

**Business Results for the  
Second Quarter of the Fiscal Year Ending  
December 31, 2022 (Unaudited)**

**August 10, 2022**

**Kuraray Co., Ltd.**

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## Consolidated Earnings Report for the Second Quarter of the Fiscal Year Ending December 31, 2022

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

Representative:  
Title: Representative Director and President  
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Preparation of supplementary documentation for the 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 Second Quarter of the Fiscal Year Ending December 31, 2022 (January 1, 2022 to June 30, 2022)

#### (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 2022 2Q	358,040	—	38,089	—	37,896	—	24,207	—
Fiscal 2021 2Q	302,296	15.4	30,398	55.0	28,496	61.6	11,710	27.8

Note: Comprehensive income: For the fiscal 2022 second quarter: ¥95,477 million (—%)  
For the fiscal 2021 second quarter: ¥36,011 million (—%)

	Net Income per Share (Yen)	Fully Diluted Net Income per Share (Yen)
Fiscal 2022 2Q	71.32	71.26
Fiscal 2021 2Q	34.04	34.02

Note: Due to the adoption of the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29; March 31, 2020) from January 1, 2022, the figures for the second quarter of fiscal 2022 reflect the application of the newly applied accounting standard. Therefore, the rate of change from the same quarter of the previous year is not shown.

## (2) Consolidated Financial Position

(Millions of yen)

	Total Assets	Net Assets	Equity Ratio (%)
As of June 30, 2022	1,185,520	657,669	53.7
As of December 31, 2021	1,091,014	579,602	51.3

[Reference] Equity attributable to owners of the parent:

As of June 30, 2022: ¥636,249 million

As of December 31, 2021: ¥559,984 million

Note: Due to the adoption of the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29; March 31, 2020) from January 1, 2022, the figures for the second quarter of fiscal 2022 reflect the application of the newly applied accounting standard.

## 2. Dividends

(Yen)

Record Date	Cash Dividends per Share				
	Mar. 31	Jun. 30	Sep. 30	Dec. 31	Annual
Fiscal 2021	—	20.00	—	20.00	40.00
Fiscal 2022	—	21.00			
Fiscal 2022 (Forecast)			—	21.00	42.00

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

## 3. Forecasts of Consolidated Financial Results for the Fiscal Year Ending December 31, 2022 (January 1, 2022 to December 31, 2022)

(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)
Full Fiscal Year	740,000	—	78,000	—	75,000	—	45,000	—	134.45

Notes: 1. Revisions to forecasts of consolidated financial results during this period: Yes

2. Due to the adoption of the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29; March 31, 2020) from January 1, 2022, the figures for fiscal 2022 reflect the application of the newly applied accounting standard. Therefore, the rate of change from the previous fiscal year is not shown.

## [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: Yes

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 shares) as of the period-end:

As of June 30, 2022	354,863,603 shares
As of December 31, 2021	354,863,603 shares
  
  2. Number of treasury shares as of the period-end:

As of June 30, 2022	20,170,207 shares
As of December 31, 2021	10,858,263 shares
  
  3. Average number of shares for the period (cumulative):

As of June 30, 2022	339,408,563 shares
As of June 30, 2021	343,968,281 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.

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## 1. Qualitative Information regarding Business Results

### (1) Overview of Consolidated Business Results

In the second quarter of fiscal 2022 (January 1, 2022–June 30, 2022), the world economy continued to recover on the whole as restrictions on economic activities were eased. However, the economic outlook grew unclear due to a global semiconductor shortage, logistics disruptions, accelerating inflation, a rise in interest rates, and the prolonged Russia-Ukraine crisis. Amid these circumstances, consolidated operating results for the second quarter of fiscal 2022 are as follows: net sales were ¥358,040 million (¥302,296 million in the same period of the previous fiscal year); operating income was ¥38,089 million (¥30,398 million in the same period of the previous fiscal year); ordinary income was ¥37,896 million (¥28,496 million in the same period of the previous fiscal year); and net income attributable to owners of the parent was ¥24,207 million (¥11,710 million in the same period of the previous fiscal year). Furthermore, in the second quarter, we recorded an extraordinary loss of ¥4,915 million as costs related to the suspension of operations due mainly to the suspension of some production facilities at a U.S. subsidiary.

On January 1, 2022, the Company revised its organizational structure and changed the segment classification of the aqua business from “Others” to “Functional Materials.” In addition, the method of allocating eliminations of profits from some internal transactions among segments and the corporate has been changed. Figures used in comparisons and analyses of the second quarter reflect these changes. Furthermore, from January 1, 2022, we have adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29; March 31, 2020). In line with the transition provisions set out in the revision to paragraph 84, the new accounting principle was not retroactively applied to the consolidated second quarter of the previous fiscal year. Net sales for the Trading segment and elimination & corporate for the second quarter of fiscal 2022 have significantly changed compared to the second quarter of fiscal 2021, mainly due to changes in accounting methods for revenues attributable to agent transactions in the Trading segment as a result of the adoption of the Accounting Standard for Revenue Recognition and other factors. Because of these changes, revenues from such transactions, which have previously been recorded on the basis of total transactional value, are now recorded on a net basis. Due to this change, net sales in the Trading segment was ¥44,672 million lower compared with the original method.

To realize its long-term vision, Kuraray Vision 2026, the Group launched a medium-term management plan, “PASSION 2026,” from January 1, 2022. In line with “PASSION 2026,” we set three challenges to tackle: 1) Sustainability as an opportunity, 2) Innovations starting from networking, and 3) Transformation of people and organizations. Through these initiatives, we aim to establish an upgraded business portfolio and, in fiscal 2026, the centennial of Kuraray’s founding, achieve net sales of ¥750.0 billion and operating income of ¥100.0 billion.

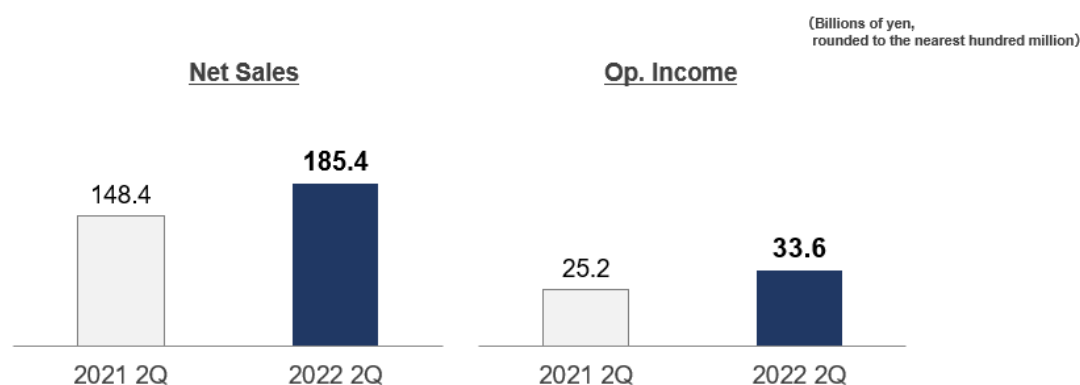
(Millions of yen)

	FY2021 2Q Consolidated Period		FY2022 2Q Consolidated Period		Change	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Vinyl Acetate	148,426	25,180	185,440	33,617	37,014	8,436
Isoprene	30,462	3,278	31,905	2,477	1,443	(800)
Functional Materials	66,120	2,921	77,791	3,311	11,670	390
Fibers and Textiles	29,890	2,223	31,795	3,795	1,905	1,572
Trading	69,137	2,325	29,705	2,776	(39,432)	451
Others	20,355	307	23,668	1,221	3,312	913
Elimination & Corporate	(62,096)	(5,837)	(22,266)	(9,110)	39,830	(3,272)
Total	302,296	30,398	358,040	38,089	55,743	7,691

## Results by Business Segment

### Vinyl Acetate

Sales in this segment were ¥185,440 million (¥148,426 million in the same period of the previous fiscal year), and segment income was ¥33,617 million (¥25,180 million in the same period of the previous fiscal year).

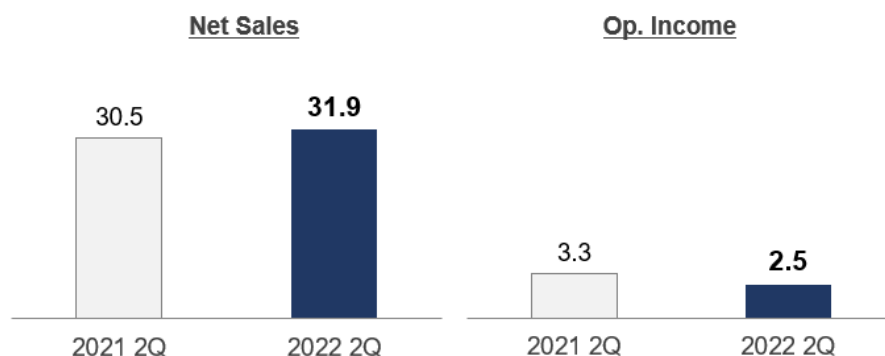


- (1) The sales volume of PVOH resin decreased due to the suspension of some production facilities at a U.S. subsidiary due to malfunctions and logistics disruptions. Shipments of optical-use poval film were on par with the same period of the previous fiscal year despite concerns about the impact of LCD panel inventory adjustments. In addition, to meet needs for larger TV panel sizes, we decided to make a capital investment at the Kurashiki Plant (slated to begin operating in mid 2024), announcing this intention on May 9, 2022. As for Advanced Interlayer Solutions, the sales volume of PVB film fell year on year due to effects from a decrease in the production of automobiles and distribution bottlenecks due to lockdowns in China. Sales of water-soluble PVOH film expanded for use in unit dose detergent packets, which include laundry and dish detergents.
- (2) As for EVAL™ ethylene vinyl alcohol copolymer (EVOH resin), the sales volume increased overall as steady performance for use in food packaging applications offset a decrease for use in automotive applications.

## Isoprene

Sales in this segment were ¥31,905 million (¥30,462 million in the same period of the previous fiscal year), and segment income was ¥2,477 million (¥3,278 million in the same period of the previous fiscal year).

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

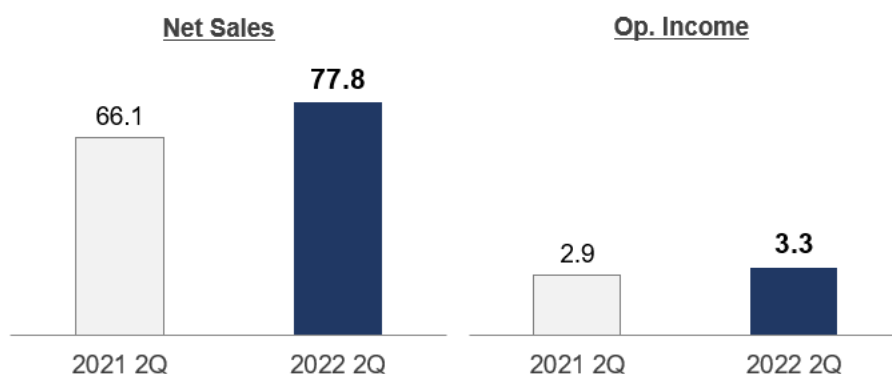


- (1) The sales volume of isoprene chemicals and elastomer decreased due to a temporary difficulty in procuring raw materials despite steady demand for both.
- (2) The sales volume of GENESTAR™ heat-resistant polyamide resin decreased for automotive applications due to shortages of semiconductors and other parts and lockdowns in China. Despite steady demand, the sales volume also decreased for electric and electronic device applications due to logistics disruptions and a decrease in production caused by the malfunctions of some production facilities.

## Functional Materials

Sales in this segment were ¥77,791 million (¥66,120 million in the same period of the previous fiscal year), and segment income was ¥3,311 million (¥2,921 million in the same period of the previous fiscal year).

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



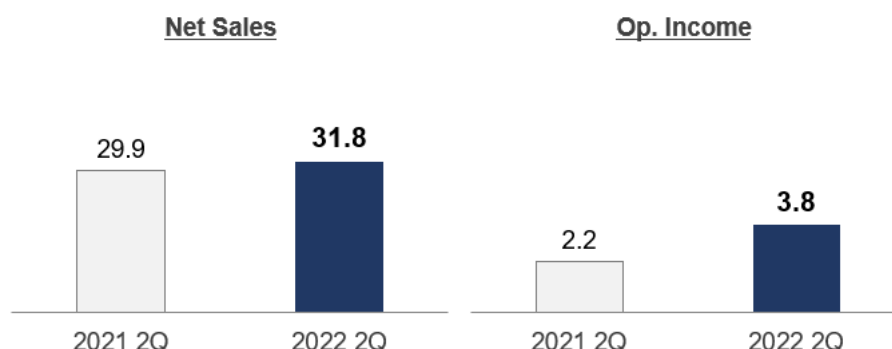
- (1) In the methacrylate business, the sales volume decreased due to a temporary difficulty in procuring raw materials and lockdowns in China.
- (2) In the medical business, demand for dental materials was strong, especially in Europe and the United States, and sales expanded.
- (3) In the environmental solutions business, demand increased, especially in Europe, and sales of activated carbon expanded.
- (4) In the aqua business, demand for hollow fiber membranes for water treatment remained steady.



## Fibers and Textiles

Sales in this segment were ¥31,795 million (¥29,890 million in the same period of the previous fiscal year), and segment income was ¥3,795 million (¥2,223 million in the same period of the previous fiscal year).

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

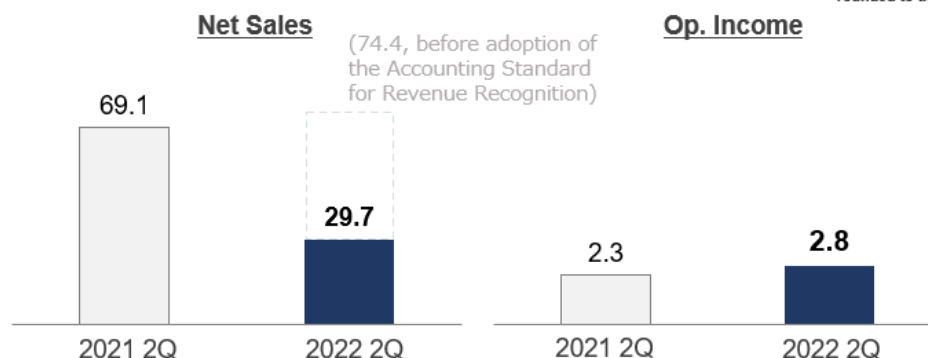


- (1) Sales of CLARINO™ man-made leather remained steady, especially for use in luxury products.
- (2) In fibers and industrial materials, KURALON™ was affected by a decrease in the production of automobiles, while sales of VECTRAN™ remained stable, especially for exports.
- (3) In consumer goods and materials, demand for KURAFLEX™ in the restaurant industry was weak.

## Trading

Sales in this segment were ¥29,705 million (¥69,137 million in the same period of the previous fiscal year), and segment income was ¥2,776 million (¥2,325 million in same period of the previous fiscal year). As a result of the adoption of the Accounting Standard for Revenue Recognition and other factors, net sales decreased by ¥44,672 million.

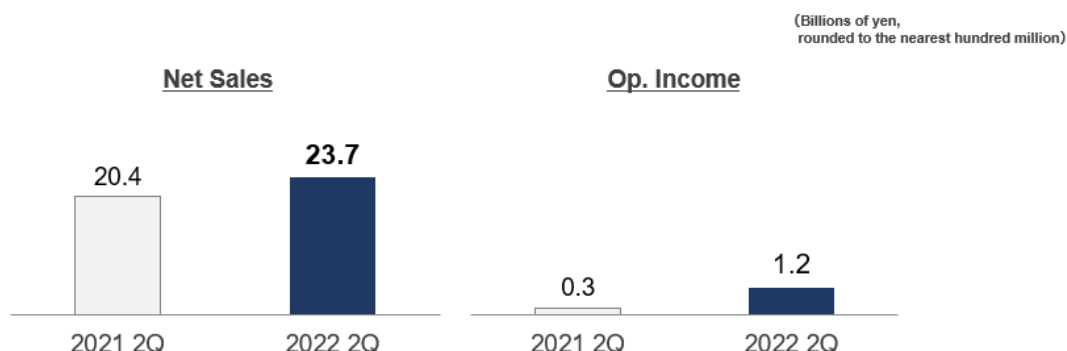
(Billions of yen,  
rounded to the nearest hundred million)



- (1) In fiber-related businesses, sales of sportswear and other products were brisk.
- (2) Sales of resins and chemicals remained brisk in the Asian market.

## Others

In Others, domestic affiliates saw sales recover. As a result, segment sales were ¥23,668 million (¥20,355 million in the same period of the previous fiscal year), and segment income was ¥1,221 million (¥307 million in the same period of the previous fiscal year).



## (2) Overview of Financial Position

Total assets increased ¥94,506 million from the end of the previous fiscal year to ¥1,185,520 million mainly because of a ¥45,493 million increase in inventories, a ¥28,679 million increase in construction in progress, and a ¥16,211 million increase in notes and accounts receivable–trade, and contract assets (notes and accounts receivable–trade in the previous fiscal year) despite a ¥34,687 million decrease in cash and deposits.

Total liabilities increased ¥16,439 million to ¥527,850 million due to factors that included an issuance of ¥20,000 million in commercial paper, a ¥13,427 million increase in notes and accounts payable–trade, and an issuance of ¥10,000 million in bonds despite a ¥40,273 million decrease in current portion of long-term borrowings.

Net assets rose ¥78,067 million to ¥657,669 million. Equity attributable to owners of the parent amounted to ¥636,249 million, for an equity ratio of 53.7%.

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

Despite concerns of economic recession due mainly to the prolonged Russia-Ukraine crisis, a resultant rapid rise in energy prices, and accelerating inflation, based on progress on price revisions, the forecast of consolidated operating results for the full fiscal 2022 (January 1, 2022 to December 31, 2022) is as follows.

#### Revised Consolidated Operating Results Forecast for Fiscal 2022

	(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)	680,000	78,000	75,000	45,000	132.30
Revised Forecast (B)	740,000	78,000	75,000	45,000	134.45
Amount Adjusted (B - A)	60,000	—	—	—	
Percent Adjusted	8.8%	—	—	—	
(Ref.) Fiscal 2021 results	629,370	72,256	68,765	37,262	108.32

Figures for fiscal 2021 are presented without applying the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29; March 31, 2020).

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

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

(Millions of yen)

	December 31, 2021	June 30, 2022
<b>ASSETS</b>		
Current Assets		
Cash and deposits	151,942	117,254
Notes and accounts receivable—trade	135,768	—
Notes and accounts receivable—trade, and contract assets	—	151,979
Securities	3,855	4,847
Merchandise and finished goods	103,505	134,794
Work in process	15,699	17,914
Raw materials and supplies	38,100	50,090
Other	21,745	24,781
Allowance for doubtful accounts	(443)	(523)
Total current assets	470,174	501,140
Non-current Assets		
Property, plant and equipment		
Buildings and structures, net	88,801	93,392
Machinery, equipment and vehicles, net	200,500	210,748
Land	22,648	23,468
Construction in progress	117,319	145,998
Other, net	25,997	28,071
Total property, plant, and equipment	455,266	501,681
Intangible assets		
Goodwill	52,635	59,862
Customer-related assets	29,176	32,969
Other	32,243	36,284
Total intangible assets	114,055	129,117
Investments and other assets		
Investment securities	25,689	23,965
Long-term loans receivable	121	124
Retirement benefit asset	3,066	3,398
Deferred tax assets	13,980	14,764
Other	8,686	11,355
Allowance for doubtful accounts	(26)	(26)
Total investments and other assets	51,517	53,582
Total non-current assets	620,839	684,380
Total Assets	1,091,014	1,185,520

(Millions of yen)

	December 31, 2021	June 30, 2022
<b>LIABILITIES</b>		
Current Liabilities		
Notes and accounts payable–trade	49,641	63,069
Short-term borrowings	34,480	34,580
Commercial paper	—	20,000
Current portion of bonds payable	—	10,000
Current portion of long-term borrowings	55,013	22,219
Accrued expenses	19,863	22,612
Income taxes payable	13,133	10,501
Provision for bonuses	7,996	6,582
Other provisions	89	125
Other	39,246	46,279
Total current liabilities	219,464	235,971
Non-current Liabilities		
Bonds payable	60,000	60,000
Long-term borrowings	157,945	150,466
Deferred tax liabilities	12,022	13,602
Provision for retirement benefits for directors (and other officers)	375	346
Provision for environmental measures	365	470
Retirement benefit liability	25,629	27,526
Asset retirement obligations	4,821	5,286
Other	30,787	34,179
Total non-current liabilities	291,947	291,879
Total Liabilities	511,411	527,850
<b>NET ASSETS</b>		
Shareholders' Equity		
Share capital	88,955	88,955
Capital surplus	87,166	87,152
Retained earnings	359,898	376,838
Treasury shares	(15,885)	(25,734)
Total shareholders' equity	520,134	527,211
Accumulated Other Comprehensive Income		
Valuation difference on available-for-sale securities	7,273	5,825
Deferred gain or losses on hedges	219	1,177
Foreign currency translation adjustment	34,648	103,725
Remeasurements of defined benefit plans	(2,291)	(1,689)
Total accumulated other comprehensive income	39,850	109,038
Share Acquisition Rights	414	341
Non-controlling Interests	19,203	21,078
Total Net Assets	579,602	657,669
Total Liabilities and Net Assets	1,091,014	1,185,520

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

(Millions of yen)

	Fiscal 2021 2Q (January 1, 2021 – June 30, 2021)	Fiscal 2022 2Q (January 1, 2022 – June 30, 2022)
Net sales	302,296	358,040
Cost of sales	208,258	247,326
Gross profit	94,038	110,713
Selling, general and administrative expenses		
Selling expenses	18,427	22,146
General and administrative expenses	45,212	50,477
Total selling, general and administrative expenses	63,640	72,623
Operating income	30,398	38,089
Non-operating income		
Interest income	64	115
Dividend income	292	320
Share of profit of entities accounted for using equity method	137	142
Other	622	1,962
Total non-operating income	1,116	2,540
Non-operating expenses		
Interest expenses	759	722
Other	2,258	2,011
Total non-operating expenses	3,018	2,734
Ordinary income	28,496	37,896
Extraordinary income		
Gain on sale of investment securities	201	2,260
Insurance claim income	—	1,089
Subsidy income	510	—
Compensation for transfer	422	—
Total extraordinary income	1,134	3,349
Extraordinary losses		
Costs related to the suspension of operations	—	4,915
Loss on litigation	3,422	1,549
Loss on disposal of non-current assets	862	135
Loss on disaster	3,222	—
Loss on tax purpose reduction entry	423	—
Total extraordinary losses	7,931	6,600
Income before income taxes and non-controlling interests	21,699	34,645
Income taxes—current	8,695	10,322
Income taxes—deferred	708	(588)
Total income taxes	9,403	9,733
Net income	12,295	24,911
Net income attributable to non-controlling interests	585	704
Net income attributable to owners of the parent	11,710	24,207

## Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal 2021 2Q (January 1, 2021 – June 30, 2021)	Fiscal 2022 2Q (January 1, 2022 – June 30, 2022)
Net income	12,295	24,911
Other comprehensive income		
Valuation difference on available-for-sale securities	646	(1,448)
Deferred gains or losses on hedges	437	1,317
Foreign currency translation adjustment	22,507	70,094
Remeasurements of defined benefit plans, net of tax	123	602
Total other comprehensive income	23,715	70,565
Quarterly comprehensive income	36,011	95,477
Comprehensive income attributable to:		
Owners of the parent	35,334	93,395
Non-controlling interests	676	2,081

### (3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal 2021 2Q (January 1, 2021 – June 30, 2021)	Fiscal 2022 2Q (January 1, 2022 – June 30, 2022)
<b>Net cash provided by (used in) operating</b>		
Income before income taxes and noncontrolling interests	21,699	34,645
Depreciation and amortization	28,801	31,201
Loss (gain) on sale of investment securities	(201)	(2,260)
Loss on litigation	3,422	1,549
Loss on disposal of tangible fixed assets	862	135
Decrease (increase) in notes and accounts receivable – trade	(8,479)	(4,708)
Decrease (increase) in inventories	1,191	(28,455)
Increase (decrease) in notes and accounts payable – trade	5,206	9,611
Other, net	(2,496)	(9,101)
Subtotal	50,007	32,617
Income taxes (paid) refund	(5,624)	(10,670)
Loss on litigation paid	(22,840)	(183)
Other, net	(412)	(400)
Net cash provided by (used in) operating	21,128	21,362
<b>Net cash provided by (used in) investing</b>		
Net decrease (increase) in time deposits	(842)	3,420
Net decrease (increase) in short-term investment securities	6,000	—
Purchase of tangible fixed assets and intangible fixed assets	(37,447)	(31,842)
Proceeds from sale and redemption of investment securities	777	2,749
Other, net	(1,123)	(1,668)
Net cash provided by (used in) investing	(32,635)	(27,340)
<b>Net cash provided by (used in) financing</b>		
Net increase (decrease) in short-term loans	—	100
Net (decrease) increase in commercial paper	(20,000)	20,000
Proceeds from long-term loans payable	3,870	11,828
Repayment of long-term loans payable	(23)	(55,007)
Proceeds from issuance of bonds	—	10,000
Redemption of bonds	(10,000)	—
Purchase of treasury shares	(1)	(10,001)
Cash dividends paid	(6,534)	(6,880)
Proceeds from stock issuance to noncontrolling interests	924	502
Other, net	(1,020)	(1,725)
Net cash provided by (used in) financing	(32,785)	(31,183)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	2,754	6,750



Net Increase (Decrease) in Cash and Cash Equivalents	(41,538)	(30,411)
Cash and Cash Equivalents, Beginning of the Period	182,084	151,487
Increase in Cash and Cash Equivalents from Newly Consolidated Subsidiaries	—	136
Cash and Cash Equivalents, End of the Period	140,545	121,212

## **(4) Notes regarding Quarterly Consolidated Financial Statements**

### **Notes regarding Going Concern Assumptions**

None

### **Material Changes in Shareholders' Equity**

At the Board of Directors meeting held on February 9, 2022, Kuraray resolved to undertake a share buyback, and has acquired 9,424 thousand shares. As a result, treasury shares increased ¥9,849 million in the second quarter and totaled ¥25,734 million as of June 30, 2022.

### **Changes in Accounting Principles**

#### **Adoption of Accounting Standard for Revenue Recognition**

Kuraray has adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) from January 1, 2022, and recognizes revenue for goods or services based on the amount estimated to be received in exchange for such goods or services at the point when control of the promised goods or services is transferred to the customer.

The main changes resulting from the adoption of the standards are as follows.

- (1) In supply transactions with repurchase obligations, we changed the method by which the elimination of supplied goods is not recognized and changed the method by which liabilities related to supply transactions regarding consideration received from suppliers are recognized.
- (2) In contracts with customers that include a variable consideration among their considerations, when the uncertainty related to the amount of the variable consideration is eventually eliminated (restricted to portions that have a high probability of not generating a significant drop in revenue until the uncertainty is eliminated), the variable consideration is included in the transaction price. In addition, a portion of such variable considerations was formerly presented under selling, general and administrative expenses, however, the presentation method has been changed so that it is now presented after being excluded from net sales.
- (3) Regarding transactions where the role of providing products or goods corresponds to that of an agent, we have changed the previous method of recognizing the total consideration received from the customer as revenue to a method in which we recognize the net amount received from the customer, excluding the amount paid to the buyer, as revenue.

Regarding the adoption of the revenue recognition standards, in line with the transition provisions set out in the revision to paragraph 84, the cumulative effect of retroactively applying the new accounting principle before January 1, 2022, is added or subtracted to retained earnings as of January 1, 2022, and the new accounting principle is adopted from January 1, 2022.

As a result, net sales in the second quarter decreased ¥2,646 million. The effect on operating income, ordinary income, and income before income taxes and non-controlling interests was minimal. In addition, the balance of retained earnings as of January 1, 2022, decreased ¥388 million.

Because we adopted the revenue recognition standards, in the consolidated balance sheet for the previous fiscal year, “notes and accounts receivable–trade” previously presented under current assets is included in “notes and accounts receivable–trade and contract assets” from January 1, 2022. Furthermore, in line with the transition provisions set out in Paragraph 89-2 of the revenue recognition standard, we have not revised the presentation method for the previous fiscal year.

#### Adoption of Accounting Standard for Fair Value Measurement

Kuraray has adopted the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019) from January 1, 2022. The Company has prospectively adopted new accounting policies based on the Accounting Standard for Fair Value Measurement in accordance with the transition provisions in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). These changes have no impact on quarterly financial statements.

#### Segment Information, etc.

##### ● Segment Information

I. Second Quarter of Fiscal 2021 (January 1, 2021 to June 30, 2021)

1. Net sales, income and loss by reporting segment

(Millions of yen)

	Reporting Segment						Others <sup>1</sup>	Total	Adjustment <sup>2</sup>	Consolidated Statements of Income <sup>3</sup>
	Vinyl Acetate	Isoprene	Functional Materials	Fibers and Textiles	Trading	Total				
Net sales										
(1) Outside customers	124,039	15,868	55,437	22,351	68,076	285,773	16,523	302,296	—	302,296
(2) Intersegment sales and transfers	24,386	14,594	10,683	7,538	1,061	58,264	3,832	62,096	(62,096)	—
Total	148,426	30,462	66,120	29,890	69,137	344,037	20,355	364,393	(62,096)	302,296
Segment income (loss)	25,180	3,278	2,921	2,223	2,325	35,928	307	36,236	(5,837)	30,398

#### Notes:

1. The “Others” category incorporates operations not included in business segment reporting, including the engineering business.
2. Adjustment is as follows: Included within segment loss of ¥5,837 million is the elimination of intersegment transactions of ¥88 million and corporate expenses of ¥5,749 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. Second Quarter of Fiscal 2022 (January 1, 2022 to June 30, 2022)

### 1. Net sales, income and loss by reporting segment

(Millions of yen)

	Reporting Segment						Others	Total	Adjustment <sup>2</sup>	Consolidated Statements of Income <sup>3</sup>
	Vinyl Acetate	Isoprene	Functional Materials	Fibers and Textiles	Trading	Total				
Net sales										
(3) Outside customers	177,920	25,370	76,132	30,063	28,907	338,394	19,646	358,040	—	358,040
(4) Intersegment sales and transfers	7,519	6,535	1,658	1,732	797	18,244	4,022	22,266	(22,266)	—
Total	85,440	31,905	77,791	31,795	29,705	356,638	23,668	380,307	(22,266)	358,040
Segment income (loss)	33,617	2,477	3,311	3,795	2,776	45,978	1,221	47,199	(9,110)	38,089

#### Notes:

1. The “Others” category incorporates operations not included in business segment reporting, including the engineering business.
2. Adjustment is as follows: Included within segment loss of ¥9,110 million is the elimination of intersegment transactions of ¥1,208 million and corporate expenses of ¥7,901 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.

#### 2. Matters related to changes in reporting segments

##### Changes in methods for estimating net sales and profit for reporting segments

As detailed in changes to accounting principles, because we adopted revenue recognition standards from January 1, 2022, and changed the accounting treatment method related to revenue recognition, the method for estimating the net sales and profit of business segments changed accordingly. Due to these changes, in comparison with previous methods, net sales to outside customers in the second quarter increased ¥19,775 million in Vinyl Acetate, increased ¥4,849 million in Isoprene, increased ¥9,659 million in Functional Materials, increased ¥5,419 million in Fibers and Textiles, decreased ¥42,652 million in Trading, and increased ¥301 million in Others.

In addition, intersegment net sales or transfers decreased ¥20,583 million in Vinyl Acetate, decreased ¥5,525 million in Isoprene, decreased ¥9,765 million in Functional Materials, decreased ¥5,804 million in Fibers and Textiles, decreased ¥2,020 million in Trading, and decreased ¥493 million in Others, and adjustments increased ¥44,191 million.

The impact on segment income was minimal.

Furthermore, from January 1, 2022, regarding the elimination of some intersegment transaction profit, we changed the method for allocating it to each segment and the Company. Segment information in the second quarter of the previous fiscal year is presented based on the changed allocation method.

### Changes in reporting segments

Following the revision to our organizational structure, from January 1, 2022, the aqua business was transferred from Others to Functional Materials. Furthermore, the segment information for the second quarter of the previous fiscal year is presented based on the changed reporting segments.