for the period (cumulative):

As of June 30, 2024 333,850,601 shares

As of June 30, 2023 334,725,385 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.

Index of the Attachment

1. Qualitative Information regarding Business Results	2
(1) Overview of Consolidated Business Results	2
(2) Overview of Financial Position	6
(3) Basis for the Revision in Forecasts, Including Consolidated Operating Results Forecasts	7
(4) Basic Policies Related to Profit Distribution and Dividends in Fiscal 2024	7
2. Interim Consolidated Financial Statements and Notes	8
(1) Interim Consolidated Balance Sheets	8
(2) Interim Consolidated Statements of Income and Interim Consolidated Statements of Comprehensive Income	10
(3) Interim Consolidated Statements of Cash Flows	12
(4) Notes regarding Interim Consolidated Financial Statements	13
Notes regarding Going Concern Assumptions	13
Material Changes in Shareholders' Equity	13
Segment Information, etc.....	13

1. Qualitative Information regarding Business Results

(1) Overview of Consolidated Business Results

In the fiscal 2024 interim period (January 1, 2024–June 30, 2024), the overall world economy showed gradual growth, with the U.S. economy remaining stable despite ongoing economic stagnation in Europe and China. However, the outlook was unclear due in part to the risks posed to global economic activity by geopolitical tensions attributable to conditions in the Middle East and the Russia-Ukraine situation.

Amid these circumstances, we saw our sales volume expand across many businesses and the yen depreciate, leading to consolidated operating results for the fiscal 2024 interim period as follows: net sales increased ¥30,219 million (7.9%) year on year to ¥411,217 million; operating income increased ¥4,493 million (11.0%) year on year to ¥45,464 million; ordinary income increased ¥5,483 million (14.2%) year on year to ¥44,022 million; and net income attributable to owners of the parent increased ¥8,603 million (39.4%) year on year to ¥30,446 million. All of these results—net sales and each type of profit—set new record highs for the interim period.

(Millions of yen)

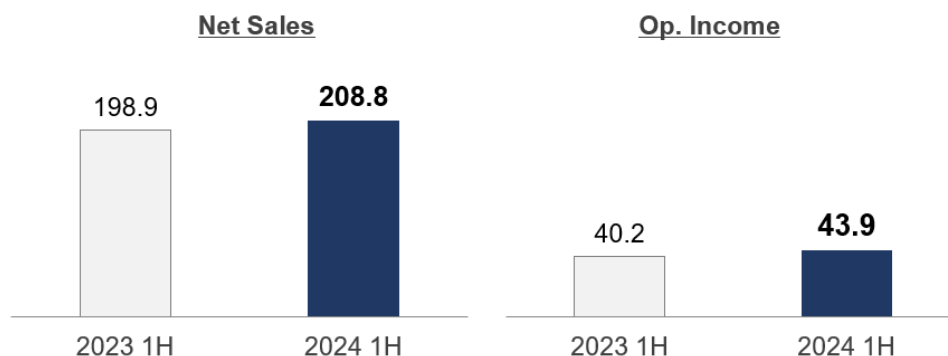
	FY2023 1H Consolidated Period		FY2024 1H Consolidated Period		Change	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Vinyl Acetate	198,919	40,247	208,840	43,905	9,920	3,658
Isoprene	31,795	(2,703)	37,538	(4,025)	5,743	(1,321)
Functional Materials	93,371	5,749	102,764	6,466	9,392	717
Fibers and Textiles	30,163	665	31,233	721	1,070	56
Trading	28,970	2,302	32,233	2,737	3,263	435
Others	22,864	575	24,998	905	2,133	329
Elimination & Corporate	(25,087)	(5,865)	(26,390)	(5,246)	(1,303)	619
Total	380,998	40,970	411,217	45,464	30,219	4,493

Results by Business Segment

Vinyl Acetate

Sales in this segment were ¥208,840 million (up 5.0% year on year), and segment income was ¥43,905 million (up 9.1%).

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



PVOH resin: Despite disruptions in logistics to Europe, sales volume increased due to our stable global supply system.

Optical-use poval film: The sales volume increased as the effects of the previous year's distribution inventory adjustments subsided. In addition, to meet demand for larger TV panels, we began operating new equipment at the Kurashiki Plant in the second quarter.

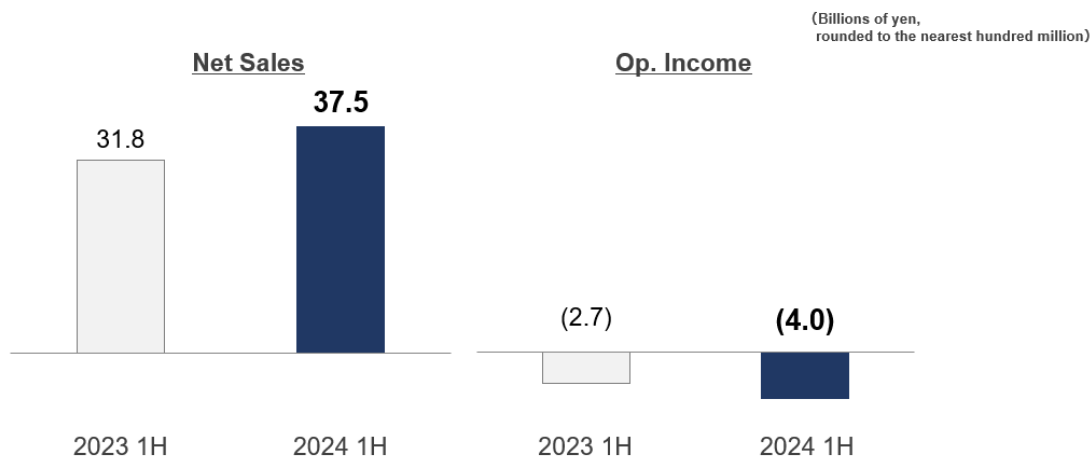
Advanced Interlayer Solutions: The sales volume decreased due to the effects of ongoing economic stagnation on construction applications in Europe.

Water-soluble PVOH film: The sales volume increased due to progress in distribution inventory adjustment despite the effects of protracted economic stagnation in Europe.

EVAL™ EVOH resin: Sales for automotive applications remained firm. Although the sales volume decreased due in part to a drop in demand for food packaging applications that has continued from the latter half of the previous year, results have been on a recovery track in various regions since the start of the second quarter. We decided to construct a new plant in Singapore (announced on March 26, 2024 and slated to begin operating by the end of 2026). This move is intended to accommodate future growth in demand, especially in circular economy-related fields.

Isoprene

Sales in this segment were ¥37,538 million (up 18.1% year on year), and segment loss was ¥4,025 million (segment loss in the previous fiscal year was ¥2,703 million).

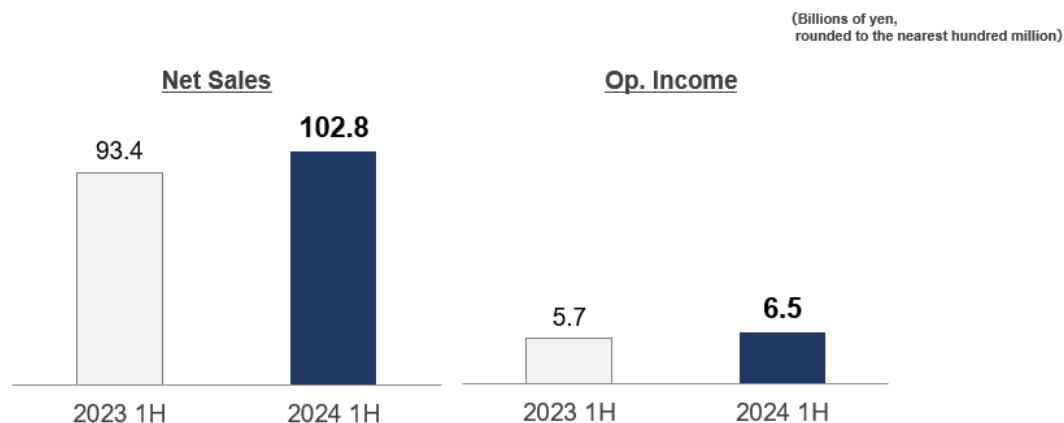


Isoprene chemicals and elastomer: The sales volume increased as demand recovered, especially for automotive applications.

GENESTAR™ heat-resistant polyamide resin: The sales volume increased amid a recovery in demand emerged for electric and electronic device applications in addition to stable demand for automotive applications.

Functional Materials

Sales in this segment were ¥102,764 million (up 10.1% year on year), and segment income was ¥6,466 million (up 12.5%).



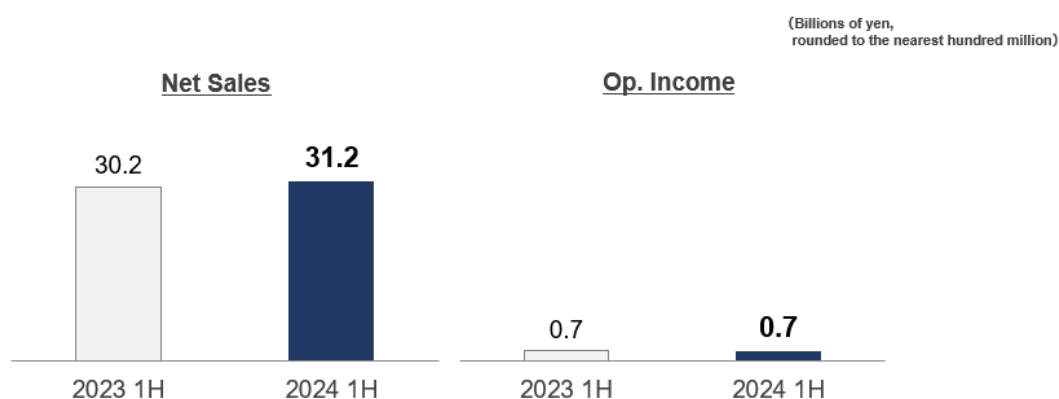
Methacrylate: The sales volume increased amid signs of a recovery in demand, especially for electric and electronic devices. We decided to optimize the production capacity for methyl methacrylate (announced on June 27, 2024) and discovered a path to improving profit.

Medical: Sales of cosmetic dental materials, mainly in Europe and the United States, remained brisk.

Environmental Solutions: Sales of activated carbon remained steady, especially for drinking water applications in North America. In Europe, however, economic stagnation began to negatively affect demand related to industrial applications. A new activated carbon facility was brought on line in the United States in the first quarter of the year.

Fibers and Textiles

Sales in this segment were ¥31,233 million (up 3.5% year on year), and segment income was ¥721 million (up 8.4%).



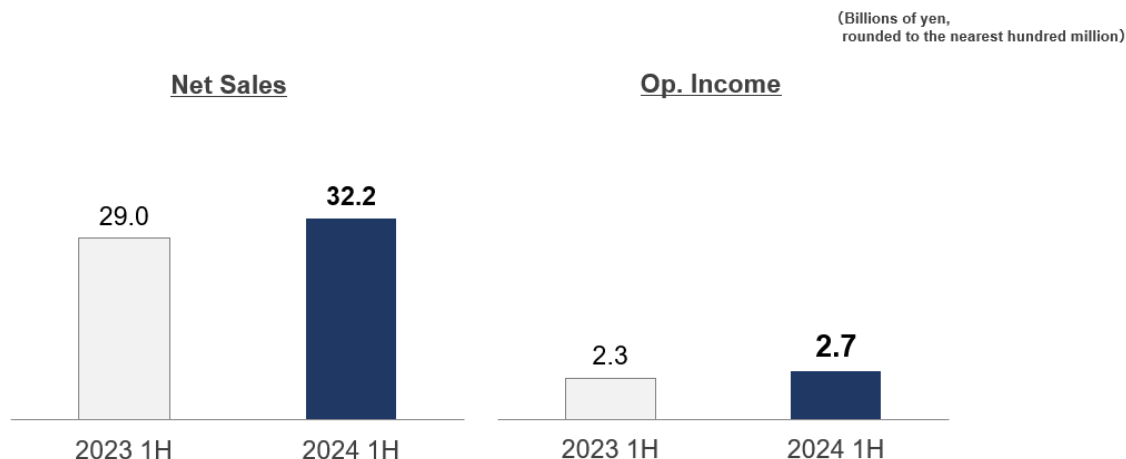
CLARINO™ man-made leather: The sales volume increased amid a continued recovery in demand for automotive and sports applications.

Fibers and industrial materials: Although signs of a recovery emerged in demand for automotive applications, sales in Europe for construction material applications were weak.

Consumer goods and materials: Demand for KURAFLEX™ and MAGIC TAPE™ was weak. Moreover, in the nonwoven fabrics business, we decided to withdraw from the dry-laid nonwoven fabrics business and to reduce production capacity for meltblown nonwoven fabrics (announced on July 26, 2024).

Trading

Sales in this segment were ¥32,233 million (up 11.3% year on year), and segment income was ¥2,737 million (up 18.9%).



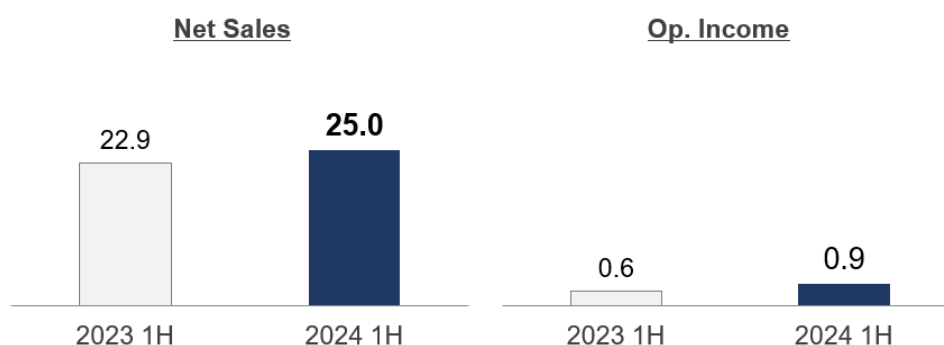
Fiber-related businesses: The materials-related business struggled, but sales of sportswear applications remained favorable.

Resins and chemicals: Sales expanded, especially in Asia.

Others

Sales in this segment were ¥24,998 million (up 9.3% year on year), and segment income was ¥905 million (up 57.3%).

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



(2) Overview of Financial Position

Total assets increased ¥72,733 million from the end of the previous fiscal year to ¥1,327,219 million due to factors that include a ¥27,527 million increase in inventories, a ¥24,127 million increase in property, plant and equipment and a ¥17,073 million rise in notes and accounts receivable–trade, and contract assets despite a ¥6,970 million decrease in cash and cash deposits. Total liabilities decreased ¥10,546 million to ¥507,782 million due to factors that include a ¥26,076 million decrease in interest-bearing debt despite a ¥9,272 million increase in notes and accounts payable–trade.

Net assets rose ¥83,280 million to ¥819,436 million due in part to an increase in foreign currency translation adjustment and retained earnings. Equity attributable to owners of the parent amounted to ¥801,383 million, for an equity ratio of 60.4%.

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

From the third quarter onward, we expect the global economy to continue to enjoy gradual recovery as financial policies are revised, especially in Europe and the United States, amid easing inflation despite ongoing uncertainty due to geopolitical risks in various regions and economic stagnation in China. Based on the interim business results, current business trends, and the aforementioned economic environment, we revised the full-year forecast for fiscal 2024 (January 1, 2024 to December 31, 2024), which was announced on May 14, 2024.

The revised consolidated operating results forecast for the fiscal year ending December 31, 2024 (January 1, 2024 to December 31, 2024) is as follows.

	(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)	840,000	85,000	79,000	49,000	146.35
Revised Forecast (B)	850,000	89,000	84,000	55,000	166.42
Amount Adjusted (B – A)	10,000	4,000	5,000	6,000	
Percent Adjusted	1.2%	4.7%	6.3%	12.2%	
(Ref.) FY2023 Results	780,938	75,475	69,025	42,446	126.80

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

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

Under the current Medium-Term Management Plan, “PASSION 2026,” we have established a shareholder return policy of achieving a total return ratio of 35% or more and an annual dividend per share of ¥40 or more. We are working to enhance shareholder returns by expanding earnings. To improve capital efficiency, we are promoting various measures, including building a more sophisticated business portfolio.

As for the annual dividend for fiscal 2024, based on the aforementioned shareholder return policy and current performance trends, we decided to increase the interim and year-end dividend forecast ¥2 each to ¥27 per share. As a result, the annual dividend per share forecast is now ¥54, an expected increase of ¥4 compared to the previous forecast and the previous fiscal year’s dividend.

Based on a resolution of the Board of Directors on May 14, 2024, we conduct a share buyback with a maximum of 15,000,000 shares and ¥20,000 million, and we expect a total return ratio of around 68% in fiscal 2024.

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

(Millions of yen)

	December 31, 2023	June 30, 2024
ASSETS		
Current Assets		
Cash and deposits	131,144	124,173
Notes and accounts receivable—trade, and contract assets	161,904	178,978
Securities	3,478	2,034
Merchandise and finished goods	146,924	168,246
Work in process	17,502	18,402
Raw materials and supplies	63,601	68,906
Other	28,040	26,813
Allowance for doubtful accounts	(869)	(1,010)
Total current assets	551,727	586,544
Non-current Assets		
Property, plant and equipment		
Buildings and structures, net	110,214	122,315
Machinery, equipment and vehicles, net	270,408	306,694
Land	22,618	19,682
Construction in progress	80,344	55,329
Other, net	43,390	47,082
Total property, plant, and equipment	526,977	551,104
Intangible assets		
Goodwill	55,386	57,174
Customer-related assets	29,149	31,187
Other	35,965	38,321
Total intangible assets	120,501	126,683
Investments and other assets		
Investment securities	23,966	28,796
Long-term loans receivable	140	140
Retirement benefit asset	3,227	3,358
Deferred tax assets	16,530	17,228
Other	11,509	13,456
Allowance for doubtful accounts	(95)	(94)
Total investments and other assets	55,278	62,885
Total non-current assets	702,757	740,674
Total Assets	1,254,485	1,327,219

(Millions of yen)

	December 31, 2023	June 30, 2024
LIABILITIES		
Current Liabilities		
Notes and accounts payable–trade	49,124	58,396
Short-term borrowings	40,014	33,890
Current portion of bonds payable	—	10,000
Current portion of long-term borrowings	24,698	17,731
Accrued expenses	16,734	18,941
Income taxes payable	11,033	15,880
Accrued bonuses	10,275	7,936
Other	48,690	43,867
Total current liabilities	200,571	206,643
Non-current Liabilities		
Bonds payable	60,000	50,000
Long-term borrowings	157,312	144,326
Deferred tax liabilities	18,754	19,371
Retirement benefit liability	29,487	31,599
Asset retirement obligations	6,338	7,133
Other	45,864	48,707
Total non-current liabilities	317,757	301,139
Total Liabilities	518,329	507,782
NET ASSETS		
Shareholders' Equity		
Share capital	88,955	88,955
Capital surplus	87,146	87,179
Retained earnings	426,290	448,367
Treasury shares	(25,654)	(33,632)
Total shareholders' equity	576,737	590,870
Accumulated Other Comprehensive Income		
Valuation difference on available-for-sale securities	6,856	7,857
Deferred gain or losses on hedges	(53)	(12)
Foreign currency translation adjustment	131,269	203,017
Remeasurements of defined benefit plans	(524)	(349)
Total accumulated other comprehensive income	137,548	210,512
Share Acquisition Rights	341	270
Non-controlling Interests	21,529	17,782
Total Net Assets	736,156	819,436
Total Liabilities and Net Assets	1,254,485	1,327,219

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

(Millions of yen)

	Fiscal 2023 1H (January 1, 2023 – June 30, 2023)	Fiscal 2024 1H (January 1, 2024 – June 30, 2024)
Net sales	380,998	411,217
Cost of sales	261,167	277,798
Gross profit	119,830	133,419
Selling, general and administrative expenses		
Selling expenses	20,742	22,670
General and administrative expenses	58,117	65,284
Total selling, general and administrative expenses	78,860	87,955
Operating income	40,970	45,464
Non-operating income		
Interest income	644	1,828
Dividend income	360	352
Share of profit of entities accounted for using equity method	96	155
Other	703	1,487
Total non-operating income	1,805	3,823
Non-operating expenses		
Interest expenses	1,380	1,415
Other	2,857	3,850
Total non-operating expenses	4,237	5,265
Ordinary income	38,538	44,022
Extraordinary income		
Gain on sale of investment securities	676	1,515
Total extraordinary income	676	1,515
Extraordinary losses		
Loss on liquidation of business	—	3,477
Loss on abandonment of non-current assets	351	579
Loss on litigation	7,520	—
Total extraordinary losses	7,872	4,057
Income before income taxes and noncontrolling interests	31,342	41,480
Income taxes—current	10,099	12,774
Income taxes—deferred	(798)	(1,807)
Total income taxes	9,301	10,966
Net income	22,041	30,514
Net income attributable to noncontrolling interests	198	67
Net income attributable to owners of the parent	21,842	30,446

Interim Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal 2023 1H (January 1, 2023 – June 30, 2023)	Fiscal 2024 1H (January 1, 2024 – June 30, 2024)
Net income	22,041	30,514
Other comprehensive income		
Valuation difference on available-for-sale securities	652	1,000
Deferred gains or losses on hedges	(351)	31
Foreign currency translation adjustment	50,671	71,796
Remeasurements of defined benefit plans, net of tax	194	174
Share of other comprehensive income of entities accounted for using equity method	163	380
Total other comprehensive income	51,330	73,382
Comprehensive income	73,371	103,896
Comprehensive income attributable to:		
Owners of the parent	72,487	103,410
Noncontrolling interests	884	486

(3) Interim Consolidated Statements of Cash Flows

	(Millions of yen)	
	Fiscal 2023 1H (January 1, 2023 – June 30, 2023)	Fiscal 2024 1H (January 1, 2024 – June 30, 2024)
Net cash provided by (used in) operating		
Income before income taxes and noncontrolling interests	31,342	41,480
Depreciation and amortization	36,731	41,824
Loss (gain) on sale of investment securities	(676)	(1,515)
Loss on liquidation of business	–	3,477
Loss on disposal of tangible fixed assets	351	579
Loss on litigation	7,520	–
Decrease (increase) in notes and accounts receivable – trade	2,269	(5,448)
Decrease (increase) in inventories	(1,947)	(9,382)
Increase (decrease) in notes and accounts payable – trade	(12,498)	6,422
Other, net	6,600	(11,856)
Subtotal	69,693	65,581
Income taxes (paid) refund	(11,043)	(2,976)
Other, net	(1,033)	1,098
Net cash provided by (used in) operating	57,616	63,703
Net cash provided by (used in) investing		
Purchase of tangible fixed assets and intangible fixed assets	(30,151)	(33,507)
Proceeds from sale and redemption of investment securities	1,254	2,104
Other, net	(1,287)	(4,441)
Net cash provided by (used in) investing	(30,184)	(35,845)
Net cash provided by (used in) financing		
Net increase (decrease) in short-term loans	1,894	(6,231)
Net (decrease) increase in commercial paper	(10,000)	–
Repayment of long-term loans payable	(22,938)	(21,603)
Redemption of bonds	(10,000)	–
Purchase of treasury shares	(1)	(8,148)
Cash dividends paid	(7,697)	(8,368)
Other, net	(1,750)	(1,975)
Net cash provided by (used in) financing	(50,494)	(46,327)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	5,790	11,615
Net Increase (Decrease) in Cash and Cash Equivalents	(17,271)	(6,854)
Cash and Cash Equivalents, Beginning of the Period	127,616	133,663
Decrease in cash and cash equivalents from exclusion of subsidiaries from consolidation	–	(601)
Cash and Cash Equivalents, End of the Period	110,345	126,207

(4) Notes regarding the Interim Consolidated Financial Statements

Notes regarding Going Concern Assumptions

None

Material Changes in Shareholders' Equity

At the Board of Directors meeting held on May 14, 2024, the Company resolved to conduct a share buyback, setting a maximum of 15 million shares and ¥20,000 million. Due in part to this buyback, treasury stock increased ¥7,977 million during the interim period, and treasury stock stood at ¥33,632 million as of June 30, 2024.

Segment Information, etc.

● Segment Information

I. Fiscal 2023 Interim Period (January 1, 2023 to June 30, 2023)

1. Net sales, income and loss by reporting segment

(Millions of yen)

	Reporting Segment						Other Business ¹	Total	Adjustment ²	Consolidated Statements of Income
	Vinyl Acetate	Isoprene	Functional Materials	Fibers and Textiles	Trading	Total				
Net sales Outside customers	190,694	25,545	91,422	28,326	28,190	364,179	16,819	380,998	—	380,998
Intersegment sales and transfers	8,225	6,249	1,948	1,836	780	19,041	6,045	25,087	(25,087)	—
Total	198,919	31,795	93,371	30,163	28,970	383,220	22,864	406,085	(25,087)	380,998
Segment income (loss)	40,247	(2,703)	5,749	665	2,302	46,260	575	46,836	(5,865)	40,970

Notes:

1. The "Other Business" category incorporates operations not included in business segment reporting, including engineering business.
2. Adjustment is as follows: Included within segment loss of ¥5,865 million is the elimination of intersegment transactions of ¥2,002 million and corporate expenses of ¥7,868 million. Corporate expenses mainly comprise the submitting company's basic research expenses.
3. Segment income or loss is adjusted to agree with operating income in the consolidated statements of income.

II. Fiscal 2024 Interim Period (January 1, 2024 to June 30, 2024)

1. Net sales, income and loss by reporting segment

(Millions of yen)

	Reporting Segment						Other Business ¹	Total	Adjustment ²	Consolidated Statements ³ of Income
	Vinyl Acetate	Isoprene	Functional Materials	Fibers and Textiles	Trading	Total				
Net sales										
Outside customers	200,429	28,953	100,310	28,900	31,673	390,267	20,950	411,217	—	411,217
Intersegment sales and transfers	8,410	8,584	2,453	2,332	560	22,342	4,047	26,390	(26,390)	—
Total	208,840	37,538	102,764	31,233	32,233	412,610	24,998	437,608	(26,390)	411,217
Segment income (loss)	43,905	(4,025)	6,466	721	2,737	49,805	905	50,710	(5,246)	45,464

Notes:

1. The “Other Business” category incorporates operations not included in business segment reporting, including engineering business.
2. Adjustment is as follows: Included within segment loss of ¥5,246 million is the elimination of intersegment transactions of ¥2,975 million and corporate expenses of ¥8,222 million. Corporate expenses mainly comprise the submitting company’s basic research expenses.
3. Segment income or loss is adjusted to agree with operating income in the consolidated statements of income.

2. Information about impairment loss of fixed assets or goodwill, etc by reporting segment
Material Losses Related to Non-current Assets

In the Functional Materials segment, impairment loss totaled ¥3,249 million. In the interim period, this loss was included in loss on liquidation of business under extraordinary losses.