



# Kuraray Report 2024 **Financial Section**

For the year ended December 31,2023

## Business Environment

In the fiscal year ended December 31, 2023 (“fiscal 2023”), the trend toward deceleration in the world economy strengthened in the latter half of the year due in part to economic stagnation caused by continued financial tightening in Europe, slowing growth caused mainly by stagnation in the real estate market in China, and geopolitical tensions in various places around the world.

Amid these circumstances, consolidated operating results for fiscal 2023, are as follows: net sales increased ¥24,562 million (US\$173,179 thousand) (3.2%) year on year to ¥780,938 million (US\$5,506,155 thousand); operating income decreased ¥11,663 million (US\$82,232 thousand) (13.4%) year on year to ¥75,475 million (US\$532,151 thousand); ordinary income decreased ¥15,035 million (US\$106,007 thousand) (17.9%) year on year to ¥69,025 million (US\$486,674 thousand); and net income attributable to owners of the parent decreased ¥11,861 million (US\$83,628 thousand) (21.8%) year on year to ¥42,446 million (US\$299,274 thousand).

The Kuraray Group (hereinafter “the Group”) works to tackle the three challenges outlined in the medium-term management plan “PASSION 2026,” which was launched in fiscal 2022: 1) Sustainability as an opportunity, 2) Innovations starting from networking, and 3) Transformation of people and organization. Through these efforts, the Group aims to achieve sustainable growth by contributing to customers, society, and the world.

Regarding the civil lawsuits related to the fire that occurred at a U.S. subsidiary in May 2018, we reached settlements with the remaining plaintiffs in April 2023, except for one for which a motion to dismiss was expected to be granted. Accordingly, in fiscal 2023, we recorded an extraordinary loss of ¥7,806 million (US\$55,038 thousand) as loss on litigation related to the lawsuits, etc. The motion to dismiss the individual’s lawsuit was granted in July 2023. The lawsuits have therefore been resolved.

## Sales

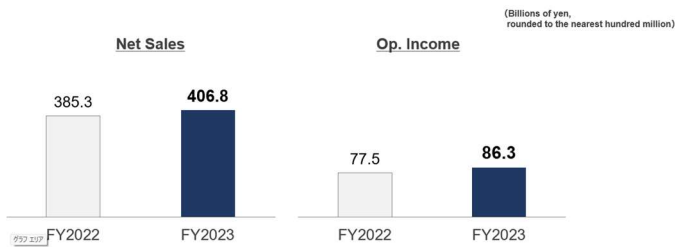
|   | (Billions of yen, rounded to the nearest hundred million) |             |        |
|---|---|-------------|--------|
|   | Fiscal 2023   | Fiscal 2022 | Change |
| Net Sales                                       | ¥780.9  | ¥756.4      | +¥24.6 |
| Operating Income                                | 75.5  | 87.1        | -11.7  |
| Ordinary Income                                 | 69.0  | 84.1        | -15.0  |
| Net Income Attributable to Owners of the Parent | 42.4  | 54.3        | -11.9  |

## Results by Business Segment

|                         | (Billions of yen, rounded to the nearest hundred million) |             |                  |             |
|-------------------------|---|-------------|------------------|-------------|
|                         | Net Sales   |             | Operating Income |             |
|                         | Fiscal 2023   | Fiscal 2022 | Fiscal 2023      | Fiscal 2022 |
| Vinyl Acetate           | ¥406.8  | ¥385.3      | ¥86.3            | ¥77.5       |
| Isoprene                | 65.7  | 65.6        | (10.9)           | 4.3         |
| Functional Materials    | 189.8   | 174.1       | 10.3             | 8.6         |
| Fibers and Textiles     | 61.9  | 66.9        | 1.8              | 6.7         |
| Trading                 | 61.6  | 58.8        | 5.2              | 5.1         |
| Others                  | 45.7  | 52.1        | 0.5              | 2.7         |
| Elimination & Corporate | (50.4)  | (46.4)      | (17.8)           | (17.8)      |
| Total                   | ¥780.9  | ¥756.4      | ¥75.5            | ¥87.1       |

### Vinyl Acetate

Sales in this segment were ¥406,771 million (US\$2,868,018 thousand) (up 5.6% year on year), and segment income was ¥86,344 million (US\$608,785 thousand) (up 11.3% year on year).

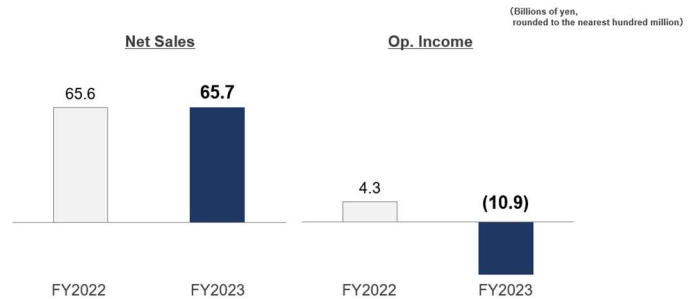


(1) We further promoted a shift to high value-added products for PVOH resin. However, sales volume declined due to receding demand, especially in Europe and the United States. Shipments of optical-use poval film recovered in stages due to inventory adjustments for LCD panels returning to normal. As for Advanced Interlayer Solutions, although demand for PVB film showed signs of receding for construction applications, mainly in Europe, demand for automotive applications remained firm. Shipments of water-soluble PVOH film showed signs of recovery in the latter half of the year despite continued inflation-driven belt tightening and other effects.

(2) As for EVAL™ ethylene vinyl alcohol copolymer (EVOH resin), although sales for automotive applications remained firm, sales volume decreased due in part to a temporary drop in demand for food packaging applications in the latter half of the year.

### Isoprene

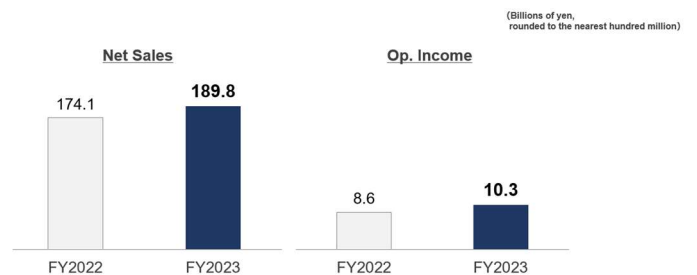
Sales in this segment were ¥65,683 million (US\$463,111 thousand) (up 0.1% year on year), and segment loss was ¥10,871 million (US\$76,648 thousand) (compared with segment income of ¥4,270 million (US\$30,106 thousand) in the previous fiscal year). In addition, a new plant in Thailand began operations in stages from February.



- (1) Results for isoprene chemicals and elastomer were affected by intensifying competition in addition to stagnant demand.
- (2) Regarding GENESTAR™ heat-resistant polyamide resin, although demand for automotive applications was on a recovery track, there was a delay in the recovery of demand for electric and electronic device applications.

### Functional Materials

Sales in this segment were ¥189,794 million (US\$1,338,180 thousand) (up 9.0% year on year), and segment income was ¥10,323 million (US\$72,784 thousand) (up 20.4% year on year).



- (1) In the methacrylate business, results were affected by higher raw material and fuel prices in addition to a delay in the recovery of demand for electric and electronic devices.
- (2) In the medical business, sales of cosmetic dental materials, mainly in Europe and the United States, remained brisk.
- (3) In the environmental solutions business, despite the effects of economic deceleration in Europe, demand increased for drinking water

and other applications in North America, and sales of activated carbon remained steady.

## Fibers and Textiles

Sales in this segment were ¥61,858 million (US\$436,142 thousand) (down 7.5% year on year), and segment income was ¥1,827 million (US\$12,882 thousand) (down 72.9% year on year).

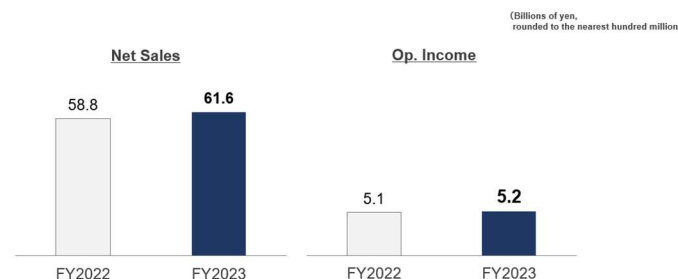


- (1) Shipments of CLARINO™ man-made leather decreased due to the lower demand for luxury applications despite a continued recovery in automotive and sports applications.
- (2) In fibers and industrial materials, sales of KURALON™ were weak in Europe, but we saw signs of recovery for automotive applications in the United States and other countries. In addition, sales of VECTRAN™ remained stable, especially with regard to exports.
- (3) In consumer goods and materials, demand for KURAFLEX™ in the restaurant industry was weak.

## Trading

Sales in this segment were ¥61,588 million (US\$434,238 thousand) (up

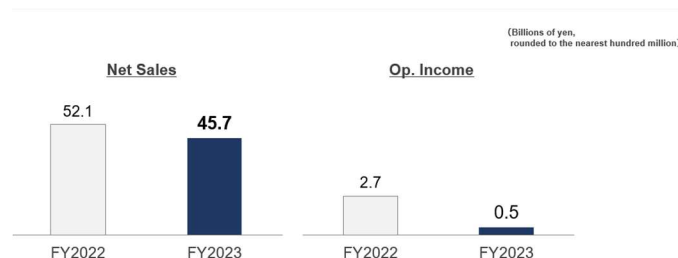
4.7% year on year), and segment income was ¥5,183 million (US\$36,544 thousand) (up 1.2% year on year).



- (1) In fiber-related businesses, the materials business struggled, but sales of sportswear applications remained brisk.
- (2) Sales of resins and chemicals in Asia expanded in the latter half of the fiscal year.

## Others

In Others, net sales were ¥45,672 million (US\$322,019 thousand) (down 12.3% year on year), and operating income was ¥506 million (US\$3,568 thousand) (down 81.1% year on year).



## Outlook for the Fiscal Year Ending December 31, 2024

The outlook for the economic environment over the next year is expected to gradually head toward a recovery in the latter half of the year due to efforts to revise financial policies amid easing inflation pressure despite ongoing uncertainty, such as geopolitical risks in various places around the world and economic stagnation in China.

Amid this situation, the Group will continue to promote measures in line

with its medium-term management plan “PASSION 2026.” In addition to the isoprene base in Thailand, we will swiftly begin stable operations of new activated carbon manufacturing equipment in the United States, optical-use poval film production facilities, and the new water soluble PVOH film plant in Poland, and connect these operations to profit expansion.

## Financial Review

Kuraray Co., Ltd. and its consolidated subsidiaries / Year ended December 31, 2023

Based on these circumstances, the outlook for fiscal 2024 is as follows.

| (Billions of yen, rounded to the nearest hundred million) |             |                                     |                   |
|---|-------------|-------------------------------------|-------------------|
|   | Fiscal 2023 | <b>Forecast for<br/>Fiscal 2024</b> | Change (Adjusted) |
| Net Sales .....   | ¥780.9      | ¥830.0                              | 6.3%              |
| Operating Income .....                                    | 75.5        | 83.0                                | 10.0%             |
| Ordinary Income .....                                     | 69.0        | 77.0                                | 11.6%             |
| Net Income Attributable to Owners of the Parent .....     | 42.4        | 47.0                                | 10.7%             |

For the forecast of operating results for fiscal 2024, we assume average exchange rates of ¥145 to the U.S. dollar and ¥160 to the euro, as well as a domestic naphtha price of ¥75,000 per kiloliter.

[Reference] Forecast of Results by Segment for Fiscal 2024

| (Billions of yen, rounded to the nearest hundred million) |             |                                     |                  |                                     |
|---|-------------|-------------------------------------|------------------|-------------------------------------|
|   | Net Sales   |                                     | Operating Income |                                     |
|   | Fiscal 2023 | <b>Forecast for<br/>Fiscal 2024</b> | Fiscal 2023      | <b>Forecast for<br/>Fiscal 2024</b> |
| Vinyl Acetate .....                                       | ¥406.8      | ¥416.0                              | ¥86.3            | ¥84.0                               |
| Isoprene .....  | 65.7        | 76.0                                | (10.9)           | (9.0)                               |
| Functional Materials .....                                | 189.8       | 210.0                               | 10.3             | 13.5                                |
| Fibers and Textiles .....                                 | 61.9        | 72.0                                | 1.8              | 4.0                                 |
| Trading .....   | 61.6        | 66.0                                | 5.2              | 5.5                                 |
| Others .....  | 45.7        | 43.0                                | 0.5              | 2.0                                 |
| Elimination & Corporate .....                             | (50.4)      | (53.0)                              | (17.8)           | (17.0)                              |
| Total .....   | ¥780.9      | ¥830.0                              | ¥75.5            | ¥83.0                               |

## Consolidated Balance Sheet

Kuraray Co., Ltd. and its consolidated subsidiaries / Year ended December 31, 2023

|   | Millions of yen                    |                                    | Thousands of<br>U.S. dollars       |
|---|------------------------------------|------------------------------------|------------------------------------|
|   | Fiscal 2023<br>(December 31, 2023) | Fiscal 2022<br>(December 31, 2022) | Fiscal 2023<br>(December 31, 2023) |
| <b>ASSETS</b>   |                                    |                                    |                                    |
| <b>I Current assets:</b>  |                                    |                                    |                                    |
| 1 Cash and deposits .....   | ¥131,144                           | ¥123,724                           | \$924,656                          |
| 2 Notes and accounts receivable—trade, and contract assets*1 and *8 | 161,904                            | 157,016                            | 1,141,536                          |
| 3 Short-term investment securities .....                            | 3,478                              | 4,852                              | 24,522                             |
| 4 Merchandise and finished goods.....                               | 146,924                            | 145,851                            | 1,035,916                          |
| 5 Work in process .....   | 17,502                             | 19,078                             | 123,401                            |
| 6 Raw materials and supplies .....                                  | 63,601                             | 60,104                             | 448,431                            |
| 7 Other.....  | 28,040                             | 23,815                             | 197,701                            |
| 8 Allowance for doubtful accounts .....                             | (869)                              | (510)                              | (6,127)                            |
| <b>Total current assets.....</b>                                    | <b>551,727</b>                     | <b>533,933</b>                     | <b>3,890,059</b>                   |
| <b>II Noncurrent assets:</b>  |                                    |                                    |                                    |
| <b>1 Tangible fixed assets:</b>                                     |                                    |                                    |                                    |
| (1) Buildings and structures, net*7 .....                           | 110,214                            | 94,745                             | 777,085                            |
| (2) Machinery, equipment and vehicles, net.....                     | 270,408                            | 219,200                            | 1,906,564                          |
| (3) Land*7 .....  | 22,618                             | 23,264                             | 159,473                            |
| (4) Construction in progress .....                                  | 80,344                             | 137,424                            | 566,481                            |
| (5) Other, net .....  | 43,390                             | 37,926                             | 305,930                            |
| <b>Total tangible fixed assets*3.....</b>                           | <b>526,977</b>                     | <b>512,562</b>                     | <b>3,715,554</b>                   |
| <b>2 Intangible fixed assets:</b>                                   |                                    |                                    |                                    |
| (1) Goodwill.....   | 55,386                             | 56,058                             | 390,510                            |
| (2) Customer-related assets .....                                   | 29,149                             | 30,432                             | 205,521                            |
| (3) Other.....  | 35,965                             | 34,993                             | 253,578                            |
| <b>Total intangible fixed assets.....</b>                           | <b>120,501</b>                     | <b>121,484</b>                     | <b>849,616</b>                     |
| <b>3 Investments and other assets:</b>                              |                                    |                                    |                                    |
| (1) Investment securities*4 .....                                   | 23,966                             | 23,194                             | 168,977                            |
| (2) Long-term loans receivable .....                                | 140                                | 97                                 | 987                                |
| (3) Net defined benefit assets .....                                | 3,227                              | 2,104                              | 22,753                             |
| (4) Deferred tax assets.....  | 16,530                             | 16,718                             | 116,548                            |
| (5) Other.....  | 11,509                             | 11,458                             | 81,146                             |
| (6) Allowance for doubtful accounts .....                           | (95)                               | (20)                               | (670)                              |
| <b>Total investments and other assets.....</b>                      | <b>55,278</b>                      | <b>53,553</b>                      | <b>389,748</b>                     |
| <b>Total noncurrent assets.....</b>                                 | <b>702,757</b>                     | <b>687,600</b>                     | <b>4,954,925</b>                   |
| <b>TOTAL ASSETS.....</b>  | <b>¥1,254,485</b>                  | <b>¥1,221,533</b>                  | <b>\$8,844,990</b>                 |

The accompanying notes are an integral part of the financial information.

## Consolidated Balance Sheet

Kuraray Co., Ltd. and its consolidated subsidiaries / Year ended December 31, 2023

|   | Millions of yen                    |                                    | Thousands of<br>U.S. dollars       |
|---|------------------------------------|------------------------------------|------------------------------------|
|   | Fiscal 2023<br>(December 31, 2023) | Fiscal 2022<br>(December 31, 2022) | Fiscal 2023<br>(December 31, 2023) |
| <b>LIABILITIES</b>                                      |                                    |                                    |                                    |
| <b>I Current liabilities:</b>                           |                                    |                                    |                                    |
| 1 Notes and accounts payable—trade*8                    | ¥49,124                            | ¥52,717                            | \$346,358                          |
| 2 Short-term borrowings*7                               | 40,014                             | 34,480                             | 282,126                            |
| 3 Commercial paper                                      | —                                  | 10,000                             | —                                  |
| 4 Current portion of bonds payable                      | —                                  | 10,000                             | —                                  |
| 5 Current portion of long-term borrowings               | 24,698                             | 30,434                             | 174,138                            |
| 6 Accrued expenses                                      | 16,734                             | 21,075                             | 117,986                            |
| 7 Income taxes payable                                  | 11,033                             | 11,370                             | 77,790                             |
| 8 Provision for bonuses                                 | 10,275                             | 9,132                              | 72,446                             |
| 9 Other*2 and *8  | 48,690                             | 42,119                             | 343,298                            |
| <b>Total current liabilities</b>                        | <b>200,571</b>                     | <b>221,330</b>                     | <b>1,414,165</b>                   |
| <b>II Noncurrent liabilities:</b>                       |                                    |                                    |                                    |
| 1 Bonds payable   | 60,000                             | 60,000                             | 423,042                            |
| 2 Long-term borrowings                                  | 157,312                            | 179,491                            | 1,109,159                          |
| 3 Deferred tax liabilities                              | 18,754                             | 17,279                             | 132,229                            |
| 4 Net defined benefit liabilities                       | 29,487                             | 25,626                             | 207,904                            |
| 5 Asset retirement obligations                          | 6,338                              | 5,303                              | 44,687                             |
| 6 Other   | 45,864                             | 43,968                             | 323,373                            |
| <b>Total noncurrent liabilities</b>                     | <b>317,757</b>                     | <b>331,668</b>                     | <b>2,240,408</b>                   |
| <b>TOTAL LIABILITIES</b>                                | <b>518,329</b>                     | <b>552,998</b>                     | <b>3,654,579</b>                   |
| <b>NET ASSETS</b>                                       |                                    |                                    |                                    |
| <b>I Shareholders' equity:</b>                          |                                    |                                    |                                    |
| 1 Capital stock   | 88,955                             | 88,955                             | 627,195                            |
| 2 Capital surplus                                       | 87,146                             | 87,152                             | 614,440                            |
| 3 Retained earnings                                     | 426,290                            | 399,910                            | 3,005,641                          |
| 4 Treasury stock  | (25,654)                           | (25,735)                           | (180,879)                          |
| <b>Total shareholders' equity</b>                       | <b>576,737</b>                     | <b>550,282</b>                     | <b>4,066,396</b>                   |
| <b>II Accumulated other comprehensive income:</b>       |                                    |                                    |                                    |
| 1 Valuation difference on available-for-sale securities | 6,856                              | 5,769                              | 48,340                             |
| 2 Deferred gains or losses on hedges                    | (53)                               | 611                                | (374)                              |
| 3 Foreign currency translation adjustment               | 131,269                            | 90,555                             | 925,538                            |
| 4 Remeasurements of defined benefit plans               | (524)                              | (468)                              | (3,695)                            |
| <b>Total accumulated other comprehensive income</b>     | <b>137,548</b>                     | <b>96,467</b>                      | <b>969,809</b>                     |
| <b>III Subscription rights to shares</b>                | <b>341</b>                         | <b>341</b>                         | <b>2,404</b>                       |
| <b>IV Non-controlling interests</b>                     | <b>21,529</b>                      | <b>21,443</b>                      | <b>151,794</b>                     |
| <b>TOTAL NET ASSETS</b>                                 | <b>736,156</b>                     | <b>668,534</b>                     | <b>5,190,411</b>                   |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>                 | <b>¥1,254,485</b>                  | <b>¥1,221,533</b>                  | <b>\$8,844,990</b>                 |

The accompanying notes are an integral part of the financial information.

# Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

Kuraray Co., Ltd. and its consolidated subsidiaries / Year ended December 31, 2023

| Consolidated Statement of Income  | Millions of yen  |  | Thousands of<br>U.S. dollars                             |
|---|--|--|--|
|   | Fiscal 2023<br>(January 1, 2023 to<br>December 31, 2023) | Fiscal 2022<br>(January 1, 2022 to<br>December 31, 2022) | Fiscal 2023<br>(January 1, 2023 to<br>December 31, 2023) |
| <b>I Net sales</b> <sup>*1</sup> .....  | ¥780,938   | ¥756,376   | \$5,506,155  |
| <b>II Cost of sales</b> <sup>*3</sup> .....                                   | 540,956  | 514,713  | 3,814,115  |
| <b>Gross profit</b> .....   | 239,982  | 241,663  | 1,692,040  |
| <b>III Selling, general and administrative expenses:</b>                      |  |  |  |
| 1 Selling expenses.....   | 42,137   | 46,678   | 297,095  |
| 2 General and administrative expenses <sup>*3</sup> .....                     | 122,369  | 107,845  | 862,786  |
| <b>Total selling, general and administrative expenses</b> <sup>*2</sup> ..... | 164,506  | 154,524  | 1,159,882  |
| <b>Operating income</b> .....   | 75,475   | 87,139   | 532,151  |
| <b>IV Non-operating income:</b>   |  |  |  |
| 1 Interest income.....  | 1,841  | 450  | 12,980   |
| 2 Dividend income.....  | 779  | 714  | 5,492  |
| 3 Share of profit of entities accounted for using equity method.....          | 200  | 271  | 1,410  |
| 4 Other.....  | 930  | 2,091  | 6,557  |
| <b>Total non-operating income</b> .....                                       | 3,751  | 3,527  | 26,447   |
| <b>V Non-operating expenses:</b>  |  |  |  |
| 1 Interest expenses.....  | 2,815  | 1,457  | 19,848   |
| 2 Foreign exchange losses.....  | 2,611  | 1,021  | 18,409   |
| 3 Other.....  | 4,774  | 4,127  | 33,660   |
| <b>Total non-operating expenses</b> .....                                     | 10,202   | 6,606  | 71,931   |
| <b>Ordinary income</b> .....  | 69,025   | 84,060   | 486,674  |
| <b>VI Extraordinary income:</b>   |  |  |  |
| 1 Insurance claim income <sup>*4</sup> .....                                  | 2,781  | 1,415  | 19,608   |
| 2 Compensation income.....  | 1,216  | —  | 8,574  |
| 3 Gain on sale of investment securities.....                                  | 891  | 2,614  | 6,282  |
| 4 Gain on sale of shares of subsidiaries and associates.....                  | 715  | —  | 5,041  |
| <b>Total extraordinary income</b> .....                                       | 5,604  | 4,030  | 39,512   |
| <b>VII Extraordinary loss:</b>  |  |  |  |
| 1 Loss on litigation <sup>*5</sup> .....                                      | 7,806  | 1,819  | 55,038   |
| 2 Impairment loss <sup>*6</sup> .....   | 4,390  | 1,385  | 30,953   |
| 3 Loss on disposal of tangible non-current assets <sup>*7</sup> .....         | 1,159  | 450  | 8,172  |
| 4 Costs related to the suspension of operations <sup>*8</sup> .....           | —  | 5,785  | —  |
| 5 Loss on disaster.....   | —  | 653  | —  |
| <b>Total extraordinary loss</b> .....   | 13,356   | 10,094   | 94,169   |
| <b>Income before income taxes</b> .....                                       | 61,273   | 77,997   | 432,017  |
| Income taxes—current.....   | 18,079   | 21,232   | 127,470  |
| Income taxes—deferred.....  | 908  | 1,155  | 6,402  |
| <b>Total income taxes</b> .....   | 18,987   | 22,388   | 133,872  |
| <b>Net income</b> .....   | 42,285   | 55,608   | 298,139  |
| <b>Net income (loss) attributable to non-controlling interests</b> .....      | (160)  | 1,300  | (1,128)  |
| <b>Net income attributable to owners of the parent</b> .....                  | ¥42,446  | ¥54,307  | \$299,274  |



# Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

Kuraray Co., Ltd. and its consolidated subsidiaries / Year ended December 31, 2023

| Consolidated Statement of Comprehensive Income                                      | Millions of yen  |  | Thousands of<br>U.S. dollars                             |
|---|--|--|--|
|   | Fiscal 2023<br>(January 1, 2023 to<br>December 31, 2023) | Fiscal 2022<br>(January 1, 2022 to<br>December 31, 2022) | Fiscal 2023<br>(January 1, 2023 to<br>December 31, 2023) |
| <b>I Net income</b> .....   | <b>¥42,285</b>   | ¥55,608  | <b>\$298,139</b>   |
| <b>II Other comprehensive income:</b>   |  |  |  |
| 1 Valuation difference on available-for-sale securities .....                       | 1,087  | (1,504)  | 7,664  |
| 2 Deferred gains or losses on hedges .....  | (676)  | 645  | (4,766)  |
| 3 Foreign currency translation adjustment .....                                     | 41,326   | 56,638   | 291,377  |
| 4 Remeasurements of defined benefit plans .....                                     | (55)   | 1,822  | (388)  |
| 5 Share of other comprehensive income of entities accounted for using equity method | 166  | 160  | 1,170  |
| <b>Total other comprehensive income</b> <sup>*1</sup> .....                         | <b>41,848</b>  | 57,762   | <b>295,057</b>   |
| <b>III Comprehensive income</b> .....   | <b>¥84,134</b>   | ¥113,371   | <b>\$593,203</b>   |
| <b>Comprehensive income attributable to</b>   |  |  |  |
| 1 Owners of the parent .....  | ¥83,527  | ¥110,925   | \$588,923  |
| 2 Non-controlling interests .....   | 606  | 2,446  | 4,273  |

The accompanying notes are an integral part of the financial information.

## Consolidated Statement of Changes in Net Assets

Kuraray Co., Ltd. and its consolidated subsidiaries / Year ended December 31, 2023

| Fiscal 2023 (January 1, 2023 to December 31, 2023)         | Millions of yen      |                 |                   |                |                            |
|--|----------------------|-----------------|-------------------|----------------|----------------------------|
|  | Shareholders' equity |                 |                   |                |                            |
|  | Capital stock        | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| <b>Balance at January 1, 2023</b> .....                    | ¥88,955              | ¥87,152         | ¥399,910          | ¥(25,735)      | ¥550,282                   |
| Changes of items during the period                         |                      |                 |                   |                |                            |
| Cash dividends .....                                       |                      |                 | (16,066)          |                | (16,066)                   |
| Net income attributable to owners of the parent .....      |                      |                 | 42,446            |                | 42,446                     |
| Purchase of treasury stock .....                           |                      |                 |                   | (4)            | (4)                        |
| Disposal of treasury stock .....                           |                      | (6)             |                   | 85             | 79                         |
| Net changes of items other than shareholders' equity ..... |                      |                 |                   |                |                            |
| <b>Total changes of items during the period</b> .....      | —                    | (6)             | 26,379            | 80             | 26,454                     |
| <b>Balance at December 31, 2023</b> .....                  | ¥88,955              | ¥87,146         | ¥426,290          | ¥(25,654)      | ¥576,737                   |

| Fiscal 2023 (January 1, 2023 to December 31, 2023)         | Millions of yen                                       |                                    |   |   |  |                               |                           |                  |
|--|---|------------------------------------|---|---|--|-------------------------------|---------------------------|------------------|
|  | 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 | Remeasurements of defined benefit plans | Total accumulated other comprehensive income |                               |                           |                  |
| <b>Balance at January 1, 2023</b> .....                    | ¥5,769  | ¥611                               | ¥90,555                                 | ¥(468)                                  | ¥96,467                                      | ¥341                          | ¥21,443                   | ¥668,534         |
| Changes of items during the period                         |   |                                    |   |   |  |                               |                           |                  |
| Cash dividends .....                                       |   |                                    |   |   |  |                               |                           | (16,066)         |
| Net income attributable to owners of the parent .....      |   |                                    |   |   |  |                               |                           | 42,446           |
| Purchase of treasury stock .....                           |   |                                    |   |   |  |                               |                           | (4)              |
| Disposal of treasury stock .....                           |   |                                    |   |   |  |                               |                           | 79               |
| Net changes of items other than shareholders' equity ..... | 1,087   | (664)                              | 40,714                                  | (55)                                    | 41,081                                       | —                             | 86                        | 41,167           |
| <b>Total changes of items during the period</b> .....      | 1,087   | (664)                              | 40,714                                  | (55)                                    | 41,081                                       | —                             | 86                        | 67,621           |
| <b>Balance at December 31, 2023</b> .....                  | ¥6,856  | ¥(53)                              | ¥131,269                                | ¥(524)                                  | ¥137,548                                     | ¥341                          | ¥21,529                   | ¥736,156         |

The accompanying notes are an integral part of the financial information.

## Consolidated Statement of Changes in Net Assets

Kuraray Co., Ltd. and its consolidated subsidiaries / Year ended December 31, 2023

|  | Thousands of U.S. dollars |                  |                    |                    |                            |
|--|---------------------------|------------------|--------------------|--------------------|----------------------------|
|  | Shareholders' equity      |                  |                    |                    |                            |
| Fiscal 2023 (January 1, 2023 to December 31, 2023)         | Capital stock             | Capital surplus  | Retained earnings  | Treasury stock     | Total shareholders' equity |
| <b>Balance at January 1, 2023</b> .....                    | <b>\$627,195</b>          | <b>\$614,482</b> | <b>\$2,819,643</b> | <b>\$(181,450)</b> | <b>\$3,879,870</b>         |
| Changes of items during the period                         |                           |                  |                    |                    |                            |
| Cash dividends .....                                       |                           |                  | (113,276)          |                    | (113,276)                  |
| Net income attributable to owners of the parent .....      |                           |                  | 299,274            |                    | 299,274                    |
| Purchase of treasury stock .....                           |                           |                  |                    | (28)               | (28)                       |
| Disposal of treasury stock .....                           |                           | (42)             |                    | 599                | 557                        |
| Net changes of items other than shareholders' equity ..... |                           |                  |                    |                    |                            |
| <b>Total changes of items during the period</b> .....      | <b>—</b>                  | <b>(42)</b>      | <b>185,990</b>     | <b>564</b>         | <b>186,519</b>             |
| <b>Balance at December 31, 2023</b> .....                  | <b>\$627,195</b>          | <b>\$614,440</b> | <b>\$3,005,641</b> | <b>\$(180,879)</b> | <b>\$4,066,396</b>         |

|  | Thousands of U.S. dollars                             |                                    |   |   |  |                               |                           |                    |
|--|---|------------------------------------|---|---|--|-------------------------------|---------------------------|--------------------|
|  | 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 | Remeasurements of defined benefit plans | Total accumulated other comprehensive income |                               |                           |                    |
| <b>Balance at January 1, 2023</b> .....                    | <b>\$40,675</b>                                       | <b>\$4,308</b>                     | <b>\$638,476</b>                        | <b>\$(3,300)</b>                        | <b>\$680,159</b>                             | <b>\$2,404</b>                | <b>\$151,188</b>          | <b>\$4,713,629</b> |
| Changes of items during the period                         |   |                                    |   |   |  |                               |                           |                    |
| Cash dividends .....                                       |   |                                    |   |   |  |                               |                           | (113,276)          |
| Net income attributable to owners of the parent .....      |   |                                    |   |   |  |                               |                           | 299,274            |
| Purchase of treasury stock .....                           |   |                                    |   |   |  |                               |                           | (28)               |
| Disposal of treasury stock .....                           |   |                                    |   |   |  |                               |                           | 557                |
| Net changes of items other than shareholders' equity ..... | 7,664   | (4,682)                            | 287,062                                 | (388)                                   | 289,650                                      | —                             | 606                       | 290,256            |
| <b>Total changes of items during the period</b> .....      | <b>7,664</b>  | <b>(4,682)</b>                     | <b>287,062</b>                          | <b>(388)</b>                            | <b>289,650</b>                               | <b>—</b>                      | <b>606</b>                | <b>476,775</b>     |
| <b>Balance at December 31, 2023</b> .....                  | <b>\$48,340</b>                                       | <b>\$(374)</b>                     | <b>\$925,538</b>                        | <b>\$(3,695)</b>                        | <b>\$969,809</b>                             | <b>\$2,404</b>                | <b>\$151,794</b>          | <b>\$5,190,411</b> |

The accompanying notes are an integral part of the financial information.

## Consolidated Statement of Changes in Net Assets

Kuraray Co., Ltd. and its consolidated subsidiaries / Year ended December 31, 2023

|  | Millions of yen      |                 |                   |                |                            |
|--|----------------------|-----------------|-------------------|----------------|----------------------------|
|  | Shareholders' equity |                 |                   |                |                            |
| Fiscal 2022 (January 1, 2022 to December 31, 2022)                     | Capital stock        | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| <b>Balance at January 1, 2022</b> .....                                | ¥88,955              | ¥87,166         | ¥359,898          | ¥(15,885)      | ¥520,134                   |
| Cumulative effects of changes in accounting policies.....              |                      |                 | (388)             |                | (388)                      |
| <b>Restated balance</b> .....  | ¥88,955              | ¥87,166         | ¥359,509          | ¥(15,885)      | ¥519,745                   |
| Changes of items during the period                                     |                      |                 |                   |                |                            |
| Cash dividends.....  |                      |                 | (13,908)          |                | (13,908)                   |
| Net income attributable to owners of the parent.....                   |                      |                 | 54,307            |                | 54,307                     |
| Changes resulting from inclusion of subsidiaries in consolidation..... |                      |                 | 2                 |                | 2                          |
| Purchase of treasury stock.....  |                      |                 |                   | (10,002)       | (10,002)                   |
| Disposal of treasury stock.....  |                      | (14)            |                   | 152            | 138                        |
| Net changes of items other than shareholders' equity.....              |                      |                 |                   |                |                            |
| <b>Total changes of items during the period</b> .....                  | —                    | (14)            | 40,401            | (9,849)        | 30,537                     |
| <b>Balance at December 31, 2022</b> .....                              | ¥88,955              | ¥87,152         | ¥399,910          | ¥(25,735)      | ¥550,282                   |

|  | Millions of yen                                       |                                    |   |   |  |                               |                           |                  |
|--|---|------------------------------------|---|---|--|-------------------------------|---------------------------|------------------|
|  | 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 | Remeasurements of defined benefit plans | Total accumulated other comprehensive income |                               |                           |                  |
| <b>Balance at January 1, 2022</b> .....                                | ¥7,273  | ¥219                               | ¥34,648                                 | ¥(2,291)                                | ¥39,850                                      | ¥414                          | ¥19,203                   | ¥579,602         |
| Cumulative effects of changes in accounting policies.....              |   |                                    |   |   |  |                               |                           | (388)            |
| <b>Restated balance</b> .....  | ¥7,273  | ¥219                               | ¥34,648                                 | ¥(2,291)                                | ¥39,850                                      | ¥414                          | ¥19,203                   | ¥579,213         |
| Changes of items during the period                                     |   |                                    |   |   |  |                               |                           |                  |
| Cash dividends.....  |   |                                    |   |   |  |                               |                           | (13,908)         |
| Net income attributable to owners of the parent.....                   |   |                                    |   |   |  |                               |                           | 54,307           |
| Changes resulting from inclusion of subsidiaries in consolidation..... |   |                                    |   |   |  |                               |                           | 2                |
| Purchase of treasury stock.....  |   |                                    |   |   |  |                               |                           | (10,002)         |
| Disposal of treasury stock.....  |   |                                    |   |   |  |                               |                           | 138              |
| Net changes of items other than shareholders' equity.....              | (1,504)   | 392                                | 55,906                                  | 1,822                                   | 56,617                                       | (73)                          | 2,240                     | 58,783           |
| <b>Total changes of items during the period</b> .....                  | (1,504)   | 392                                | 55,906                                  | 1,822                                   | 56,617                                       | (73)                          | 2,240                     | 89,321           |
| <b>Balance at December 31, 2022</b> .....                              | ¥5,769  | ¥611                               | ¥90,555                                 | ¥(468)                                  | ¥96,467                                      | ¥341                          | ¥21,443                   | ¥668,534         |

The accompanying notes are an integral part of the financial information.

## Consolidated Statement of Cash Flows

Kuraray Co., Ltd. and its consolidated subsidiaries / Year ended December 31, 2023

|   | Millions of yen  |  | Thousands of<br>U.S. dollars                             |
|---|--|--|--|
|   | Fiscal 2023<br>(January 1, 2023 to<br>December 31, 2023) | Fiscal 2022<br>(January 1, 2022 to<br>December 31, 2022) | Fiscal 2023<br>(January 1, 2023 to<br>December 31, 2023) |
| <b>I Net cash provided by (used in) operating activities:</b>                     |  |  |  |
| 1 Income before income taxes.....   | ¥61,273  | ¥77,997  | \$432,017  |
| 2 Depreciation and amortization .....   | 77,163   | 65,456   | 544,053  |
| 3 Increase (decrease) in allowance for doubtful accounts .....                    | 402  | 9  | 2,834  |
| 4 Loss (gain) on sale of investment securities .....                              | (891)  | (2,614)  | (6,282)  |
| 5 Loss on litigation.....   | 7,806  | 1,819  | 55,038   |
| 6 Impairment loss.....  | 4,390  | 1,385  | 30,953   |
| 7 Loss on disposal of tangible fixed assets .....                                 | 1,159  | 450  | 8,172  |
| 8 Foreign exchange losses (gains).....  | (3,324)  | (2,777)  | (23,437)   |
| 9 Interest and dividends income.....  | (2,621)  | (1,165)  | (18,480)   |
| 10 Interest expenses .....  | 2,815  | 1,457  | 19,848   |
| 11 Decrease (increase) in notes and accounts receivable—trade.....                | 2,111  | (12,500)   | 14,884   |
| 12 Decrease (increase) in inventories.....  | 8,363  | (54,716)   | 58,965   |
| 13 Increase (decrease) in notes and accounts payable—trade .....                  | (5,122)  | 691  | (36,114)   |
| 14 Increase (decrease) in provision for bonuses.....                              | 825  | 632  | 5,817  |
| 15 Increase (decrease) in net defined benefit liabilities.....                    | 1,751  | 678  | 12,346   |
| 16 Decrease (increase) in net defined benefit assets.....                         | (274)  | 664  | (1,932)  |
| 17 Other, net.....  | 9,146  | (4,771)  | 64,486   |
| <b>Subtotal.....</b>  | <b>164,976</b>   | <b>72,696</b>  | <b>1,163,195</b>   |
| 18 Interest and dividends income received .....                                   | 2,602  | 1,246  | 18,346   |
| 19 Interest expenses paid .....   | (2,257)  | (1,186)  | (15,913)   |
| 20 Income taxes (paid) refund.....  | (23,180)   | (19,453)   | (163,435)  |
| 21 Payments for loss on litigation.....   | (12,842)   | (1,575)  | (90,545)   |
| <b>Net cash provided by (used in) operating activities.....</b>                   | <b>129,298</b>   | <b>51,727</b>  | <b>911,641</b>   |
| <b>II Net cash provided by (used in) investing activities:</b>                    |  |  |  |
| 1 Net decrease (increase) in time deposits.....                                   | —  | 3,350  | —  |
| 2 Proceeds from sales and redemption of investment securities.....                | 1,907  | 3,336  | 13,446   |
| 3 Purchase of tangible fixed assets and intangible fixed assets .....             | (59,027)   | (71,635)   | (416,181)  |
| 4 Payments for disposal of tangible fixed assets and intangible fixed assets..... | (1,524)  | (1,022)  | (10,745)   |
| 5 Proceeds from sales of tangible fixed assets and intangible fixed assets.....   | 214  | 613  | 1,509  |
| 6 Other, net.....   | (4,720)  | (3,266)  | (33,279)   |
| <b>Net cash provided by (used in) investing activities.....</b>                   | <b>(63,151)</b>  | <b>(68,624)</b>  | <b>(445,258)</b>   |

## Consolidated Statement of Cash Flows

Kuraray Co., Ltd. and its consolidated subsidiaries / Year ended December 31, 2023

|   | Millions of yen  |  | Thousands of<br>U.S. dollars                             |
|---|--|--|--|
|   | Fiscal 2023<br>(January 1, 2023 to<br>December 31, 2023) | Fiscal 2022<br>(January 1, 2022 to<br>December 31, 2022) | Fiscal 2023<br>(January 1, 2023 to<br>December 31, 2023) |
| <b>III Net cash provided by (used in) financing activities:</b>                             |  |  |  |
| 1 Net increase (decrease) in short-term borrowings .....                                    | 5,413  | —  | 38,165   |
| 2 Net increase (decrease) in commercial paper .....   | (10,000)   | 10,000   | (70,507)   |
| 3 Proceeds from long-term borrowings .....  | —  | 49,375   | —  |
| 4 Repayment of long-term borrowings .....   | (30,801)   | (55,013)   | (217,168)  |
| 5 Proceeds from issuance of bonds .....   | —  | 10,000   | —  |
| 6 Redemption of bonds .....   | (10,000)   | —  | (70,507)   |
| 7 Purchase of treasury stock .....  | (4)  | (10,002)   | (28)   |
| 8 Cash dividends paid .....   | (16,066)   | (13,908)   | (113,276)  |
| 9 Proceeds from stock issuance to non-controlling interests .....                           | —  | 502  | —  |
| 10 Cash dividends paid to non-controlling interests .....                                   | (520)  | (708)  | (3,666)  |
| 11 Other, net .....   | (2,978)  | (2,297)  | (20,997)   |
| <b>Net cash provided by (used in) financing activities .....</b>                            | <b>(64,959)</b>  | <b>(12,053)</b>  | <b>(458,006)</b>   |
| <b>IV Effect of exchange rate changes on cash and cash equivalents .....</b>                | <b>4,858</b>   | <b>4,943</b>   | <b>34,252</b>  |
| <b>V Net increase (decrease) in cash and cash equivalents .....</b>                         | <b>6,046</b>   | <b>(24,006)</b>  | <b>42,628</b>  |
| <b>VI Cash and cash equivalents, beginning of year .....</b>                                | <b>127,616</b>   | <b>151,487</b>   | <b>899,781</b>   |
| <b>VII Increase in cash and cash equivalents from newly consolidated subsidiaries .....</b> | <b>—</b>   | <b>136</b>   | <b>—</b>   |
| <b>VIII Cash and cash equivalents, end of year*1 .....</b>                                  | <b>¥133,663</b>  | <b>¥127,616</b>  | <b>\$942,417</b>   |

The accompanying notes are an integral part of the financial information.

## 1 Significant Accounting Policies

### 1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements of Kuraray Co., Ltd. (hereinafter “the Company”) and its consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and are filed with the Japanese Ministry of Finance (the “MOF”) as required by the Financial Instruments Exchange Law of Japan. The accompanying consolidated financial statements are translations of those filed with the MOF.

Each amount in the consolidated financial statements and notes is rounded down to the nearest 1 million yen (and rounded to the nearest 1 thousand dollars in the case of the translation into the United States dollars).

The United States dollar amounts included herein are provided solely for the convenience of readers outside Japan and are stated at the rate of ¥141.8 = \$1, the approximate exchange rate prevailing on December 31, 2023. The translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into the United States dollars at this or any other rate.

### 2. Scope of consolidation

#### (1) Number of consolidated subsidiaries

|                                     | Fiscal 2023 | Fiscal 2022 |
|-------------------------------------|-------------|-------------|
| Number of consolidated subsidiaries | 76          | 77          |

#### (Major consolidated subsidiaries)

KURARAY TRADING Co., LTD., Kuraray Plastics Co., Ltd., KURARAY ENGINEERING CO., LTD., Kuraray Techno Co., Ltd., KURARAYKURAFLEX CO., LTD., KURARAY AQUA CO., LTD., TECHNO SOFT CO., LTD., Kuraray Travel Service Corporation, KURARAY SAIJO CO., LTD., KURARAY

TAMASHIMA COMPANY, LIMITED, KURASHIKI KOKUSAI HOTEL LTD., KURARAY FASTENING CO., LTD., Kuraray Noritake Dental Inc., Kuraray Okayama Spinning Co., Ltd., OKAYAMA RINKOH CO., LTD., Kuraray Holdings U.S.A., Inc., Kuraray America, Inc., MonoSol Holdings, Inc., MonoSol, LLC, Calgon Carbon Corporation, Kuraray Europe GmbH, EVAL Europe N.V., OOO TROSIFOL, Kuraray Asia Pacific Pte. Ltd., Kuraray Hong Kong Co., Ltd., Kuraray (Shanghai) Co., Ltd., Kuraray China Co., Ltd., Kuraray Methacrylate (Zhang Jia Gang) Co., Ltd., Kuraray Korea Ltd., Plantic Technologies Limited, Kuraray Specialities (Thailand) Co., Ltd., Kuraray Advanced Chemicals (Thailand) Co., Ltd., Kuraray SC (Thailand) Co., Ltd., Kuraray GC Advanced Materials Co., Ltd. and 42 other consolidated subsidiaries.

In the fiscal year ended December 31, 2023 (fiscal 2023), former consolidated subsidiary Iruma Country Club Co., Ltd. was excluded from the scope of consolidation as all of its shares were transferred.

#### (2) Names of major unconsolidated subsidiaries

##### (Major unconsolidated subsidiaries)

Kuraray South America Ltda.

Kuraray India Private Limited

##### (Reasons for excluding from the scope of consolidation)

The total assets, total sales and net income and loss (amount corresponding to the owned interest) and retained earnings (amount corresponding to the owned interest) of the unconsolidated subsidiaries have no material effect on the consolidated financial statements.

### 3. Scope of application of equity method affiliates and subsidiaries

(1) Number of affiliates accounted for using the equity method

|  | Fiscal 2023 | Fiscal 2022 |
|--|-------------|-------------|
| Number of affiliates accounted for using the equity method | 2           | 2           |

(Name of major affiliates, etc.)

Hexin Kuraray Micro Fiber Leather (Jiaxing) Co., Ltd. and the other

- (2) Unconsolidated subsidiaries and affiliates (Kuraray South America Ltda. and Cenapro Chemical Corporation) have not been accounted for using the equity method, because their net income and loss and retained earnings (amount corresponding to the owned interest) have no material impact on the consolidated financial statements.

### 4. Fiscal years of consolidated subsidiaries

The closing date of the consolidated subsidiaries is the same as the consolidated closing date.

### 5. Accounting policies

(1) Valuation standards and methods for significant assets

a) Investment securities

Available-for-sale securities other than shares, etc. that do not have a market price are stated at fair value at the year-end. (Net unrealized gains or losses on these securities are recorded as a separate component in "Net assets," net of tax amount. The cost of securities sold is determined based on the moving-average cost of all such securities held at the time of sale.) Shares, etc. that do not have a market price are stated at cost determined by the moving-average method.

b) Derivative financial instruments

All derivatives are stated at fair value.

c) Inventories

Finished goods, raw materials, and work in process are principally stated at the lower of cost determined by the first-in, first-

out method or net realizable value.

Supplies are principally stated at the lower of cost determined by the moving-average method or net realizable value.

(2) Depreciation method of significant depreciable assets

a) Tangible fixed assets (excluding lease assets and right-of-use assets)

Depreciation is primarily computed using the straight-line method.

The estimated useful lives of assets are primarily as follows:

- Buildings and structures..... 16 to 50 years
- Machinery, equipment and vehicles..... 4 to 10 years

b) Intangible assets (excluding lease assets and right-of-use assets)

Amortization is primarily computed using the straight-line method.

The numbers of years for amortization are primarily as follows:

- Goodwill..... 15 to 20 years
- Customer-related assets..... 9 to 20 years

However, all minor amounts are charged or credited to income directly in the year of acquisition.

c) Lease assets

Leased assets related to finance leases without transfer of ownership

Amortization is primarily computed using the straight-line method that adopts the lease terms as the useful lives with the residual value being zero.

d) Right-of-use assets

Overseas subsidiaries and affiliates either apply IFRS 16 "Leases" or ASC 842 "Leases" and adopt a depreciation method according to International Financial Reporting Standards or US GAAP.

All leases as a lessee related to right-of-use are in principle recognized as assets and liabilities on the consolidated balance sheets.



### (3) Accounting for significant allowance

#### a) Allowance for doubtful accounts

The Company and its consolidated subsidiaries provide for doubtful accounts principally at an amount computed based on the historical bad debt ratio during a certain reference period plus an estimated uncollectible amount based on the analysis of certain individual accounts.

#### b) Provision for bonuses

Provision for bonuses is stated at the estimated amount of the bonuses to be paid to employees based on services provided for the fiscal year.

### (4) Accounting treatment of retirement benefit plan

#### a) Method for attributing estimated retirement benefits to individual periods of service

In calculating benefit obligation, the benefit formula basis was used to attribute estimated retirement benefits to periods up to December 31, 2023.

#### b) Calculation of net actuarial gain or loss and prior service cost

Prior service cost is amortized on a straight-line basis over a certain period (mainly 15 years), which falls within the average remaining years of service of the eligible employees. Actuarial gains or losses are amortized on a straight-line basis over a certain period (mainly 15 years), which falls within the average remaining years of service of the eligible employees, allocated proportionately commencing the year following the year in which each respective gain or loss occurred.

#### c) Use of simplified method among small companies

Certain consolidated subsidiaries calculate retirement benefit liabilities and expenses using the simplified method that assumes their benefit obligation is equal to the benefits payable if all employees voluntarily retired at fiscal year-end.

### (5) Standards for recognizing revenues and expenses

The Group mainly engages in the sale of goods/products to its customers. Revenue from goods/product sales is recognized at the time of delivery, when the customer obtains control over the goods/product and the performance obligation is satisfied.

In the environmental solutions business and the environmental business under the Functional Materials segment, and the engineering business under the Others segment, the Group enters into construction contracts with customers. For such contracts, as the performance obligation is deemed to be satisfied over time, the Group, in principle, recognizes revenue based on the progress towards complete satisfaction of the performance obligation. The progress is estimated by the input method based on the cost incurred.

Revenue is calculated based on the consideration amount promised in the contract with the customer, less any rebates and the likes to the extent that it is probable that a significant reduction will not occur. For transactions in which the Group provides goods/products as an agent, revenue is recognized at the net amount received from customers less amounts paid to suppliers. There is no significant financing component to the consideration for these transactions, because the Group receives the consideration generally within one year after fulfilling the performance obligation.

(6) Significant hedge accounting

a) Hedge accounting

In principle, the Company and its consolidated subsidiaries adopt the method for hedging instruments whereby any gains or losses are deferred over the period of the hedging contract and are offset against the deferred losses or gains on the related hedged items. However, deferral hedge accounting is applied to some forward foreign exchange contracts, and when an interest rate swap contract meets certain conditions, the net amount to be paid or received under the contract is added to or deducted from the interest on the hedged items.

b) Hedging instruments and hedged items

| Hedging instruments                | Hedged items   |
|------------------------------------|--|
| Forward foreign exchange contracts | Foreign currency-denominated monetary receivables and payables (including forecast transactions) |
| Interest rate swap contracts       | Interest expenses  |
| Commodity swap contracts           | Raw materials  |

c) Hedging policy

The Company and its consolidated subsidiaries use financial instruments to hedge interest rate fluctuation, exchange fluctuation risks and price fluctuation risks in accordance with their internal policies and procedures.

d) Assessment method for hedge accounting

The Company identifies and confirms the material conditions and measures the effectiveness of forward foreign exchange contracts associated with planned transactions denominated in foreign currencies, interest rate swaps and commodity swaps associated with raw materials.

Subsequent measurement of hedge effectiveness is not considered necessary for forward foreign exchange contracts that meet the requirements for deferral hedge accounting and interest rate swaps that meet the requirements for special

accounting because the Company identifies and confirms the material conditions at the time of transaction.

**Hedge accounting applying the “Practical Solution on Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR”**

Of the above-mentioned hedging relationships, the Company applies the exceptional treatment provided in the “Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR” (ASBJ Practical Issues Task Force (PITF) No. 40, March 17, 2022) to all hedging relationships covered by the said PITF No. 40, the details of which are as follows:

|                                |   |
|--------------------------------|---|
| Hedge accounting.....          | Exceptional treatment for interest rate swaps |
| Hedging instruments.....       | Interest rate swap contracts                  |
| Hedged items.....              | Interest expenses                             |
| Type of hedge transaction..... | Those with fixed cash flows                   |

(7) Amortization of goodwill

The Company amortizes goodwill using the straight-line method over the estimated period of benefit with the exception of minor amounts, which are charged or credited to income directly in the year of acquisition.

(8) Cash and cash equivalents

Cash and cash equivalents include all highly liquid investments with a maturity of three months or less, that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value.

## 2 Significant Accounting Estimates

### Assessment of whether indicators of impairment exist for goodwill recognized as a result of the acquisition of Calgon Carbon Corporation

(1) The amount recorded on the consolidated financial statements

|  | Millions of yen |             | Thousands of U.S. dollars |
|--|-----------------|-------------|---------------------------|
|  | Fiscal 2023     | Fiscal 2022 | Fiscal 2023               |
| Goodwill recorded as a result of the acquisition of Calgon Carbon Corporation in the Functional Materials segment in fiscal 2018 | ¥40,347         | ¥40,446     | \$284,474                 |

(2) Information on the nature of significant accounting estimates related to the identified items

a) Method for calculating the amount recorded on the consolidated financial statements for fiscal 2023

Calgon Carbon Corporation expands their operations as a result of growth in the activated carbon market and measures in response to stricter environmental regulations. The Company recorded net operating income, including goodwill amortization since the previous fiscal year, despite the impact of rising raw material and fuel prices and logistics costs.

Based on Calgon Carbon Corporation's business plan, the Group has concluded that there are no indicators of impairment related to goodwill as performance continues to be stable and net operating income, including goodwill amortization, is projected in the following fiscal year.

b) Key assumptions used in calculating the amount recorded on the consolidated financial statements for fiscal 2023

Calgon Carbon Corporation's business plan assumes increases in revenue due to increasing demand for capital investments

by customers and measures in response to stricter environmental regulations, as well as the impact of future trends in raw material and fuel prices.

c) Impact on the consolidated financial statements for the following fiscal year

Impairment loss may be recorded on the consolidated financial statements for the subsequent fiscal years in the event that unpredictable changes in future market conditions require revisions to the estimate or the assumptions concerned.

### Recognition of impairment related to tangible fixed assets

(1) The amount recorded on the consolidated financial statements

|                       | Millions of yen |             | Thousands of U.S. dollars |
|-----------------------|-----------------|-------------|---------------------------|
|                       | Fiscal 2023     | Fiscal 2022 | Fiscal 2023               |
| Tangible fixed assets | ¥526,977        | ¥512,562    | \$3,715,554               |

(2) Information on the nature of significant accounting estimates related to the identified items

a) Method for calculating the amount recorded on the consolidated financial statements for fiscal 2023

With regard to the grouping of assets, business assets are grouped based on classifications under management accounting, for which profit or loss is consistently monitored. Assets for rental, idle assets, assets for which business has been decided to be discontinued or reorganized, and assets scheduled to be suspended are treated individually, while other head office and research facilities are grouped as assets for common use.

When impairment needs to be recognized in an asset group, the carrying amount of the group's assets are written down to their recoverable amount, and the reduced amount is

recorded as an impairment loss. The recoverable amount is estimated by value in use or net realizable value, whichever is the higher. For value in use, we use the future cash flows expected to be generated from the asset group.

b) Key assumptions used in calculating the amount recorded on the consolidated financial statements for fiscal 2023

Future cash flows are estimated based on business plans and

forecast in consideration of estimated future incomes, etc.

c) Impact on the consolidated financial statements for the following fiscal year

Judgements of impairment on tangible fixed assets are based on future cash flows, net realizable value, and other assumptions. Therefore, an impairment loss may be recorded in the event of changes in the assumptions.

## 3 Accounting Standards Issued but Not Yet Applied

### The Company and its domestic subsidiaries and affiliates

- “Accounting Standard for Current Income Taxes” (ASBJ Statement No. 27, October 28, 2022)
- “Accounting Standard for Presentation of Comprehensive Income” (ASBJ Statement No. 25, October 28, 2022)
- “Guidance on Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No. 28, October 28, 2022)

#### (1) Outline

This stipulates the classification of income taxes when applied to other comprehensive income and the treatment of tax effects related

to the sale of shares in subsidiaries when the group tax sharing system is applied.

#### (2) Expected Application Date

Scheduled to be introduced from the beginning of the fiscal year ending December 31, 2025.

#### (3) Effect of Applying the Accounting Standard

The impact is being evaluated at the time of preparation of these consolidated financial statements.

## 4 Changes in Presentation

### Changes in Consolidated Balance Sheet

“Other provisions,” which had been presented separately under current liabilities in fiscal 2022, is included in “other” from fiscal 2023 due to the insignificance of the amount. The consolidated balance sheet for fiscal 2022 has been restated to reflect this change in presentation.

As a result, “other provisions” of ¥111 million and “other” of ¥42,008 million under current liabilities in the consolidated balance sheet for fiscal 2022, has been reclassified as “other” of ¥42,119 million.

“Provision for directors’ retirement benefits” and “provision for environmental measures,” which had been presented separately under noncurrent liabilities in fiscal 2022, are included in “other” from fiscal 2023 due to the insignificance of the amounts. The consolidated balance sheet for fiscal 2022 has been restated to reflect these changes in presentation.

As a result, “provision for directors’ retirement benefits” of ¥294 million, “provision for environmental measures” of ¥397 million and “other” of ¥43,275 million under noncurrent liabilities in the consolidated balance sheet for fiscal 2022, has been reclassified as “other” of ¥43,968 million.

### Changes in Consolidated Statement of Income

“Gain on investments in investment partnerships,” which had been presented separately under non-operating income in fiscal 2022 but turned to “loss on investments in investment partnerships” under non-operating expenses in fiscal 2023, is included in “other” from fiscal 2023 due to the insignificance of the amounts. The consolidated statement of income for fiscal 2022 has been restated to reflect this change in presentation.

As a result, “gain on investments in investment partnerships” of ¥382 million and “other” of ¥1,708 million under non-operating income in the consolidated statement of income for fiscal 2022, has been reclassified as “other” of ¥2,091 million.

“Loss on disposal of tangible fixed assets,” which had been presented separately under non-operating expenses in fiscal 2022, is included in “other” from fiscal 2023 due to the insignificance of the amounts. The consolidated statement of income for fiscal 2022 has been restated to reflect this change in presentation.

As a result, “loss on disposal of tangible fixed assets” of ¥986 million and “other” of ¥3,140 million under non-operating expenses in the consolidated statement of income for fiscal 2022, has been reclassified as “other” of ¥4,127 million.

### Changes in Consolidated Statement of Cash Flows

“Proceeds from sales of treasury stock,” which had been presented separately under net cash provided by (used in) financing activities in fiscal 2022, is included in “other, net” from fiscal 2023 due to the insignificance of the amounts. The consolidated statement of cash flows for fiscal 2022 has been restated to reflect this change in presentation.

As a result, “proceeds from sales of treasury stock” of ¥0 million and “other, net” of ¥(2,297) million under net cash provided by (used in) financing activities in the consolidated statement of cash flows for fiscal 2022, has been reclassified as “other, net” of ¥(2,297) million.

## 5 Additional Information

### Resolution of Civil Lawsuits Related to the Fire at a U.S. Subsidiary

Regarding the civil lawsuits related to the fire that occurred at a U.S. subsidiary in May 2018, we reached settlements with the remaining plaintiffs in April 2023, except for one for which a motion to dismiss was expected to be granted. Accordingly, we recorded an extraordinary loss

of ¥7,806 million (US\$55,038 thousand) as loss on litigation related to the lawsuits, etc., in the Consolidated Statement of Income for fiscal 2023. The motion to dismiss the individual’s lawsuit was granted in July 2023. The lawsuits have therefore been resolved.

## Notes to Consolidated Financial Statements

Kuraray Co., Ltd. and its Consolidated Subsidiaries / Year ended December 31, 2023

### 6 Notes to Consolidated Balance Sheet

\*1. Receivables and contract assets from contracts with customers, included in notes and accounts receivable—trade, and contract assets are as follows:

|                                | Millions of yen |             | Thousands of U.S. dollars |
|--------------------------------|-----------------|-------------|---------------------------|
|                                | Fiscal 2023     | Fiscal 2022 | Fiscal 2023               |
| Notes receivable—trade.....    | ¥16,968         | ¥14,762     | \$119,636                 |
| Accounts receivable—trade..... | 143,793         | 136,741     | 1,013,841                 |
| Contract assets.....           | 1,142           | 5,511       | 8,052                     |

\*2. Contract liabilities, included in other, is as follows:

|                           | Millions of yen |             | Thousands of U.S. dollars |
|---------------------------|-----------------|-------------|---------------------------|
|                           | Fiscal 2023     | Fiscal 2022 | Fiscal 2023               |
| Contract liabilities..... | ¥9,248          | ¥5,982      | \$65,205                  |

\*3. Accumulated depreciation of tangible fixed assets

|  | Millions of yen |             | Thousands of U.S. dollars |
|--|-----------------|-------------|---------------------------|
|  | Fiscal 2023     | Fiscal 2022 | Fiscal 2023               |
| Accumulated depreciation of tangible fixed assets..... | ¥1,071,781      | ¥986,951    | \$7,556,800               |

\*4. Investments in unconsolidated subsidiaries and affiliates

|                                     | Millions of yen |             | Thousands of U.S. dollars |
|-------------------------------------|-----------------|-------------|---------------------------|
|                                     | Fiscal 2023     | Fiscal 2022 | Fiscal 2023               |
| Investment securities (equity)..... | ¥6,409          | ¥6,161      | \$45,188                  |

\*5. Commitments and contingencies

The Company is contingently liable for guarantees for bank loans of unconsolidated subsidiaries, affiliates, and others.

The company name and the guarantees of its liabilities are as follows:

|   | Millions of yen |             | Thousands of U.S. dollars |
|---|-----------------|-------------|---------------------------|
|   | Fiscal 2023     | Fiscal 2022 | Fiscal 2023               |
| Social welfare corporation Ishii Kinen Aizenen..... | ¥131            | ¥263        | \$924                     |

\*6. Claim for damages in relation to manufacturing and sales of activated carbon

In connection with the violations of the Antimonopoly Act in the manufacture and sale of certain activated carbon, several companies including the Company and its subsidiaries have received claims for payment for damages jointly and severally from several local governments. In addition, some of these local governments have filed lawsuits demanding payment for damages and losses on delays. It is difficult at the present time to reasonably estimate the amount for which the Group is liable.

## Notes to Consolidated Financial Statements

Kuraray Co., Ltd. and its Consolidated Subsidiaries / Year ended December 31, 2023

### \*7. Assets pledged as collateral and secured liabilities

|                 | Millions of yen |             | Thousands of U.S. dollars |
|-----------------|-----------------|-------------|---------------------------|
|                 | Fiscal 2023     | Fiscal 2022 | Fiscal 2023               |
| Buildings ..... | ¥1,103          | ¥1,173      | \$7,777                   |
| Land.....       | 1,001           | 1,001       | 7,058                     |
| Total .....     | ¥2,104          | ¥2,175      | \$14,835                  |

|   | Millions of yen |             | Thousands of U.S. dollars |
|---|-----------------|-------------|---------------------------|
|   | Fiscal 2023     | Fiscal 2022 | Fiscal 2023               |
| Collateral for short-term borrowings..... | ¥170            | ¥170        | \$1,199                   |

### \*8. Accounting for notes with maturity dates at fiscal year-end

Notes with maturity dates at fiscal year-end and fixed-date cash settlements (a method of cash settlement on the same terms as notes) are accounted for and settled as of the date of maturity. As the last day of the fiscal year fell on a bank holiday, the following amounts of notes and accounts receivable and payable with maturity dates at fiscal year-end were accounted for and settled as of the date of maturity.

|   | Millions of yen |             | Thousands of U.S. dollars |
|---|-----------------|-------------|---------------------------|
|   | Fiscal 2023     | Fiscal 2022 | Fiscal 2023               |
| Notes and accounts receivable—trade ..... | ¥3,361          | ¥3,991      | \$23,697                  |
| Notes and accounts payable—trade .....    | 5,658           | 4,837       | 39,893                    |
| Other (Current liabilities).....          | 699             | 522         | 4,928                     |

## 7 Notes to Consolidated Statement of Income

### \*1. Revenue from contracts with customers

With regard to net sales, revenue from contracts with customers and revenue from other sources are not stated separately because the amount of revenue other than revenue from contracts with customers is immaterial.

### \*2. Major items and the amounts under “Selling, general and administrative expenses” are as follows:

|   | Millions of yen |             | Thousands of<br>U.S. dollars |
|---|-----------------|-------------|------------------------------|
|   | Fiscal 2023     | Fiscal 2022 | Fiscal 2023                  |
| Freight and storage .....               | ¥29,791         | ¥35,274     | \$210,047                    |
| Research and development .....          | 23,065          | 21,050      | 162,624                      |
| Salaries and legal welfare expense..... | 37,184          | 32,945      | 262,173                      |
| Provision for bonuses .....             | 9,651           | 8,404       | 68,046                       |
| Retirement benefit expenses .....       | 1,865           | 2,203       | 13,150                       |

### \*3. Research and development expenses included in general, administrative and current manufacturing expenses

|  | Millions of yen |             | Thousands of<br>U.S. dollars |
|--|-----------------|-------------|------------------------------|
|  | Fiscal 2023     | Fiscal 2022 | Fiscal 2023                  |
|  | ¥24,434         | ¥22,653     | \$172,277                    |

### \*4. Insurance income

The insurance income in fiscal 2023 is mainly the insurance received for the costs related to the suspension of operations.

The insurance income in fiscal 2022 is mainly the insurance received for the loss on litigation.

### \*5. Loss on litigation

The loss on litigation in fiscal 2023 is mainly the settlement relating to the fire accident that occurred in May 2018 at the Company’s subsidiary in the United States.

The loss on litigation in fiscal 2022 is mainly the settlement relating to a vehicular accident that occurred at a subsidiary and the settlement relating to the fire accident that occurred in May 2018 at the Company’s subsidiary in the United States.



## Notes to Consolidated Financial Statements

Kuraray Co., Ltd. and its Consolidated Subsidiaries / Year ended December 31, 2023

### \*6. Impairment loss

The main impairment loss recorded by the Group is as follows:

#### Fiscal 2023

| Location                                  | Assets          | Usage                                  | Type            | Impairment loss |                           |
|---|-----------------|--|-----------------|-----------------|---------------------------|
|   |                 |  |                 | Millions of yen | Thousands of U.S. dollars |
| Kamisu city, Ibaraki<br>Saijo city, Ehime | Business assets | Assets related to the Vecstar business | Machinery, etc. | ¥2,376          | \$16,752                  |

#### Fiscal 2022

| Location  | Assets          | Usage                                  | Type            | Impairment loss |
|-----------|-----------------|--|-----------------|-----------------|
|           |                 |  |                 | Millions of yen |
| Australia | Business assets | Assets related to biomass-derived film | Machinery, etc. | ¥955            |

(Identifying the cash-generating unit to which an asset belongs)

As a minimum unit for generating cash flows, business assets are grouped into sections used for management accounting.

(Method for calculating the recoverable amount)

Businesses with consecutive operating losses are individually examined for indication of impairment, and those whose recoverable amount is less than their carrying amount are written down to their recoverable amount. The recoverable amount is estimated by value in use or net realizable value, whichever is higher. Value in use is calculated by discounting future cash flows using a rate of 4% applicable to the current period.

(Recognition of impairment related to fixed assets of the Vecstar)

The business manufactures Vecstar, a liquid crystal polymer film used primarily in circuit board materials for smartphones and automobiles. The Group regards the Vecstar business as the smallest unit that generates independent cash flows.

The Vecstar business is expanding its manufacturing capacity to meet demand for high-frequency substrates, which is expected to grow in the future due to the spread of the next generation telecommunications standard millimeter wave 5G. On the other hand, the Vecstar business has been stagnant due to delays in the penetration of millimeter wave 5G in the global marketplace, and operating incomes have been continuously negative in the previous and the current fiscal years. Based on the circumstances, the Group determined that there were indicators of impairment for the asset group related to the Vecstar and performed the assessment of impairment loss recognition. As a result of estimating the business future cash flows with consideration of future uncertainty, the Group concludes the difficulty to recover ¥2,376 million (US\$16,752 thousand) of fixed assets of the Vecstar and hence recognized impairment loss.

The future cash flows used in determining the recognition of impairment losses are estimated based on the business plan for the Vecstar business with consideration of future uncertainty. In estimating future cash flows, the Group considers the performance of the Vecstar business by acquiring customers through the expansion of millimeter wave 5G and increasing its market-share in the liquid crystal polymer market.

### \*7. Loss on disposal of tangible fixed assets

Mainly expense for removing equipment rendered unnecessary by business closure.

## Notes to Consolidated Financial Statements

Kuraray Co., Ltd. and its Consolidated Subsidiaries / Year ended December 31, 2023

### \*8. Costs related to the suspension of operations

The costs related to the suspension of operations are mainly the amounts equivalent to fixed costs during the period of the suspension of production.

## 8 Notes to Consolidated Statement of Comprehensive Income

Reclassification adjustments and tax effect adjustments relating to other comprehensive income (loss) for the fiscal years ended December 31, 2023 and December 31, 2022, are as follows:

|   | Millions of yen |             | Thousands of<br>U.S. dollars |
|---|-----------------|-------------|------------------------------|
|   | Fiscal 2023     | Fiscal 2022 | Fiscal 2023                  |
| Valuation difference on available-for-sale securities                                   |                 |             |                              |
| Amount recorded during the period.....  | ¥2,429          | ¥(4,791)    | \$17,126                     |
| Reclassification adjustments.....   | (878)           | 2,614       | (6,191)                      |
| Before tax effect adjustments.....  | 1,550           | (2,176)     | 10,929                       |
| Tax effect.....   | (463)           | 672         | (3,264)                      |
| Valuation difference on available-for-sale securities.....                              | 1,087           | (1,504)     | 7,664                        |
| Deferred gains or losses on hedges  |                 |             |                              |
| Amount recorded during the period.....  | (827)           | 1,074       | (5,831)                      |
| Reclassification adjustments.....   | (63)            | (330)       | (444)                        |
| Adjustments to cost of assets acquired.....   | —               | (3)         | —                            |
| Before tax effect adjustments.....  | (890)           | 740         | (6,275)                      |
| Tax effect.....   | 213             | (94)        | 1,502                        |
| Deferred gains or losses on hedges.....   | (676)           | 645         | (4,766)                      |
| Foreign currency translation adjustment   |                 |             |                              |
| Amount recorded during the period.....  | 41,326          | 56,638      | 291,377                      |
| Reclassification adjustments.....   | —               | —           | —                            |
| Before tax effect adjustments.....  | 41,326          | 56,638      | 291,377                      |
| Tax effect.....   | —               | —           | —                            |
| Foreign currency translation adjustment.....  | 41,326          | 56,638      | 291,377                      |
| Remeasurements of defined benefit plans   |                 |             |                              |
| Amount recorded during the period.....  | (517)           | 1,466       | (3,645)                      |
| Reclassification adjustments.....   | 441             | 959         | 3,109                        |
| Before tax effect adjustments.....  | (76)            | 2,426       | (536)                        |
| Tax effect.....   | 21              | (604)       | 148                          |
| Remeasurements of defined benefit plans.....  | (55)            | 1,822       | (388)                        |
| Shares of other comprehensive income of entities accounted for using equity method      |                 |             |                              |
| Amount recorded during the period.....  | 166             | 160         | 1,170                        |
| Reclassification adjustments.....   | —               | —           | —                            |
| Shares of other comprehensive income of entities accounted for using equity method..... | 166             | 160         | 1,170                        |
| Total other comprehensive income.....   | ¥41,848         | ¥57,762     | \$295,057                    |

## 9 Notes to Consolidated Statement of Changes in Net Assets

## Fiscal 2023

## 1. Type and number of issued shares of common stock and treasury stock

|                                      | Number of thousands of shares |          |          | As of December 31,<br>2023 |
|--------------------------------------|-------------------------------|----------|----------|----------------------------|
|                                      | As of January 1,<br>2023      | Increase | Decrease |                            |
| Issued shares                        |                               |          |          |                            |
| Common stock                         | 354,863                       | —        | —        | 354,863                    |
| Total                                | 354,863                       | —        | —        | 354,863                    |
| Treasury stock                       |                               |          |          |                            |
| Common stock <sup>(Notes 1, 2)</sup> | 20,171                        | 3        | 67       | 20,107                     |
| Total                                | 20,171                        | 3        | 67       | 20,107                     |

Notes: 1. The increase in treasury stock (common stock) of 3 thousand shares is attributable to the purchase of shares less than one unit (3 thousand shares).

2. The decrease in treasury stock (common stock) of 67 thousand shares is attributable to the disposal of treasury stock as restricted stock compensation (67 thousand shares) and the sale of shares less than one unit by the shareholders (0 thousand shares).

## 2. Subscription rights to shares

The Company granted its directors and executive officers subscription rights to the Company shares as stock options. The balance of the subscription rights to shares as of December 31, 2023 is ¥341 million (US\$2,404 thousand).

## 3. Dividends

## (1) Amount of dividends paid

| Resolution   | Type of share | Amount of dividends<br>(Millions of yen) | Dividend per share<br>(Yen) | Record date          | Effective date       |
|--|---------------|--|-----------------------------|----------------------|----------------------|
| General shareholders' meeting held on March 29, 2023 | Common stock  | ¥7,697<br>(US\$54,269 thousand)          | ¥23.00<br>(US\$0.16)        | December 31,<br>2022 | March 30,<br>2023    |
| Board of directors' meeting held on August 9, 2023   | Common stock  | ¥8,368<br>(US\$59,000 thousand)          | ¥25.00<br>(US\$0.18)        | June 30,<br>2023     | September 1,<br>2023 |

## (2) Dividends whose effective date is after the end of Fiscal 2023 and record date is included in Fiscal 2023.

| Resolution   | Type of share | Source of dividends | Amount of dividends<br>(Millions of yen) | Dividend per share<br>(Yen) | Record date          | Effective date    |
|--|---------------|---------------------|--|-----------------------------|----------------------|-------------------|
| General shareholders' meeting held on March 27, 2024 | Common stock  | Retained earnings   | ¥8,368<br>(US\$59,000 thousand)          | ¥25.00<br>(US\$0.18)        | December 31,<br>2023 | March 28,<br>2024 |

## Notes to Consolidated Financial Statements

Kuraray Co., Ltd. and its Consolidated Subsidiaries / Year ended December 31, 2023

Fiscal 2022

### 1. Type and number of issued shares of common stock and treasury stock

|                                      | Number of thousands of shares |          |          | As of December 31,<br>2022 |
|--------------------------------------|-------------------------------|----------|----------|----------------------------|
|                                      | As of January 1,<br>2022      | Increase | Decrease |                            |
| Issued shares                        |                               |          |          |                            |
| Common stock                         | 354,863                       | —        | —        | 354,863                    |
| Total                                | 354,863                       | —        | —        | 354,863                    |
| Treasury stock                       |                               |          |          |                            |
| Common stock <sup>(Notes 1, 2)</sup> | 10,858                        | 9,427    | 114      | 20,171                     |
| Total                                | 10,858                        | 9,427    | 114      | 20,171                     |

Notes: 1. The increase in treasury stock (common stock) of 9,427 thousand shares is attributable to the acquisition of treasury stock by resolution of the Board of Directors (9,424 thousand shares) and the purchase of shares less than one unit (2 thousand shares).

2. The decrease in treasury stock (common stock) of 114 thousand shares is attributable to a transfer of shares upon the exercise of subscription rights (53 thousand shares), the disposal of treasury stock as restricted stock compensation (61 thousand shares), and the sale of shares less than one unit by the shareholders (0 thousand shares).

### 2. Subscription rights to shares

The Company granted its directors and executive officers subscription rights to the Company shares as stock options. The balance of the subscription rights to shares as of December 31, 2022 is ¥341 million.

### 3. Dividends

#### (1) Amount of dividends paid

| Resolution   | Type of share | Amount of dividends<br>(Millions of yen) | Dividend per share<br>(Yen) | Record date       | Effective date    |
|--|---------------|--|-----------------------------|-------------------|-------------------|
| General shareholders' meeting held on March 24, 2022 | Common stock  | ¥6,880                                   | ¥20.00                      | December 31, 2021 | March 25, 2022    |
| Board of directors' meeting held on August 10, 2022  | Common stock  | ¥7,028                                   | ¥21.00                      | June 30, 2022     | September 1, 2022 |

#### (2) Dividends whose effective date is after the end of Fiscal 2022 and record date is included in Fiscal 2022.

| Resolution   | Type of share | Source of dividends | Amount of dividends<br>(Millions of yen) | Dividend per share<br>(Yen) | Record date       | Effective date |
|--|---------------|---------------------|--|-----------------------------|-------------------|----------------|
| General shareholders' meeting held on March 29, 2023 | Common stock  | Retained earnings   | ¥7,697                                   | ¥23.00                      | December 31, 2022 | March 30, 2023 |

## 10 Notes to Consolidated Statement of Cash Flows

\*1. Cash and cash equivalents at December 31, 2023 and December 31, 2022 are reconciled to the accounts reported in the consolidated balance sheet as follows:

|   | Millions of yen |             | Thousands of<br>U.S. dollars |
|---|-----------------|-------------|------------------------------|
|   | Fiscal 2023     | Fiscal 2022 | Fiscal 2023                  |
| Cash on hand and in banks .....   | ¥131,144        | ¥123,724    | \$924,656                    |
| Time deposits with a deposit period of 3 months or more.....            | (960)           | (960)       | (6,769)                      |
| Marketable securities with original maturities of 3 months or less..... | 3,478           | 4,852       | 24,522                       |
| Total .....   | ¥133,663        | ¥127,616    | \$942,417                    |

## 11 Leases

### 1. Finance lease transactions

Lease transactions as a lessee:

Finance leases without transfer of ownership

#### 1) Details of lease assets

- Tangible fixed assets

Mainly vehicles used at plants including forklifts, buildings and equipment, etc., related to manufacturing (“Machinery, equipment and vehicles”, “Buildings and structures”), OA equipment, including personal computers and printers, and servers (“Other”).

#### 2) Depreciation method of lease assets

As described in the basis of presenting consolidated financial statements “1. Significant Accounting Policies, 5. Accounting policies (2)

Depreciation method of significant depreciable assets.”

### 2. Operating leases

Lease transactions as a lessee:

Future lease payment obligations under operating leases at December 31, 2023 and December 31, 2022 are as follows:

|                           | Millions of yen |             | Thousands of<br>U.S. dollars |
|---------------------------|-----------------|-------------|------------------------------|
|                           | Fiscal 2023     | Fiscal 2022 | Fiscal 2023                  |
| Due within one year ..... | ¥1,724          | ¥1,724      | \$12,155                     |
| Due after one year .....  | 2,442           | 4,167       | 17,218                       |
| Total.....                | ¥4,167          | ¥5,891      | \$29,380                     |

## 12 Financial Instruments

### 1. Outline of financial instruments

#### (1) Policy for financial instruments

The Group raises funds necessary to conduct its business mainly through bank loans or issuance of bonds. Temporary cash surpluses, if any, are invested in low-risk financial assets. Derivatives are used, not for speculative purposes, but to manage exposure to financial risks as described below.

#### (2) Nature and extent of risks arising from financial instruments

Receivables such as notes and accounts receivable–trade are exposed to customer credit risk. Trade receivables denominated in foreign currencies are exposed to foreign currency exchange fluctuation risk.

Short-term investment securities and investment securities, mainly consisting of bonds, certificates of deposit and stocks in companies with which the Company has a business relationship are exposed to the risk of market price fluctuations.

Payment terms of payables, such as notes and accounts payable–trade, are mostly less than one year. Payables in foreign currencies incurred mainly from import of raw materials are exposed to foreign currency exchange fluctuation risk.

Loans, commercial paper, bonds, and lease obligations, used to raise funds for working capital and capital expenditures, and lease liabilities, to which some overseas affiliates have applied IFRS 16 “Leases” or ASC 842 “Leases” have maturities of at the longest 90 years from the balance sheet date. The debts bearing floating interest rates are exposed to interest rate fluctuation risk, although a part of the exposure is hedged through use of derivatives (interest rate swaps).

Derivative transactions include forward foreign currency contracts for the purpose of hedging foreign currency exchange fluctuation risk resulting from receivables and payables denominated in foreign currencies, interest rate swaps for the purpose of hedging interest rate fluctuation risk resulting from variable interest expenses on debts, forward foreign currency contracts and currency swaps for the purpose of hedging foreign currency exchange fluctuation risk resulting from loans receivable and payable denominated in foreign currencies and commodity swaps for the purpose of hedging price fluctuation risk resulting from raw materials. Please refer to “(6) Significant hedge accounting” under “1. Significant Accounting Policies, 5. Accounting policies” for a description of the Company’s accounting policy relating to hedging activities.

### (3) Risk management for financial instruments

#### a. *Credit Risk Management (customers' default risk)*

The Company manages and mitigates customer credit risk from trade receivables on the basis of internal rules concerning credit management, which include monitoring of payment terms and balances of customers to identify default risk at an early stage.

With respect to loan receivables and liability guarantee agreements, the Company manages its exposure to credit risk by periodically identifying the financial position of the debtors.

With respect to financial assets, the Company's credit risk is minimal as the investments are limited to issuers with high credit ratings in accordance with internal rules concerning fund management.

The Company enters into derivative transactions only with financial institutions that have high credit ratings in order to mitigate counterparty risks.

#### b. *Market Risk Management (foreign currency exchange and interest rate fluctuation risks)*

The Group principally uses forward foreign exchange contracts to hedge against fluctuation risks in foreign currency exchange rates, which are relevant to trade receivables and payables and are analyzed by currency and settlement month. Depending on foreign currency exchange rate conditions, trade receivables and payables denominated in foreign currencies that are expected to be generated based on export and import forecasts are hedged using forward foreign exchange contracts. The Group also hedges certain scheduled nontrading transactions denominated in foreign currencies that it expects to generate.

In addition, the Group uses currency swap and interest rate

swap contracts to mitigate foreign currency exchange fluctuation risk exposure in connection with long-term loans receivable in foreign currencies and interest rate fluctuation risk exposure in connection with long-term borrowings. Some consolidated subsidiaries use commodity swaps to control price fluctuation risks in connection with raw materials.

With respect to short-term investment securities and investment securities, the Group periodically monitors fair values or financial status of the related issuers. With respect to stocks in companies with which the Group has a business relationship, the Group continuously checks the necessity for holding them, taking into account the business relationship.

The Group manages derivative transactions in accordance with internal rules that regulate delegation of authority concerning derivative transactions.

#### c. *Liquidity Risk Management on Fund Raising*

Liquidity risk comprises the risk that the Group cannot meet its contractual obligations in full at the respective maturity dates. The Group manages its liquidity risk by diversifying its fund raising instruments, obtaining commitment lines from several financial institutions and adjusting short-term and long-term funding balances in consideration of market environments.

### (4) Supplementary explanation concerning fair values of financial instruments

Fair values of financial instruments may vary depending on the different assumptions since variable factors are incorporated in computing the relevant fair values. The notional amounts and other information described in Note 14. "Derivative Financial Instruments" are not indicative of market risk exposure to derivative transactions.

## Notes to Consolidated Financial Statements

Kuraray Co., Ltd. and its Consolidated Subsidiaries / Year ended December 31, 2023

### 2. Fair values of financial instruments

Carrying amount, fair value and unrealized gain/loss of the financial instruments as of December 31, 2023 and December 31, 2022 are as follows:

#### Fiscal 2023

|  | Millions of yen |            |                        |
|--|-----------------|------------|------------------------|
|  | Carrying amount | Fair value | Unrealized gain (loss) |
| (1) Investment securities:                     |                 |            |                        |
| Available-for-sale securities .....            | ¥14,965         | ¥14,965    | ¥—                     |
| Total assets .....                             | ¥14,965         | ¥14,965    | ¥—                     |
| (1) Bonds .....                                | ¥60,000         | ¥59,371    | ¥(628)                 |
| (2) Long-term borrowings <sup>(*)1</sup> ..... | 182,011         | 180,675    | (1,336)                |
| Total liabilities .....                        | ¥242,011        | ¥240,046   | ¥(1,964)               |
| Derivative transactions <sup>(*)2</sup> .....  | ¥242            | ¥242       | ¥—                     |

|  | Thousands of U.S. dollars |             |                        |
|--|---------------------------|-------------|------------------------|
|  | Carrying amount           | Fair value  | Unrealized gain (loss) |
| (1) Investment securities:                     |                           |             |                        |
| Available-for-sale securities .....            | \$105,514                 | \$105,514   | \$—                    |
| Total assets .....                             | \$105,514                 | \$105,514   | \$—                    |
| (1) Bonds .....                                | \$423,042                 | \$418,607   | \$(4,428)              |
| (2) Long-term borrowings <sup>(*)1</sup> ..... | 1,283,304                 | 1,273,884   | (9,420)                |
| Total liabilities .....                        | \$1,706,346               | \$1,692,491 | \$(13,848)             |
| Derivative transactions <sup>(*)2</sup> .....  | \$1,706                   | \$1,706     | \$—                    |

(\*1) Long-term borrowings include the current portion of long-term borrowings.

(\*2) Receivables and payables incurred as a result of derivative transactions are presented on a net basis. Net payables are presented in parentheses.

(\*3) Notes have been omitted for cash and deposits; notes and accounts receivable—trade, and contract assets; short-term investment securities; and notes and accounts payable—trade because they are cash or their fair value approximates their book value due to their short maturities.

(\*4) Shares, etc. that do not have a market price are not included in available-for-sale securities under (1) Investment securities. The carrying amounts of such financial instruments in the consolidated balance sheets are as follows:

| Category                         | Millions of yen | Thousands of U.S. dollars |
|----------------------------------|-----------------|---------------------------|
|                                  | Carrying amount | Carrying amount           |
| Unlisted equity securities ..... | ¥7,681          | \$54,156                  |

(\*5) Investments in partnerships or similar entities for which the amounts corresponding to equity interests are recorded on the consolidated balance sheet on a net basis are not included in available-for-sale securities under (1) Investment securities. The carrying amounts of such investments in the consolidated balance sheet are as follows:

| Category                                  | Millions of yen | Thousands of U.S. dollars |
|---|-----------------|---------------------------|
|   | Carrying amount | Carrying amount           |
| Investment limited partnership, etc. .... | ¥1,319          | \$9,300                   |



## Notes to Consolidated Financial Statements

Kuraray Co., Ltd. and its Consolidated Subsidiaries / Year ended December 31, 2023

Fiscal 2022

|  | Millions of yen |            |                        |
|--|-----------------|------------|------------------------|
|  | Carrying amount | Fair value | Unrealized gain (loss) |
| (1) Investment securities:                     |                 |            |                        |
| Available-for-sale securities .....            | ¥14,057         | ¥14,057    | ¥0                     |
| Total assets .....                             | ¥14,057         | ¥14,057    | ¥0                     |
| (1) Bonds <sup>(*1)</sup> .....                | ¥70,000         | ¥68,890    | ¥(1,109)               |
| (2) Long-term borrowings <sup>(*2)</sup> ..... | 209,925         | 206,604    | (3,320)                |
| Total liabilities .....                        | ¥279,925        | ¥275,495   | ¥(4,430)               |
| Derivative transactions <sup>(*3)</sup> .....  | ¥1,776          | ¥1,776     | ¥—                     |

(\*1) Bonds include the current portion of bonds payable.

(\*2) Long-term borrowings include the current portion of long-term borrowings.

(\*3) Receivables and payables incurred as a result of derivative transactions are presented on a net basis. Net payables are presented in parentheses.

(\*4) Notes have been omitted for cash and deposits; notes and accounts receivable—trade, and contract assets; short-term investment securities; and notes and accounts payable—trade because they are cash or their fair value approximates their book value due to their short maturities.

(\*5) Shares, etc. that do not have a market price are not included in available-for-sale securities under (1) Investment securities. The carrying amounts of such financial instruments in the consolidated balance sheets are as follows:

| Category                         | Millions of yen |
|----------------------------------|-----------------|
|                                  | Carrying amount |
| Unlisted equity securities ..... | ¥7,766          |

(\*6) Investments in partnerships or similar entities for which the amounts corresponding to equity interests are recorded on the consolidated balance sheet on a net basis are not included in available-for-sale securities under (1) Investment securities. The carrying amounts of such investments in the consolidated balance sheet are as follows:

| Category                                  | Millions of yen |
|---|-----------------|
|   | Carrying amount |
| Investment limited partnership, etc. .... | ¥1,371          |

## Notes to Consolidated Financial Statements

Kuraray Co., Ltd. and its Consolidated Subsidiaries / Year ended December 31, 2023

Notes: 1. Redemption schedule of monetary assets and securities with contractual maturities

### Fiscal 2023

|   | Millions of yen |                   |                   |                |
|---|-----------------|-------------------|-------------------|----------------|
|   | Within one year | One to five years | Five to ten years | Over ten years |
| Cash and deposits .....   | ¥131,144        | ¥—                | ¥—                | ¥—             |
| Notes and accounts receivable—trade .....   | 160,762         | —                 | —                 | —              |
| Short-term investment securities and investment securities:<br>Available-for-sale securities with contractual maturities: |                 |                   |                   |                |
| Others .....  | 3,478           | —                 | —                 | —              |
| <b>Total .....</b>  | <b>¥295,385</b> | <b>¥—</b>         | <b>¥—</b>         | <b>¥—</b>      |

|   | Thousands of U.S. dollars |                   |                   |                |
|---|---------------------------|-------------------|-------------------|----------------|
|   | Within one year           | One to five years | Five to ten years | Over ten years |
| Cash and deposits .....   | \$924,656                 | \$—               | \$—               | \$—            |
| Notes and accounts receivable—trade .....   | 1,133,484                 | —                 | —                 | —              |
| Short-term investment securities and investment securities:<br>Available-for-sale securities with contractual maturities: |                           |                   |                   |                |
| Others .....  | 24,522                    | —                 | —                 | —              |
| <b>Total .....</b>  | <b>\$2,082,669</b>        | <b>\$—</b>        | <b>\$—</b>        | <b>\$—</b>     |

### Fiscal 2022

|   | Millions of yen |                   |                   |                |
|---|-----------------|-------------------|-------------------|----------------|
|   | Within one year | One to five years | Five to ten years | Over ten years |
| Cash and deposits .....   | ¥123,724        | ¥—                | ¥—                | ¥—             |
| Notes and accounts receivable—trade .....   | 151,504         | —                 | —                 | —              |
| Short-term investment securities and investment securities:<br>Available-for-sale securities with contractual maturities: |                 |                   |                   |                |
| Others .....  | 4,852           | —                 | —                 | —              |
| <b>Total .....</b>  | <b>¥280,081</b> | <b>¥—</b>         | <b>¥—</b>         | <b>¥—</b>      |

## Notes to Consolidated Financial Statements

Kuraray Co., Ltd. and its Consolidated Subsidiaries / Year ended December 31, 2023

### 2. Redemption schedule of bonds, long-term borrowings, lease obligations and lease liabilities after the balance sheet date:

#### Fiscal 2023

|                           | Millions of yen |                  |                    |                     |                    |                 |
|---------------------------|-----------------|------------------|--------------------|---------------------|--------------------|-----------------|
|                           | Within one year | One to two years | Two to three years | Three to four years | Four to five years | Over five years |
| Bonds .....               | ¥—              | ¥10,000          | ¥—                 | ¥10,000             | ¥10,000            | ¥30,000         |
| Long-term borrowings..... | 24,698          | 17,365           | 31,325             | 16,310              | 22,310             | 70,000          |
| Lease obligations.....    | 523             | 427              | 290                | 131                 | 54                 | 584             |
| Lease liabilities .....   | 4,527           | 3,651            | 3,203              | 2,974               | 2,738              | 19,091          |
| <b>Total .....</b>        | <b>¥29,749</b>  | <b>¥31,444</b>   | <b>¥34,820</b>     | <b>¥29,416</b>      | <b>¥35,103</b>     | <b>¥119,675</b> |

|                           | Thousands of U.S. dollars |                  |                    |                     |                    |                  |
|---------------------------|---------------------------|------------------|--------------------|---------------------|--------------------|------------------|
|                           | Within one year           | One to two years | Two to three years | Three to four years | Four to five years | Over five years  |
| Bonds .....               | \$—                       | \$70,507         | \$—                | \$70,507            | \$70,507           | \$211,521        |
| Long-term borrowings..... | 174,138                   | 122,435          | 220,863            | 114,997             | 157,301            | 493,549          |
| Lease obligations.....    | 3,688                     | 3,011            | 2,045              | 924                 | 381                | 4,118            |
| Lease liabilities .....   | 31,918                    | 25,742           | 22,583             | 20,969              | 19,305             | 134,605          |
| <b>Total .....</b>        | <b>\$209,751</b>          | <b>\$221,702</b> | <b>\$245,505</b>   | <b>\$207,403</b>    | <b>\$247,501</b>   | <b>\$843,792</b> |

#### Fiscal 2022

|                           | Millions of yen |                  |                    |                     |                    |                 |
|---------------------------|-----------------|------------------|--------------------|---------------------|--------------------|-----------------|
|                           | Within one year | One to two years | Two to three years | Three to four years | Four to five years | Over five years |
| Bonds .....               | ¥10,000         | ¥—               | ¥10,000            | ¥—                  | ¥10,000            | ¥40,000         |
| Long-term borrowings..... | 30,434          | 24,188           | 16,855             | 30,815              | 15,815             | 91,815          |
| Lease obligations.....    | 513             | 414              | 317                | 181                 | 44                 | 118             |
| Lease liabilities .....   | 3,814           | 3,301            | 2,797              | 2,390               | 2,101              | 17,123          |
| <b>Total .....</b>        | <b>¥44,763</b>  | <b>¥27,904</b>   | <b>¥29,970</b>     | <b>¥33,387</b>      | <b>¥27,961</b>     | <b>¥149,057</b> |

### 3. Fair value information by level within the fair value hierarchy

The fair value of financial instruments is classified into the following three levels according to the observability and materiality of inputs used to measure fair value.

Level 1 fair value: Fair value measured using observable inputs, i.e. quoted prices in active markets for assets or liabilities that are the subject of the measurement.

Level 2 fair value: Fair value measured using observable inputs other than Level 1 inputs.

Level 3 fair value: Fair value measured using unobservable inputs.

If multiple inputs are used that are significant to the fair value measurement, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

## Notes to Consolidated Financial Statements

Kuraray Co., Ltd. and its Consolidated Subsidiaries / Year ended December 31, 2023

### (1) Financial instruments recorded on the consolidated balance sheet at fair value

#### Fiscal 2023

| Category                       | Millions of yen |             |           |                |
|--------------------------------|-----------------|-------------|-----------|----------------|
|                                | Fair value      |             |           |                |
|                                | Level 1         | Level 2     | Level 3   | Total          |
| Investment securities:         |                 |             |           |                |
| Available-for-sale securities: |                 |             |           |                |
| Equity securities.....         | ¥14,965         | ¥—          | ¥—        | ¥14,965        |
| Derivative transactions:       |                 |             |           |                |
| Currencies.....                | —               | 191         | —         | 191            |
| Interest rate.....             | —               | 273         | —         | 273            |
| <b>Total assets.....</b>       | <b>¥14,965</b>  | <b>¥465</b> | <b>¥—</b> | <b>¥15,430</b> |
| Derivative transactions:       |                 |             |           |                |
| Commodity.....                 | ¥—              | ¥222        | ¥—        | ¥222           |
| <b>Total liabilities.....</b>  | <b>¥—</b>       | <b>¥222</b> | <b>¥—</b> | <b>¥222</b>    |

| Category                       | Thousands of U.S. dollars |                |            |                  |
|--------------------------------|---------------------------|----------------|------------|------------------|
|                                | Fair value                |                |            |                  |
|                                | Level 1                   | Level 2        | Level 3    | Total            |
| Investment securities:         |                           |                |            |                  |
| Available-for-sale securities: |                           |                |            |                  |
| Equity securities.....         | \$105,514                 | \$—            | \$—        | \$105,514        |
| Derivative transactions:       |                           |                |            |                  |
| Currencies.....                | —                         | 1,347          | —          | 1,347            |
| Interest rate.....             | —                         | 1,925          | —          | 1,925            |
| <b>Total assets.....</b>       | <b>\$105,514</b>          | <b>\$3,279</b> | <b>\$—</b> | <b>\$108,792</b> |
| Derivative transactions:       |                           |                |            |                  |
| Commodity.....                 | \$—                       | \$1,565        | \$—        | \$1,565          |
| <b>Total liabilities.....</b>  | <b>\$—</b>                | <b>\$1,565</b> | <b>\$—</b> | <b>\$1,565</b>   |

#### Fiscal 2022

| Category                       | Millions of yen |               |           |                |
|--------------------------------|-----------------|---------------|-----------|----------------|
|                                | Fair value      |               |           |                |
|                                | Level 1         | Level 2       | Level 3   | Total          |
| Investment securities:         |                 |               |           |                |
| Available-for-sale securities: |                 |               |           |                |
| Equity securities.....         | ¥14,056         | ¥—            | ¥—        | ¥14,056        |
| Derivative transactions:       |                 |               |           |                |
| Currencies.....                | —               | 1,079         | —         | 1,079          |
| Interest rate.....             | —               | 302           | —         | 302            |
| Commodity.....                 | —               | 394           | —         | 394            |
| <b>Total assets.....</b>       | <b>¥14,056</b>  | <b>¥1,776</b> | <b>¥—</b> | <b>¥15,833</b> |

## Notes to Consolidated Financial Statements

Kuraray Co., Ltd. and its Consolidated Subsidiaries / Year ended December 31, 2023

(2) Financial instruments other than those listed on the consolidated balance sheet at fair value

### Fiscal 2023

| Category                      | Millions of yen |                 |           |                 |
|-------------------------------|-----------------|-----------------|-----------|-----------------|
|                               | Fair value      |                 |           |                 |
|                               | Level 1         | Level 2         | Level 3   | Total           |
| Bonds.....                    | ¥—              | ¥59,371         | ¥—        | ¥59,371         |
| Long-term borrowings.....     | —               | 180,675         | —         | 180,675         |
| <b>Total liabilities.....</b> | <b>¥—</b>       | <b>¥240,046</b> | <b>¥—</b> | <b>¥240,046</b> |

| Category                      | Thousands of U.S. dollars |                    |            |                    |
|-------------------------------|---------------------------|--------------------|------------|--------------------|
|                               | Fair value                |                    |            |                    |
|                               | Level 1                   | Level 2            | Level 3    | Total              |
| Bonds.....                    | \$—                       | \$418,607          | \$—        | \$418,607          |
| Long-term borrowings.....     | —                         | 1,273,884          | —          | 1,273,884          |
| <b>Total liabilities.....</b> | <b>\$—</b>                | <b>\$1,692,491</b> | <b>\$—</b> | <b>\$1,692,491</b> |

### Fiscal 2022

| Category                       | Millions of yen |                 |           |                 |
|--------------------------------|-----------------|-----------------|-----------|-----------------|
|                                | Fair value      |                 |           |                 |
|                                | Level 1         | Level 2         | Level 3   | Total           |
| Investment securities:         |                 |                 |           |                 |
| Available-for-sale securities: |                 |                 |           |                 |
| Golf club memberships.....     | ¥—              | ¥0              | ¥—        | ¥0              |
| <b>Total assets.....</b>       | <b>¥—</b>       | <b>¥0</b>       | <b>¥—</b> | <b>¥0</b>       |
| Bonds.....                     | ¥—              | ¥68,890         | ¥—        | ¥68,890         |
| Long-term borrowings.....      | —               | 206,604         | —         | 206,604         |
| <b>Total liabilities.....</b>  | <b>¥—</b>       | <b>¥275,495</b> | <b>¥—</b> | <b>¥275,495</b> |

Note: A description of the valuation techniques and inputs used in the fair value measurements

### Investment securities

The fair values of listed stocks and golf club memberships are valued using quoted prices. As listed stocks are traded in active markets, their fair value is classified as Level 1. On the other hand, the fair value of golf club memberships is classified as Level 2 because they are not traded frequently in the market and therefore not considered to have quoted prices in active markets.

### Derivative transactions

The fair values of forward foreign exchange contracts, interest rate swaps, and commodity swaps are measured based on forward exchange rates and prices quoted by counterparty financial institutions, etc. and are classified as Level 2. The fair value of interest rate swaps that qualify for the exceptional treatment are accounted for as an integral part of long-term loans payable that are hedged, and is therefore included in the fair value of the relevant long-term loans payable.

### Bonds

The fair value of bonds issued by the Company is determined at the present value that is calculated by discounting the aggregated values of the principal and interest using an interest rate reflecting the remaining terms of the Company's bonds and the credit risk, and are classified as Level 2.

### Long-term borrowings

The fair values of long-term loans payable are calculated by discounting the aggregated values of the principal and interest using an assumed interest rate based on the interest rate that would be applied to a new loan of a similar nature, and are classified as Level 2. Certain long-term loans payable bearing floating interest rates are hedged using interest rate swap contracts and the fair values of these loans payable are determined by discounting the aggregated values of the principal and interest accounted for together with the related interest rate swap contracts using a reasonably estimated interest rate based on the interest rate that would be applied to a new loan of a similar nature.

## 13 Securities

### 1. Available-for-sale securities with market value

#### Fiscal 2023

|   | Millions of yen                      |        |        | Thousands of U.S. dollars            |          |          |
|---|--------------------------------------|--------|--------|--------------------------------------|----------|----------|
|   | Book value<br>(estimated fair value) | Cost   | Net    | Book value<br>(estimated fair value) | Cost     | Net      |
| Securities with book value<br>exceeding their acquisition cost:     |                                      |        |        |                                      |          |          |
| Equity securities .....   | ¥14,782                              | ¥5,519 | ¥9,263 | \$104,223                            | \$38,913 | \$65,311 |
| Bonds:  |                                      |        |        |                                      |          |          |
| Government and municipal .....                                      | —                                    | —      | —      | —                                    | —        | —        |
| Corporate .....   | —                                    | —      | —      | —                                    | —        | —        |
| Others .....  | —                                    | —      | —      | —                                    | —        | —        |
| Others .....  | —                                    | —      | —      | —                                    | —        | —        |
| Subtotal .....  | 14,782                               | 5,519  | 9,263  | 104,223                              | 38,913   | 65,311   |
| Securities with book value<br>not exceeding their acquisition cost: |                                      |        |        |                                      |          |          |
| Equity securities .....   | 182                                  | 185    | (2)    | 1,283                                | 1,304    | (14)     |
| Bonds:  |                                      |        |        |                                      |          |          |
| Government and municipal .....                                      | —                                    | —      | —      | —                                    | —        | —        |
| Corporate .....   | —                                    | —      | —      | —                                    | —        | —        |
| Others .....  | —                                    | —      | —      | —                                    | —        | —        |
| Others .....  | 3,478                                | 3,478  | —      | 24,522                               | 24,522   | —        |
| Subtotal .....  | 3,661                                | 3,664  | (2)    | 25,813                               | 25,834   | (14)     |
| Total .....   | ¥18,444                              | ¥9,183 | ¥9,260 | \$130,043                            | \$64,747 | \$65,289 |

Notes: 1. Unlisted equity securities amounting to ¥1,272 million (US\$ 8,968 thousand) are excluded from the above table, because they are shares, etc. that do not have a market price.

2. Investments in partnerships or similar entities for which the amounts corresponding to equity interests are recorded on the consolidated balance sheet on a net basis (amounting to ¥1,319 million (US\$ 9,300 thousand)) are not included in available-for sale securities in the above table.

## Notes to Consolidated Financial Statements

Kuraray Co., Ltd. and its Consolidated Subsidiaries / Year ended December 31, 2023

Fiscal 2022

|   | Millions of yen                      |         |        |
|---|--------------------------------------|---------|--------|
|   | Book value<br>(estimated fair value) | Cost    | Net    |
| Securities with book value<br>exceeding their acquisition cost:     |                                      |         |        |
| Equity securities .....   | ¥13,883                              | ¥6,140  | ¥7,742 |
| Bonds:  |                                      |         |        |
| Government and municipal .....                                      | —                                    | —       | —      |
| Corporate .....   | —                                    | —       | —      |
| Others .....  | —                                    | —       | —      |
| Others .....  | —                                    | —       | —      |
| Subtotal .....  | 13,883                               | 6,140   | 7,742  |
| Securities with book value<br>not exceeding their acquisition cost: |                                      |         |        |
| Equity securities .....   | 173                                  | 192     | (18)   |
| Bonds:  |                                      |         |        |
| Government and municipal .....                                      | —                                    | —       | —      |
| Corporate .....   | —                                    | —       | —      |
| Others .....  | —                                    | —       | —      |
| Others .....  | 4,852                                | 4,852   | —      |
| Subtotal .....  | 5,026                                | 5,045   | (18)   |
| Total .....   | ¥18,909                              | ¥11,185 | ¥7,723 |

Note: Unlisted equity securities amounting to ¥2,975 million are excluded from the above table, because they are shares, etc. that do not have a market price.

### 2. Available-for-sale securities sold during the fiscal year

Fiscal 2023

|                         | Millions of yen     |            |            | Thousands of U.S. dollars |            |            |
|-------------------------|---------------------|------------|------------|---------------------------|------------|------------|
|                         | Proceeds from sales | Total gain | Total loss | Proceeds from sales       | Total gain | Total loss |
| Equity securities ..... | ¥1,520              | ¥893       | ¥—         | \$10,717                  | \$6,296    | \$—        |
| Others (Note 1) .....   | 0                   | 0          | 0          | 0                         | 0          | 0          |
| Total .....             | ¥1,520              | ¥893       | ¥0         | \$10,717                  | \$6,296    | \$0        |

Notes: 1. Attributable to golf club memberships.

2. Shares, etc. that do not have a market price are excluded from the above table.

Fiscal 2022

|                       | Millions of yen     |            |            |
|-----------------------|---------------------|------------|------------|
|                       | Proceeds from sales | Total gain | Total loss |
| Others (Note 1) ..... | ¥3,267              | ¥2,614     | ¥0         |
| Total .....           | ¥3,267              | ¥2,614     | ¥0         |

Notes: 1. Attributable to sale of stock.

2. Shares, etc. that do not have a market price are excluded from the above table.



### 3. Impairment loss on securities

The Company recognized impairment loss on securities of ¥13 million (US\$92 thousand) in fiscal 2023 and ¥14 million in fiscal 2022.

As for the available-for-sale securities other than shares, etc. that do not have a market price, the Company recognizes impairment loss when the fair value of such securities as of the fiscal year-end declines to less than 50% of acquisition cost. When the fair value declines to between 30% and 50% of the acquisition cost, the Company considers the recoverability of each security and recognizes impairment for the amount deemed necessary. As for the available-for-sale securities which shares, etc. that do not have a market price the Company recognizes impairment loss in the amount deemed necessary when the fair value of such securities declines significantly.

## Notes to Consolidated Financial Statements

Kuraray Co., Ltd. and its Consolidated Subsidiaries / Year ended December 31, 2023

### 14 Derivative Financial Instruments

#### 1. Derivative transactions to which hedge accounting is not applied

##### (1) Currencies

##### Fiscal 2023

| Category                                    | Classification  | Millions of yen |                                   |              |                        |
|---|---|-----------------|-----------------------------------|--------------|------------------------|
|   |   | Nominal amount  | Nominal amount due after one year | Market value | Unrealized gain (loss) |
| Transactions other than market transactions | Forward foreign exchange contracts:                   |                 |                                   |              |                        |
|   | Receipts in Yen/Payments in U.S. dollar ..            | ¥9,387          | ¥—                                | ¥349         | ¥349                   |
|   | Receipts in Yen/Payments in Euro .....                | 5,586           | —                                 | 38           | 38                     |
|   | Receipts in Yen/Payments in Australian dollar .....   | 10,954          | —                                 | 75           | 75                     |
|   | Receipts in Yen/Payments in Baht .....                | 20,656          | —                                 | 13           | 13                     |
|   | Receipts in Yen/Payments in Zloty .....               | 3,183           | —                                 | (205)        | (205)                  |
|   | Receipts in Yen/Payments in Yuan .....                | 1,401           | —                                 | 9            | 9                      |
|   | Other .....   | 3,827           | —                                 | (11)         | (11)                   |
|   | Non-deliverable forward foreign exchange transaction: |                 |                                   |              |                        |
|   | Receipts in Yen/Payments in Won .....                 | 7,116           | —                                 | (1)          | (1)                    |
| Total .....                                 |   | ¥62,114         | ¥—                                | ¥268         | ¥268                   |

| Category                                    | Classification  | Thousands of U.S. dollars |                                   |              |                        |
|---|---|---------------------------|-----------------------------------|--------------|------------------------|
|   |   | Nominal Amount            | Nominal amount due after one year | Market value | Unrealized gain (loss) |
| Transactions other than market transactions | Forward foreign exchange contracts:                   |                           |                                   |              |                        |
|   | Receipts in Yen/Payments in U.S. dollar ..            | \$66,185                  | \$—                               | \$2,461      | \$2,461                |
|   | Receipts in Yen/Payments in Euro .....                | 39,385                    | —                                 | 268          | 268                    |
|   | Receipts in Yen/Payments in Australian dollar .....   | 77,233                    | —                                 | 529          | 529                    |
|   | Receipts in Yen/Payments in Baht .....                | 145,639                   | —                                 | 92           | 92                     |
|   | Receipts in Yen/Payments in Zloty .....               | 22,442                    | —                                 | (1,445)      | (1,445)                |
|   | Receipts in Yen/Payments in Yuan .....                | 9,878                     | —                                 | 63           | 63                     |
|   | Other .....   | 26,983                    | —                                 | (78)         | (78)                   |
|   | Non-deliverable forward foreign exchange transaction: |                           |                                   |              |                        |
|   | Receipts in Yen/Payments in Won .....                 | 50,173                    | —                                 | (7)          | (7)                    |
| Total .....                                 |   | \$437,947                 | \$—                               | \$1,890      | \$1,890                |

Note: The forward foreign exchange contracts and non-deliverable forward foreign exchange transaction above are mainly those set with claims and liabilities to consolidated subsidiaries as the hedged items.

## Notes to Consolidated Financial Statements

Kuraray Co., Ltd. and its Consolidated Subsidiaries / Year ended December 31, 2023

Fiscal 2022

| Category                                    | Classification  | Millions of yen |                                   |               |                        |
|---|---|-----------------|-----------------------------------|---------------|------------------------|
|   |   | Nominal amount  | Nominal amount due after one year | Market value  | Unrealized gain (loss) |
| Transactions other than market transactions | Forward foreign exchange contracts:                   |                 |                                   |               |                        |
|   | Receipts in Yen/Payments in U.S. dollar ..            | ¥8,689          | ¥—                                | ¥635          | ¥635                   |
|   | Receipts in Yen/Payments in Euro.....                 | 12,085          | —                                 | 110           | 110                    |
|   | Receipts in Yen/Payments in Australian dollar .....   | 9,225           | —                                 | 269           | 269                    |
|   | Receipts in Yen/Payments in Baht .....                | 17,495          | —                                 | 143           | 143                    |
|   | Receipts in Yen/Payments in Zloty.....                | 1,182           | —                                 | (61)          | (61)                   |
|   | Receipts in Yen/Payments in Yuan.....                 | 1,080           | —                                 | 41            | 41                     |
|   | Other .....   | 3,697           | —                                 | (12)          | (12)                   |
|   | Non-deliverable forward foreign exchange transaction: |                 |                                   |               |                        |
|   | Receipts in Yen/Payments in Won.....                  | 6,055           | —                                 | (28)          | (28)                   |
| Other .....                                 | 14  | —               | (0)                               | (0)           |                        |
| <b>Total.....</b>                           |   | <b>¥59,527</b>  | <b>¥—</b>                         | <b>¥1,097</b> | <b>¥1,097</b>          |

Note: The forward foreign exchange contracts and non-deliverable forward foreign exchange transaction above are mainly those set with claims and liabilities to consolidated subsidiaries as the hedged items.

## Notes to Consolidated Financial Statements

Kuraray Co., Ltd. and its Consolidated Subsidiaries / Year ended December 31, 2023

### 2. Derivative transactions to which hedge accounting is applied

#### (1) Currencies

##### Fiscal 2023

| Hedge accounting method | Classification                              | Major hedged items        | Millions of yen |                              |              | Thousands of U.S. dollars |                              |              |
|-------------------------|---|---------------------------|-----------------|------------------------------|--------------|---------------------------|------------------------------|--------------|
|                         |   |                           | Nominal amount  | Nominal amount over one year | Market value | Nominal amount            | Nominal amount over one year | Market value |
| Allocation method       | Forward foreign exchange contracts:         |                           |                 |                              |              |                           |                              |              |
|                         | Receipts in Yen/<br>Payments in U.S. dollar | Accounts receivable—trade | ¥796            | ¥—                           | Note         | \$5,612                   | \$—                          | Note         |
|                         | Receipts in Yen/<br>Payments in Baht        | Loans receivable          | 495             | —                            | Note         | 3,490                     | —                            | Note         |
|                         | Receipts in Yen/<br>Payments in Yuan        | Accounts receivable—trade | 335             | —                            | Note         | 2,362                     | —                            | Note         |
|                         | Receipts in U.S. dollar/<br>Payments in Yen | Accounts payable—trade    | 418             | —                            | Note         | 2,947                     | —                            | Note         |
|                         | Other                                       | Accounts payable—trade    | 21              | —                            | Note         | 148                       | —                            | Note         |
| <b>Total</b>            |   |                           | <b>¥2,066</b>   | <b>¥—</b>                    |              | <b>\$14,567</b>           | <b>\$—</b>                   |              |

Note: With respect to forward foreign exchange contracts whose exchange rates are used for translating accounts receivable—trade, loans receivable or accounts payable—trade, market values of forward foreign exchange contracts are included in the market values of the relevant accounts receivable—trade, loans receivable or accounts payable—trade, since they are used for recording accounts receivable—trade, loans receivable or accounts payable—trade as hedged items.

| Hedge accounting method | Classification                               | Major hedged items                            | Millions of yen |                              |              | Thousands of U.S. dollars |                              |                |
|-------------------------|--|---|-----------------|------------------------------|--------------|---------------------------|------------------------------|----------------|
|                         |  |   | Nominal amount  | Nominal amount over one year | Market value | Nominal amount            | Nominal amount over one year | Market value   |
| Deferred hedge method   | Forward foreign exchange contracts:          |   |                 |                              |              |                           |                              |                |
|                         | Receipts in Yen/<br>Payments in U.S. dollar  | Forecasted transactions in foreign currencies | ¥2,950          | ¥—                           | ¥18          | \$20,800                  | \$—                          | \$127          |
|                         | Receipts in Yen/<br>Payments in Euro         | Forecasted transactions in foreign currencies | 2,005           | —                            | 4            | 14,137                    | —                            | 28             |
|                         | Receipts in U.S. dollar/<br>Payments in Euro | Forecasted transactions in foreign currencies | 1,503           | 226                          | (58)         | 10,597                    | 1,593                        | (409)          |
|                         | Receipts in U.S. dollar/<br>Payments in Yen  | Forecasted transactions in foreign currencies | 1,254           | —                            | (40)         | 8,842                     | —                            | (282)          |
|                         | Other  | Forecasted transactions in foreign currencies | 362             | —                            | (0)          | 2,552                     | —                            | (0)            |
| <b>Total</b>            |  |   | <b>¥8,076</b>   | <b>¥226</b>                  | <b>¥(76)</b> | <b>\$56,941</b>           | <b>\$1,593</b>               | <b>\$(536)</b> |

## Notes to Consolidated Financial Statements

Kuraray Co., Ltd. and its Consolidated Subsidiaries / Year ended December 31, 2023

Fiscal 2022

| Hedge accounting method | Classification                              | Major hedged items        | Millions of yen |                              |              |
|-------------------------|---|---------------------------|-----------------|------------------------------|--------------|
|                         |   |                           | Nominal amount  | Nominal amount over one year | Market value |
| Allocation method       | Forward foreign exchange contracts:         |                           |                 |                              |              |
|                         | Receipts in Yen/<br>Payments in U.S. dollar | Accounts receivable—trade | ¥650            | ¥—                           | Note         |
|                         | Receipts in Yen/<br>Payments in Baht        | Loans receivable          | 459             | —                            | Note         |
|                         | Receipts in Yen/<br>Payments in Yuan        | Accounts receivable—trade | 162             | —                            | Note         |
|                         | Receipts in U.S. dollar/<br>Payments in Yen | Accounts payable—trade    | 148             | —                            | Note         |
|                         | Other                                       | Accounts payable—trade    | 14              | —                            | Note         |
| <b>Total</b>            |   |                           | <b>¥1,434</b>   | <b>¥—</b>                    |              |

Note: With respect to forward foreign exchange contracts whose exchange rates are used for translating accounts receivable—trade, loans receivable or accounts payable—trade, market values of forward foreign exchange contracts are included in the market values of the relevant accounts receivable—trade, loans receivable or accounts payable—trade, since they are used for recording accounts receivable—trade, loans receivable or accounts payable—trade as hedged items.

| Hedge accounting method | Classification                              | Major hedged items                            | Millions of yen |                              |              |
|-------------------------|---|---|-----------------|------------------------------|--------------|
|                         |   |   | Nominal amount  | Nominal amount over one year | Market value |
| Deferred hedge method   | Forward foreign exchange contracts:         |   |                 |                              |              |
|                         | Receipts in Yen/<br>Payments in U.S. dollar | Forecasted transactions in foreign currencies | ¥3,291          | ¥—                           | ¥35          |
|                         | Receipts in Yen/<br>Payments in Euro        | Forecasted transactions in foreign currencies | 3,728           | 212                          | (14)         |
|                         | Receipts in U.S. dollar/<br>Payments in Yen | Forecasted transactions in foreign currencies | 2,222           | —                            | (41)         |
|                         | Other                                       | Forecasted transactions in foreign currencies | 279             | —                            | 2            |
| <b>Total</b>            |   |   | <b>¥9,521</b>   | <b>¥212</b>                  | <b>¥(18)</b> |

## Notes to Consolidated Financial Statements

Kuraray Co., Ltd. and its Consolidated Subsidiaries / Year ended December 31, 2023

### (2) Interest rate

#### Fiscal 2023

| Hedge accounting method                      | Classification  | Major hedged items   | Millions of yen |                              |              |
|--|---|----------------------|-----------------|------------------------------|--------------|
|  |   |                      | Nominal amount  | Nominal amount over one year | Market value |
| Special treatment<br>For interest rate swaps | Interest rate swaps:<br>Floating rate into fixed rate | Long-term borrowings | ¥6,000          | ¥—                           | Note         |

| Hedge accounting method                      | Classification  | Major hedged items   | Thousands of U.S. dollars |                              |              |
|--|---|----------------------|---------------------------|------------------------------|--------------|
|  |   |                      | Nominal amount            | Nominal amount over one year | Market value |
| Special treatment<br>For interest rate swaps | Interest rate swaps:<br>Floating rate into fixed rate | Long-term borrowings | \$42,304                  | \$—                          | Note         |

Note: With respect to interest rate swap contracts which meet certain conditions, market values of the interest rate swap contracts are included in the market values of the relevant long-term borrowings, since they are used for recording long-term borrowings as hedged items.

| Hedge accounting method | Classification  | Major hedged items   | Millions of yen |                              |              |
|-------------------------|---|----------------------|-----------------|------------------------------|--------------|
|                         |   |                      | Nominal amount  | Nominal amount over one year | Market value |
| Deferred hedge method   | Interest rate swaps:<br>Floating rate into fixed rate | Long-term borrowings | ¥16,861         | ¥13,485                      | ¥273         |

| Hedge accounting method | Classification  | Major hedged items   | Thousands of U.S. dollars |                              |              |
|-------------------------|---|----------------------|---------------------------|------------------------------|--------------|
|                         |   |                      | Nominal amount            | Nominal amount over one year | Market value |
| Deferred hedge method   | Interest rate swaps:<br>Floating rate into fixed rate | Long-term borrowings | \$118,882                 | \$95,079                     | \$1,925      |

#### Fiscal 2022

| Hedge accounting method                      | Classification  | Major hedged items   | Millions of yen |                              |              |
|--|---|----------------------|-----------------|------------------------------|--------------|
|  |   |                      | Nominal amount  | Nominal amount over one year | Market value |
| Special treatment<br>For interest rate swaps | Interest rate swaps:<br>Floating rate into fixed rate | Long-term borrowings | ¥16,000         | ¥6,000                       | Note         |

Note: With respect to interest rate swap contracts which meet certain conditions, market values of the interest rate swap contracts are included in the market values of the relevant long-term borrowings, since they are used for recording long-term borrowings as hedged items.

| Hedge accounting method | Classification  | Major hedged items   | Millions of yen |                              |              |
|-------------------------|---|----------------------|-----------------|------------------------------|--------------|
|                         |   |                      | Nominal amount  | Nominal amount over one year | Market value |
| Deferred hedge method   | Interest rate swaps:<br>Floating rate into fixed rate | Long-term borrowings | ¥18,620         | ¥18,620                      | ¥302         |

## Notes to Consolidated Financial Statements

Kuraray Co., Ltd. and its Consolidated Subsidiaries / Year ended December 31, 2023

### (3) Commodity

#### Fiscal 2023

| Hedge accounting method | Classification                                    | Major hedged items | Millions of yen |                              |              |
|-------------------------|---|--------------------|-----------------|------------------------------|--------------|
|                         |   |                    | Nominal amount  | Nominal amount over one year | Market value |
| Deferred hedge method   | Commodity swaps:<br>Floating rate into fixed rate | Raw material       | ¥1,638          | ¥951                         | ¥(222)       |

| Hedge accounting method | Classification                                    | Major hedged items | Thousands of U.S. dollars |                              |              |
|-------------------------|---|--------------------|---------------------------|------------------------------|--------------|
|                         |   |                    | Nominal amount            | Nominal amount over one year | Market value |
| Deferred hedge method   | Commodity swaps:<br>Floating rate into fixed rate | Raw material       | \$11,549                  | \$6,705                      | \$(1,565)    |

#### Fiscal 2022

| Hedge accounting method | Classification                                    | Major hedged items | Millions of yen |                              |              |
|-------------------------|---|--------------------|-----------------|------------------------------|--------------|
|                         |   |                    | Nominal amount  | Nominal amount over one year | Market value |
| Deferred hedge method   | Commodity swaps:<br>Floating rate into fixed rate | Raw material       | ¥1,139          | ¥660                         | ¥394         |

15 Retirement Benefits

1. Summary of retirement benefit plan

The Company and certain consolidated subsidiaries provide retirement benefits to employees with funded and unfunded defined benefits plans and a defined contribution plan. Certain consolidated subsidiaries participate in a multi-employer plan and account for their contributions to this fund as a retirement benefit expense because the plan assets that correspond to the contribution of each participant cannot be reasonably calculated.

The funded defined benefits plan provides a lump sum payment or a pension primarily based on qualifications and length of service. The Company and certain consolidated subsidiaries are introducing a cash-balance plan to the defined benefits plan. The cash-balance plan establishes hypothetical individual employee accounts representing each employee's

share of plan funding and assets. Interest credits based on money market rate movements and credits primarily based on qualifications and length of service accumulate in the hypothetical individual employee accounts.

The unfunded retirement benefit plan is a lump sum retirement plan. It functions as a retirement savings plan because the Company has established a retirement benefits trust for it. This plan provides lump sum retirement benefits primarily based on qualifications and length of service.

Certain consolidated subsidiaries use a simplified method to calculate liabilities and expenses associated with their defined benefit and lump sum plans.

2. Defined benefit plan

(1) Reconciliations of beginning and ending balance of retirement benefit plan (excluding simplified method)

|   | Millions of yen |             | Thousands of U.S. dollars |
|---|-----------------|-------------|---------------------------|
|   | Fiscal 2023     | Fiscal 2022 | Fiscal 2023               |
| Retirement benefit obligations at beginning of year ..... | ¥63,252         | ¥69,334     | \$445,971                 |
| Service costs .....                                       | 2,597           | 3,094       | 18,311                    |
| Interest costs .....                                      | 1,696           | 1,131       | 11,958                    |
| Actuarial gain or loss .....                              | 2,035           | (9,399)     | 14,348                    |
| Benefits paid .....                                       | (4,400)         | (4,950)     | (31,023)                  |
| Other .....   | 2,289           | 4,041       | 16,139                    |
| Retirement benefit obligations at end of year .....       | ¥67,471         | ¥63,252     | \$475,717                 |

Note: "Other" mainly consists of foreign currency translation adjustment (change due to effects of foreign currency translation).

(2) Reconciliations of beginning and ending balance of plan assets (excluding simplified method)

|  | Millions of yen |             | Thousands of U.S. dollars |
|--|-----------------|-------------|---------------------------|
|  | Fiscal 2023     | Fiscal 2022 | Fiscal 2023               |
| Plan assets at beginning of year ..... | ¥42,154         | ¥49,153     | \$297,215                 |
| Expected return on plan assets .....   | 1,474           | 1,488       | 10,393                    |
| Actuarial gain or loss .....           | 1,518           | (7,932)     | 10,703                    |
| Contribution from entrepreneur .....   | 1,454           | 1,490       | 10,252                    |
| Benefits paid .....                    | (4,509)         | (5,050)     | (31,792)                  |
| Other .....                            | 1,442           | 3,003       | 10,167                    |
| Plan assets at end of year .....       | ¥43,534         | ¥42,154     | \$306,945                 |

Note: "Other" mainly consists of foreign currency translation adjustment (change due to effects of foreign currency translation).



## Notes to Consolidated Financial Statements

Kuraray Co., Ltd. and its Consolidated Subsidiaries / Year ended December 31, 2023

### (3) Reconciliations of beginning and ending net defined benefit liabilities using the simplified method

|   | Millions of yen |             | Thousands of U.S. dollars |
|---|-----------------|-------------|---------------------------|
|   | Fiscal 2023     | Fiscal 2022 | Fiscal 2023               |
| Net defined benefit liabilities at beginning of year..... | ¥2,423          | ¥2,382      | \$17,084                  |
| Retirement benefit expenses.....                          | 421             | 495         | 2,968                     |
| Benefits paid .....                                       | (224)           | (197)       | (1,579)                   |
| Contribution to plan assets .....                         | (244)           | (261)       | (1,720)                   |
| Other .....   | (51)            | 3           | (360)                     |
| Net defined benefit liabilities at end of year.....       | ¥2,323          | ¥2,423      | \$16,379                  |

### (4) Reconciliations of net amount of retirement benefit liabilities and plan assets and net amount of net defined benefit liabilities and net defined benefit assets recognized on the consolidated balance sheet

|  | Millions of yen |             | Thousands of U.S. dollars |
|--|-----------------|-------------|---------------------------|
|  | Fiscal 2023     | Fiscal 2022 | Fiscal 2023               |
| Installment type retirement benefit obligation.....  | ¥60,148         | ¥57,533     | \$424,085                 |
| Plan assets .....  | (45,358)        | (43,757)    | (319,805)                 |
|  | 14,790          | 13,775      | 104,280                   |
| Non installment type retirement benefit obligation .....   | 11,469          | 9,745       | 80,864                    |
| Net amount of net defined benefit liabilities and net defined benefit assets recognized on the consolidated balance sheet..... | ¥26,259         | ¥23,521     | \$185,144                 |
| Net defined benefit liabilities .....  | ¥29,487         | ¥25,626     | \$207,904                 |
| Net defined benefit assets.....  | (3,227)         | (2,104)     | (22,753)                  |
| Net amount of net defined benefit liabilities and net defined benefit assets recognized on the consolidated balance sheet..... | ¥26,259         | ¥23,521     | \$185,144                 |

Note: Includes plan that uses the simplified method.

### (5) The components of retirement benefit expenses

|  | Millions of yen |             | Thousands of U.S. dollars |
|--|-----------------|-------------|---------------------------|
|  | Fiscal 2023     | Fiscal 2022 | Fiscal 2023               |
| Service costs.....   | ¥2,597          | ¥3,094      | \$18,311                  |
| Interest costs.....  | 1,696           | 1,131       | 11,958                    |
| Expected return on plan assets .....                               | (1,474)         | (1,488)     | (10,393)                  |
| Amortization of actuarial gains or losses.....                     | 606             | 908         | 4,273                     |
| Amortization of prior service costs .....                          | (165)           | 51          | (1,163)                   |
| Retirement benefit expenses calculated by simplified method .....  | 421             | 495         | 2,968                     |
| Other .....  | 294             | 434         | 2,073                     |
| Retirement benefit expense pertaining to defined benefit plan..... | ¥3,976          | ¥4,628      | \$28,034                  |

## Notes to Consolidated Financial Statements

Kuraray Co., Ltd. and its Consolidated Subsidiaries / Year ended December 31, 2023

### (6) Remeasurements of defined benefit plans (Consolidated comprehensive income)

The following is a breakdown of remeasurements of defined benefit plans (before deductions for the effect of income taxes)

|                             | Millions of yen |             | Thousands of U.S. dollars |
|-----------------------------|-----------------|-------------|---------------------------|
|                             | Fiscal 2023     | Fiscal 2022 | Fiscal 2023               |
| Prior service costs.....    | ¥(165)          | ¥51         | \$(1,163)                 |
| Actuarial gain or loss..... | 88              | 2,375       | 620                       |
| Total.....                  | ¥(76)           | ¥2,426      | \$(536)                   |

### (7) Remeasurements of defined benefit plans (Consolidated balance sheet)

The following is a breakdown of items recorded in cumulative remeasurements of defined benefit plans (before deductions for the effect of income taxes).

|  | Millions of yen |             | Thousands of U.S. dollars |
|--|-----------------|-------------|---------------------------|
|  | Fiscal 2023     | Fiscal 2022 | Fiscal 2023               |
| Unrecognized prior service costs.....    | ¥1,563          | ¥1,729      | \$11,020                  |
| Unrecognized actuarial gain or loss..... | (3,017)         | (3,105)     | (21,272)                  |
| Total.....                               | ¥(1,453)        | ¥(1,376)    | \$(10,245)                |

### (8) Plan assets

#### a. The components of plan assets

|   | Fiscal 2023 | Fiscal 2022 |
|---|-------------|-------------|
| Debt securities.....  | 50%         | 49%         |
| Equity securities.....  | 20          | 16          |
| Life insurance company general accounts <sup>(Note 1)</sup> ..... | 12          | 15          |
| Cash and deposits.....  | 8           | 4           |
| Other assets.....   | 10          | 16          |
| Total <sup>(Note 2)</sup> .....                                   | 100%        | 100%        |

Notes: 1. Life insurance companies manage the assets in, assume the asset management risk for, and guarantee a fixed return to policyholders for life insurance company general accounts.

2. Total retirement plan assets for the years ended December 31, 2023 and 2022 include 20% and 25%, respectively, of the retirement benefits trust established for the lump sum retirement plan.

#### b. Determination of long-term expected rate of return on plan assets

The long-term expected rate of return on plan assets is determined with due consideration of current and future distribution of plan assets and current and expected returns on the various types of plan assets.

### (9) Actuarial assumptions

|  | Fiscal 2023         | Fiscal 2022         |
|--|---------------------|---------------------|
| Discount rate.....                     | Mainly 0.7% to 5.5% | Mainly 0.7% to 5.0% |
| Long-term expected rate of return..... | Mainly 1.0% to 5.7% | Mainly 1.0% to 5.5% |

### 3. Defined contribution plan

The amounts of required contribution to the defined contribution plan of the Company and its consolidated subsidiaries for the years ended December 31, 2023 and 2022 are as follows:

|                                | Millions of yen |             | Thousands of U.S. dollars |
|--------------------------------|-----------------|-------------|---------------------------|
|                                | Fiscal 2023     | Fiscal 2022 | Fiscal 2023               |
| Defined contribution plan..... | ¥1,762          | ¥1,472      | \$12,423                  |

### 4. Multi-employer plan

The contribution to the multi-employer plan, which is accounted for in the same manner as the defined contribution plan for the years ended December 31, 2023 and 2022, totaled ¥110 million (US\$776 thousand) and ¥102 million, respectively.

Multi-employer plan in which overseas consolidated subsidiaries participate

#### (1) Accumulated funds for the plan

|   | Millions of yen                      |                                      | Thousands of U.S. dollars            |
|---|--------------------------------------|--------------------------------------|--------------------------------------|
|   | Fiscal 2023<br>(As of June 30, 2023) | Fiscal 2022<br>(As of June 30, 2022) | Fiscal 2023<br>(As of June 30, 2023) |
| Plan assets.....  | ¥88,753                              | ¥81,744                              | \$625,770                            |
| Total of actuarial pension liabilities and plan's minimum reserve.. | 85,999                               | 79,884                               | 606,353                              |
| Difference .....  | ¥2,753                               | ¥1,860                               | \$19,411                             |

#### (2) Ratio of total salaries of the consolidated subsidiary to total funds of the plan

|  | Fiscal 2023<br>(As of June 30, 2023) | Fiscal 2022<br>(As of June 30, 2022) |
|--|--------------------------------------|--------------------------------------|
|  | 3.4%                                 | 3.7%                                 |

The ratio in the above (2) does not match with the ratio of the actual burden of the consolidated subsidiary.

## 16 Stock-Based Compensation Plans

### 1. Item and amount of expenses for stock options

Not applicable.

2. Details including size and changes of stock options

(1) Stock options plans

|   | Stock options May 2013  | Stock options May 2014  |
|---|---|---|
| Resolution date   | April 25, 2013  | April 25, 2014  |
| Number of eligible persons by position  | Directors of the Company: 10<br>Executive officers of the Company (excluding those who concurrently serve as directors of the Company and those working overseas): 17   | Directors of the Company: 10<br>Executive officers of the Company (excluding those who concurrently serve as directors of the Company and those working overseas): 17   |
| Total number and type of stocks granted   | 88,000 shares of common stock   | 78,500 shares of common stock   |
| Grant date  | May 15, 2013  | May 15, 2014  |
| Prerequisite to be vested   | No vesting conditions are set.  | No vesting conditions are set.  |
| Required service period   | There is no provision for a required service period.  | There is no provision for a required service period.  |
| Exercise period   | From May 15, 2013 to May 14, 2028; provided that the final date of the exercise period is a holiday for the Company, the final date should be the business date immediately preceding the date.<br>A holder of subscription rights to shares may exercise the subscription rights to shares within 10 days from one day after the day he/she loses his or her position as a director or an executive officer (the "Rights Commencement Date").<br>Notwithstanding the above, if the holder of subscription rights to shares fails to reach the Rights Commencement Date by April 15, 2028, he/she may exercise his or her rights from the following business day to the date of expiration of the above exercise period of the subscription rights to shares. | From May 15, 2014 to May 14, 2029; provided that the final date of the exercise period is a holiday for the Company, the final date should be the business date immediately preceding the date.<br>A holder of subscription rights to shares may exercise the subscription rights to shares within 10 days from one day after the day he/she loses his or her position as a director or an executive officer (the "Rights Commencement Date").<br>Notwithstanding the above, if the holder of subscription rights to shares fails to reach the Rights Commencement Date by April 15, 2029, he/she may exercise his or her rights from the following business day to the date of expiration of the above exercise period of the subscription rights to shares. |
| Number of subscription rights to shares (units) <sup>(Note 3)</sup>   | 9   | 11  |
| Type, content and number of shares subject to subscription rights to shares <sup>(Note 3)</sup>   | 4,500 shares of common stock  | 5,500 shares of common stock  |
| Amount paid at the time of exercise of subscription rights to shares (yen) <sup>(Note 3)</sup>  | ¥1/share (US\$0.01)   | ¥1/share (US\$0.01)   |
| Issue price of shares and amount to be incorporated into stated capital when issuing shares through exercise of subscription rights to shares (yen) <sup>(Note 3)</sup> | Issue price: ¥1,483 (US\$10.46)<br>Amount to be incorporated into stated capital: ¥742 (US\$5.23)   | Issue price: ¥1,120 (US\$7.90)<br>Amount to be incorporated into stated capital: ¥560 (US\$3.95)  |
| Conditions for exercising subscription rights to shares <sup>(Note 3)</sup>   |   | (Note 1)  |
| Matters related to transfer of subscription rights to shares <sup>(Note 3)</sup>  | Acquisition of the subscription rights to shares by transfer shall require the approval by resolution of the Board of Directors of the Company.   |   |
| Matters related to delivery of subscription rights to shares in association with reorganization <sup>(Note 3)</sup>   |   | (Note 2)  |

## Notes to Consolidated Financial Statements

Kuraray Co., Ltd. and its Consolidated Subsidiaries / Year ended December 31, 2023

|   | Stock options February 2015   | Stock options February 2016  |
|---|---|--|
| Resolution date   | January 21, 2015  | January 20, 2016   |
| Number of eligible persons by position  | Directors of the Company: 12<br>Executive officers of the Company (excluding those who concurrently serve as directors of the Company and those working overseas): 11   | Directors of the Company: 12<br>Executive officers of the Company (excluding those who concurrently serve as directors of the Company and those working overseas): 10  |
| Total number and type of stocks granted   | 59,500 shares of common stock   | 69,000 shares of common stock  |
| Grant date  | February 17, 2015   | February 10, 2016  |
| Prerequisite to be vested   | No vesting conditions are set.  | No vesting conditions are set.   |
| Required service period   | There is no provision for a required service period.  | There is no provision for a required service period.   |
| Exercise period   | From February 17, 2015 to February 16, 2030; provided that the final date of the exercise period is a holiday for the Company, the final date should be the business date immediately preceding the date.<br>A holder of subscription rights to shares may exercise the subscription rights to shares within 10 days from one day after the day he/she loses his or her position as a director or an executive officer (the "Rights Commencement Date").<br>Notwithstanding the above, if the holder of subscription rights to shares fails to reach the Rights Commencement Date by January 17, 2030, he/she may exercise his or her rights from the following business day to the date of expiration of the above exercise period of the subscription rights to shares. | From February 10, 2016 to February 9, 2031; provided that the final date of the exercise period is a holiday for the Company, the final date should be the business date immediately preceding the date.<br>A holder of subscription rights to shares may exercise the subscription rights to shares within 10 days from one day after the day he/she loses his or her position as a director or an executive officer (the "Rights Commencement Date").<br>Notwithstanding the above, if the holder of subscription rights to shares fails to reach the Rights Commencement Date by January 10, 2031, he/she may exercise his or her rights from the following business day to the date of expiration of the above exercise period of the subscription rights to shares. |
| Number of subscription rights to shares (units) <sup>(Note 3)</sup>   | 18  | 33   |
| Type, content and number of shares subject to subscription rights to shares <sup>(Note 3)</sup>   | 9,000 shares of common stock  | 16,500 shares of common stock  |
| Amount paid at the time of exercise of subscription rights to shares (yen) <sup>(Note 3)</sup>  | ¥1/share (US\$0.01)   | ¥1/share (US\$0.01)  |
| Issue price of shares and amount to be incorporated into stated capital when issuing shares through exercise of subscription rights to shares (yen) <sup>(Note 3)</sup> | Issue price: ¥1,353 (US\$9.54)<br>Amount to be incorporated into stated capital: ¥677 (US\$4.77)  | Issue price: ¥1,201 (US\$8.47)<br>Amount to be incorporated into stated capital: ¥601 (US\$4.24)   |
| Conditions for exercising subscription rights to shares <sup>(Note 3)</sup>   |   | (Note 1)   |
| Matters related to transfer of subscription rights to shares <sup>(Note 3)</sup>  | Acquisition of the subscription rights to shares by transfer shall require the approval by resolution of the Board of Directors of the Company.   |  |
| Matters related to delivery of subscription rights to shares in association with reorganization <sup>(Note 3)</sup>   |   | (Note 2)   |

## Notes to Consolidated Financial Statements

Kuraray Co., Ltd. and its Consolidated Subsidiaries / Year ended December 31, 2023

|   | Stock options February 2017  | Stock options February 2018   |
|---|--|---|
| Resolution date   | January 18, 2017   | January 17, 2018  |
| Number of eligible persons by position  | Directors of the Company: 12<br>Executive officers of the Company (excluding those who concurrently serve as directors of the Company and those working overseas): 11  | Directors of the Company: 10<br>Executive officers of the Company (excluding those who concurrently serve as directors of the Company and those working overseas): 12   |
| Total number and type of stocks granted   | 75,500 shares of common stock  | 45,000 shares of common stock   |
| Grant date  | February 9, 2017   | February 15, 2018   |
| Prerequisite to be vested   | No vesting conditions are set.   | No vesting conditions are set.  |
| Required service period   | There is no provision for a required service period.   | There is no provision for a required service period.  |
| Exercise period   | From February 9, 2017 to February 8, 2032; provided that the final date of the exercise period is a holiday for the Company, the final date should be the business date immediately preceding the date.<br>A holder of subscription rights to shares may exercise the subscription rights to shares within 10 days from one day after the day he/she loses his or her position as a director or an executive officer (the "Rights Commencement Date").<br>Notwithstanding the above, if the holder of subscription rights to shares fails to reach the Rights Commencement Date by January 9, 2032, he/she may exercise his or her rights from the following business day to the date of expiration of the above exercise period of the subscription rights to shares. | From February 15, 2018 to February 14, 2033; provided that the final date of the exercise period is a holiday for the Company, the final date should be the business date immediately preceding the date.<br>A holder of subscription rights to shares may exercise the subscription rights to shares within 10 days from one day after the day he/she loses his or her position as a director or an executive officer (the "Rights Commencement Date").<br>Notwithstanding the above, if the holder of subscription rights to shares fails to reach the Rights Commencement Date by January 15, 2033, he/she may exercise his or her rights from the following business day to the date of expiration of the above exercise period of the subscription rights to shares. |
| Number of subscription rights to shares (units) <sup>(Note 3)</sup>   | 57   | 42  |
| Type, content and number of shares subject to subscription rights to shares <sup>(Note 3)</sup>   | 28,500 shares of common stock  | 21,000 shares of common stock   |
| Amount paid at the time of exercise of subscription rights to shares (yen) <sup>(Note 3)</sup>  | ¥1/share (US\$0.01)  | ¥1/share (US\$0.01)   |
| Issue price of shares and amount to be incorporated into stated capital when issuing shares through exercise of subscription rights to shares (yen) <sup>(Note 3)</sup> | Issue price: ¥1,539 (US\$10.85)<br>Amount to be incorporated into stated capital: ¥770 (US\$5.43)  | Issue price: ¥1,762 (US\$12.42)<br>Amount to be incorporated into stated capital: ¥881 (US\$6.21)   |
| Conditions for exercising subscription rights to shares <sup>(Note 3)</sup>   |  | (Note 1)  |
| Matters related to transfer of subscription rights to shares <sup>(Note 3)</sup>  | Acquisition of the subscription rights to shares by transfer shall require the approval by resolution of the Board of Directors of the Company.  |   |
| Matters related to delivery of subscription rights to shares in association with reorganization <sup>(Note 3)</sup>   |  | (Note 2)  |

## Notes to Consolidated Financial Statements

Kuraray Co., Ltd. and its Consolidated Subsidiaries / Year ended December 31, 2023

|   | Stock options February 2019   | Stock options February 2020   |
|---|---|---|
| Resolution date   | January 16, 2019  | January 22, 2020  |
| Number of eligible persons by position  | Directors of the Company: 9<br>Executive officers of the Company (excluding those who concurrently serve as directors of the Company and those working overseas): 13  | Directors of the Company: 12<br>Executive officers of the Company (excluding those who concurrently serve as directors of the Company and those working overseas): 12   |
| Total number and type of stocks granted   | 64,500 shares of common stock   | 86,500 shares of common stock   |
| Grant date  | February 14, 2019   | February 14, 2020   |
| Prerequisite to be vested   | No vesting conditions are set.  | No vesting conditions are set.  |
| Required service period   | There is no provision for a required service period.  | There is no provision for a required service period.  |
| Exercise period   | From February 14, 2019 to February 13, 2034; provided that the final date of the exercise period is a holiday for the Company, the final date should be the business date immediately preceding the date.<br>A holder of subscription rights to shares may exercise the subscription rights to shares within 10 days from one day after the day he/she loses his or her position as a director or an executive officer (the "Rights Commencement Date").<br>Notwithstanding the above, if the holder of subscription rights to shares fails to reach the Rights Commencement Date by January 14, 2034, he/she may exercise his or her rights from the following business day to the date of expiration of the above exercise period of the subscription rights to shares. | From February 14, 2020 to February 13, 2035; provided that the final date of the exercise period is a holiday for the Company, the final date should be the business date immediately preceding the date.<br>A holder of subscription rights to shares may exercise the subscription rights to shares within 10 days from one day after the day he/she loses his or her position as a director or an executive officer (the "Rights Commencement Date").<br>Notwithstanding the above, if the holder of subscription rights to shares fails to reach the Rights Commencement Date by January 14, 2035, he/she may exercise his or her rights from the following business day to the date of expiration of the above exercise period of the subscription rights to shares. |
| Number of subscription rights to shares (units) <sup>(Note 3)</sup>   | 74  | 101   |
| Type, content and number of shares subject to subscription rights to shares <sup>(Note 3)</sup>   | 37,000 shares of common stock   | 50,500 shares of common stock   |
| Amount paid at the time of exercise of subscription rights to shares (yen) <sup>(Note 3)</sup>  | ¥1/share (US\$0.01)   | ¥1/share (US\$0.01)   |
| Issue price of shares and amount to be incorporated into stated capital when issuing shares through exercise of subscription rights to shares (yen) <sup>(Note 3)</sup> | Issue price: ¥1,467 (US\$10.34)<br>Amount to be incorporated into stated capital: ¥734 (US\$5.18)   | Issue price: ¥1,315 (US\$9.27)<br>Amount to be incorporated into stated capital: ¥658 (US\$4.64)  |
| Conditions for exercising subscription rights to shares <sup>(Note 3)</sup>   |   | (Note 1)  |
| Matters related to transfer of subscription rights to shares <sup>(Note 3)</sup>  | Acquisition of the subscription rights to shares by transfer shall require the approval by resolution of the Board of Directors of the Company.   |   |
| Matters related to delivery of subscription rights to shares in association with reorganization <sup>(Note 3)</sup>   |   | (Note 2)  |

## Notes to Consolidated Financial Statements

Kuraray Co., Ltd. and its Consolidated Subsidiaries / Year ended December 31, 2023

| Stock options February 2021   |   |
|---|---|
| Resolution date   | January 20, 2021  |
| Number of eligible persons by position  | Directors of the Company (excluding those working overseas): 11<br>Executive officers of the Company (excluding those who concurrently serve as directors of the Company and those working overseas): 13  |
| Total number and type of stocks granted   | 98,500 shares of common stock   |
| Grant date  | February 12, 2021   |
| Prerequisite to be vested   | No vesting conditions are set.  |
| Required service period   | There is no provision for a required service period.  |
| Exercise period   | From February 12, 2021 to February 11, 2036; provided that the final date of the exercise period is a holiday for the Company, the final date should be the business date immediately preceding the date.<br>A holder of subscription rights to shares may exercise the subscription rights to shares within 10 days from one day after the day he/she loses his or her position as a director or an executive officer (the "Rights Commencement Date").<br>Notwithstanding the above, if the holder of subscription rights to shares fails to reach the Rights Commencement Date by January 12, 2036, he/she may exercise his or her rights from the following business day to the date of expiration of the above exercise period of the subscription rights to shares. |
| Number of subscription rights to shares (units) <sup>(Note 3)</sup>   | 162   |
| Type, content and number of shares subject to subscription rights to shares <sup>(Note 3)</sup>   | 81,000 shares of common stock   |
| Amount paid at the time of exercise of subscription rights to shares (yen) <sup>(Note 3)</sup>  | ¥1/share (US\$0.01)   |
| Issue price of shares and amount to be incorporated into stated capital when issuing shares through exercise of subscription rights to shares (yen) <sup>(Note 3)</sup> | Issue price: ¥1,175 (US\$8.28)<br>Amount to be incorporated into stated capital: ¥588 (US\$4.15)  |
| Conditions for exercising subscription rights to shares <sup>(Note 3)</sup>   | (Note 1)  |
| Matters related to transfer of subscription rights to shares <sup>(Note 3)</sup>  | Acquisition of the subscription rights to shares by transfer shall require the approval by resolution of the Board of Directors of the Company.   |
| Matters related to delivery of subscription rights to shares in association with reorganization <sup>(Note 3)</sup>   | (Note 2)  |

Notes: 1. Conditions for exercising subscription rights to shares

- (i) If the Company decides to acquire the subscription rights to shares without contribution by resolution of a shareholders' meeting or a Board of Directors' meeting (Note 1-1), a holder of the subscription rights to shares may exercise the subscription rights to shares for a period that is prior to the date of such gratis acquisition and is separately determined by the Board of Directors.
- (ii) If a holder of the subscription rights to shares is deceased, his or her heir may exercise the subscription rights to shares pursuant to the conditions specified in the "Contracts on Subscription Rights to Shares" listed in (iii) below.



(iii) The other exercise conditions are prescribed in the “Contracts on Subscription Rights to Shares” to be concluded between the Company and a holder of the subscription rights to shares.

1-1. If a proposal for approval of a merger agreement in which the Company will be a non-surviving company, an absorption-type split agreement or an incorporation-type company split plan in which the Company will be a split company, or a share exchange agreement or a share transfer plan in which the Company will be a wholly-owned subsidiary, is approved at the shareholders’ meeting of the Company (if the resolution of the shareholders’ meeting is not required, a resolution at the Board of Directors of the Company that approves these proposals), the Company may acquire all the remaining subscription rights to shares without consideration, as of the date separately determined by the Board of Directors.

2. Matters related to delivery of subscription rights to shares in association with reorganization

When the Company carries out a merger (only where the Company becomes a non-surviving company), absorption-type split, incorporation-type company split, share exchange or share transfer (collectively the “Reorganizational Acts”), the subscription rights to shares of a stock company listed in (a) to (e) in Paragraphs 1-8, Article 236 of the Companies Act (“Reorganized Company”) shall be delivered to a holder of the subscription rights to shares who holds the remaining subscription rights to shares at the effective timing of the Reorganizational Acts (“Remaining Subscription Rights to Shares”), for each case, based on the conditions described below. In this case, Remaining Subscription Rights to Shares shall be extinguished, and the Reorganized Company shall newly deliver subscription rights to shares. However, the foregoing is limited to a case that a provision to deliver subscription rights to shares of the Reorganized Company pursuant to the following conditions is stipulated in an absorption-type merger agreement, an incorporation-type merger agreement, an absorption-type split agreement, an incorporation-type company split plan, a share exchange agreement or a share transfer plan.

(i) Number of Reorganized Company’s subscription rights to shares to be delivered

The same number as that of Remaining Subscription Rights to Shares held by the holders of the subscription rights to shares shall be delivered, respectively.

(ii) Type of shares of the Reorganized Company underlying the subscription rights to shares

Common stock of the Reorganized Company.

(iii) Number of shares of the Reorganized Company underlying the subscription rights to shares

Determined in consideration for conditions of the Reorganizational Acts and other factors.

(iv) Value of assets to be contributed upon exercise of the subscription rights to shares

Post-reorganization paid-in amount shall be ¥1 per share of the Reorganized Company upon exercise of the subscription rights to shares. The value of assets to be contributed shall be calculated by multiplying the amount with the number of shares of the Reorganized Company determined according to (iii) above.

(v) Exercise period of the subscription rights to shares

From the starting day of the period for exercisable subscription rights to shares or the day when the Reorganization Action comes into effect, whichever comes later, to the expiration date of the exercise period of the subscription rights to shares above.

(vi) Amount of capital to be increased when shares are issued upon exercise of the subscription rights to shares

Half of the maximum amount of increase in stated capital calculated in accordance with Paragraph 1, Article 17 of the Regulation on Corporate Accounting, and any fraction of less than ¥1 resulting from the calculation shall be rounded up.

## Notes to Consolidated Financial Statements

Kuraray Co., Ltd. and its Consolidated Subsidiaries / Year ended December 31, 2023

(vii) Restriction on acquisition of the subscription rights to shares by transfer

Acquisition of the subscription rights to shares by transfer requires the approval of the Board of Directors of the Reorganized Company.

(viii) Acquisition provision of the subscription rights to shares

Determined according to Note 1-1 above.

(ix) Other conditions for exercise of the subscription rights to shares

Determined according to “Exercise period of the subscription rights to shares” (v) and (Note 1) above.

3. Stated are details as of the end of fiscal 2023. As of the end of the month preceding the month that the filing date of the securities report belongs to (February 29, 2024), there are no changes from the details as of the end of fiscal 2023.

(2) Size and changes of stock options

Stock options that existed in current fiscal years were converted into shares.

1) Number of stock options

|  | Stock options<br>May<br>2013 | Stock options<br>May<br>2014 | Stock options<br>February<br>2015 | Stock options<br>February<br>2016 | Stock options<br>February<br>2017 | Stock options<br>February<br>2018 |
|--|------------------------------|------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| <b>Unvested stock options (shares)</b> |                              |                              |                                   |                                   |                                   |                                   |
| At the beginning of the fiscal year    | —                            | —                            | —                                 | —                                 | —                                 | —                                 |
| Granted                                | —                            | —                            | —                                 | —                                 | —                                 | —                                 |
| Forfeited                              | —                            | —                            | —                                 | —                                 | —                                 | —                                 |
| Vested                                 | —                            | —                            | —                                 | —                                 | —                                 | —                                 |
| At the end of the fiscal year          | —                            | —                            | —                                 | —                                 | —                                 | —                                 |
| <b>Vested stock options (shares)</b>   |                              |                              |                                   |                                   |                                   |                                   |
| At the beginning of the fiscal year    | 4,500                        | 5,500                        | 9,000                             | 16,500                            | 28,500                            | 21,000                            |
| Vested                                 | —                            | —                            | —                                 | —                                 | —                                 | —                                 |
| Exercised                              | —                            | —                            | —                                 | —                                 | —                                 | —                                 |
| Forfeited                              | —                            | —                            | —                                 | —                                 | —                                 | —                                 |
| At the end of the fiscal year          | 4,500                        | 5,500                        | 9,000                             | 16,500                            | 28,500                            | 21,000                            |

|  | Stock options<br>February<br>2019 | Stock options<br>February<br>2020 | Stock options<br>February<br>2021 |
|--|-----------------------------------|-----------------------------------|-----------------------------------|
| <b>Unvested stock options (shares)</b> |                                   |                                   |                                   |
| At the beginning of the fiscal year    | —                                 | —                                 | —                                 |
| Granted                                | —                                 | —                                 | —                                 |
| Forfeited                              | —                                 | —                                 | —                                 |
| Vested                                 | —                                 | —                                 | —                                 |
| At the end of the fiscal year          | —                                 | —                                 | —                                 |
| <b>Vested stock options (shares)</b>   |                                   |                                   |                                   |
| At the beginning of the fiscal year    | 37,000                            | 50,500                            | 81,000                            |
| Vested                                 | —                                 | —                                 | —                                 |
| Exercised                              | —                                 | —                                 | —                                 |
| Forfeited                              | —                                 | —                                 | —                                 |
| At the end of the fiscal year          | 37,000                            | 50,500                            | 81,000                            |

## Notes to Consolidated Financial Statements

Kuraray Co., Ltd. and its Consolidated Subsidiaries / Year ended December 31, 2023

### 2) Price information

|   | Yen                       |                           |                                |                                |                                |                                |
|---|---------------------------|---------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
|   | Stock options<br>May 2013 | Stock options<br>May 2014 | Stock options<br>February 2015 | Stock options<br>February 2016 | Stock options<br>February 2017 | Stock options<br>February 2018 |
| Exercise prices                               | ¥1                        | ¥1                        | ¥1                             | ¥1                             | ¥1                             | ¥1                             |
| Weighted-average exercise date<br>stock price | —                         | —                         | —                              | —                              | —                              | —                              |
| Fair value at the grant date                  | 1,482                     | 1,119                     | 1,352                          | 1,200                          | 1,538                          | 1,761                          |

|   | Yen                            |                                |                                |
|---|--------------------------------|--------------------------------|--------------------------------|
|   | Stock options<br>February 2019 | Stock options<br>February 2020 | Stock options<br>February 2021 |
| Exercise prices                               | ¥1                             | ¥1                             | ¥1                             |
| Weighted-average exercise date<br>stock price | —                              | —                              | —                              |
| Fair value at the grant date                  | 1,466                          | 1,314                          | 1,174                          |

|   | U.S. dollars              |                           |                                |                                |                                |                                |
|---|---------------------------|---------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
|   | Stock options<br>May 2013 | Stock options<br>May 2014 | Stock options<br>February 2015 | Stock options<br>February 2016 | Stock options<br>February 2017 | Stock options<br>February 2018 |
| Exercise prices                               | \$0.01                    | \$0.01                    | \$0.01                         | \$0.01                         | \$0.01                         | \$0.01                         |
| Weighted-average exercise date<br>stock price | —                         | —                         | —                              | —                              | —                              | —                              |
| Fair value at the grant date                  | 10.45                     | 7.89                      | 9.53                           | 8.46                           | 10.84                          | 12.42                          |

|   | U.S. dollars                   |                                |                                |
|---|--------------------------------|--------------------------------|--------------------------------|
|   | Stock options<br>February 2019 | Stock options<br>February 2020 | Stock options<br>February 2021 |
| Exercise prices                               | \$0.01                         | \$0.01                         | \$0.01                         |
| Weighted-average exercise date<br>stock price | —                              | —                              | —                              |
| Fair value at the grant date                  | 10.34                          | 9.26                           | 8.28                           |

### 3. Method to estimate number of vested stock options

The number of vested stock options is the same as the number of stock options granted, since no vesting conditions are set.

## 17 Income Taxes

## 1. Significant components of deferred tax assets and liabilities at December 31, 2023 and December 31, 2022

|  | Millions of yen |             | Thousands of<br>U.S. dollars |
|--|-----------------|-------------|------------------------------|
|  | Fiscal 2023     | Fiscal 2022 | Fiscal 2023                  |
| Deferred tax assets:   |                 |             |                              |
| Net defined benefit liabilities  | ¥10,257         | ¥9,926      | \$72,319                     |
| Impairment loss  | 4,521           | 3,220       | 31,876                       |
| Depreciation and amortization  | 3,543           | 1,603       | 24,981                       |
| Accrued expenses   | 3,155           | 3,264       | 22,245                       |
| Unrealized gain on inventories   | 2,498           | 3,409       | 17,613                       |
| Provision for bonuses  | 2,250           | 2,012       | 15,864                       |
| Tax credit carry forward of overseas subsidiaries                        | 1,809           | 1,792       | 12,755                       |
| Tax loss carry forward <sup>(Note)</sup>                                 | 8,970           | 10,329      | 63,245                       |
| Other  | 6,135           | 8,106       | 43,256                       |
| Subtotal deferred tax assets   | 43,142          | 43,665      | 304,181                      |
| Valuation allowance relating to tax loss carry forward <sup>(Note)</sup> | (8,075)         | (6,561)     | (56,934)                     |
| Valuation allowance for total deductible temporary differences           | (3,142)         | (4,266)     | (22,153)                     |
| Subtotal valuation allowance   | (11,218)        | (10,828)    | (79,095)                     |
| Total deferred tax assets  | 31,924          | 32,837      | 225,086                      |
| Deferred tax liabilities:  |                 |             |                              |
| Depreciation and amortization  | (13,839)        | (13,128)    | (97,575)                     |
| Adjustment to book value of assets stated at fair value                  | (10,878)        | (11,948)    | (76,697)                     |
| Unrealized gain on revaluation of securities                             | (2,449)         | (1,985)     | (17,267)                     |
| Retained earnings of overseas subsidiaries                               | (1,786)         | (1,523)     | (12,593)                     |
| Other  | (5,195)         | (4,812)     | (36,628)                     |
| Total deferred tax liabilities   | (34,148)        | (33,398)    | (240,767)                    |
| Net deferred tax assets (liabilities)                                    | ¥(2,224)        | ¥(560)      | \$(15,681)                   |

Note: Amounts of tax loss carry forward and deferred tax assets according to the carryforward periods

## Fiscal 2023 (December 31, 2023)

(Millions of yen)

|                                       | Within<br>one year | One to two<br>years | Two to three<br>years | Three to four<br>years | Four to five<br>years | Over five<br>years | Total   |
|---------------------------------------|--------------------|---------------------|-----------------------|------------------------|-----------------------|--------------------|---------|
| Tax loss carry forward <sup>(*)</sup> | ¥126               | ¥237                | ¥291                  | ¥269                   | ¥138                  | ¥7,905             | ¥8,970  |
| Valuation allowance                   | (126)              | (159)               | (221)                 | (105)                  | (66)                  | (7,395)            | (8,075) |
| Deferred tax assets                   | 0                  | 77                  | 70                    | 164                    | 72                    | 509                | 895     |

(Thousands of U.S. dollars)

|                                       | Within<br>one year | One to two<br>years | Two to three<br>years | Three to four<br>years | Four to five<br>years | Over five<br>years | Total    |
|---------------------------------------|--------------------|---------------------|-----------------------|------------------------|-----------------------|--------------------|----------|
| Tax loss carry forward <sup>(*)</sup> | \$888              | \$1,671             | \$2,052               | \$1,897                | \$973                 | \$55,736           | \$63,245 |
| Valuation allowance                   | (888)              | (1,121)             | (1,558)               | (740)                  | (465)                 | (52,140)           | (56,934) |
| Deferred tax assets                   | 0                  | 543                 | 494                   | 1,156                  | 508                   | 3,589              | 6,310    |

(\*) Tax loss carry forward is the amount multiplied by the statutory effective tax rate.

## Notes to Consolidated Financial Statements

Kuraray Co., Ltd. and its Consolidated Subsidiaries / Year ended December 31, 2023

Fiscal 2022 (December 31, 2022)

(Millions of yen)

|                            | Within<br>one year | One to two<br>years | Two to three<br>years | Three to four<br>years | Four to five<br>years | Over five<br>years | Total   |
|----------------------------|--------------------|---------------------|-----------------------|------------------------|-----------------------|--------------------|---------|
| Tax loss carry forward (*) | ¥51                | ¥116                | ¥129                  | ¥73                    | ¥360                  | ¥9,598             | ¥10,329 |
| Valuation allowance        | (35)               | (84)                | (84)                  | (34)                   | (336)                 | (5,986)            | (6,561) |
| Deferred tax assets        | 15                 | 32                  | 44                    | 39                     | 23                    | 3,612              | 3,768   |

(\*) Tax loss carry forward is the amount multiplied by the statutory effective tax rate.

### 2. Reconciliation of the differences between the statutory effective tax rate and the income tax rate in the accompanying consolidated statement of income at December 31, 2023 and December 31, 2022

|  | Fiscal 2023 | Fiscal 2022 |
|--|-------------|-------------|
| Statutory effective tax rate                               | —%          | 30.4%       |
| (Adjustment)   |             |             |
| Tax credit primarily for research and development expenses | —           | (1.4)       |
| Changes in valuation allowance                             | —           | (0.9)       |
| Amortization of goodwill                                   | —           | 1.2         |
| Effect of income tax rates difference                      | —           | (3.0)       |
| Retained earnings of overseas subsidiaries                 | —           | 0.4         |
| Other  | —           | 1.9         |
| Income tax rate per the consolidated statement of income   | —%          | 28.6%       |

Note: For fiscal 2023, the note is omitted as the difference between the statutory effective tax rate and the income tax rate per the consolidated statement of income was not more than 5/100 of the statutory effective tax rate.

## 18 Asset Retirement Obligations

Asset retirement obligations recorded in the consolidated balance sheet are as follows:

### Overview of asset retirement obligations

Some tangible fixed assets of the Company and certain consolidated subsidiaries include assets containing asbestos and PCB which must be treated in the manner stipulated by the laws and ordinances when they are scrapped or removed. Accordingly, asset retirement obligations are recognized based on the estimated disposal costs and based on recovery expenses on rental agreements, etc. The grounds laws, ordinances and agreements are as follows:

|  |  |
|--|--|
| Disposal costs for asbestos                  | The Ordinance on Prevention of Asbestos Hazards  |
| Disposal costs for equipment containing PCB  | The Law concerning Special Measures for Promotion of Proper Treatment of PCB Wastes (PCB Special Measures Law) |
| Recovery expenses on rental properties, etc. | Rental agreements, etc.  |

### Method for calculating the amounts of asset retirement obligations

The Group determines the amounts of asset retirement obligations using discount rates ranging from 0.9% to 4.7% for the net cash flows, estimating the period of use to be 18 to 70 years after acquisition.

### Increase or decrease of the total amount of asset retirement obligations during the fiscal years ended December 31, 2023 and December 31, 2022:

|   | Millions of yen |             | Thousands of U.S. dollars |
|---|-----------------|-------------|---------------------------|
|   | Fiscal 2023     | Fiscal 2022 | Fiscal 2023               |
| Beginning balance                           | ¥5,525          | ¥4,821      | \$38,955                  |
| Adjustments due to the elapse of time       | 179             | 87          | 1,262                     |
| Decrease due to payment for the obligations | (567)           | (160)       | (3,998)                   |
| Other increase (decrease)                   | 1,702           | 776         | 12,000                    |
| Ending balance                              | ¥6,841          | ¥5,525      | \$48,234                  |

## 19 Revenue Recognition

## 1. Breakdown of revenue from contracts with customers

## Fiscal 2023

Breakdown of revenue by region

|                     | Millions of yen    |                |                         |                        |                |                 |                |                    |       |
|---------------------|--------------------|----------------|-------------------------|------------------------|----------------|-----------------|----------------|--------------------|-------|
|                     | Reporting Segments |                |                         |                        |                |                 | Total          | Others<br>(Note 2) | Total |
|                     | Vinyl<br>Acetate   | Isoprene       | Functional<br>Materials | Fibers and<br>Textiles | Trading        |                 |                |                    |       |
| Japan .....         | ¥26,895            | ¥21,692        | ¥34,653                 | ¥24,798                | ¥34,765        | ¥142,805        | ¥23,995        | ¥166,801           |       |
| United States ..... | 85,582             | 6,463          | 71,201                  | 6,746                  | 76             | 170,070         | 1,263          | 171,333            |       |
| China .....         | 59,120             | 6,971          | 10,780                  | 7,505                  | 20,451         | 104,829         | 406            | 105,235            |       |
| Europe .....        | 129,424            | 10,156         | 50,346                  | 9,858                  | 223            | 200,009         | 4,867          | 204,876            |       |
| Asia .....          | 52,749             | 6,883          | 10,786                  | 8,055                  | 4,344          | 82,818          | 1,413          | 84,232             |       |
| Other area .....    | 37,528             | 804            | 7,924                   | 910                    | 420            | 47,588          | 871            | 48,459             |       |
| <b>Total .....</b>  | <b>¥391,300</b>    | <b>¥52,970</b> | <b>¥185,692</b>         | <b>¥57,875</b>         | <b>¥60,281</b> | <b>¥748,120</b> | <b>¥32,818</b> | <b>¥780,938</b>    |       |

|                     | Thousands of U.S. dollars |                  |                         |                        |                  |                    |                  |                    |       |
|---------------------|---------------------------|------------------|-------------------------|------------------------|------------------|--------------------|------------------|--------------------|-------|
|                     | Reporting Segments        |                  |                         |                        |                  |                    | Total            | Others<br>(Note 2) | Total |
|                     | Vinyl<br>Acetate          | Isoprene         | Functional<br>Materials | Fibers and<br>Textiles | Trading          |                    |                  |                    |       |
| Japan .....         | \$189,628                 | \$152,944        | \$244,328               | \$174,843              | \$245,117        | \$1,006,874        | \$169,181        | \$1,176,063        |       |
| United States ..... | 603,413                   | 45,569           | 502,016                 | 47,564                 | 536              | 1,199,112          | 8,905            | 1,208,017          |       |
| China .....         | 416,837                   | 49,150           | 76,006                  | 52,915                 | 144,194          | 739,117            | 2,863            | 741,980            |       |
| Europe .....        | 912,529                   | 71,607           | 354,974                 | 69,506                 | 1,572            | 1,410,202          | 34,316           | 1,444,518          |       |
| Asia .....          | 371,917                   | 48,530           | 76,049                  | 56,793                 | 30,628           | 583,924            | 9,963            | 593,894            |       |
| Other area .....    | 264,598                   | 5,669            | 55,870                  | 6,416                  | 2,961            | 335,528            | 6,141            | 341,670            |       |
| <b>Total .....</b>  | <b>\$2,758,937</b>        | <b>\$373,475</b> | <b>\$1,309,258</b>      | <b>\$408,059</b>       | <b>\$425,023</b> | <b>\$5,274,766</b> | <b>\$231,390</b> | <b>\$5,506,155</b> |       |

Notes: 1. Revenues by region are classified by country or area based on customer location.

2. The "Others" category incorporates operations not included in business segment reporting, including the engineering business, etc.

## Notes to Consolidated Financial Statements

Kuraray Co., Ltd. and its Consolidated Subsidiaries / Year ended December 31, 2023

Fiscal 2022

### Breakdown of revenue by region

|                     | Millions of yen |                |                      |                     |                |                 |                 | Total           |
|---------------------|-----------------|----------------|----------------------|---------------------|----------------|-----------------|-----------------|-----------------|
|                     | Vinyl Acetate   | Isoprene       | Reporting Segments   |                     | Trading        | Total           | Others (Note 2) |                 |
|                     |                 |                | Functional Materials | Fibers and Textiles |                |                 |                 |                 |
| Japan .....         | ¥27,334         | ¥21,288        | ¥35,577              | ¥27,359             | ¥34,749        | ¥146,309        | ¥32,464         | ¥178,774        |
| United States ..... | 87,507          | 8,310          | 59,686               | 7,645               | 128            | 163,278         | 1,394           | 164,673         |
| China .....         | 47,404          | 6,926          | 11,260               | 6,640               | 17,130         | 89,362          | 665             | 90,028          |
| Europe .....        | 124,390         | 8,436          | 44,439               | 11,496              | 182            | 188,945         | 4,993           | 193,938         |
| Asia .....          | 52,020          | 6,638          | 11,247               | 8,990               | 4,610          | 83,506          | 1,467           | 84,974          |
| Other area .....    | 32,555          | 849            | 8,117                | 971                 | 355            | 42,849          | 1,138           | 43,987          |
| <b>Total .....</b>  | <b>¥371,214</b> | <b>¥52,449</b> | <b>¥170,329</b>      | <b>¥63,102</b>      | <b>¥57,155</b> | <b>¥714,252</b> | <b>¥42,124</b>  | <b>¥756,376</b> |

Notes: 1. Revenues by region are classified by country or area based on customer location.

2. The “Others” category incorporates operations not included in business segment reporting, including the engineering business, etc.

### 2. Basic information to understand revenues from contracts with customers

Basic information to understand revenues is described in “(5) Standards for recognizing revenues and expenses” under “1. Significant accounting policies, 5. Accounting policies.”



## Notes to Consolidated Financial Statements

Kuraray Co., Ltd. and its Consolidated Subsidiaries / Year ended December 31, 2023

### 3. Information about the relationship between the satisfaction of performance obligations under contracts with customers and cash flows from such contracts, and the amount and timing of revenue expected to be recognized in subsequent fiscal years from contracts with customers existing at the end of the current fiscal year

(1) The balance of contract assets and liabilities, etc.

#### Fiscal 2023

|   | Millions of yen   |                | Thousands of U.S. dollars |                |
|---|-------------------|----------------|---------------------------|----------------|
|   | Beginning balance | Ending balance | Beginning balance         | Ending balance |
| Receivables from contracts with customers | ¥151,504          | ¥160,762       | \$1,068,208               | \$1,133,484    |
| Contract assets                           | 5,511             | 1,142          | 38,856                    | 8,052          |
| Contract liabilities                      | 5,982             | 9,248          | 42,177                    | 65,205         |

Contract assets are related to the rights to consideration for construction contracts in progress. Contract liabilities are advances received from customers.

The beginning balance of the contract liabilities was largely recognized as revenue in fiscal 2023.

#### Fiscal 2022

|   | Millions of yen   |                |
|---|-------------------|----------------|
|   | Beginning balance | Ending balance |
| Receivables from contracts with customers | ¥134,092          | ¥151,504       |
| Contract assets                           | 1,675             | 5,511          |
| Contract liabilities                      | 9,037             | 5,982          |

Contract assets are related to the rights to consideration for construction contracts in progress. Contract liabilities are advances received from customers.

The beginning balance of the contract liabilities was largely recognized as revenue in fiscal 2022.

(2) Transaction price allocated to the remaining performance obligations

In fiscal 2023, since there are no material contracts with an initial expected term of over one year, information on the remaining performance obligations is omitted, applying a practical expedient. There are no material amounts of consideration received from contracts with customers that are not included in the transaction price.

## 20 Segment 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 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 elastomers, 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, liabilities, and other items

The accounting method applied to reported business segments is the same as that stated in "Significant Accounting Policy That Form the Basis of Presenting Consolidated Financial statements." Income(loss) from reported segments is operating income(loss), and intersegment sales and transfers are based on the prevailing market prices.

## Notes to Consolidated Financial Statements

Kuraray Co., Ltd. and its Consolidated Subsidiaries / Year ended December 31, 2023

### 3. Information on sales, income and loss, assets, liabilities, and other amounts by reporting segment

Fiscal 2023 (January 1, 2023 to December 31, 2023)

|   | Millions of yen    |          |                         |                        |         |           |                       |           | Adjustment<br>(Notes 2,4) | Consolidated<br>Financial<br>Statements<br>(Note 3) |
|---|--------------------|----------|-------------------------|------------------------|---------|-----------|-----------------------|-----------|---------------------------|---|
|   | Reporting Segments |          |                         |                        |         |           | Others<br>(Notes 1,5) | Total     |                           |   |
|   | Vinyl<br>Acetate   | Isoprene | Functional<br>Materials | Fibers and<br>Textiles | Trading | Total     |                       | Total     |                           |   |
| Net sales   |                    |          |                         |                        |         |           |                       |           |                           |   |
| (1) Outside customers .....   | ¥391,300           | ¥52,970  | ¥185,692                | ¥57,875                | ¥60,281 | ¥748,120  | ¥32,818               | ¥780,938  | ¥—                        | ¥780,938  |
| (2) Inter-segment sales<br>and transfers .....                            | 15,471             | 12,712   | 4,102                   | 3,982                  | 1,307   | 37,576    | 12,854                | 50,430    | (50,430)                  | —   |
| Total .....   | 406,771            | 65,683   | 189,794                 | 61,858                 | 61,588  | 785,697   | 45,672                | 831,369   | (50,430)                  | 780,938   |
| Segment income (loss) .....   | 86,344             | (10,871) | 10,323                  | 1,827                  | 5,183   | 92,808    | 506                   | 93,314    | (17,839)                  | 75,475  |
| Segment assets .....  | 523,793            | 161,904  | 296,633                 | 79,994                 | 52,959  | 1,115,283 | 33,760                | 1,149,044 | 105,440                   | 1,254,485   |
| Other items   |                    |          |                         |                        |         |           |                       |           |                           |   |
| Depreciation and amortization<br>(other than goodwill).....               | 39,469             | 9,076    | 14,191                  | 5,073                  | 216     | 68,028    | 1,142                 | 69,170    | 3,284                     | 72,455  |
| Impairment loss .....   | 1,369              | —        | —                       | —                      | —       | 1,369     | 2,715                 | 4,084     | 305                       | 4,390   |
| Amortization of goodwill  | 1,625              | —        | 3,082                   | —                      | —       | 4,708     | —                     | 4,708     | —                         | 4,708   |
| Balance of goodwill at<br>end of current period ....                      | 14,816             | —        | 40,570                  | —                      | —       | 55,386    | —                     | 55,386    | —                         | 55,386  |
| Investments in equity<br>method affiliates.....                           | —                  | —        | —                       | 3,531                  | —       | 3,531     | —                     | 3,531     | —                         | 3,531   |
| Increase in tangible fixed<br>assets and intangible<br>fixed assets ..... | 32,596             | 5,351    | 18,211                  | 5,172                  | 92      | 61,423    | 859                   | 62,282    | 4,999                     | 67,282  |

## Notes to Consolidated Financial Statements

Kuraray Co., Ltd. and its Consolidated Subsidiaries / Year ended December 31, 2023

|   | Thousands of U.S. dollars |           |                         |                        |           |             |                       |             |                           | Consolidated<br>Financial<br>Statements<br>(Note 3) |
|---|---------------------------|-----------|-------------------------|------------------------|-----------|-------------|-----------------------|-------------|---------------------------|---|
|   | Reporting Segments        |           |                         |                        |           |             | Others<br>(Notes 1,5) | Total       | Adjustment<br>(Notes 2,4) |   |
|   | Vinyl<br>Acetate          | Isoprene  | Functional<br>Materials | Fibers and<br>Textiles | Trading   | Total       |                       |             |                           |   |
| Net sales   |                           |           |                         |                        |           |             |                       |             |                           |   |
| (1) Outside customers .....   | \$2,758,937               | \$373,475 | \$1,309,258             | \$408,059              | \$425,023 | \$5,274,766 | \$231,390             | \$5,506,155 | \$—                       | \$5,506,155   |
| (2) Inter-segment sales<br>and transfers .....                            | 109,081                   | 89,628    | 28,922                  | 28,076                 | 9,215     | 264,937     | 90,630                | 355,567     | (355,567)                 | —   |
| Total .....   | 2,868,018                 | 463,111   | 1,338,180               | 436,142                | 434,238   | 5,539,710   | 322,019               | 5,861,729   | (355,567)                 | 5,506,155   |
| Segment income (loss) .....   | 608,785                   | (76,648)  | 72,784                  | 12,882                 | 36,544    | 654,361     | 3,568                 | 657,929     | (125,777)                 | 532,151   |
| Segment assets .....  | 3,693,104                 | 1,141,536 | 2,091,469               | 564,013                | 373,398   | 7,863,520   | 238,031               | 8,101,558   | 743,425                   | 8,844,990   |
| Other items   |                           |           |                         |                        |           |             |                       |             |                           |   |
| Depreciation and amortization<br>(other than goodwill) .....              | 278,284                   | 63,992    | 100,056                 | 35,768                 | 1,523     | 479,645     | 8,052                 | 487,697     | 23,154                    | 510,858   |
| Impairment loss .....   | 9,652                     | —         | —                       | —                      | —         | 9,652       | 19,143                | 28,795      | 2,150                     | 30,953  |
| Amortization of goodwill  | 11,457                    | —         | 21,730                  | —                      | —         | 33,195      | —                     | 33,195      | —                         | 33,195  |
| Balance of goodwill at<br>end of current period .....                     | 104,463                   | —         | 286,047                 | —                      | —         | 390,510     | —                     | 390,510     | —                         | 390,510   |
| Investments in equity<br>method affiliates .....                          | —                         | —         | —                       | 24,896                 | —         | 24,896      | —                     | 24,896      | —                         | 24,896  |
| Increase in tangible fixed<br>assets and intangible<br>fixed assets ..... | 229,824                   | 37,728    | 128,400                 | 36,466                 | 649       | 433,075     | 6,057                 | 439,131     | 35,246                    | 474,385   |

Notes: 1. The “Others” category incorporates operations not included in business segment reporting, including the engineering business, etc.

- Adjustments of negative ¥17,839 million (negative US\$125,777 thousand) for segment income include the elimination of intersegment transactions of negative ¥250 million (negative US\$1,763 thousand) and unallocated corporate expenses of negative ¥17,588 million (negative US\$124,008 thousand). These corporate expenses mainly comprise the Company’s basic research expenses.
- Segment income is adjusted with operating income under the Consolidated Statement of Income.
- Adjustments for segment assets amounting to ¥105,440 million (US\$743,425 thousand) include the elimination of intersegment transactions of negative ¥56,605 million (negative US\$399,105 thousand) and unallocated corporate assets of ¥162,046 million (US\$1,142,537 thousand). These corporate assets mainly comprise the Company’s surplus funds, long-term investments and assets related to basic research and administrative divisions at headquarters.
- Impairment loss of “Others” is related to the Vecstar businesses.

## Notes to Consolidated Financial Statements

Kuraray Co., Ltd. and its Consolidated Subsidiaries / Year ended December 31, 2023

Fiscal 2022 (January 1, 2022 to December 31, 2022)

|  | Millions of yen    |          |                         |                        |         |           |                    |           | Adjustment<br>(Notes 2,4) | Consolidated<br>Financial<br>Statements<br>(Note 3) |
|--|--------------------|----------|-------------------------|------------------------|---------|-----------|--------------------|-----------|---------------------------|---|
|  | Reporting Segments |          |                         |                        |         |           | Others<br>(Note 1) | Total     |                           |   |
|  | Vinyl<br>Acetate   | Isoprene | Functional<br>Materials | Fibers and<br>Textiles | Trading | Total     |                    |           |                           |   |
| Net sales  |                    |          |                         |                        |         |           |                    |           |                           |   |
| (1) Outside customers .....  | ¥371,214           | ¥52,449  | ¥170,329                | ¥63,102                | ¥57,155 | ¥714,252  | ¥42,124            | ¥756,376  | ¥—                        | ¥756,376  |
| (2) Inter-segment sales<br>and transfers .....                                     | 14,130             | 13,186   | 3,730                   | 3,756                  | 1,689   | 36,493    | 9,927              | 46,420    | (46,420)                  | —   |
| Total .....  | 385,345            | 65,635   | 174,059                 | 66,859                 | 58,844  | 750,745   | 52,051             | 802,796   | (46,420)                  | 756,376   |
| Segment income (loss) .....  | 77,547             | 4,270    | 8,574                   | 6,736                  | 5,121   | 102,251   | 2,679              | 104,931   | (17,792)                  | 87,139  |
| Segment assets .....   | 487,392            | 158,821  | 284,016                 | 82,638                 | 51,058  | 1,063,926 | 51,246             | 1,115,173 | 106,360                   | 1,221,533   |
| Other items  |                    |          |                         |                        |         |           |                    |           |                           |   |
| Depreciation and amortization<br>(other than goodwill) .....                       | 35,769             | 2,768    | 13,249                  | 4,709                  | 187     | 56,683    | 1,111              | 57,794    | 3,343                     | 61,138  |
| Impairment loss .....  | 1,036              | —        | 291                     | 18                     | —       | 1,346     | —                  | 1,346     | 39                        | 1,385   |
| Amortization of goodwill   | 1,508              | —        | 2,809                   | —                      | —       | 4,318     | —                  | 4,318     | —                         | 4,318   |
| Balance of goodwill at<br>end of current period ....                               | 15,272             | —        | 40,786                  | —                      | —       | 56,058    | —                  | 56,058    | —                         | 56,058  |
| Investments in equity<br>method affiliates .....                                   | —                  | —        | —                       | 3,298                  | —       | 3,298     | —                  | 3,298     | —                         | 3,298   |
| Increase in tangible fixed<br>assets and intangible<br>fixed assets (Note 5) ..... | 22,303             | 13,978   | 24,981                  | 4,879                  | 219     | 66,362    | 934                | 67,297    | 5,302                     | 72,599  |

Notes: 1. The “Others” category incorporates operations not included in business segment reporting, including the engineering business, etc.

- Adjustments of negative ¥17,792 million for segment income include the elimination of intersegment transactions of negative ¥1,887 million and unallocated corporate expenses of negative ¥15,904 million. These corporate expenses mainly comprise the Company’s basic research expenses.
- Segment income is adjusted with operating income under the Consolidated Statement of Income.
- Adjustments for segment assets amounting to ¥106,360 million include the elimination of intersegment transactions of negative ¥47,242 million and unallocated corporate assets of ¥153,602 million. These corporate assets mainly comprise the Company’s surplus funds, long-term investments and assets related to basic research and administrative divisions at headquarters.
- The increase in tangible fixed assets and intangible fixed assets does not include the increase attributable to the application of ASC 842 “Leases.”

## Notes to Consolidated Financial Statements

Kuraray Co., Ltd. and its Consolidated Subsidiaries / Year ended December 31, 2023

### (Related Information)

#### Fiscal 2023 (January 1, 2023 to December 31, 2023)

##### 1. Information about products and services

|                                      | Millions of yen |          |                      |                     |         |          |
|--------------------------------------|-----------------|----------|----------------------|---------------------|---------|----------|
|                                      | Vinyl Acetate   | Isoprene | Functional Materials | Fibers and Textiles | Others  | Total    |
| Net sales to outside customers ..... | ¥400,476        | ¥65,664  | ¥188,620             | ¥88,419             | ¥37,757 | ¥780,938 |

|                                      | Thousands of U.S. dollars |           |                      |                     |           |             |
|--------------------------------------|---------------------------|-----------|----------------------|---------------------|-----------|-------------|
|                                      | Vinyl Acetate             | Isoprene  | Functional Materials | Fibers and Textiles | Others    | Total       |
| Net sales to outside customers ..... | \$2,823,634               | \$462,977 | \$1,329,902          | \$623,415           | \$266,213 | \$5,506,155 |

Note: Principal products of each segment are as follows:

|                      |  |
|----------------------|--|
| Vinyl Acetate        | : PVA resin and film, PVB resin and film, EVAL resin and others  |
| Isoprene             | : SEPTON thermoplastic elastomers, isoprene chemicals, GENESTAR heat-resistant polyamide resin and others                    |
| Functional Materials | : Methacrylic resin, medical products, carbon materials, environmental business, and others                                  |
| Fibers and Textiles  | : PVA fiber, CLARINO man-made leather, KURAFLEX non-woven fabrics, MAGIC TAPE hook and loop fasteners, polyester, and others |
| Others               | : Engineering business and others  |

##### 2. Performance by geographical segment

###### (1) Net sales

| Millions of yen |               |          |          |         |            |          |
|-----------------|---------------|----------|----------|---------|------------|----------|
| Japan           | United States | China    | Europe   | Asia    | Other Area | Total    |
| ¥166,801        | ¥171,333      | ¥105,235 | ¥204,876 | ¥84,232 | ¥48,459    | ¥780,938 |

| Thousands of U.S. dollars |               |           |             |           |            |             |
|---------------------------|---------------|-----------|-------------|-----------|------------|-------------|
| Japan                     | United States | China     | Europe      | Asia      | Other Area | Total       |
| \$1,176,063               | \$1,208,017   | \$741,980 | \$1,444,518 | \$593,894 | \$341,670  | \$5,506,155 |

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

###### (2) Tangible fixed assets

| Millions of yen |               |          |                |          | Thousands of U.S. dollars |               |           |                |             |
|-----------------|---------------|----------|----------------|----------|---------------------------|---------------|-----------|----------------|-------------|
| Japan           | United States | Thailand | Other Overseas | Total    | Japan                     | United States | Thailand  | Other Overseas | Total       |
| ¥188,417        | ¥162,401      | ¥79,434  | ¥96,723        | ¥526,977 | \$1,328,471               | \$1,145,040   | \$560,065 | \$681,964      | \$3,715,554 |

##### 3. Major customers

No information is available as there is no single outside customer accounting for 10% or more of the Group's total net sales.

## Notes to Consolidated Financial Statements

Kuraray Co., Ltd. and its Consolidated Subsidiaries / Year ended December 31, 2023

Fiscal 2022 (January 1, 2022 to December 31, 2022)

### 1. Information about products and services

|                                      | Millions of yen |          |                      |                     |         | Total    |
|--------------------------------------|-----------------|----------|----------------------|---------------------|---------|----------|
|                                      | Vinyl Acetate   | Isoprene | Functional Materials | Fibers and Textiles | Others  |          |
| Net sales to outside customers ..... | ¥378,334        | ¥64,847  | ¥172,838             | ¥93,484             | ¥46,871 | ¥756,376 |

Note: Principal products of each segment are as follows:

|                      |  |
|----------------------|--|
| Vinyl Acetate        | : PVA resin and film, PVB resin and film, EVAL resin and others  |
| Isoprene             | : SEPTON thermoplastic elastomers, isoprene chemicals, GENESTAR heat-resistant polyamide resin and others                    |
| Functional Materials | : Methacrylic resin, medical products, carbon materials, environmental business, and others                                  |
| Fibers and Textiles  | : PVA fiber, CLARINO man-made leather, KURAFLEX non-woven fabrics, MAGIC TAPE hook and loop fasteners, polyester, and others |
| Others               | : Engineering business and others  |

### 2. Performance by geographical segment

#### (1) Net sales

| Millions of yen |               |         |          |         |            |          |
|-----------------|---------------|---------|----------|---------|------------|----------|
| Japan           | United States | China   | Europe   | Asia    | Other Area | Total    |
| ¥178,774        | ¥164,673      | ¥90,028 | ¥193,938 | ¥84,974 | ¥43,987    | ¥756,376 |

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

#### (2) Tangible fixed assets

| Millions of yen |               |          |                |          |
|-----------------|---------------|----------|----------------|----------|
| Japan           | United States | Thailand | Other Overseas | Total    |
| ¥187,974        | ¥156,214      | ¥79,722  | ¥88,650        | ¥512,562 |

### 3. Major customers

No information is available as there is no single outside customer accounting for 10% or more of the Group's total net sales.

### Information about impairment loss of fixed assets by reporting segment

**Fiscal 2023:** This information is omitted since similar information is disclosed in the segment information.

Fiscal 2022: This information is omitted since similar information is disclosed in the segment information.

### Information about amortization of goodwill and unamortized balance of goodwill by reporting segment

**Fiscal 2023:** This information is omitted since similar information is disclosed in the segment information.

Fiscal 2022: This information is omitted since similar information is disclosed in the segment information.

### Information about gain on negative goodwill

**Fiscal 2023:** Not applicable.

Fiscal 2022: Not applicable.

## 21 Related Party Disclosures

**Fiscal 2023:** Not applicable.

Fiscal 2022: Not applicable.



## Notes to Consolidated Financial Statements

Kuraray Co., Ltd. and its Consolidated Subsidiaries / Year ended December 31, 2023

### 22 Per Share Information

|                                   | Yen         |             | U.S. dollars |
|-----------------------------------|-------------|-------------|--------------|
|                                   | Fiscal 2023 | Fiscal 2022 | Fiscal 2023  |
| Net assets per share .....        | ¥2,133.75   | ¥1,932.37   | \$15.04      |
| Basic net income per share.....   | 126.80      | 161.13      | 0.89         |
| Diluted net income per share..... | 126.71      | 161.00      | 0.89         |

Note: The basis for computation of basic and diluted net income per share is as follows:

|   | Millions of yen |             | Thousands of U.S. dollars |
|---|-----------------|-------------|---------------------------|
|   | Fiscal 2023     | Fiscal 2022 | Fiscal 2023               |
| Basic net income per share  |                 |             |                           |
| Net income attributable to owners of the parent .....   | ¥42,446         | ¥54,307     | \$299,274                 |
| Amount unallocated to common stock .....  | —               | —           | —                         |
| Net income attributable to owners of the parent allocated to common stock.....  | 42,446          | 54,307      | 299,274                   |
| Average number of common stock outstanding during the fiscal year (thousand shares) .....   | 334,741         | 337,050     | 334,741                   |
| Diluted net income per share  |                 |             |                           |
| Adjustment made on net income attributable to owners of the parent.....   | —               | —           | —                         |
| Increase of common stocks (thousand shares).....  | 253             | 266         | 253                       |
| (New subscription rights to shares (thousand shares)).....  | (253)           | (266)       | (253)                     |
| Outline of the residual securities which were not included in the calculation of the diluted net income per share because there was no dilutive effect..... | —               | —           | —                         |

# Annexed Consolidated Detailed Schedules

Kuraray Co., Ltd. and its consolidated subsidiaries

## 1 Detailed Schedule of Bonds

| Company name      | Issue                  | Date of issue  | Millions of Yen               |                                 | Thousands of U.S. dollars       | Yield | Security | Date of redemption |
|-------------------|------------------------|----------------|-------------------------------|---------------------------------|---------------------------------|-------|----------|--------------------|
|                   |                        |                | Balance as of January 1, 2023 | Balance as of December 31, 2023 | Balance as of December 31, 2023 |       |          |                    |
| Kuraray Co., Ltd. | No. 6 Unsecured bonds  | April 25, 2018 | ¥10,000<br>(¥10,000)          | ¥—                              | \$—                             | 0.09% | None     | April 25, 2023     |
|                   | No. 7 Unsecured bonds  | April 25, 2018 | 10,000                        | 10,000                          | 70,507                          | 0.19% | None     | April 25, 2025     |
|                   | No. 8 Unsecured bonds  | April 25, 2018 | 10,000                        | 10,000                          | 70,507                          | 0.31% | None     | April 25, 2028     |
|                   | No. 9 Unsecured bonds  | April 30, 2020 | 10,000                        | 10,000                          | 70,507                          | 0.34% | None     | April 30, 2027     |
|                   | No. 10 Unsecured bonds | April 30, 2020 | 20,000                        | 20,000                          | 141,014                         | 0.43% | None     | April 30, 2030     |
|                   | No. 11 Unsecured bonds | June 1, 2022   | 10,000                        | 10,000                          | 70,507                          | 0.49% | None     | June 1, 2032       |
|                   | Total                  | —              | ¥70,000<br>(¥10,000)          | ¥60,000                         | \$423,042                       | —     | —        | —                  |

Notes: 1. Figures in brackets represent current portion of bonds payable.

2. Total amount of corporate bonds to be redeemed each year within five years of the consolidated fiscal year-end:

| (Millions of yen) |                  |                    |                     |                    |
|-------------------|------------------|--------------------|---------------------|--------------------|
| Within One year   | One to two years | Two to three years | Three to four years | Four to five years |
| —                 | ¥10,000          | —                  | ¥10,000             | ¥10,000            |

| (Thousands of U.S. dollars) |                  |                    |                     |                    |
|-----------------------------|------------------|--------------------|---------------------|--------------------|
| Within One year             | One to two years | Two to three years | Three to four years | Four to five years |
| —                           | \$70,507         | —                  | \$70,507            | \$70,507           |

## Annexed Consolidated Detailed Schedules

Kuraray Co., Ltd. and its consolidated subsidiaries

### 2 Detailed Schedule of Loans Payable and Others

| Category   | Millions of Yen               |                                 | Thousands of U.S. dollars       | Average Interest rate (%) | Due date                           |
|--|-------------------------------|---------------------------------|---------------------------------|---------------------------|------------------------------------|
|  | Balance as of January 1, 2023 | Balance as of December 31, 2023 | Balance as of December 31, 2023 |                           |                                    |
| Short-term borrowings  | ¥34,480                       | ¥40,014                         | \$282,126                       | 0.7                       | —                                  |
| Current portion of long-term borrowings due within one year                  | 30,434                        | 24,698                          | 174,138                         | 1.3                       | —                                  |
| Current portion of lease obligations due within one year <sup>(Note 2)</sup> | 513                           | 523                             | 3,688                           | —                         | —                                  |
| Current portion of lease liabilities due within one year <sup>(Note 2)</sup> | 3,814                         | 4,527                           | 31,918                          | —                         | —                                  |
| Long-term borrowings (Excluding current portion) <sup>(Note 3)</sup>         | 179,491                       | 157,312                         | 1,109,159                       | 0.9                       | From March 2025 to October 2032    |
| Lease obligations (Excluding current portion) <sup>(Notes 2, 3)</sup>        | 1,076                         | 1,488                           | 10,491                          | —                         | From January 2025 to November 2054 |
| Lease liabilities (Excluding current portion) <sup>(Notes 2, 3)</sup>        | 27,713                        | 31,659                          | 223,218                         | —                         | From January 2025 to May 2113      |
| Other interest-bearing debts   | 10,000                        | —                               | —                               | —                         | —                                  |
| Commercial papers (Current portion)  |                               |                                 |                                 |                           |                                    |
| <b>Total</b>   | <b>¥287,524</b>               | <b>¥260,224</b>                 | <b>\$1,834,760</b>              | <b>—</b>                  | <b>—</b>                           |

Notes: 1. Interest rates shown are weighted average interest rates for the balance outstanding at December 31, 2023.

2. The average interest rates on lease obligations and lease liabilities are not reported, since interest payment equivalents included in total lease payments are allocated to each consolidated fiscal year using the straight-line method for some transactions.

3. Repayments of long-term borrowings, lease obligations and lease liabilities (excluding those due within one year) within five years after the consolidated balance sheet date are as follows:

| Category             | (Millions of yen) |                    |                     |                    |
|----------------------|-------------------|--------------------|---------------------|--------------------|
|                      | One to two years  | Two to three years | Three to four years | Four to five years |
| Long-term borrowings | ¥17,365           | ¥31,325            | ¥16,310             | ¥22,310            |
| Lease obligations    | 427               | 290                | 131                 | 54                 |
| Lease liabilities    | 3,651             | 3,203              | 2,974               | 2,738              |

| Category             | (Thousands of U.S. dollars) |                    |                     |                    |
|----------------------|-----------------------------|--------------------|---------------------|--------------------|
|                      | One to two years            | Two to three years | Three to four years | Four to five years |
| Long-term borrowings | \$122,435                   | \$220,863          | \$114,997           | \$157,301          |
| Lease obligations    | 3,011                       | 2,045              | 924                 | 381                |
| Lease liabilities    | 25,742                      | 22,583             | 20,969              | 19,305             |

## Annexed Consolidated Detailed Schedules

Kuraray Co., Ltd. and its consolidated subsidiaries

### 3 Detailed Schedule of Asset Retirement Obligations

The schedule of asset retirement obligations is omitted since the amount of asset retirement obligations is not more than one hundredth of total liabilities and net assets as of January 1, 2023 and December 31, 2023.

### 4 Quarterly Information in Fiscal 2023

(Millions of yen)

| Accumulated  | First quarter<br>from January 1<br>to March 31, 2023 | Second quarter<br>from January 1<br>to June 30, 2023 | Third quarter<br>from January 1<br>to September 30, 2023 | Fiscal 2023 |
|--|--|--|--|-------------|
| Net sales.....   | ¥184,965   | ¥380,998   | ¥574,374   | ¥780,938    |
| Income before income taxes.....                          | 13,135   | 31,342   | 53,297   | 61,273      |
| Net income attributable to owners<br>of the parent ..... | 8,152  | 21,842   | 36,487   | 42,446      |
| Net income per share (Yen) .....                         | 24.36  | 65.26  | 109.00   | 126.80      |

| Quarterly                        | First quarter<br>from January 1<br>to March 31, 2023 | Second quarter<br>from April 1<br>to June 30, 2023 | Third quarter<br>from July 1<br>to September 30, 2023 | Fourth quarter<br>from October 1<br>to December 31, 2023 |
|----------------------------------|--|--|---|--|
| Net income per share (Yen) ..... | ¥24.36   | ¥40.90   | ¥43.75  | ¥17.80   |

(Thousands of U.S. dollars)

| Accumulated   | First quarter<br>from January 1<br>to March 31, 2023 | Second quarter<br>from January 1<br>to June 30, 2023 | Third quarter<br>from January 1<br>to September 30, 2023 | Fiscal 2023 |
|---|--|--|--|-------------|
| Net sales.....  | \$1,304,132  | \$2,686,301  | \$4,049,736  | \$5,506,155 |
| Income before income taxes.....                         | 92,611   | 220,983  | 375,781  | 432,017     |
| Net income attributable to owners<br>of the parent..... | 57,477   | 154,001  | 257,259  | 299,274     |
| Net income per share (U.S. dollars) .....               | 0.17   | 0.46   | 0.77   | 0.89        |

| Quarterly                                 | First quarter<br>from January 1<br>to March 31, 2023 | Second quarter<br>from April 1<br>to June 30, 2023 | Third quarter<br>from July 1<br>to September 30, 2023 | Fourth quarter<br>from October 1<br>to December 31, 2023 |
|---|--|--|---|--|
| Net income per share (U.S. dollars) ..... | \$0.17   | \$0.29   | \$0.31  | \$0.13   |

**Independent Auditor’s Report on the Financial Statements  
and  
Internal Control Over Financial Reporting**

[English Translation of the Independent Auditor’s Report Originally Issued in the Japanese Language]

March 27, 2024

To the Board of Directors of Kuraray Co., Ltd.

PricewaterhouseCoopers Japan LLC  
Tokyo office

Hiroyuki Kawase, CPA  
Designated limited liability Partner  
Engagement Partner

Kazuaki Sekine, CPA  
Designated limited liability Partner  
Engagement Partner

**THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS**

**Opinion**

We have audited the accompanying consolidated financial statements of Kuraray Co., Ltd. (the Company) and its subsidiaries (the Group) for the fiscal year from January 1, 2023 to December 31, 2023 provided in the “Financial Information” section in the company’s Annual Securities Report, which comprise the consolidated balance sheet as at December 31, 2023, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in net assets and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies, other notes and annexed consolidated detailed schedules, in accordance with Article 193-2(1) of the Financial Instruments and Exchange Act of Japan.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

**Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In our audit of the consolidated financial statements for the previous fiscal year, we stated the following as key audit matters.

- Estimated loss on litigation related to fire incident at a U.S. subsidiary
- Assessment of whether indicators of impairment exist for goodwill recognized as a result of the acquisition of Calgon Carbon Corporation

In the audit of the consolidated financial statements for the current fiscal year, we examined the matters to be key audit matters from items communicated with corporate auditors and the board of corporate auditors, considering the changes in the areas of which significant risks or risks of material misstatement are high, significant judgments made by us in relation to the areas of the consolidated financial statements in which the Company made significant judgments, the impact of significant events or transactions that occurred during the current fiscal year on the audit, and relative materiality in our audit and matters specific to the Company.

As a consequence, the key audit matters in the audit of the consolidated financial statements for the current fiscal year are as follows, after adding “Recognition of impairment related to fixed assets of the Vecstar” and excluding “Estimated loss on litigation related to fire incident at U.S. subsidiary” from previous fiscal year.

- Assessment of whether indicators of impairment exist for goodwill recognized as a result of the acquisition of Calgon Carbon Corporation
- Recognition of impairment related to fixed assets of the Vecstar

| Assessment of whether indicators of impairment exist for goodwill recognized as a result of the acquisition of Calgon Carbon Corporation   |   |
|--|---|
| Key audit matter description   | How our audit addressed the key audit matter  |
| <p>The goodwill balance of ¥55,386 million (4.4% of consolidated assets) recorded in the consolidated balance sheet for the current fiscal year includes goodwill of ¥40,347 million recorded as a result of the acquisition of Calgon Carbon Corporation in the Functional Materials segment in fiscal 2018 as described in [Notes to Consolidated Financial Statements] (Significant Accounting Estimates).</p> <p>Calgon Carbon Corporation expands their operations as a result of growth in the activated carbon market and measures in response to stricter environmental regulations. The Company recorded net operating income, including goodwill amortization since the previous fiscal year, despite the impact of rising raw material and fuel prices and logistics costs.</p> <p>Based on Calgon Carbon Corporation's business plan, the Company has concluded that there are no indicators of impairment related to goodwill as performance continues to be stable and net operating income, including goodwill amortization, is projected in the following fiscal year.</p> <p>Calgon Carbon Corporation's business plan assumes increases in revenue due to the growth in the activated carbon market, the increasing demands for capital investments by customers, measures in response to stricter environmental regulations, as well as the impact of raw material and fuel costs; these forecasts involve subjective</p> | <p>We performed the following audit procedures over the assessment of whether indicators of impairment exist for goodwill recognized as a result of the acquisition of Calgon Carbon Corporation:</p> <ul style="list-style-type: none"> <li>• We evaluated the design and tested the operating effectiveness of internal controls related to the assessment of indicators of goodwill impairment.</li> <li>• We understood Calgon Carbon Corporation's business environment, including the latest trends in the activated carbon market, by inquiring with management, and inspecting minutes of Board of Directors meetings.</li> <li>• We performed the following audit procedures to evaluate the reasonableness of Calgon Carbon Corporation's business plan. <ul style="list-style-type: none"> <li>- We compared the business plan and results for the previous and current fiscal years and examined the progress of the performance improvement incorporated into the business plan.</li> <li>- We inquired with management regarding the prospects for capital investment demand from customers and examined them by comparing them to the status of orders received from major customers.</li> </ul> </li> </ul> |

|  |   |
|--|---|
| <p>judgments by management. In addition, as the goodwill balance related to the acquisition of Calgon Carbon Corporation is significant, the judgment whether indicators of impairment exist could have a material impact on the consolidated financial statements.</p> <p>As such, we determined that the assessment of whether indicators of impairment exist related to goodwill recognized upon the acquisition of Calgon Carbon Corporation was a key audit matter.</p> | <ul style="list-style-type: none"> <li>- We obtained the rationale for estimates in the business plan by discussing the impact of future raw material and fuel prices with management and others, comparing them with market forecasts and available external data, and analyzing trends in historical performance.</li> <li>- We instructed the component auditor of Calgon Carbon Corporation to perform a financial statement audit, and understood and evaluated the audit procedures and conclusion of the component auditor.</li> </ul> |
|--|---|

| Recognition of impairment related to fixed assets of the Vecstar  |   |
|---|---|
| Key audit matter description  | How our audit addressed the key audit matter  |
| <p>The Company recognized ¥2,376 million of impairment related to fixed assets of the Vecstar under extraordinary loss, as described in [Notes to Consolidated Statement of Income] *6. Impairment loss.</p> <p>The business manufactures Vecstar, a liquid crystal polymer film used primarily in circuit board materials for smartphones and automobiles. The Company regards the Vecstar business as the smallest unit that generates independent cash flows.</p> <p>The Vecstar business is expanding its manufacturing capacity to meet demands for high-frequency substrates, which is expected to grow in the future due to the spread of the next-generation telecommunications standard millimeter wave 5G. On the other hand, the Vecstar business has been stagnant due to delays in the penetration of millimeter wave 5G in the global marketplace, and operating incomes have been continuously negative in the previous and the current fiscal year. Based on the circumstances, the Company determined that there were indicators of impairment for the asset group related to the Vecstar and performed the assessment of impairment loss recognition. As a result of estimating the business future cash flows with consideration of future uncertainty, the Company concludes the difficulty to recover ¥2,376 million of fixed assets of the Vecstar and hence recognized impairment loss.</p> <p>The future cash flows used in determining the recognition of impairment losses are estimated based on the approved business plan for the Vecstar business with consideration of future uncertainty. In estimating future cash flows, the Company considers the performance of the Vecstar business by acquiring customers through the expansion of millimeter wave 5G and increasing its market-share in the liquid crystal polymer market. These business plans are estimated by considering information and sales strategies including external factors such as</p> | <p>We performed the following audit procedures over the recognition of impairment related to fixed assets of the Vecstar business:</p> <ul style="list-style-type: none"> <li>· We evaluated the design and tested the operating effectiveness of internal controls related to the determination of recognition of impairment loss.</li> <li>· We performed the following audit procedures to evaluate the reasonableness of the Vecstar business plan. <ul style="list-style-type: none"> <li>- We understood the Vecstar business climate by inquiring with management and others, and inspecting minutes of Board of Directors meetings and others.</li> <li>- We ensured the consistency between management's approved business plans and the estimates of undiscounted future cash flows of the Vecstar business.</li> <li>- We inquired with management regarding the status of marketing of Vecstar to major customers and understood whether there would be any technical challenges that could prevent customers acceptance and progress of evaluations being made by customers, and examined the feasibility of the business plans.</li> <li>- We examined the factors behind the discrepancy between the business plan and the actual results for the previous and current fiscal years and examined whether the discrepancy factors were appropriately reflected in the business plan.</li> </ul> </li> </ul> |

|   |  |
|---|--|
| market conditions and involve uncertainties and subjective judgments by management. |  |
|---|--|

|   |  |
|---|--|
| As such, we determined that the recognition of impairment loss related to fixed assets of the Vecstar was a key audit matter. |  |
|---|--|

## **Other Information**

The other information comprises the information included in the Annual Securities Report, but does not include the consolidated financial statements and our auditor's report thereon. Management is responsible for the preparation and presentation of the other information. In addition, corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## **Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the Group's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and



obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the consolidated financial statement audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with corporate auditors and the board of corporate auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **Report on the Audit of the Internal Control Report**

### **Opinion**

We have audited the accompanying internal control report of Kuraray Co., Ltd. as at December 31, 2023, in accordance with Article 193-2(2) of the Financial Instruments and Exchange Act of Japan.

In our opinion, the accompanying internal control report, which states that the internal control over financial reporting was effective as at December 31, 2023, presents fairly, in all material respects, the results of the assessments of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

### **Basis for Opinion**

We conducted our audit of the internal control report in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Internal Control Report section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the internal control report in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors for the Internal Control Report**

Management is responsible for the design and operation of internal control over financial reporting and the preparation and fair presentation of the internal control report in accordance with assessment standards for internal control over financial reporting generally accepted in Japan. Corporate auditors and the board of corporate auditors are responsible for overseeing and examining the design and operation of internal control over financial reporting. Internal control over financial reporting may not completely prevent or detect financial statement misstatements.

### **Auditor's Responsibilities for the Audit of the Internal Control Report**

Our objectives are to obtain reasonable assurance about whether the internal control report is free from material misstatement based on our audit of the internal control report and to issue an auditor's report that includes our opinion.

As part of our audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Perform procedures to obtain audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. The procedures for the audit of the internal control report are selected and performed, depending on the auditor's judgment, based on significance of effect on the reliability of financial reporting.
- Evaluate the overall presentation of the internal control report, including the appropriateness of the scope, procedures and results of the assessments that management presents.
- Obtain sufficient appropriate audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. We are responsible for the direction, supervision and performance of the audit of the internal control report. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of our audit of the internal control report, the results thereof, material weaknesses in internal control identified during our audit of internal control report, and those that were remediated.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

## **FEE-RELATED INFORMATION**

The amounts of fees for the audit and the other services charged to Kuraray Co., Ltd. and its controlled entities by PricewaterhouseCoopers Japan LLC and other PwC Network firms are disclosed in “Status of corporate governance, etc. (3) Status of audit” included in the “Status of the Reporting Company” section.

### **Interest required to be disclosed by the Certified Public Accountants Act of Japan**

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

### **Notes to the Readers of Independent Auditor’s Report**

The Independent Auditor’s Report herein is the English translation of the Independent Auditor’s Report as required by the Financial Instruments and Exchange Act of Japan. The Independent Auditor’s Report on the consolidated financial statements and the internal control report are included in the Annual Securities Report (Yukashoken Hokokusho).

As described in “Notes to Consolidated Financial Statements, 1. Significant Accounting Policies”, the U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended December 31, 2023 are presented solely for convenience of readers outside Japan. The audit by PricewaterhouseCoopers Japan LLC does not include the translation of Japanese yen amounts into U.S. dollar amounts.