

**Business Results for the Fiscal Year Ended
December 31, 2019 (Unaudited)**

February 13, 2020

Kuraray Co., Ltd.

Consolidated Earnings Report for the Fiscal Year Ended December 31, 2019

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
Name: Masaaki Ito

Contact:

Title: Senior Manager, Corporate Communications Department, Corporate Management Planning Office
Name: Fumio Uegaki
Tel: +81-3-6701-1070

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 Fiscal 2019 (January 1, 2019 to December 31, 2019)

(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 2019 | 575,807 | (4.5) | 54,173 | (17.7) | 48,271 | (21.1) | (1,956) | — |
| Fiscal 2018 | 602,996 | 16.3 | 65,794 | (13.8) | 61,167 | (17.6) | 33,560 | (38.4) |

Note: Comprehensive income: For fiscal 2019: -¥8,137 million (-%)
For fiscal 2018: ¥16,285 million (-73.2%)

| | Net Income per Share (Yen) | Fully Diluted Net Income per Share (Yen) | Return on Equity (%) | Return on Total Assets (%) | Operating Income/Net Sales (%) |
|-------------|----------------------------|--|----------------------|----------------------------|--------------------------------|
| Fiscal 2019 | (5.66) | — | (0.4) | 5.0 | 9.4 |
| Fiscal 2018 | 96.05 | 95.86 | 6.0 | 7.1 | 10.9 |

[Reference] Equity in earnings of affiliate: For fiscal 2019: ¥361 million
For fiscal 2018: ¥333 million

(2) Consolidated Financial Position

(Millions of yen)

| | Total Assets | Net Assets | Equity Ratio (%) | Net Assets per Share (Yen) |
|-------------|--------------|------------|------------------|----------------------------|
| Fiscal 2019 | 991,149 | 538,545 | 53.0 | 1,527.79 |
| Fiscal 2018 | 947,095 | 567,033 | 58.6 | 1,592.96 |

[Reference] Equity attributable to owners of the parent: For fiscal 2019: ¥525,151 million
For fiscal 2018: ¥555,438 million

Note: Kuraray has adopted ASBJ Statement No. 28 Partial Amendments to Accounting Standard for Tax Effect Accounting (issued February 16, 2018) from January 1, 2019. These accounting standards have been retroactively applied to the numbers used for the consolidated financial position as of December 31, 2018.

(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 2019 | 95,577 | (89,369) | (1,517) | 75,967 |
| Fiscal 2018 | 75,171 | (186,982) | 114,088 | 71,345 |

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 2018 | — | 20.00 | — | 22.00 | 42.00 | 14,644 | 43.7 | 2.6 |
| Fiscal 2019 | — | 20.00 | — | 22.00 | 42.00 | 14,486 | — | 2.7 |
| Fiscal 2020 (Forecast) | — | 21.00 | — | 21.00 | 42.00 | | 41.2 | |

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

3. Forecasts of Consolidated Financial Results for Fiscal 2020 (January 1, 2020 to December 31, 2020)

(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 | 290,000 | 0.9 | 28,000 | 0.3 | 26,000 | 5.3 | 16,000 | 20.7 |
| Full Fiscal Year | 590,000 | 2.5 | 60,000 | 10.8 | 56,000 | 16.0 | 35,000 | — | 101.82 |

[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) Changes in Accounting Principles, Procedures and Presentation Methods in Connection with the Preparation of Quarterly Consolidated Financial Statements

1. Changes following revision of accounting standards: Yes
2. Changes besides 1. above: No
3. Changes in accounting estimates: Yes
4. Restatement: No

(3) 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 December 31, 2019 | 354,863,603 shares |
| As of December 31, 2018 | 354,863,603 shares |
2. Number of treasury stock as of the period-end:

| | |
|-------------------------|-------------------|
| As of December 31, 2019 | 11,130,834 shares |
| As of December 31, 2018 | 6,179,578 shares |
3. Average number of shares for the period (cumulative):

| | |
|-------------------------|--------------------|
| As of December 31, 2019 | 345,819,930 shares |
| As of December 31, 2018 | 349,424,058 shares |

[Reference]

Summary of Unconsolidated Results

1. Unconsolidated Results for Fiscal 2019 (January 1, 2019 – December 31, 2019)

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

(1) Unconsolidated Operating Results

(Millions of yen)

| | Net Sales | | Operating Income | | Ordinary Income | | Net Income Attributable to Owners of the Parent | |
|-------------|-----------|----------|------------------|----------|-----------------|----------|---|----------|
| | | (Change) | | (Change) | | (Change) | | (Change) |
| Fiscal 2019 | 236,315 | (4.8) | 32,180 | (23.1) | 32,719 | (25.0) | 24,007 | 14.7 |
| Fiscal 2018 | 248,149 | 2.3 | 41,861 | (5.6) | 43,606 | (6.0) | 20,931 | (48.7) |

| | Net Income per Share (Yen) | Fully Diluted Net Income per Share (Yen) |
|-------------|----------------------------|--|
| Fiscal 2019 | 69.42 | 69.32 |
| Fiscal 2018 | 59.90 | 59.79 |

Note: Percentage change in comparison with the previous fiscal year is not stated because changes to accounting principles were applied retroactively.

(2) Unconsolidated Financial Position

(Millions of yen)

| | Total Assets | Net Assets | Shareholders' Equity Ratio (%) | Net Assets per Share (Yen) |
|-------------|--------------|------------|--------------------------------|----------------------------|
| Fiscal 2019 | 789,923 | 387,653 | 49.0 | 1,125.84 |
| Fiscal 2018 | 722,242 | 384,667 | 53.2 | 1,101.51 |

[Reference] Shareholders' equity: For fiscal 2019: ¥386,989 million For fiscal 2018: ¥384,080 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 2020" on page 6 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 13, 2020
Related documents and materials, including the video of the briefing, will be posted on the Company's website immediately after the briefing is closed.

Index of the Attachment

| | |
|--|----|
| 1. Qualitative Information regarding Business Results | 2 |
| (1) Overview of Consolidated Business Results | 2 |
| (2) Overview of Financial Position | 4 |
| (3) Overview of Cash Flows | 4 |
| (4) Outlook for Fiscal 2020 | 6 |
| 2. Management Policies..... | 7 |
| (1) Fundamental Management Policies | 7 |
| (2) Management Indicator Targets, Medium- to Long-Term Strategies and Issues to Be Addressed | 7 |
| 3. Basic Approach to Selection of Accounting Standards | 8 |
| 4. Consolidated Financial Statements and Notes | 10 |
| (1) Consolidated Balance Sheets | 10 |
| (2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income | 12 |
| (3) Consolidated Statements of Changes in Net Assets | 15 |
| (4) Consolidated Statements of Cash Flows | 17 |
| (5) Notes regarding Consolidated Financial Statements | 19 |
| Notes regarding Going Concern Assumptions..... | 19 |
| Changes in Accounting Principles, etc. | 19 |
| Changes in Presentation Methods..... | 19 |
| Changes in Accounting Estimates..... | 19 |
| Segment and Other Information | 20 |
| Per Share Information | 26 |
| Significant Subsequent Information..... | 26 |

1. Qualitative Information regarding Business Results

(1) Overview of Consolidated Business Results

In the fiscal year ended December 31, 2019 (“fiscal 2019”), the prolonged trade war between the United States and China and emerging geopolitical risks across the globe fostered a stronger sense of uncertainty with each passing period. Due to these factors, a clear decelerating trend emerged in the world economy. Consequently, consolidated operating results for fiscal 2019 are as follows: net sales decreased ¥27,188 million, or 4.5%, compared with the previous fiscal year to ¥575,807 million; operating income fell ¥11,620 million, or 17.7%, to ¥54,173 million; ordinary income decreased ¥12,896 million, or 21.1%, to ¥48,271 million; and net loss attributable to owners of the parent totaled ¥1,956 million (compared with net income attributable to owners of the parent of ¥33,560 million in the previous fiscal year). In fiscal 2019, Kuraray has recognized a loss of ¥50,590 million, including a settlement in connection with a fire in May 2018 at a group subsidiary in the United States. Based on a reasonable estimate of damages, the settlement was paid to the plaintiffs and, along with other expenses, has been classified as an extraordinary loss. Kuraray also recognized insurance income totaling ¥10,360 million as part of extraordinary income.

The Kuraray Group launched the medium-term management plan “PROUD 2020” from fiscal 2018. In fiscal 2020, the final year of the plan, the Group aims to achieve its long-term vision of becoming a “Specialty Chemical Company, growing sustainably by incorporating new foundational platforms into its own technologies.” We will steadily take specific measures related to the key management strategies underlined in the plan. We will also continue working to establish a new business portfolio from a medium- to long-term perspective.

In addition, Kuraray has adopted ASBJ Statement No. 28 Partial Amendments to Accounting Standard for Tax Effect Accounting (issued February 16, 2018) from January 1, 2019. Regarding the Company’s financial position, these accounting standards have been retroactively applied to the numbers used for comparison and analysis with the previous fiscal year.

Results by Business Segment

Vinyl Acetate

Sales in this segment decreased 4.8% year on year to ¥266,105 million, and segment income fell 13.5% year on year to ¥47,368 million.

- (1) The sales volume of PVA resin declined due to decelerating economic conditions. Shipments of optical-use poval film decreased due to a LCD panel inventory adjustment. We completed an expansion of facilities at the Kurashiki Plant in the fourth quarter. In addition, the performance of PVB film for automotive use struggled despite growing demand for ionomer interlayer for glass lamination SentryGlas™ for construction use. However, sales of water-soluble PVA film expanded for use in unit dose detergent packets.
- (2) Sales of EVAL™ ethylene vinyl alcohol copolymer (EVOH resin) for gas tank applications was affected by the decline in the production number of vehicles. The sales volume for food packaging applications declined despite a gradual recovery in sales from the third quarter onward.

Isoprene

Sales in this segment decreased 6.9% year on year to ¥53,276 million, and segment income fell 41.8% year on year to ¥4,232 million.

- (1) The sales volume of SEPTON™ thermoplastic elastomer declined due to economic deceleration.
- (2) The sales of GENESTAR™ heat-resistant polyamide resin fell due to sluggish demand for electric and electronic devices. However, demand for connectors for automotive devices grew.

Functional Materials

Sales in this segment decreased 4.2% year on year to ¥125,982 million, and segment income decreased 12.7% year on year to ¥3,836 million.

- (1) The methacrylate business was affected by worsening market conditions, which, in turn, caused sales of methacrylic resins to decrease.
- (2) In the medical business, sales were steady, especially for esthetic and restorative dentistry products.
- (3) As for Calgon Carbon, demand held steady in North America, whereas results in Europe were sluggish due to stagnant demand. In the Carbon Materials business, sales of high value-added products increased.

Fibers and Textiles

Sales in this segment edged down 0.3% year on year to ¥64,513 million while segment income fell 9.9% year on year to ¥5,654 million.

- (1) Sales of CLARINO™ man-made leather sales for luxury product applications remained stable. However, results struggled for use in shoes.
- (2) In fibers and industrial materials, the performance of KURALON™ for cement reinforcement use remained weak. Sales of products used in reinforcing rubber were negatively affected by a decline in vehicle production. However, the results of VECTRAN™ were firm, mainly for exports.
- (3) In consumer goods and materials, sales of KURAFLEX™ for commodity use

decreased, however, sales of high-value-added products increased.

Trading

In fiber-related businesses, sales of sewn products remained firm, including sportswear-use products, and exports of functional fiber and yarn increased. However, exports of resins and chemicals struggled, especially those to China. As a result, segment sales decreased 5.7% year on year to ¥130,911 million, and segment income rose 0.2% to ¥4,224 million.

Others Business

In other businesses, due to weak sales of domestic affiliates, segment sales declined 11.9% year on year to ¥51,128 million, and segment income fell 44.9% to ¥649 million.

(2) Overview of Financial Position

Total assets increased ¥44,053 million from the end of the previous fiscal year to ¥991,149 million mainly because of a ¥57,381 million increase in tangible fixed assets that offset a ¥14,215 million decrease in intangible fixed assets. Total liabilities increased ¥72,541 million to ¥452,604 million due to factors that included the issuance of commercial paper totaling ¥24,000 million, a ¥38,289 million increase in accrued expenses, and a ¥17,087 million increase in other noncurrent liabilities, despite an ¥11,675 million decrease in short-term loans payable. The main reason for the increases in tangible fixed assets and other noncurrent liabilities is the application of IFRS 16 for leases of some overseas affiliates from the first quarter of the fiscal year ending December 31, 2019, which led to increases in right-of-use assets and lease liabilities respectively.

Net assets fell ¥28,488 million to ¥538,545 million. Equity attributable to owners of the parent amounted to ¥525,151 million, for an equity ratio of 53.0%.

(3) Overview of Cash Flows

Cash Flows from Operating Activities:

Net cash provided by operating activities totaled ¥95,577 million. Cash provided included ¥2,893 million from income before income taxes and noncontrolling interests. Cash used included ¥58,158 million in depreciation and amortization, ¥39,394 million from loss on litigation unpaid, ¥5,724 million due to notes and accounts receivable—trade, and ¥19,308 million in income taxes paid.

Cash Flows from Investing Activities:

Net cash used in investing activities totaled ¥89,369 million. Uses of cash included a ¥4,984 million increase in time deposits and ¥87,105 million for the purchase of tangible fixed assets and intangible fixed assets.

Cash Flows from Financing Activities:

Net cash used in financing activities was ¥1,517 million. Cash provided included ¥24,000 million from a net increase in commercial paper and ¥7,744 million from proceeds from long-term loans payable. Cash used included cash dividends paid totaling ¥14,595 million

and ¥12,050 for the repayment of long-term loans payable.

The above factors along with the effect of exchange rate changes on cash and cash equivalents resulted in a net decrease in cash and cash equivalents, which, along with an increase in cash and cash equivalents from newly consolidated subsidiary, led to a ¥4,621 million increase in cash and cash equivalents at the end of the fiscal year to ¥75,967 million.

(Millions of yen)

| | Fiscal Year Ended December 31, 2018 | Fiscal Year Ended December 31, 2019 |
|--|--|--|
| Net cash provided by operating activities | 75,171 | 95,577 |
| Net cash used in investing activities | (186,982) | (89,369) |
| Net cash used in financing activities | 114,088 | (1,517) |
| Effect of exchange rate changes on cash and cash equivalents | (1,210) | (70) |
| Net increase in cash and cash equivalents | 1,065 | 4,620 |
| Cash and cash equivalents, beginning of the period | 70,234 | 71,345 |
| Increase in cash and cash equivalents from newly consolidated subsidiaries | 45 | 1 |
| Cash and cash equivalents, end of the period | 71,345 | 75,967 |

[Reference] Cash Flow Indicators for the Kuraray Group

| | Fiscal Year Ended December 31, 2015 | Fiscal Year Ended December 31, 2016 | Fiscal Year Ended December 31, 2017 | Fiscal Year Ended December 31, 2018 | Fiscal Year Ended December 31, 2019 |
|--|--|--|--|--|--|
| Equity ratio (%) | 70.7 | 70.7 | 71.7 | 58.6 | 53.0 |
| Equity ratio (%; market basis) | 73.7 | 85.1 | 96.0 | 57.1 | 46.2 |
| Ratio of cash flow to interest-bearing liabilities (%) | 0.6 | 0.6 | 0.7 | 2.9 | 2.5 |
| Interest coverage ratio (times) | 128.7 | 127.1 | 116.0 | 62.7 | 68.5 |

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.
5. In the fiscal year ended December 31, 2018, the Company changed its inventory evaluation method. As the changes to the corresponding method have been applied retroactively, the figures for the fiscal year ended December 31, 2017 have been retroactively adjusted.

(4) Outlook for Fiscal 2020

In the next year, the global economy is expected to see an increase in risks around the world due mainly to volatility in raw material and fuel costs accompanying the changing situation in the Middle East as well as the continued protectionist policies of the United States and the outcome of the presidential election. This is despite the fact that the European and Chinese economies expected to bottom out with the affirmation of BREXIT and an initial trade deal between the United States and China.

Based on these circumstances, the forecast of operating results for fiscal 2020 is as shown below. The impact of the novel coronavirus, which is continuing to spread, has not been taken into account in the forecast.

Furthermore, although we recorded an extraordinary loss in fiscal 2019 related to the litigation over the fire at the U.S. subsidiary, potential losses that may be incurred going forward have not been included because it is difficult to reasonably estimate their specific amounts. We will continue working toward a quick resolution.

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

| | Fiscal 2019 | Forecast for Fiscal 2020 | Change (Adjusted) |
|---|-------------|--------------------------|-------------------|
| Net sales | 575.8 | 590.0 | +2.5% |
| Operating income | 54.2 | 60.0 | +10.8% |
| Ordinary income | 48.3 | 56.0 | +16.0% |
| Net income attributable to owners of the parent | (2.0) | 35.0 | — |

For the forecast of operating results for fiscal 2020, we assume average exchange rates of ¥105 to the U.S. dollar and ¥120 to the euro, as well as a domestic naphtha price of ¥43,000 per kiloliter.

[Reference] Forecast of Results by Segment for Fiscal 2020

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

| | Net Sales | | Operating Income | |
|-------------------------|-------------|--------------------------|------------------|--------------------------|
| | Fiscal 2019 | Forecast for Fiscal 2020 | Fiscal 2019 | Forecast for Fiscal 2020 |
| Vinyl Acetate | 266.1 | 278.0 | 47.4 | 50.5 |
| Isoprene | 53.3 | 55.0 | 4.2 | 5.0 |
| Functional Materials | 126.0 | 131.0 | 3.8 | 5.0 |
| Fibers and Textiles | 64.5 | 67.0 | 5.7 | 6.0 |
| Trading | 130.9 | 135.0 | 4.2 | 4.5 |
| Other Business | 51.1 | 51.0 | 0.6 | 1.0 |
| Elimination & Corporate | (116.1) | (127.0) | (11.8) | (12.0) |
| Total | 575.8 | 590.0 | 54.2 | 60.0 |

2. Management Policies

(1) Fundamental Management Policies

Kuraray's mission is: "For people and the planet—to achieve what no one else can." Based on this, the Company has established the Kuraray Vision 2026 long-term vision, which we aim to realize by 2026, the centennial of the Company's founding. The vision for Kuraray is of being a: "Specialty Chemical Company growing sustainably by incorporating new foundational platforms into its own technologies." Kuraray will remain a company that provides the world with unmatched specialty products and services while creating value with society.

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

To realize Kuraray Vision 2026, the Group will promote the four key management strategies listed below that are outlined in the medium-term management plan "PROUD2020," which began from fiscal 2018.

1) Pursue competitive superiority

Kuraray will continue to enhance its competitiveness by developing high-value-added products and applications based on customer needs, strategically reinforcing initiatives with the understanding that burgeoning emerging countries offer new opportunities, and achieving innovation and improvement of production and operational processes through the use of IoT.

2) Expand new business fields

We will expand new business fields through the creation of new businesses by improving on Kuraray's own technologies and incorporating external ones, the capture of new business areas by M&A and alliance, and the establishment of a new business model bundling technology and services.

3) Enhance comprehensive strength of the Kuraray Group

Kuraray will establish global business foundations in line with its expanding businesses, create a workplace in which employees find their jobs rewarding to attract high-quality, diverse talent from around the world, and cultivate a strong culture of unity within the Kuraray Group while reinforcing measures to ensure thorough compliance.

4) Contribute to the environment

In the implementation of the three management strategies listed above, the Company will help improve the natural environment and daily living environment by lowering the environmental footprint of its business activities and providing products and services that help solve environmental and social problems.

In the two years since the launch of the medium-term management plan "PROUD 2020," we have strengthened initiatives aimed at building a forward-looking, stable business portfolio, for example, by investing in a new isoprene plant in Thailand and acquiring Calgon Carbon Corporation, which is the largest activated carbon producer in the world, then leveraging our synergies from integration. In addition, we steadily implemented targeted strategic measures to achieve growth, including expanding facilities for optical-use poval film and water-soluble PVA films. However, in terms of performance, our results fell

short. This was due to a decline in demand as the automobile, display, and electronic device industries—Kuraray’s main customers—made adjustments in light of global economic deceleration. In fiscal 2020, the final year of “PROUD 2020,” we expect global economic growth to slow further and the headwinds in the operating environment surrounding our businesses to continue, making it difficult to achieve planned performance targets. Amid this environment, we will steadily implement measures targeted at achieving our main business strategies. We will also focus greater attention on generating cash flows, such as by accelerating the contribution to results in businesses that conducted capital investment and stepping up the creation of synergies with the acquired activated carbon business. In addition, we revise strategies in businesses as necessary depending on market changes and other factors, and we intend to connect these efforts with the next medium-term management plan that will start in 2021. As Kuraray heads toward the 100th anniversary of its founding, the Group will continue to give its all going forward to achieve astounding results as a sustainably growing specialty chemical company.

In addition, Kuraray received a cease-and-desist order regarding the manufacture and sale of activated carbon from the Japan Fair Trade Commission on November 22, 2019. In March 2017, the Company received a cease-and-desist order from the same commission regarding a bid put forward for the supply of certain KURALON™ products ordered by the Acquisition, Technology & Logistics Agency. We take seriously the importance of the situation regarding the two removal orders for violations of the Antimonopoly Act. We have made compliance with the Antimonopoly Act one of our highest priorities and been working full force on various measures to prevent recurrences.

In addition, regarding the aforementioned fire, a civil lawsuit has been brought by over 160 workers of the subcontractor for Kuraray’s U.S. subsidiary, seeking compensation for damage to their physical and mental health. Although a settlement has been reached with some of the plaintiffs, the litigation is still proceeding. The plant has since restarted operations after taking various measures to prevent a recurrence. To ensure a similar fire does not occur again, the Kuraray headquarters have been conducting safety inspection at overseas plants since fiscal 2019 and steadily working on making improvements. From fiscal 2020 onward, we will continue diligently working to enhance the safety of our equipment at plants in Japan and overseas, revise and improving management systems and manuals, enhance employee education, and take other such measures.

Going forward, in line with the idea of “safety is the cornerstone of everything we do” as stated in the Guiding Principles of our corporate statements, we will continue aiming to globally be a company where people can work comfortably and a safe company where accidents do not occur.

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, 2018 | December 31, 2019 |
|--|-------------------|-------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash deposits | 67,022 | 72,014 |
| Notes and accounts receivable—trade | 128,107 | 121,166 |
| Short-term investment securities | 32,921 | 33,341 |
| Merchandise and finished goods | 101,081 | 101,628 |
| Work in process | 15,221 | 15,679 |
| Raw materials and supplies | 36,667 | 34,696 |
| Other | 14,315 | 16,661 |
| Allowance for doubtful accounts | (426) | (455) |
| Total current assets | 394,910 | 394,732 |
| Noncurrent Assets | | |
| Tangible fixed assets | | |
| Buildings and structures, net | 74,182 | 79,629 |
| Machinery, equipment and vehicles, net | 204,215 | 205,974 |
| Land | 22,707 | 22,062 |
| Construction in progress | 49,468 | 82,071 |
| Other, net | 6,837 | 25,055 |
| Total tangible fixed assets | 357,411 | 414,793 |
| Intangible fixed assets | | |
| Goodwill | 66,485 | 61,357 |
| Customer-related assets | 36,263 | 33,062 |
| Other | 41,400 | 35,514 |
| Total intangible fixed assets | 144,150 | 129,934 |
| Investments and other assets | | |
| Investment securities | 29,509 | 28,770 |
| Long-term loans receivable | 218 | 189 |
| Net defined benefit assets | 1,101 | 1,977 |
| Deferred tax assets | 12,993 | 13,506 |
| Others | 6,840 | 7,272 |
| Allowance for doubtful accounts | (40) | (28) |
| Total investments and other assets | 50,622 | 51,688 |
| Total noncurrent assets | 552,184 | 596,416 |
| Total Assets | 947,095 | 991,149 |

(Millions of yen)

| | December 31, 2018 | December 31, 2019 |
|---|-------------------|-------------------|
| LIABILITIES | | |
| Current Liabilities | | |
| Notes and accounts payable—trade | 45,408 | 39,883 |
| Short-term loans payable | 46,540 | 34,864 |
| Commercial paper | — | 24,000 |
| Accrued expenses | 12,201 | 50,491 |
| Income taxes payable | 8,474 | 4,307 |
| Provision for bonuses | 6,681 | 6,578 |
| Other provision | 266 | 226 |
| Other | 25,212 | 41,317 |
| Total current liabilities | 144,785 | 201,670 |
| Noncurrent Liabilities | | |
| Bonds payable | 50,000 | 50,000 |
| Long-term loans payable | 120,049 | 128,001 |
| Deferred tax liabilities | 24,951 | 13,743 |
| Provision for directors' retirement benefits | 237 | 347 |
| Provision for environmental measures | 5,716 | 3,692 |
| Net defined benefit liabilities | 18,065 | 22,203 |
| Asset retirement obligations | 5,070 | 4,671 |
| Other | 11,185 | 28,273 |
| Total noncurrent liabilities | 235,276 | 250,933 |
| Total Liabilities | 380,062 | 452,604 |
| NET ASSETS | | |
| Shareholders' Equity | | |
| Capital stock | 88,955 | 88,955 |
| Capital surplus | 87,207 | 87,197 |
| Retained earnings | 364,841 | 348,289 |
| Treasury stock | (9,746) | (16,286) |
| Total shareholders' equity | 531,257 | 508,156 |
| Accumulated Other Comprehensive Income | | |
| Valuation difference on available-for-sale securities | 7,822 | 7,922 |
| Deferred gain or losses on hedges | 1 | (263) |
| Foreign currency translation adjustments | 20,382 | 14,575 |
| Remeasurements of defined benefit plans | (4,025) | (5,238) |
| Total accumulated other comprehensive income | 24,181 | 16,995 |
| Subscription Rights to Shares | 587 | 663 |
| Noncontrolling Interests | 11,007 | 12,729 |
| Total Net Assets | 567,033 | 538,545 |
| Total Liabilities and Net Assets | 947,095 | 991,149 |

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

Consolidated Statements of Income

(Millions of yen)

| | Fiscal 2018 (January 1, 2018 – December 31, 2018) | Fiscal 2019 (January 1, 2019 – December 31, 2019) |
|--|---|---|
| Net sales | 602,996 | 575,807 |
| Cost of sales | 410,453 | 395,125 |
| Gross profit | 192,542 | 180,682 |
| Selling, general and administrative expenses | | |
| Selling expenses | 34,150 | 33,658 |
| General and administrative expenses | 92,598 | 92,850 |
| Total selling, general and administrative expenses | 126,748 | 126,508 |
| Operating income | 65,794 | 54,173 |
| Non-operating income | | |
| Interest income | 388 | 346 |
| Dividend income | 1,382 | 660 |
| Equity in earnings of affiliates | 333 | 361 |
| Other | 1,678 | 1,551 |
| Total non-operating income | 3,783 | 2,919 |
| Non-operating expenses | | |
| Interest expenses | 1,280 | 1,398 |
| Foreign exchange loss | 2,139 | 2,090 |
| Loss on disposal of tangible fixed assets | 1,038 | 1,012 |
| Other | 3,951 | 4,320 |
| Total non-operating expenses | 8,409 | 8,822 |
| Ordinary income | 61,167 | 48,271 |
| Extraordinary income | | |
| Insurance income | — | 11,374 |
| Gain on sale of investment securities | — | 1,723 |
| Reversal of provision for environmental measures | — | 1,009 |
| Compensation income | 336 | — |
| Total extraordinary income | 336 | 14,107 |
| Extraordinary loss | | |
| Loss on litigation | — | 50,590 |
| Impairment loss | 6,662 | 3,668 |
| Loss on disposal of tangible fixed assets | 657 | 1,397 |
| Loss on liquidation of subsidiaries and associates | — | 1,242 |
| Disaster loss | 1,877 | 1,003 |
| Loss on valuation of investment securities | — | 860 |
| Costs related to the suspension of operations | 1,224 | 722 |

| | (Millions of yen) | |
|---|--|--|
| | Fiscal 2018 | Fiscal 2019 |
| | (January 1, 2018 – December 31, 2018) | (January 1, 2019 – December 31, 2019) |
| Acquisition related expenses | 1,039 | — |
| Total extraordinary loss | 11,461 | 59,484 |
| Income before income taxes and noncontrolling interests | 50,041 | 2,893 |
| Income taxes—current | 19,361 | 15,054 |
| Income taxes—deferred | (3,919) | (11,243) |
| Total income taxes | 15,441 | 3,810 |
| Net income (loss) | 34,599 | (916) |
| Net income attributable to noncontrolling interests | 1,038 | 1,039 |
| Net income (loss) attributable to owners of the parent | 33,560 | (1,956) |

Consolidated Statements of Comprehensive Income

(Millions of yen)

| | Fiscal 2018 (January 1, 2018 – December 31, 2018) | Fiscal 2019 (January 1, 2019 – December 31, 2019) |
|---|---|---|
| Net income (loss) | 34,599 | (916) |
| Other comprehensive income (loss) | | |
| Valuation difference on available-for-sale securities | (5,186) | 100 |
| Deferred gains or losses on hedges | 604 | (445) |
| Foreign currency translation adjustment | (13,544) | (5,661) |
| Remeasurements of defined benefit plans | (188) | (1,213) |
| Total other comprehensive income (loss) | (18,314) | (7,220) |
| Comprehensive income | 16,285 | (8,137) |
| Comprehensive income attributable to: | | |
| Owners of the parent | 15,247 | (9,142) |
| Noncontrolling interests | 1,037 | 1,004 |

(3) Consolidated Statements of Changes in Net Assets

Fiscal 2018 (January 1, 2018 – December 31, 2018)

(Millions of yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|----------------|----------------------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance at January 1, 2018 | 88,955 | 87,219 | 344,653 | (6,110) | 514,718 |
| Changes of items during the period | | | | | |
| Cash dividends | | | (14,691) | | (14,691) |
| Net income attributable to owners of the parent | | | 33,560 | | 33,560 |
| Changes resulting from additions to consolidation | | | 14 | | 14 |
| Changes in application of the equity method | | | 1,303 | | 1,303 |
| Purchase of treasury stock | | | | (3,735) | (3,735) |
| Disposal of treasury stock | | | | 98 | 86 |
| Other | | (12) | | | (12) |
| Net changes of items other than shareholders' equity | | | | | — |
| Total changes of items during the period | — | (12) | 20,187 | (3,636) | 16,539 |
| Balance at December 31, 2018 | 88,955 | 87,207 | 364,841 | (9,746) | 531,257 |

| | 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, 2018 | 13,007 | (603) | 33,681 | (3,836) | 42,248 | 539 | 7,980 | 565,487 |
| Changes of items during the period | | | | | | | | |
| Cash dividends | | | | | | | | (14,691) |
| Net income attributable to owners of the parent | | | | | | | | 33,560 |
| Changes resulting from additions to consolidation | | | | | | | | 14 |
| Changes in application of the equity method | | | | | | | | 1,303 |
| Purchase of treasury stock | | | | | | | | (3,735) |
| Disposal of treasury stock | | | | | | | | 86 |
| Other | | | | | | | | (12) |
| Net changes of items other than shareholders' equity | (5,184) | 604 | (13,299) | (188) | (18,067) | 47 | 3,026 | (14,993) |
| Total changes of items during the period | (5,184) | 604 | (13,299) | (188) | (18,067) | 47 | 3,026 | 1,545 |
| Balance at December 31, 2018 | 7,822 | 1 | 20,382 | (4,025) | 24,181 | 587 | 11,007 | 567,033 |

Fiscal 2019 (January 1, 2019 – December 31, 2019)

(Millions of yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|----------------|----------------------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance at January 1, 2019 | 88,955 | 87,207 | 364,841 | (9,746) | 531,257 |
| Changes of items during the period | | | | | |
| Cash dividends | | | (14,595) | | (14,595) |
| Net loss attributable to owners of the parent | | | (1,956) | | (1,956) |
| Purchase of treasury stock | | | | (6,617) | (6,617) |
| Disposal of treasury stock | | (9) | | 78 | 68 |
| Other | | (0) | | | (0) |
| Net changes of items other than shareholders' equity | | | | | — |
| Total changes of items during the period | — | (9) | (16,551) | (6,539) | (23,101) |
| Balance at December 31, 2019 | 88,955 | 87,197 | 348,289 | (16,286) | 508,156 |

| | 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, 2019 | 7,822 | 1 | 20,382 | (4,025) | 24,181 | 587 | 11,007 | 567,033 |
| Changes of items during the period | | | | | | | | |
| Cash dividends | | | | | — | | | (14,595) |
| Net loss attributable to owners of the parent | | | | | — | | | (1,956) |
| Purchase of treasury stock | | | | | — | | | (6,617) |
| Disposal of treasury stock | | | | | — | | | 68 |
| Other | | | | | — | | | (0) |
| Net changes of items other than shareholders' equity | 99 | (265) | (5,806) | (1,213) | (7,185) | 76 | 1,722 | (5,386) |
| Total changes of items during the period | 99 | (265) | (5,806) | (1,213) | (7,185) | 76 | 1,722 | (28,488) |
| Balance at December 31, 2019 | 7,922 | (263) | 14,575 | (5,238) | 16,995 | 663 | 12,729 | 538,545 |

(4) Consolidated Statements of Cash Flows

| | (Millions of yen) | |
|---|--|--|
| | Fiscal 2018 | Fiscal 2019 |
| | (January 1, 2018 – December 31, 2018) | (January 1, 2019 – December 31, 2019) |
| Net cash provided by (used in) operating activities | | |
| Income before income taxes and noncontrolling interests | 50,041 | 2,893 |
| Depreciation and amortization | 56,698 | 58,158 |
| Increase (decrease) in allowance for doubtful accounts | (207) | 22 |
| Insurance received | — | (11,374) |
| Loss (gain) on sale of investment securities | — | (1,723) |
| Loss on litigation | — | 50,590 |
| Impairment loss | 6,662 | 3,668 |
| Loss on disposal of tangible fixed assets | 657 | 1,397 |
| Loss (gain) on valuation of investment securities | — | 860 |
| Foreign exchange losses (gains) | 704 | 513 |
| Interest and dividend income | (1,771) | (1,006) |
| Interest expenses | 1,280 | 1,398 |
| Decrease (increase) in notes and accounts receivable – trade | (1,001) | 5,724 |
| Decrease (increase) in inventories | (9,096) | (781) |
| Increase (decrease) in notes and accounts payable – trade | (2,082) | (5,182) |
| Increase (decrease) in provision for bonuses | 181 | (76) |
| Increase (decrease) in net defined benefit liabilities | (737) | 2,201 |
| Decrease (increase) in net defined benefit assets | (259) | (524) |
| Other, net | (4,831) | 8,183 |
| Subtotal | 96,238 | 114,943 |
| Interest and dividends received | 1,936 | 1,158 |
| Interest expenses paid | (1,199) | (1,396) |
| Income taxes (paid) refund | (21,804) | (19,308) |
| Insurance income | — | 11,374 |
| Loss on litigation paid | — | (11,195) |
| Net cash provided by (used in) operating activities | 75,171 | 95,577 |
| Net cash provided by (used in) investing activities | | |
| Net decrease (increase) in time deposits | 1,709 | (4,984) |
| Net decrease (increase) in short-term investment securities | (1,345) | 4,176 |
| Purchase of investment securities | (150) | (956) |
| Proceeds from sale and redemption of investment securities | 625 | 2,658 |
| Purchase of tangible fixed assets and intangible fixed assets | (65,957) | (87,105) |

| | (Millions of yen) | |
|---|--|--|
| | Fiscal 2018 | Fiscal 2019 |
| | (January 1, 2018 – December 31, 2018) | (January 1, 2019 – December 31, 2019) |
| Payments for disposal of tangible fixed assets and intangible fixed assets | (1,525) | (1,838) |
| Proceeds from sales of tangible fixed assets and intangible fixed assets | 99 | 587 |
| Purchase of investments in subsidiaries resulting in change in scope of consolidation | (119,814) | — |
| Sale of investments in subsidiaries resulting in change in scope of consolidation | — | (134) |
| Other, net | (624) | (1,773) |
| Net cash provided by (used in) investing activities | (186,982) | (89,369) |
| Net cash provided by (used in) financing activities | | |
| Net increase (decrease) in short-term loans payable | 26,715 | 490 |
| Net increase (decrease) in commercial paper | — | 24,000 |
| Proceeds from long-term loans payable | 90,000 | 7,744 |
| Repayment of long-term loans payable | (25,860) | (12,050) |
| Proceeds from issuance of bonds | 40,000 | — |
| Purchase of treasury stock | (3,735) | (6,617) |
| Proceeds from sale of treasury stock | 59 | 55 |
| Cash dividends paid | (14,691) | (14,595) |
| Proceeds from stock issuance to minority interests | 2,254 | 1,017 |
| Cash dividends paid to noncontrolling interests | (265) | (300) |
| Other, net | (388) | (1,260) |
| Net cash provided by (used in) financing activities | 114,088 | (1,517) |
| Effect of Exchange Rate Changes on Cash and Cash Equivalents | (1,210) | (70) |
| Net Increase (Decrease) in Cash and Cash Equivalents | 1,065 | 4,620 |
| Cash and Cash Equivalents, Beginning of the Period | 70,234 | 71,345 |
| Increase in Cash and Cash Equivalents from Newly Consolidated Subsidiaries | 45 | 1 |
| Cash and Cash Equivalents, End of the Period | 71,345 | 75,967 |

(5) Notes regarding Consolidated Financial Statements

Notes regarding Going Concern Assumptions

None

Changes in Accounting Principles, etc.

●Changes in Accounting Principles following Revisions to Accounting Standards

Since fiscal 2019, we have applied IFRS 16 “Leases” for some overseas affiliates.

Accordingly, regarding operating leases (borrower) covered by IAS No. 17, we recognize right-of-use assets and lease liabilities on the date of adoption. Regarding adoption of this accounting standard, the Group adopted a method regarded as a transitory measure whereby the cumulative effect is recognized on the date of adoption.

As a result, in the fiscal 2019 consolidated balance sheets, under tangible fixed assets, other increased ¥17,920 million; under current liabilities, other increased ¥1,161 million; and, under noncurrent liabilities, other increased ¥17,025 million.

The effect of this change on fiscal 2019 profit and loss and per-share information is minor.

In addition, in the consolidated statements of cash flows, cash provided by operating activities increased ¥884 million, and cash used in financing activities declined by the same amount.

Changes in Presentation Methods

●Changes following the Adoption of Partial Amendments to Accounting Standard for Tax Effect Accounting

Kuraray adopted the Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018) from the beginning of fiscal 2019. Accordingly, deferred tax assets are presented under investments and other assets while deferred tax liabilities are presented under noncurrent liabilities.

As a result, in the consolidated balance sheets for the previous fiscal year, ¥3,794 million in deferred tax assets previously included in current assets and ¥20 million in deferred tax liabilities previously included in current liabilities are both included in deferred tax assets of ¥12,993 million presented under investments and other assets while deferred tax liabilities of ¥24,951 million are presented under noncurrent liabilities.

Moreover, the main line item of deferred tax assets is offset by deferred tax liabilities before being stated, and total assets decreased ¥20 million compared with what they would have been before the change.

Changes to Accounting Estimates

●Provision for Environmental Measures

To prepare for expenses related to the disposal of polychlorinated biphenyl (PCB) waste, which had been kept in storage and removed from fixed assets, we have recorded estimated disposal expenses as a provision for environmental measures. However, as we made progress in disposing of the waste, we were able to make a more detailed assessment and

revise our estimate. The difference between the original and new estimates is listed as reversal of provision for environmental measures under extraordinary income in fiscal 2019.

As a result, fiscal 2019 income before income taxes and noncontrolling interests increased ¥1,009 million.

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 PVA, 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 and carbon materials. 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 reported business segments is the same as that used in creating the consolidated financial statements. Profits from reported segments are operating income, and intersegment sales and transfers are based on the prevailing market prices.

●Adoption of IFRS 16 “Leases”

As stated in Changes in Accounting Principles, we have applied IFRS 16 “Leases” for some overseas affiliates since fiscal 2019. Accordingly, regarding operating leases (borrower) covered by IAS No. 17, we recognize right-of-use assets on the date of adoption.

●Changes following the Adoption of Partial Amendments to Accounting Standard for Tax Effect Accounting

As stated in Changes in Presentation Methods, Kuraray adopted the Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018) from the beginning of fiscal 2019. Regarding segment assets for the previous fiscal year, the figures have been retroactively revised to reflect the new accounting standard.

3. Net Sales, Income and Loss, Net Assets and Other Items by Reporting Segment Fiscal 2018 (January 1, 2018 to December 31, 2018)

(Millions of yen)

| | Reporting Segment | | | | | | Other Business ¹ | Total | Adjustment ² | Consolidated Statements of Income ³ |
|---|-------------------|----------|----------------------|---------------------|---------|---------|-----------------------------|---------|-------------------------|--|
| | Vinyl Acetate | Isoprene | Functional Materials | Fibers and Textiles | Trading | Total | | | | |
| Net sales | | | | | | | | | | |
| Outside customers | 233,214 | 30,144 | 111,969 | 47,287 | 136,109 | 558,726 | 44,269 | 602,996 | — | 602,996 |
| Inter-segment sales and transfers | 46,164 | 27,062 | 19,563 | 17,429 | 2,739 | 112,959 | 13,755 | 126,714 | (126,714) | — |
| Total | 279,379 | 57,207 | 131,533 | 64,716 | 138,848 | 671,685 | 58,025 | 729,710 | (126,714) | 602,996 |
| Segment income (loss) | 54,739 | 7,272 | 4,396 | 6,279 | 4,215 | 76,904 | 1,178 | 78,082 | (12,288) | 65,794 |
| Segment assets | 416,191 | 62,682 | 226,542 | 67,035 | 46,282 | 818,733 | 42,643 | 861,376 | 85,718 | 947,095 |
| Other items | | | | | | | | | | |
| Depreciation and amortization (other than goodwill) | 31,477 | 2,506 | 12,563 | 2,584 | 58 | 49,190 | 892 | 50,082 | 2,204 | 52,287 |
| Impairment loss | 6,311 | — | 189 | — | — | 6,500 | 161 | 6,662 | — | 6,662 |
| Amortization of goodwill | 1,804 | — | 2,603 | — | — | 4,408 | 2 | 4,410 | — | 4,410 |
| Balance of goodwill at end of current period | 18,468 | — | 48,016 | — | — | 66,485 | 0 | 66,485 | — | 66,485 |
| Investments in equity method affiliates | — | — | — | 2,290 | — | 2,290 | — | 2,290 | — | 2,290 |
| Increase in tangible fixed assets and intangible fixed assets | 38,034 | 4,038 | 7,341 | 7,633 | 53 | 57,102 | 2,890 | 59,993 | 6,832 | 66,825 |

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 ¥12,288 million is the elimination of intersegment transactions of ¥1,622 million and corporate expenses of ¥13,910 million. Corporate expenses mainly comprise headquarters’ general and administrative expenses and 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 ¥85,718 million is the elimination of intersegment transactions of ¥39,349 million and unallocated corporate assets of ¥125,068 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.

Fiscal 2019 (January 1, 2019 to December 31, 2019)

(Millions of yen)

| | Reporting Segment | | | | | | Other Business ¹ | Total | Adjustment ² | Consolidated Statements of Income ³ |
|---|-------------------|---------------|----------------------|---------------------|----------------|----------------|-----------------------------|----------------|-------------------------|--|
| | Vinyl Acetate | Isoprene | Functional Materials | Fibers and Textiles | Trading | Total | | | | |
| Net sales Outside customers | 225,127 | 29,058 | 107,020 | 50,816 | 128,139 | 540,162 | 35,644 | 575,807 | — | 575,807 |
| Inter-segment sales and transfers | 40,978 | 24,217 | 18,961 | 13,697 | 2,772 | 100,626 | 15,484 | 116,110 | (116,110) | — |
| Total | 266,105 | 53,276 | 125,982 | 64,513 | 130,911 | 640,789 | 51,128 | 691,917 | (116,110) | 575,807 |
| Segment income (loss) | 47,368 | 4,232 | 3,836 | 5,654 | 4,224 | 65,317 | 649 | 65,967 | (11,793) | 54,173 |
| Segment assets | 423,596 | 90,648 | 219,125 | 74,500 | 44,276 | 852,147 | 48,471 | 900,619 | 90,529 | 991,149 |
| Other items | | | | | | | | | | |
| Depreciation and amortization (other than goodwill) | 32,361 | 2,779 | 11,883 | 3,125 | 93 | 50,242 | 931 | 51,174 | 2,819 | 53,993 |
| Impairment loss | 3,356 | 170 | — | — | — | 3,526 | 60 | 3,586 | 81 | 3,668 |
| Amortization of goodwill | 1,591 | — | 2,572 | — | — | 4,163 | 0 | 4,164 | — | 4,164 |
| Balance of goodwill at end of current period | 16,536 | — | 44,821 | — | — | 61,357 | — | 61,357 | — | 61,357 |
| Investments in equity method affiliates | — | — | — | 2,302 | — | 2,302 | — | 2,302 | — | 2,302 |
| Increase in tangible fixed assets and intangible fixed assets | 41,467 | 25,692 | 11,460 | 10,729 | 526 | 89,875 | 2,512 | 92,387 | 4,978 | 97,366 |

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 ¥11,793 million is the elimination of intersegment transactions of ¥1,888 million and corporate expenses of ¥13,682 million. Corporate expenses mainly comprise headquarters’ general and administrative expenses and 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 ¥90,529 million is the elimination of intersegment transactions of ¥36,506 million and unallocated corporate assets of ¥127,036 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.

Related Information

Fiscal 2018 (January 1, 2018 – December 31, 2018) Information by Each Product and Service

1. Information by Each Product and Service (Millions of yen)

| | Vinyl Acetate | Isoprene | Functional Materials | Fibers & Textiles | Other Business | Total |
|--------------------------------|---------------|----------|----------------------|-------------------|----------------|---------|
| Net sales to outside customers | 273,307 | 53,255 | 130,951 | 88,930 | 56,551 | 602,996 |

Notes:

Principal products of each segment are as follows:

Vinyl Acetate: PVA 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 and others

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

Other Business: Aqua business, engineering business and others

2. Information by Geographical Segment

(1) Net Sales (Millions of yen)

| Japan | United States | China | Europe | Asia | Other Area | Total |
|---------|---------------|--------|---------|--------|------------|---------|
| 192,940 | 100,736 | 70,528 | 136,122 | 75,144 | 27,524 | 602,996 |

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

(2) Tangible Fixed Assets (Millions of yen)

| Japan | United States | Other Area | Total |
|---------|---------------|------------|---------|
| 146,011 | 133,303 | 78,096 | 357,411 |

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 2019 (January 1, 2019 – December 31, 2019) Information by Each Product and Service

1. Information by Each Product and Service (Millions of yen)

| | Vinyl Acetate | Isoprene | Functional Materials | Fibers & Textiles | Other Business | Total |
|--------------------------------|---------------|----------|----------------------|-------------------|----------------|---------|
| Net sales to outside customers | 261,241 | 53,244 | 125,301 | 92,986 | 43,032 | 575,807 |

Notes:

Principal products of each segment are as follows:

Vinyl Acetate: PVA 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 and others

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

Other Business: Aqua business, engineering business and others

2. Information by Geographical Segment

(1) Net Sales (Millions of yen)

| Japan | United States | China | Europe | Asia | Other Area | Total |
|---------|---------------|--------|---------|--------|------------|---------|
| 184,491 | 98,776 | 68,161 | 127,299 | 70,913 | 26,164 | 575,807 |

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

(2) Tangible Fixed Assets (Millions of yen)

| Japan | United States | Other Area | Total |
|---------|---------------|------------|---------|
| 176,998 | 127,875 | 109,919 | 414,793 |

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 2018 (January 1, 2018 – December 31, 2018)

Omitted because the same information is provided under segment information

Fiscal 2019 (January 1, 2019 – December 31, 2019)

Omitted because the same information is provided under segment information

Amortization of goodwill and unamortized balances by reporting segment

Fiscal 2018 (January 1, 2018 – December 31, 2018)

Omitted because the same information is provided under segment information

Fiscal 2019 (January 1, 2019 – December 31, 2019)

Omitted because the same information is provided under segment information

Negative goodwill by reporting segment

Fiscal 2018 (January 1, 2018 – December 31, 2018)

None

Fiscal 2019 (January 1, 2019 – December 31, 2019)

None

Per Share Information

| | Fiscal 2018 (January 1, 2018 – December 31, 2018) | Fiscal 2019 (January 1, 2019 – December 31, 2019) |
|---|---|---|
| Net assets per share (yen) | 1,592.96 | 1,527.79 |
| Basic net income (loss) per share (yen) | 96.05 | (5.66) |
| Diluted net income per share (yen) | 95.86 | — |

Notes: 1. Although there were dilutive securities in fiscal 2019, diluted net income per share is not stated for the year because a net loss per share was recorded.

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

| | Fiscal 2018 (January 1, 2018 – December 31, 2018) | Fiscal 2019 (January 1, 2019 – December 31, 2019) |
|--|---|---|
| Basic net income (loss) per share | | |
| Net income (loss) attributable to owners of the parent (millions of yen) | 33,560 | (1,956) |
| Amount unallocated to common stock (millions of yen) | — | — |
| Net income (loss) attributable to owners of the parent allocated to common stock (millions of yen) | 33,560 | (1,956) |
| Average number of common stock outstanding during the fiscal year (thousand shares) | 349,424 | 345,819 |
| Diluted net income per share | | |
| Adjustment made on net income (millions of yen) | — | — |
| Increase of common stocks (thousand shares) | 677 | 513 |
| [Subscription rights to shares included in above] | (677) | (513) |
| Outline of the residual securities not included in the calculation of the diluted net income | — | — |

Significant Subsequent Information

None