

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

November 10, 2021

Kuraray Co., Ltd.

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Consolidated Earnings Report for the Third Quarter of the Fiscal Year Ending December 31, 2021

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

Representative:

Title: Representative Director and President
 Name: Hitoshi Kawahara

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Preparation of supplementary documentation for the quarterly earnings report: Yes

Holding of quarterly earnings results briefing: Yes (for securities analysts and institutional investors)

(Millions of yen rounded down unless otherwise stated)

1. Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending December 31, 2021 (January 1, 2020 to September 30, 2021)

(1) Consolidated Operating Results

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

(Millions of yen)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of the Parent	
		(%)		(%)		(%)		(%)
Fiscal 2021 3Q	459,159	16.6	54,318	67.0	51,001	71.0	28,602	88.8
Fiscal 2020 3Q	393,778	(8.2)	32,527	(23.2)	29,823	(21.4)	15,147	(21.8)

Note: Comprehensive income: For the fiscal 2021 third quarter: ¥56,553 million (—%)
 For the fiscal 2020 third quarter: ¥2,525 million (41.4%)

	Net Income per Share (Yen)	Fully Diluted Net Income per Share (Yen)
Fiscal 2021 3Q	83.15	83.08
Fiscal 2020 3Q	44.05	44.01

(2) Consolidated Financial Position

(Millions of yen)

	Total Assets	Net Assets	Equity Ratio (%)
As of September 30, 2021	1,062,197	559,519	51.0
As of December 31, 2020	1,051,584	515,481	47.4

[Reference] Equity attributable to owners of the parent: As of September 30, 2021: ¥541,301 million

As of December 31, 2020: ¥498,798 million

2. Dividends

(Yen)

Record Date	Cash Dividends per Share				
	Mar. 31	Jun. 30	Sep. 30	Dec. 31	Annual
Fiscal 2020	—	21.00	—	19.00	40.00
Fiscal 2021	—	20.00	—		
Fiscal 2021 (Forecast)				20.00	40.00

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

3. Forecasts of Consolidated Financial Results for the Fiscal Year Ending December 31, 2021 (January 1, 2021 to December 31, 2021)

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

(Millions of yen)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of the Parent		Net Income per Share (Yen)
		(%)		(%)		(%)		(%)	
Full Fiscal Year	615,000	13.5	70,000	57.9	65,000	63.6	35,000	—	101.74

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

[Reference]

- (1) Changes in Important Subsidiaries during the Period (Changes in Special Subsidiaries Involving Changes in the Scope of Consolidation)
Added: No companies Excluded: No companies
- (2) Adoption of Special Accounting Practices in the Preparation of Quarterly Consolidated Financial Statements
No
- (3) Changes in Accounting Principles, Procedures and Presentation Methods in Connection with the Preparation of Quarterly Consolidated Financial Statements
 1. Changes following revision of accounting standards: No
 2. Changes besides 1. above: No
 3. Changes in accounting estimates: No
 4. Restatement: No
- (4) Number of Shares Issued and Outstanding (Common Shares)
 1. Number of shares issued and outstanding (including treasury stock) as of the period-end:

As of September 30, 2021	354,863,603 shares
As of December 31, 2020	354,863,603 shares
 2. Number of treasury shares as of the period-end:

As of September 30, 2021	10,857,820 shares
As of December 31, 2020	10,940,270 shares
 3. Average number of shares for the period (cumulative):

As of September 30, 2021	343,980,899 shares
As of September 30, 2020	343,865,009 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 “(3) Basis for the Revision in Forecasts, Including Consolidated Operating Results Forecasts” on page 6 of the Attachment for the assumptions used.

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1. Qualitative Information regarding Business Results

(1) Overview of Consolidated Business Results

In the third quarter of fiscal 2021 (January 1, 2021–September 30, 2021), the world economy recovered overall as COVID-19 vaccinations rates continued to rise and economic activities have been invigorated, particularly in advanced countries and China. However, the outlook is currently growing more unclear due mainly to a continued rise in raw material and fuel prices in addition to shortages of semiconductors and other components, prolonged logistics disruptions, and concerns about an economic slowdown in China. Consequently, consolidated operating results for the third quarter of fiscal 2021 are as follows: net sales rose ¥65,380 million, or 16.6%, compared with the previous fiscal year to ¥459,159 million; operating income increased ¥21,790 million, or 67.0%, to ¥54,318 million; ordinary income increased ¥21,178 million, or 71.0%, to ¥51,001 million; and net income attributable to owners of the parent increased ¥13,455 million, or 88.8%, to ¥28,602 million.

The Group's long-term vision for its 100th anniversary coming up in 2026, "Kuraray Vision 2026", is to become a "Specialty Chemical Company, growing sustainably by incorporating new foundational platforms into its own technologies." We will continue striving to optimize our business portfolio by steadily taking specific measures based on the three basic policies of "Kuraray Vision 2026": pursuing competitive superiority, expanding new business fields and enhancing the comprehensive strengths of the Kuraray Group. In fiscal 2021, we will focus on safe and stable operations amid the pandemic and thoroughly implement various measures decided on during the period of the previous medium-term management plan "PROUD 2020." At the same time, we will move ahead with formulating the next medium-term management plan, which is set to start in fiscal 2022.

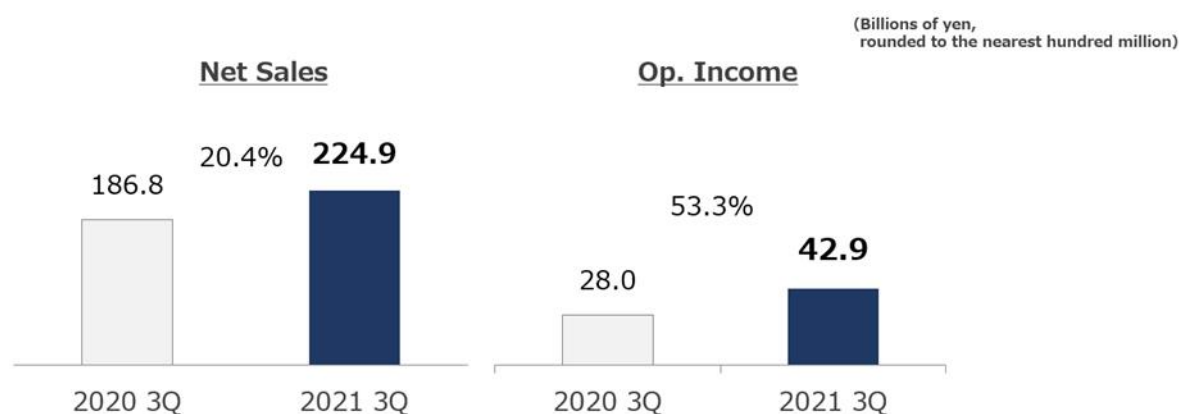
(Millions of yen)

	FY2020 3Q		FY2021 3Q		Change	
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income
Vinyl Acetate	186,759	27,996	224,861	42,926	38,101	14,930
Isoprene	36,143	2,130	45,480	4,747	9,337	2,616
Functional Materials	90,675	2,891	99,685	5,287	9,010	2,395
Fibers and Textiles	40,020	2,703	44,779	4,314	4,759	1,611
Trading	89,322	2,817	105,301	3,570	15,979	753
Others	32,051	347	33,802	644	1,751	296
Elimination & Corporate	(81,192)	(6,358)	(94,752)	(7,172)	(13,559)	(814)
Total	393,778	32,527	459,159	54,318	65,380	21,790

Results by Business Segment

Vinyl Acetate

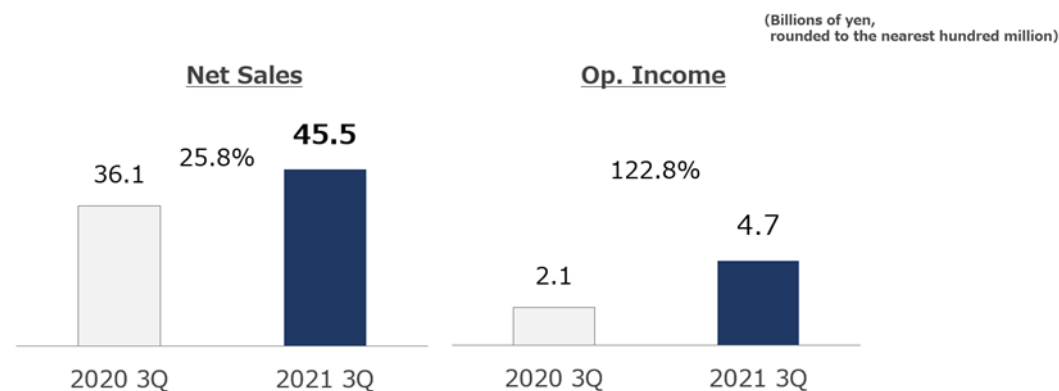
Sales in this segment increased 20.4% year on year to ¥224,861 million, and segment income rose 53.3% year on year to ¥42,926 million.



- (1) Sales of PVA resin increased for a wide range of applications as global demand has been recovering, but performance was impacted by high raw material and fuel prices. Sales of optical-use poval film were brisk against a backdrop of robust demand for LCD panels continuing from the second half of the previous fiscal year. The sales volume of PVB film rose year on year but were affected by a decrease in the production of automobiles caused by a shortage of semiconductors in the third quarter. Sales of water-soluble PVA film steadily expanded for use in unit dose detergent packets, including for laundry and dish detergents.
- (2) The sales volume of EVAL™ ethylene vinyl alcohol copolymer (EVOH resin) increased due to a recovery in demand for gas tank applications and solid demand for food packaging applications but were affected by a decrease in the production of automobiles and high raw material and fuel prices in the third quarter.

Isoprene

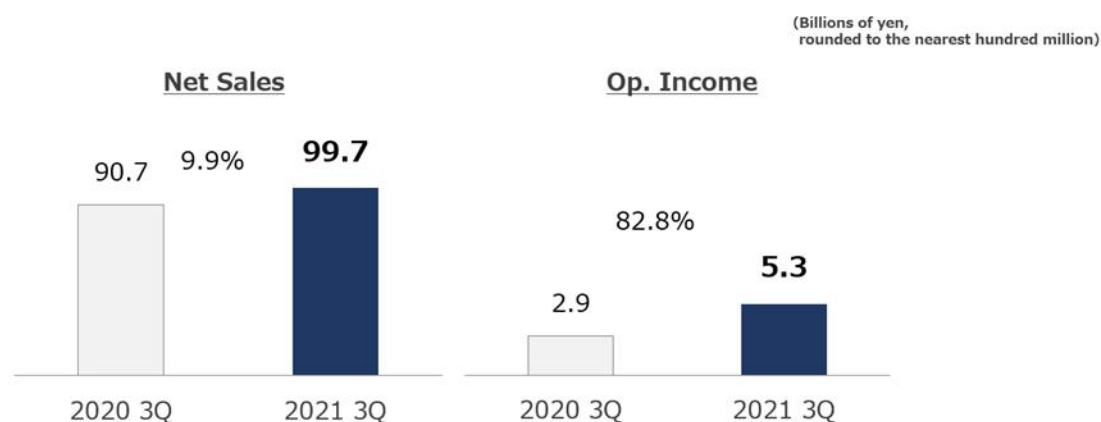
Sales in this segment increased 25.8% year on year to ¥45,480 million, and segment income rose 122.8% year on year to ¥4,747 million.



- (1) The sales volume of isoprene chemicals and SEPTON™ thermoplastic elastomer increased due to a recovery in demand.
- (2) Sales of GENESTAR™ heat-resistant polyamide resin remained brisk as demand for electric and electronic device applications and automotive applications increased.

Functional Materials

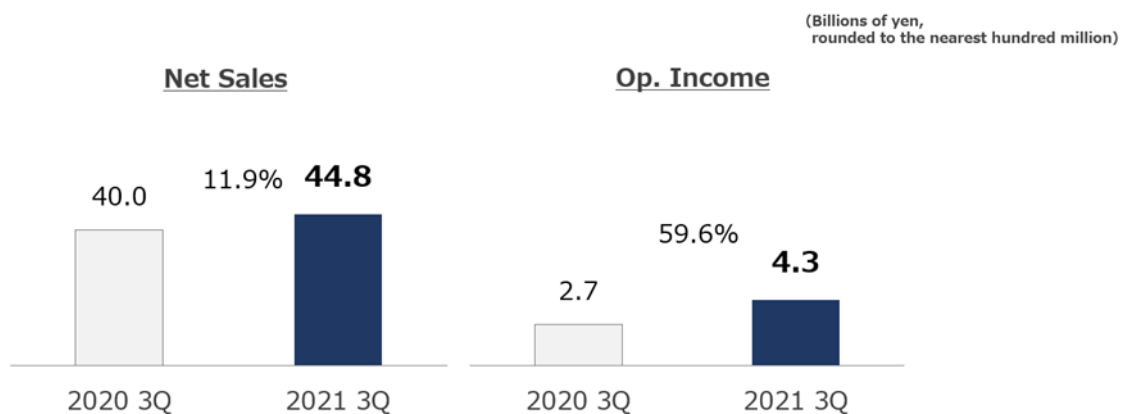
Sales in this segment increased 9.9% year on year to ¥99,685 million, and segment income rose 82.2% year on year to ¥5,287 million.



- (1) In the methacrylate business, sales of spatter-blocking barrier panels and displays remained steady, and market conditions stayed strong.
- (2) In the medical business, demand for new Kuraray products was strong in the dental materials business, and sales were particularly brisk in Europe and the United States.
- (3) In the environmental solutions business, demand for industrial application products recovered, and sales of activated carbon remained steady.

Fibers and Textiles

Sales in this segment rose 11.9% year on year to ¥44,779 million while segment income increased 59.6% year on year to ¥4,314 million.

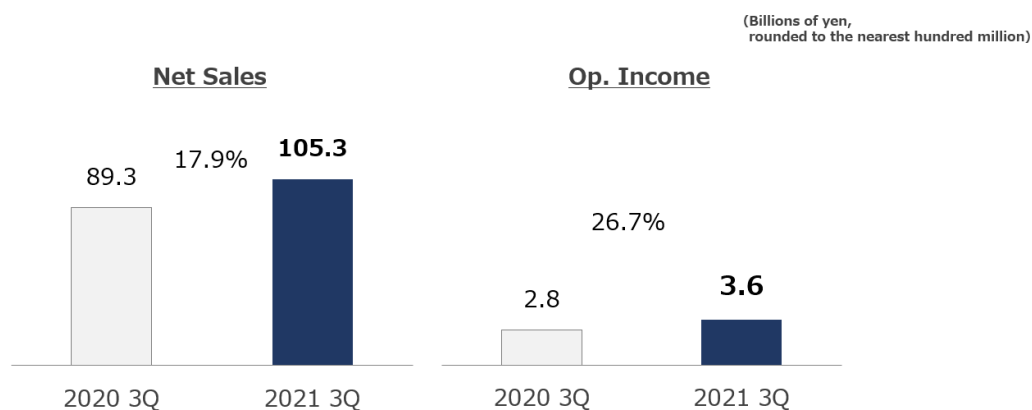


- (1) Sales of CLARINO™ man-made leather remained brisk as demand for use in shoes and luxury products recovered.
- (2) In fibers and industrial materials, the sales volume of KURALON™ remained brisk as demand for cement reinforcement and rubber materials recovered.
- (3) In consumer goods and materials, demand for KURAFLEX™ for use in counter cloths for the restaurant industry was weak.

Trading

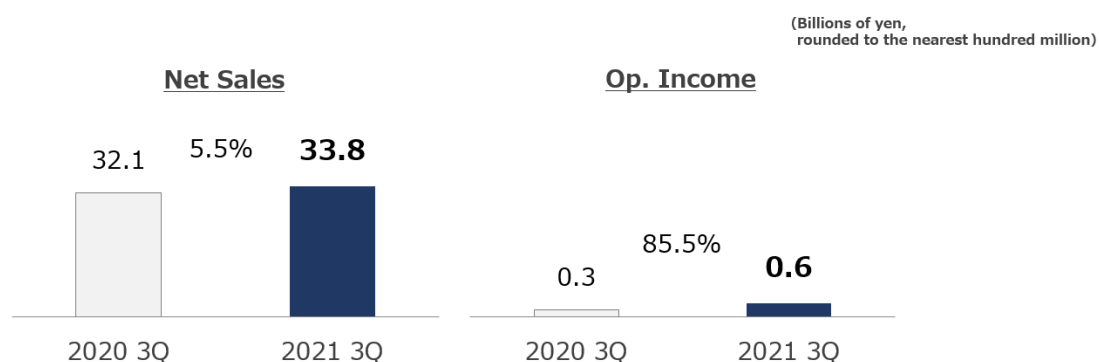
In fiber-related businesses, sales for sports applications were brisk. Sales of resins and

chemicals expanded in Japan and Asia, including China. As a result, segment sales increased 17.9% year on year to ¥105,301 million, and segment income rose 26.7% to ¥3,570 million.



Others

In other business, due to signs of recovery in sales of domestic affiliates, segment sales increased 5.5% year on year to ¥33,802 million, and segment income rose 85.5% to ¥644 million.



(2) Overview of Financial Position

Total assets increased ¥10,612 million from the end of the previous fiscal year to ¥1,062,197 million mainly because of a ¥17,409 million increase in inventories, a ¥13,317 million increase in construction in progress, a ¥9,771 million increase in notes and accounts receivable—trade, and a ¥5,129 million increase in other current assets accompanying mainly an increase in other accounts receivable, despite a ¥37,400 million decrease in cash and cash deposits and a ¥5,640 million decrease in short-term investment securities. Factors that contributed to liabilities included a net increase in long-term loans payable of ¥4,850 million along with rises of ¥4,365 million in income taxes payable, ¥4,237 million in notes and accounts payable—trade, and ¥3,508 million in provision for bonuses. Total liabilities decreased ¥33,425 million to ¥502,677 million due to factors that included a ¥21,932 million decrease in other current liabilities accompanying mainly a decrease in other accounts payable, the redemption of commercial paper totaling ¥20,000 million, and the redemption of bonds totaling ¥10,000 million.

Total net assets rose ¥44,038 million to ¥559,519 million. Equity attributable to owners of the parent amounted to ¥541,301 million, for an equity ratio of 51.0%.

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

In light of the most recent trend in its operating results, the Company has revised the forecast of consolidated operating results for the fiscal year ending December 31, 2021 (January 1, 2021 to December 31, 2021) from its previous forecast announced on August 12, 2021, as shown below.

Revised Consolidated Operating Results Forecast for Fiscal 2021

	(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)	610,000	66,000	61,000	33,000	95.93
Revised Forecast (B)	615,000	70,000	65,000	35,000	101.74
Amount Adjusted (B – A)	5,000	4,000	4,000	2,000	
Percent Adjusted	0.8	6.1	6.6	6.1	
Ref: FY2020 Results	541,797	44,341	39,740	2,570	7.48

Note: The above forecasts are based on the best information currently available. Actual operating results may vary significantly due to various factors.
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2. Quarterly Consolidated Financial Statements and Notes
(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	December 31, 2020	September 30, 2021
ASSETS		
Current Assets		
Cash and cash deposits	184,319	146,918
Notes and accounts receivable—trade	117,172	126,943
Short-term investment securities	7,924	2,284
Merchandise and finished goods	86,555	95,082
Work in process	14,105	15,647
Raw materials and supplies	31,968	39,308
Other	19,596	24,725
Allowance for doubtful accounts	(439)	(487)
Total current assets	461,202	450,422
Noncurrent Assets		
Tangible fixed assets		
Buildings and structures, net	84,604	86,430
Machinery, equipment and vehicles, net	200,152	200,738
Land	22,204	22,518
Construction in progress	97,451	110,768
Other, net	24,978	24,894
Total tangible fixed assets	429,391	445,349
Intangible fixed assets		
Goodwill	51,105	52,218
Customer-related assets	28,800	29,071
Other	31,143	31,731
Total intangible fixed assets	111,049	113,021
Investments and other assets		
Investment securities	25,477	25,624
Long-term loans receivable	140	121
Net defined benefit assets	2,097	2,366
Deferred tax assets	14,652	15,788
Others	7,597	9,526
Allowance for doubtful accounts	(24)	(24)
Total investments and other assets	49,941	53,403
Total noncurrent assets	590,382	611,774
Total Assets	1,051,584	1,062,197

(Millions of yen)

	December 31, 2020	September 30, 2021
LIABILITIES		
Current Liabilities		
Notes and accounts payable–trade	36,161	40,398
Short-term loans payable	34,480	34,480
Commercial paper	20,000	—
Current portion of bonds payable	20,000	10,000
Current portion of long-term loans payable	29	55,013
Accrued expenses	17,956	20,754
Income taxes payable	6,621	10,986
Provision for bonuses	6,745	10,254
Other provision	202	207
Other	52,856	30,924
Total current liabilities	195,053	213,019
Noncurrent Liabilities		
Bonds payable	60,000	60,000
Long-term loans payable	206,881	156,747
Deferred tax liabilities	11,218	12,561
Provision for directors' retirement benefits	375	385
Provision for environmental measures	3,364	562
Net defined benefit liabilities	25,449	25,579
Asset retirement obligations	4,383	4,494
Other	29,376	29,327
Total noncurrent liabilities	341,050	289,658
Total Liabilities	536,103	502,677
NET ASSETS		
Shareholders' Equity		
Capital stock	88,955	88,955
Capital surplus	87,178	87,166
Retained earnings	336,050	351,238
Treasury stock	(16,006)	(15,885)
Total shareholders' equity	496,177	511,475
Accumulated Other Comprehensive Income		
Valuation difference on available-for-sale securities	6,847	7,288
Deferred gain or losses on hedges	(376)	297
Foreign currency translation adjustments	1,470	24,998
Remeasurements of defined benefit plans	(5,321)	(2,759)
Total accumulated other comprehensive income	2,620	29,826
Subscription Rights to Shares	328	414
Noncontrolling Interests	16,354	17,803
Total Net Assets	515,481	559,519
Total Liabilities and Net Assets	1,051,584	1,062,197

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

Quarterly Consolidated Statements of Income

(Millions of yen)

	Fiscal 2020 3Q (January 1, 2020 – September 30, 2020)	Fiscal 2021 3Q (January 1, 2021 – September 30, 2021)
Net sales	393,778	459,159
Cost of sales	272,473	309,095
Gross profit	121,305	150,063
Selling, general and administrative expenses		
Selling expenses	22,666	27,949
General and administrative expenses	66,111	67,796
Total selling, general and administrative expenses	88,777	95,745
Operating income	32,527	54,318
Non-operating income		
Interest income	198	84
Dividend income	370	340
Equity in earnings of affiliates	142	189
Other	961	971
Total non-operating income	1,673	1,585
Non-operating expenses		
Interest expenses	1,081	1,161
Foreign exchange loss	171	—
Other	3,123	3,740
Total non-operating expenses	4,377	4,902
Ordinary income	29,823	51,001
Extraordinary income		
Gain on sale of investment securities	787	535
Subsidy income	—	510
Compensation for transfer	—	422
Insurance income	391	—
Gain on reversal of share acquisition rights to shares	285	—
Total extraordinary income	1,464	1,468
Extraordinary loss		
Loss on litigation	5,183	3,772
Disaster loss	—	3,245
Loss on disposal of tangible fixed assets	571	1,151
Loss on tax purpose reduction entry of non-current assets	—	423
Costs related to the suspension of operations	3,249	—
Total extraordinary loss	9,004	8,593
Income before income taxes and noncontrolling interests	22,283	43,876
Income taxes—current	8,780	15,381
Income taxes—deferred	(2,323)	(1,025)

Total income taxes	6,457	14,356
	Fiscal 2020 3Q (January 1, 2020 – September 30, 2020)	Fiscal 2021 3Q (January 1, 2021 – September 30, 2021)
Net income	15,826	29,520
Net income attributable to noncontrolling interests	679	917
Net income attributable to owners of the parent	15,147	28,602

Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal 2020 3Q (January 1, 2020 – September 30, 2020)	Fiscal 2021 3Q (January 1, 2021 – September 30, 2021)
Net income	15,826	29,520
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,015)	441
Deferred gains or losses on hedges	(73)	836
Foreign currency translation adjustment	(11,612)	23,193
Remeasurements of defined benefit plans	399	2,562
Total other comprehensive income	(13,300)	27,033
Quarterly comprehensive income	2,525	56,553
Comprehensive income attributable to:		
Owners of the parent	2,320	55,808
Noncontrolling interests	204	745

(3) Notes regarding Quarterly Consolidated Financial Statements

Notes regarding Going Concern Assumptions

None

Material Changes in Shareholders' Equity

None

Segment Information, etc.

● Segment Information

I. Third Quarter of Fiscal 2020 (January 1, 2020 to September 30, 2020)

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										
(1) Outside customers	156,675	19,382	77,593	30,335	87,381	371,369	22,409	393,778	—	393,778
(2) Intersegment sales and transfers	30,083	16,760	13,081	9,684	1,940	71,551	9,641	81,192	(81,192)	—
Total	186,759	36,143	90,675	40,020	89,322	442,920	32,051	474,971	(81,192)	393,778
Segment income (loss)	27,996	2,130	2,891	2,703	2,817	38,539	347	38,886	(6,358)	32,527

Notes:

1. The “Other Business” category incorporates operations not included in business segment reporting, including the water treatment business and engineering business.
2. Adjustment is as follows: Included within segment loss of ¥6,358 million is the elimination of intersegment transactions that ended as a profit of ¥1,448 million and corporate expenses that ended as a loss of ¥7,807 million. Corporate expenses mainly comprise the submitting company's basic research expenses.
3. Segment income is adjusted to agree with operating income in the consolidated statements of income.

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

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										
(1) Outside customers	187,077	23,964	84,684	33,659	103,362	432,748	26,410	459,159	—	459,159
(2) Intersegment sales and transfers	37,783	21,516	15,001	11,119	1,939	87,360	7,391	94,752	(94,752)	—
Total	224,861	45,480	99,685	44,779	105,301	520,109	33,802	553,911	(94,752)	459,159
Segment income (loss)	42,926	4,747	5,287	4,314	3,570	60,846	644	61,491	(7,172)	54,318

Notes:

1. The “Other Business” category incorporates operations not included in business segment reporting, including the water treatment business and engineering business.
2. Adjustment is as follows: Included within segment loss of ¥7,172 million is the elimination of intersegment transactions that ended as a profit of ¥1,238 million and corporate expenses that ended as a loss ¥8,411 million. Corporate expenses mainly comprise the submitting company’s basic research expenses.
3. Segment income is adjusted to agree with operating income in the consolidated statements of income.