

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

November 13, 2024

KURARAY CO., LTD.

November 13, 2024
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Consolidated Financial Results
for the Third Quarter of the Fiscal Year Ending December 31, 2024
(Under Japanese GAAP)

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

Representative:
Title: Representative Director and President
Name: Hitoshi Kawahara

Contact:
Title: Senior Manager, Corporate Communications Department, Corporate Management Planning Office
Name: Shinichi Takizawa
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Preparation of supplementary documentation for the financial results: Yes
Holding of earnings results briefing: Yes (for securities analysts and institutional investors)

(Millions of yen rounded down unless otherwise stated)

1. Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending December 31, 2024 (January 1, 2024 to September 30, 2024)

(1) Consolidated Operating Results

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

(Millions of yen)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of the Parent	
		(%)		(%)		(%)		(%)
Fiscal 2024 3Q	614,834	7.0	73,923	19.8	70,341	21.8	46,634	27.8
Fiscal 2023 3Q	574,374	3.8	61,702	(12.9)	57,753	(17.6)	36,487	(22.7)

Note: Comprehensive income: For the fiscal 2024 third quarter: ¥51,598 million (-49.7%)
For the fiscal 2023 third quarter: ¥102,575 million(-25.7%)

	Net Income per Share (Yen)	Fully Diluted Net Income per Share (Yen)
Fiscal 2024 3Q	140.83	140.73
Fiscal 2023 3Q	109.00	108.92

(2) Consolidated Financial Position

(Millions of yen)

	Total Assets	Net Assets	Equity Ratio (%)
As of September 30, 2024	1,254,327	747,226	58.1
As of December 31, 2023	1,254,485	736,156	56.9

[Reference] Equity attributable to owners of the parent:

As of September 30, 2024: ¥729,226 million

As of December 31, 2023: ¥714,285 million

2. Dividends

(Yen)

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

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

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

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

(Millions of yen)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of the Parent		Net Income per Share (Yen)
		(%)		(%)		(%)		(%)	
Full Fiscal Year	835,000	6.9	89,000	17.9	84,000	21.7	55,000	29.6	169.60

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

[Reference]

(1) Changes in Important Subsidiaries during the Period

Yes

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

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

(2) Adoption of Special Accounting Practices in the Preparation of 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, 2024 354,863,603 shares

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

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

As of September 30, 2024 30,580,539 shares

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

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

As of September 30, 2024 331,146,987 shares

As of September 30, 2023 334,736,132 shares

Note: The attached quarterly consolidated financial statements have not been reviewed by a certified public accountant or audit firm.

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 8 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 2024 (January 1, 2024–September 30, 2024), despite regional variations, the overall world economy showed gradual growth. The U.S. economy remained stable due to robust personal consumption. In Europe, economic recovery remained gradual due to stagnation in some regions. In China, economic stagnation continued due mainly to unfavorable real estate market conditions. In addition, the outlook remained unclear due in part to the risks posed to global economic activity by geopolitical tensions attributable to conditions in the Middle East and the Russia-Ukraine situation, which deepened the uncertainty.

Amid these circumstances, consolidated operating results for the third quarter of fiscal 2024 are as follows: net sales increased ¥40,460 million (7.0%) year on year to ¥614,834 million; operating income increased ¥12,220 million (19.8%) year on year to ¥73,923 million; ordinary income increased ¥12,588 million (21.8%) year on year to ¥70,341 million; and net income attributable to owners of the parent increased ¥10,147 million (27.8%) year on year to ¥46,634 million.

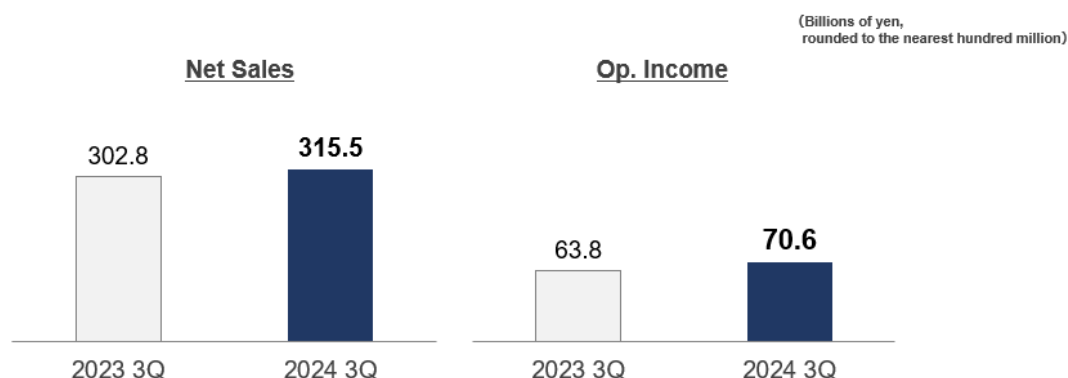
(Millions of yen)

	FY2023 3Q Consolidated Period		FY2024 3Q Consolidated Period		Change	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Vinyl Acetate	302,782	63,773	315,504	70,594	12,722	6,820
Isoprene	46,833	(4,066)	56,076	(5,569)	9,242	(1,502)
Functional Materials	139,645	8,125	152,329	9,304	12,684	1,178
Fibers and Textiles	44,946	1,741	46,196	2,189	1,250	448
Trading	44,760	3,740	48,235	4,093	3,474	352
Others	33,989	581	37,073	1,905	3,083	1,323
Elimination & Corporate	(38,583)	(12,194)	(40,580)	(8,594)	(1,997)	3,599
Total	574,374	61,702	614,834	73,923	40,460	12,220

Results by Business Segment

Vinyl Acetate

Sales in this segment were ¥315,504 million (up 4.2% year on year), and segment income was ¥70,594million (up 10.7%).



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

Optical-use poval film: Despite shipments remaining favorable, sales volume held steady year on year due to effects of shipment adjustments by panel manufacturers at the start of the third quarter. In addition, to meet demand for larger TV panels, we began operating new equipment at the Kurashiki Plant in the second quarter.

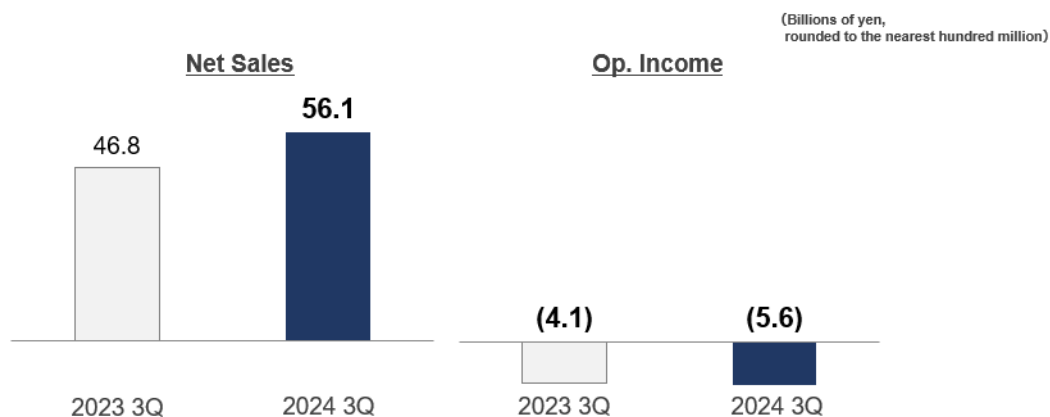
Advanced Interlayer Solutions: The sales volume decreased due to the effects of ongoing economic stagnation on construction applications in Europe.

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

EVAL™ EVOH resin: The sales volume held steady year on year due in part to food packaging applications continuing on a recovery track since the start of the second quarter and firm sales for automotive applications. We decided to construct a new plant in Singapore (announced on March 26, 2024 and slated to begin operating by the end of 2026). This move is intended to accommodate future growth in demand, especially in circular economy-related fields.

Isoprene

Sales in this segment were ¥56,076 million (up 19.7% year on year), and segment loss was ¥5,569 million (segment loss in the same period of previous fiscal year was ¥4,066 million).



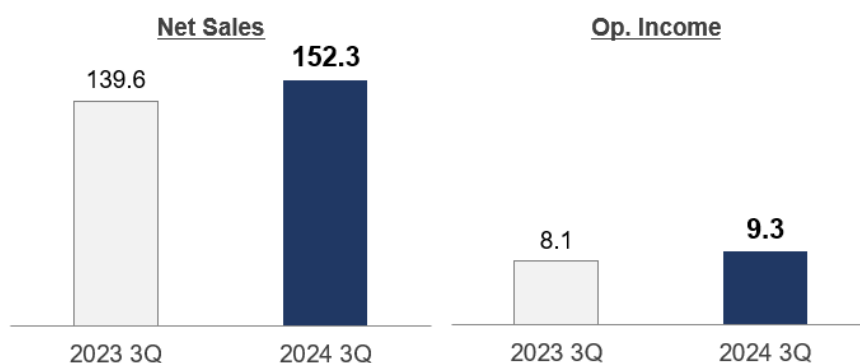
Isoprene chemicals and elastomer: The sales volume increased as demand recovered, especially for automotive applications.

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

Functional Materials

Sales in this segment were ¥152,329 million (up 9.1% year on year), and segment income was ¥9,304 million (up 14.5%).

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



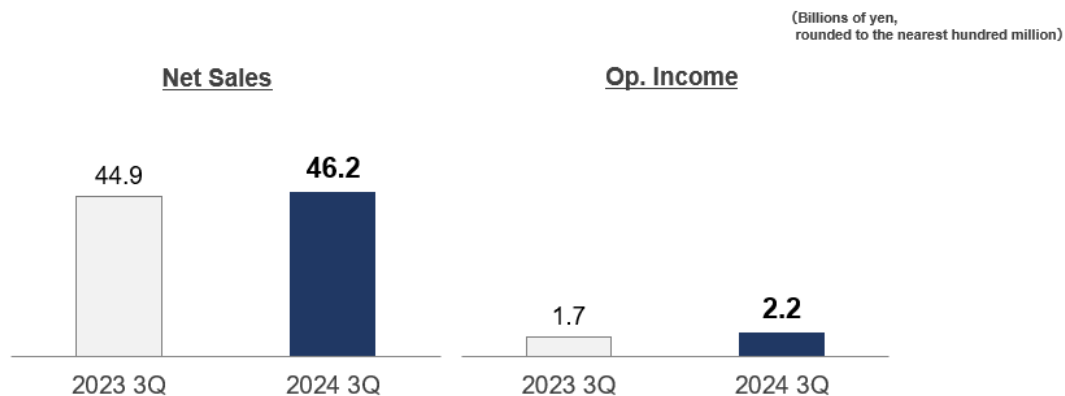
Methacrylate: The sales volume increased amid signs of a recovery in demand, especially for electric and electronic devices. We decided to reduce the production capacity for methyl methacrylate (announced on June 27, 2024) and discovered a path to improving profit.

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

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

Fibers and Textiles

Sales in this segment were ¥46,196 million (up 2.8% year on year), and segment income was ¥2,189 million (up 25.7%).



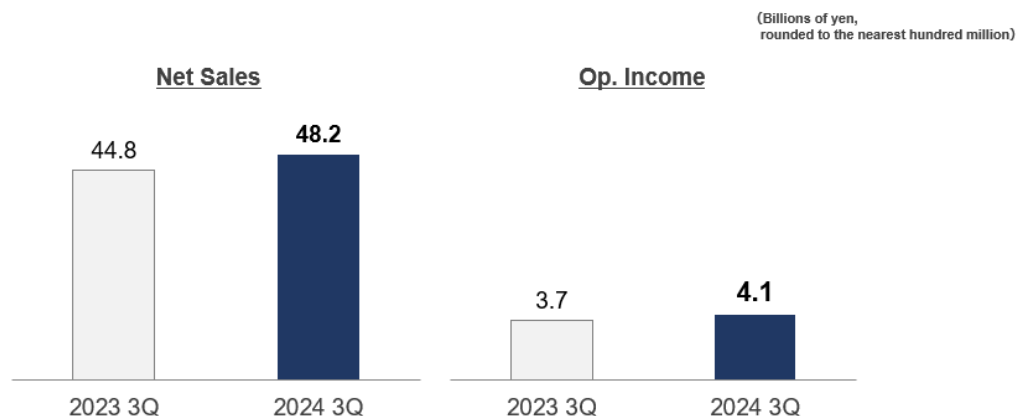
CLARINO™ man-made leather: The sales volume increased due to a recovery in demand for automotive and sports applications.

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

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

Trading

Sales in this segment were ¥48,235 million (up 7.8% year on year), and segment income was ¥4,093 million (up 9.4%).

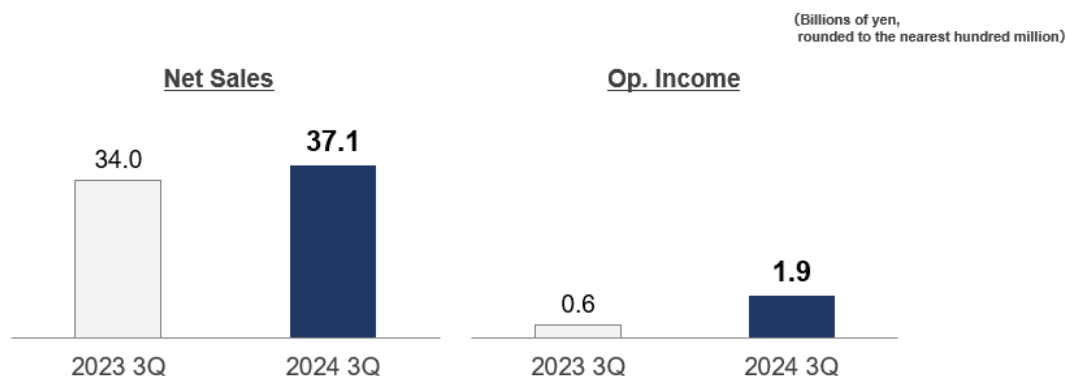


Fiber-related businesses: The materials-related business struggled, but sales of sportswear applications remained favorable.

Resins and chemicals: Sales expanded, especially in Asia.

Others

Sales in this segment were ¥37,073 million (up 9.1% year on year), and segment income was ¥1,905 million (up 227.7%).



(2) Overview of Financial Position

Total assets decreased ¥158 million from the end of the previous fiscal year to ¥1,254,327 million despite a ¥26,317 million increase in inventories, which were offset by a ¥19,761 million decrease in cash and cash deposits and a ¥5,661 million decrease in goodwill. Total liabilities decreased ¥11,227 million to ¥507,101 million due to factors that included a ¥25,759 million decrease in interest-bearing debt, which outweighed a ¥8,520 million increase in income taxes payable.

Net assets rose ¥11,069 million to ¥747,226 million due in part to an increase in retained earnings. Equity attributable to owners of the parent amounted to ¥729,226 million, for an equity ratio of 58.1%.

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

Based on the operating results in the third quarter and current business environment, the full-year forecasts of consolidated operating results for fiscal 2024 (January 1, 2024 to December 31, 2024), which were announced on August 9, 2024, were revised.

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

	(Millions of yen)				(Yen)
	Net Sales	Operating Income	Ordinary Income	Net Income Attributable to Owners of the Parent	Net Income Per Share
Original Forecast (A)	850,000	89,000	84,000	55,000	166.42
Revised Forecast (B)	835,000	89,000	84,000	55,000	169.60
Amount Adjusted (B - A)	(15,000)	—	—	—	
Percent Adjusted	(1.8%)	—	—	—	
(Ref.) FY2023 Results	780,938	75,475	69,025	42,446	126.80

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

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

The Company positions the distribution of profits to all shareholders as a priority management issue. Under the current Medium-Term Management Plan, "PASSION 2026," we have established a shareholder return policy to enhancing shareholder returns by expanding earnings. To improve capital efficiency, we are promoting various measures, including building a more sophisticated business portfolio.

As for the annual dividend for fiscal 2024, the interim dividend was ¥27 per share and we anticipate year-end dividend to be ¥27 per share, resulting in the annual dividend per share to be ¥54. As detailed in our "Notice of Execution and Completion of Buyback of Company Shares," published on November 1, 2024, based on a resolution of the Board of Directors on May 14, 2024, we have completed the acquisition of 11,020,000 shares of treasury stock, totaling ¥19,999 million, as of October 31, 2024.

In addition, at the Board of Directors meeting held on November 13, 2024, we have decided to cancel 30,000,000 shares of treasury stock (common stock, 8.45% of the total issued and outstanding shares prior to the cancellation) as of November 29, 2024.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	December 31, 2023	September 30, 2024
ASSETS		
Current Assets		
Cash and deposits	131,144	111,382
Notes and accounts receivable—trade, and contract assets	161,904	158,487
Securities	3,478	1,858
Merchandise and finished goods	146,924	169,500
Work in process	17,502	20,773
Raw materials and supplies	63,601	64,071
Other	28,040	26,739
Allowance for doubtful accounts	(869)	(921)
Total current assets	551,727	551,891
Non-current Assets		
Property, plant and equipment		
Buildings and structures, net	110,214	118,210
Machinery, equipment and vehicles, net	270,408	290,692
Land	22,618	18,956
Construction in progress	80,344	50,833
Other, net	43,390	47,718
Total property, plant, and equipment	526,977	526,411
Intangible assets		
Goodwill	55,386	49,725
Customer-related assets	29,149	26,833
Other	35,965	35,157
Total intangible assets	120,501	111,716
Investments and other assets		
Investment securities	23,966	27,899
Long-term loans receivable	140	142
Retirement benefit asset	3,227	3,344
Deferred tax assets	16,530	18,979
Other	11,509	14,033
Allowance for doubtful accounts	(95)	(93)
Total investments and other assets	55,278	64,307
Total non-current assets	702,757	702,435
Total Assets	1,254,485	1,254,327

(Millions of yen)

	December 31, 2023	September 30, 2024
LIABILITIES		
Current Liabilities		
Notes and accounts payable–trade	49,124	52,961
Short-term borrowings	40,014	33,860
Current portion of bonds payable	—	10,000
Current portion of long-term borrowings	24,698	17,808
Accrued expenses	16,734	18,398
Income taxes payable	11,033	19,554
Accrued bonuses	10,275	13,091
Other	48,690	42,580
Total current liabilities	200,571	208,256
Non-current Liabilities		
Bonds payable	60,000	50,000
Long-term borrowings	157,312	144,597
Deferred tax liabilities	18,754	17,538
Retirement benefit liability	29,487	30,969
Asset retirement obligations	6,338	6,710
Other	45,864	49,028
Total non-current liabilities	317,757	298,844
Total Liabilities	518,329	507,101
NET ASSETS		
Shareholders' Equity		
Share capital	88,955	88,955
Capital surplus	87,146	87,179
Retained earnings	426,290	455,632
Treasury shares	(25,654)	(44,620)
Total shareholders' equity	576,737	587,147
Accumulated Other Comprehensive Income		
Valuation difference on available-for-sale securities	6,856	7,668
Deferred gain or losses on hedges	(53)	(185)
Foreign currency translation adjustment	131,269	134,988
Remeasurements of defined benefit plans	(524)	(392)
Total accumulated other comprehensive income	137,548	142,079
Share Acquisition Rights	341	270
Non-controlling Interests	21,529	17,729
Total Net Assets	736,156	747,226
Total Liabilities and Net Assets	1,254,485	1,254,327

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

	(Millions of yen)	
	Fiscal 2023 3Q (January 1, 2023 – September 30, 2023)	Fiscal 2024 3Q (January 1, 2024 – September 30, 2024)
Net sales	574,374	614,834
Cost of sales	392,686	407,264
Gross profit	181,688	207,570
Selling, general and administrative expenses		
Selling expenses	30,742	34,289
General and administrative expenses	89,243	99,358
Total selling, general and administrative expenses	119,986	133,647
Operating income	61,702	73,923
Non-operating income		
Interest income	1,231	2,779
Dividend income	434	520
Share of profit of entities accounted for using equity method	122	211
Other	909	1,287
Total non-operating income	2,699	4,800
Non-operating expenses		
Interest expenses	2,028	2,082
Other	4,619	6,299
Total non-operating expenses	6,648	8,381
Ordinary income	57,753	70,341
Extraordinary income		
Gain on sale of investment securities	800	1,524
Insurance claim income	2,421	—
Gain on sale of shares of subsidiaries and associates	715	—
Total extraordinary income	3,937	1,524
Extraordinary losses		
Loss on liquidation of business	—	3,615
Impairment loss	—	2,311
Loss on abandonment of non-current assets	718	737
Loss on litigation	7,675	—
Total extraordinary losses	8,393	6,664
Income before income taxes and noncontrolling interests	53,297	65,202
Income taxes—current	18,343	22,249
Income taxes—deferred	(1,865)	(3,656)
Total income taxes	16,478	18,593
Net income	36,819	46,608
Net income (loss) attributable to noncontrolling interests	332	(25)
Net income attributable to owners of the parent	36,487	46,634

Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal 2023 3Q (January 1, 2023 – September 30, 2023)	Fiscal 2024 3Q (January 1, 2024 – September 30, 2024)
Net income	36,819	46,608
Other comprehensive income		
Valuation difference on available-for-sale securities	1,993	811
Deferred gains or losses on hedges	(254)	(176)
Foreign currency translation adjustment	63,448	4,131
Remeasurements of defined benefit plans, net of tax	312	131
Share of other comprehensive income of entities accounted for using equity method	256	89
Total other comprehensive income	65,756	4,989
Quarterly comprehensive income	102,575	51,598
Comprehensive income attributable to:		
Owners of the parent	101,459	51,164
Noncontrolling interests	1,116	433

(3) Notes regarding Quarterly Consolidated Financial Statements

Notes regarding Going Concern Assumptions

None

Notes regarding Material Changes in Shareholders' Equity

At the Board of Directors meeting held on May 14, 2024, the Company resolved to conduct a share buyback, completing the acquisition of 11,020,000 shares of treasury stock, totaling ¥19,999 million, as of October 31, 2024. Due in part to this buyback, treasury stock increased ¥18,965 million during the third quarter, and treasury stock stood at ¥44,620 million as of September 30, 2024.

The acquisition of treasury stock based on this resolution, has been completed as of October 31, 2024.

Notes regarding Cash Flow Statements

We have not prepared quarterly consolidated cash flow statements for the third quarter. Depreciation and amortization (including the amortization of intangible fixed assets other than goodwill) as well as the amortization of goodwill for the third quarter are as follows.

	Fiscal 2023 3Q (January 1, 2023 – September 30, 2023)	Fiscal 2024 3Q (January 1, 2024 – September 30, 2024)
Depreciation and amortization	¥53,953 million	¥59,613 million
Amortization of goodwill	¥3,503 million	¥3,683 million

Notes regarding Segment Information, etc.

● Segment Information

I. Third Quarter of Fiscal 2023 (January 1, 2023 to September 30, 2023)

1. Net sales, income and loss by reporting segment

(Millions of yen)	Reporting Segment						Other Business ¹	Total	Adjustment ²	Consolidated Statements ³ of Income
	Vinyl Acetate	Isoprene	Functional Materials	Fibers and Textiles	Trading	Total				
Net sales										
Outside customers	289,374	37,665	136,694	42,133	43,693	549,562	24,812	574,374	—	574,374
Intersegment sales and transfers	13,407	9,168	2,950	2,812	1,067	29,405	9,177	38,583	(38,583)	—
Total	302,782	46,833	139,645	44,946	44,760	578,968	33,989	612,958	(38,583)	574,374
Segment income (loss)	63,773	(4,066)	8,125	1,741	3,740	73,315	581	73,896	(12,194)	61,702

Notes:

1. The "Other Business" category incorporates operations not included in business segment reporting, including engineering business.
2. Adjustment is as follows: Included within segment income (loss) of ¥-12,194 million is the elimination of positive intersegment transactions of ¥293 million and corporate expenses of ¥-12,487 million. Corporate expenses mainly comprise the submitting company's basic research expenses.
3. Segment income or loss is adjusted to agree with operating income in the consolidated statements of income.

II. Third Quarter of Fiscal 2024 (January 1, 2024 to September 30, 2024)

1. Net sales, income and loss by reporting segment

(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	301,861	42,892	148,594	42,734	47,386	583,470	31,364	614,834	—	614,834
Intersegment sales and transfers	13,643	13,183	3,735	3,461	849	34,872	5,708	40,580	(40,580)	—
Total	315,504	56,076	152,329	46,196	48,235	618,342	37,073	655,415	(40,580)	614,834
Segment income	70,594	(5,569)	9,304	2,189	4,093	80,612	1,905	82,518	(8,594)	73,923

Notes:

1. The “Other Business” category incorporates operations not included in business segment reporting, including engineering business.
2. Adjustment is as follows: Included within segment income of ¥-8,594 million is the elimination of positive intersegment transactions of ¥3,390 million and corporate expenses of ¥-11,985 million. Corporate expenses mainly comprise the submitting company’s basic research expenses.
3. Segment income or loss is adjusted to agree with operating income in the consolidated statements of income.

2. Information about impairment loss of fixed assets or goodwill, etc., by reporting segment

Material Losses Related to Non-current Assets

In the Functional Materials segment, impairment loss totaled ¥3,527 million. In the Functional Materials segment, ¥2,806 million of this impairment loss was included in loss on liquidation of business under extraordinary losses in the third quarter.