KURARAY CO., LTD.

Q3 FY2024 Earnings Announcement

Presenter:

Keiji Taga — Representative Director and Senior Managing Executive Officer, Officer Responsible for Corporate Management Planning Office

November 13, 2024

FY2024 3Q Results

kuraray

(Billion yen)

	FY2024 3Q	FY2023 3Q	Difference
Net Sales	**614.8**	574.4	40.5
Operating Income	**73.9**	61.7	12.2
Ordinary Income	**70.3**	57.8	12.6
Net Income Attributable to Owners of the Parent	**46.6**	36.5	10.1
Reference			
JPY/USD (average)	151	138	
JPY/EUR (average)	165	150	
Domestic naphtha (JPY 1,000/kl)	76	67	

© 2024 KURARAY CO., LTD.

Taga: Hello, everyone. This is Taga. Thank you for taking time out of your busy schedule to participate in our conference call today.

I will now begin the presentation of the financial results for Q3 of FY2024.

In Q3 of FY2024, the global economy grew moderately overall, although there were differences by region. In the U.S., the economy remained strong due to solid consumer spending. In Europe, the economic recovery was only moderate due to sluggishness in some regions. In China, the economy remained sluggish due to the real estate recession and other factors. In addition, geopolitical tensions, such as the increasingly chaotic situation in Russia/Ukraine and the Middle East, became a risk factor for global economic activities, and the outlook remained uncertain.

In this environment, the Group's performance was as follows: net sales increased JPY40.5 billion YoY to JPY614.8 billion, operating income increased JPY12.2 billion to JPY73.9 billion, and net income increased JPY10.1 billion to JPY46.6 billion. The actual results for foreign exchange and raw materials and fuel are as shown in the document.

Net Sales and Operating Income by Segment

kuraray

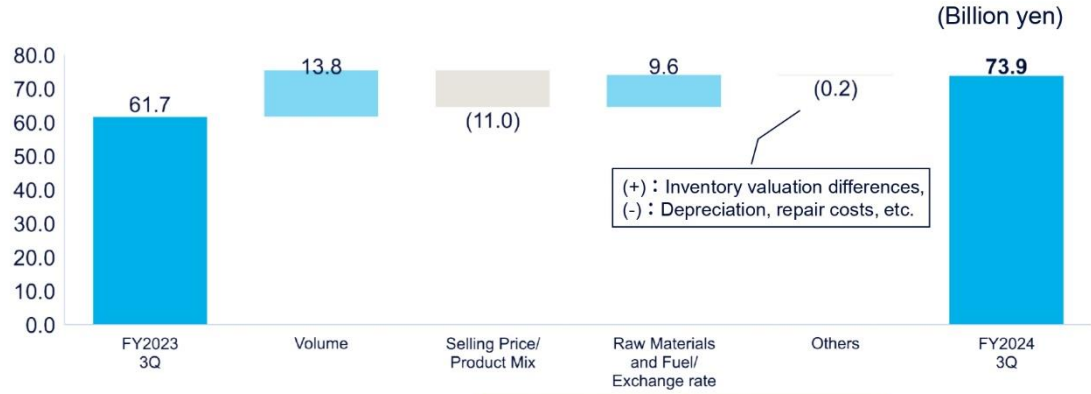
(Billion yen)

	FY2024 3Q		FY2023 3Q		Difference	
	Net Sales	**Operating Income**	Net Sales	Operating Income	Net Sales	Operating Income
Vinyl Acetate	**315.5**	**70.6**	302.8	63.8	12.7	6.8
Isoprene	**56.1**	**(5.6)**	46.8	(4.1)	9.2	(1.5)
Functional Materials	**152.3**	**9.3**	139.6	8.1	12.7	1.2
Fibers & Textiles	**46.2**	**2.2**	44.9	1.7	1.3	0.4
Trading	**48.2**	**4.1**	44.8	3.7	3.5	0.4
Others	**37.1**	**1.9**	34.0	0.6	3.1	1.3
Elimination & Corporate	**(40.6)**	**(8.6)**	(38.6)	(12.2)	(2.0)	3.6
Total	**614.8**	**73.9**	574.4	61.7	40.5	12.2

© 2024 KURARAY CO., LTD.

This slide shows net sales and operating income results for each segment compared to the same period of the previous year. Sales increased in all segments and operating income increased except for the Isoprene segment.

Factors Affecting the Change in Operating Income



	FY2023 3Q	FY2024 3Q
JPY/USD (average)	138	151
JPY/EUR (average)	150	165
Domestic naphtha (JPY 1,000/kl)	67	76

© 2024 KURARAY CO., LTD.

This slide shows a company-wide summary of factors affecting the change in operating income.

Volume increased by JPY13.8 billion due to gradual growth in the economy. Selling price/product mix were affected by price adjustments in line with changes in raw materials and fuel prices, which contributed to an JPY11 billion decrease in income. On the other hand, despite the current rise in raw materials and fuel prices, the cumulative effect of lower raw materials and fuel prices and a weaker yen was a factor in the JPY9.6 billion increase in the operating income. In others, while the inventory valuation difference that pushed down income last year disappeared this year, higher depreciation, repair costs and other expenses contributed to a total decrease in the income of JPY0.2 billion.

Vinyl Acetate

kuraray

(Billion yen)

	FY2023 3Q	**FY2024 3Q**	Difference
Net Sales	302.8	**315.5**	12.7
Operating Income	63.8	**70.6**	6.8

【Factors Affecting the Change in Operating Income 】



PVOH resin	Despite disruptions in logistics to Europe, sales volume increased due to our stable global supply system.
Optical-use poval film	Despite shipments remaining favorable, sales volume held steady year on year due to effects of shipment adjustments by panel manufacturers at the start of the third quarter.
Advanced Interlayer Solutions	The sales volume decreased due to the effects of ongoing economic stagnation on construction applications in Europe.
Water-soluble PVOH film MonoSol	The sales volume increased due to progress in distribution inventory adjustment despite the effects of protracted economic stagnation in Europe.
EVAL™	The sales volume held steady year on year due in part to food packaging applications continuing on a recovery track since the start of the second quarter and firm sales for automotive applications. We decided to construct a new plant in Singapore (slated to begin operating by the end of 2026).
Main reason of increase/ Decrease	While selling prices were adjusted in line with fluctuations in raw material and fuel prices, the impact of inventory valuation differences, which was a major factor in decreasing profits last year, disappeared, resulting in a significant increase in profits for the entire segment.

© 2024 KURARAY CO., LTD.

5

From here, we will explain our business situation by segment. The first is the Vinyl Acetate segment. Both sales and operating income increased in this segment compared to the previous year. Please see the comments in the upper right corner for the status of sales in each business.

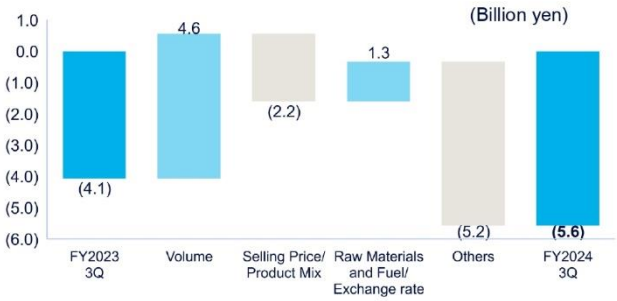
The operating income increased JPY6.8 billion from the same period last year. The volume increased JPY5.2 billion due to higher sales volumes of PVOH resin and Water-soluble PVOH film MonoSol. Price adjustments and sales mix in line with changes in raw materials and fuel prices contributed to an JPY8.1 billion decrease in selling price/product mix. Raw materials and fuel, and foreign exchange were factors contributing to an increase of JPY4.9 billion. In others, the inventory valuation difference, which pushed down incomes last year, was eliminated this year, resulting in a JPY4.7 billion increase in income. As a result of the above, overall segment income increased.

Isoprene

(Billion yen)

	FY2023 3Q	**FY2024 3Q**	Difference
Net Sales	46.8	**56.1**	9.2
Operating Income	(4.1)	**(5.6)**	(1.5)

【Factors Affecting the Change in Operating Income 】



Isoprene Chemicals and Elastomers	The sales volume increased as demand recovered, especially for automotive applications.
GENESTAR™	The sales volume increased amid a recovery in demand emerged for electric and electronic device applications in addition to stable demand for automotive applications.

Main reason of increase/ Decrease	Although sales volume increased due to sales expansion with the start of operations in Thailand, profits for the segment as a whole decreased due to sales price adjustments in line with fluctuations in raw material and fuel prices, depreciation costs, and inventory valuation differences.

© 2024 KURARAY CO., LTD.

This is Isoprene segment. This segment reported higher net sales and lower income compared with the previous year. Please refer to the comments listed for the status of sales for each business.

Volume was a factor of JPY4.6 billion due to an increase in sales volume, mainly due to sales expansion associated with the operation in Thailand. Price revisions in line with changes in raw material and fuel prices and changes in the sales mix contributed to a JPY2.2 billion decrease in selling price/product mix. Raw materials and fuel and foreign exchange were factors contributing to an increase of JPY1.3 billion, mainly due to the impact of the yen depreciation.

On the other hand, the depreciation burden and inventory valuation differences in Thailand contributed to a JPY5.2 billion decrease in the others. Isoprene Chemicals, Elastomers, and GENESTAR™ all saw YoY growth in sales volume. We will continue to expand sales.

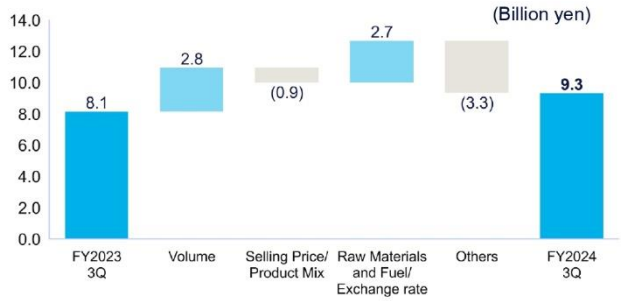
Functional Materials

kuraray

(Billion yen)

	FY2023 3Q	**FY2024 3Q**	Difference
Net Sales	139.6	**152.3**	12.7
Operating Income	8.1	**9.3**	1.2

【Factors Affecting the Change in Operating Income 】



Methacrylate	The sales volume increased amid signs of a recovery in demand, especially for electric and electronic devices. We decided to reduce the production capacity for methyl methacrylate in the second quarter.
Medical	Sales of cosmetic dental materials, mainly in Europe and the United States, remained favorable.
Environmental Solutions	Sales of activated carbon remained steady, especially for drinking water applications in North America. In Europe, however, economic stagnation began to negatively affect demand related to industrial applications. A new activated carbon facility was brought on line in the United States in the first quarter.

Main reason of increase/ Decrease	Sales volume of medical products increased. Increased expenses such as depreciation in activated carbon business and sales expenses in medical business were covered by profit increase from lower raw material and fuel cost and yen depreciation.

© 2024 KURARAY CO., LTD.

The Functional Materials segment reported YoY increases in both sales and income. The status of sales in each business is as commented in the description.

Volume was a factor in the increase in income as sales volume increased in all businesses. Especially, Medical performed particularly well. Raw materials and fuel and exchange increased by JPY2.7 billion. In the others, an increase in depreciation expenses associated with the operation of a new activated carbon facility in the U.S. in the Environmental Solution and an increase in expenses for sales expansion in the Medical contributed to a JPY3.3 billion decrease in income, but the segment as a whole secured an increase in income.

Fibers and Textiles

kuraray

(Billion yen)

	FY2023 3Q	**FY2024 3Q**	Difference
Net Sales	44.9	**46.2**	1.3
Operating Income	1.7	**2.2**	0.4

【Factors Affecting the Change in Operating Income 】



CLARINO™	The sales volume increased due to a recovery in demand for automotive and sports applications.
Fibers and Industrial Materials	Although signs of a recovery emerged in demand for automotive applications, sales in Europe for construction material applications were weak.
Consumer Goods and Materials	Demand for KURAFLEX™ nonwoven fabric and MAGIC TAPE™ hook and loop fasteners was weak. Moreover, in the nonwoven fabrics business, we decided to withdraw from the dry-laid nonwoven fabrics business and to reduce production capacity for meltblown nonwoven fabrics.

Main reason of increase/ Decrease	Increase in sales volume, positive impact from yen depreciation and reduction in inventory valuation difference that was a negative factor last year, resulting in an increase in segment profits as a whole.

© 2024 KURARAY CO., LTD.

8

The Fibers and Textiles segment reported YoY increases in both sales and income. The status of sales in each business is shown in the comments above right.

Volume increased mainly in CLARINO™, which was a factor in the increase in income. Raw materials and fuel, and foreign exchange contributed to a JPY0.8 billion increase. On the other hand, in others, the increase in SG&A expenses and other factors led to a JPY0.4 billion decrease in income.

Balance Sheet [1]: Assets

kuraray

(Billion yen)

	Sep. 30, 2024	Dec. 31, 2023	Difference
Current Assets	**551.9**	551.7	0.2
Non-current Assets	**702.4**	702.8	(0.3)
Total Assets	**1,254.3**	1,254.5	(0.2)

	Sep. 30, 2024	Dec. 31, 2023
JPY/USD (end of period)	143	142
JPY/EUR (end of period)	159	157

© 2024 KURARAY CO., LTD.

This slide compares the assets section of the balance sheet to the end of last year.

Current assets increased by JPY0.2 billion. This was due to an increase of JPY26.3 billion in inventories, mainly resulting from the depreciation of the yen, while cash and deposits decreased by JPY19.8 billion. Non-current assets decreased by JPY0.3 billion due to the liquidation of businesses in line with the sophistication of the business portfolio, while there was an increase due to capital investment.

Balance Sheet [2]: Liabilities and Net Assets

kuraray

(Billion yen)

	Sep. 30, 2024	Dec. 31, 2023	Difference
Current Liabilities	**208.3**	200.6	7.7
Non-current Liabilities	**298.8**	317.8	(18.9)
Total Liabilities	**507.1**	518.3	(11.2)
Net Assets	**747.2**	736.2	11.1
Total Liabilities and Net Assets	**1,254.3**	1,254.5	(0.2)
Equity Ratio	**58.1%**	56.9%	1.2%

	Sep. 30, 2024	Dec. 31, 2023
JPY/USD (end of period)	143	142
JPY/EUR (end of period)	159	157

© 2024 KURARAY CO., LTD.

This slide shows the liabilities and net assets sections of the balance sheet.

Liabilities decreased by JPY11.2 billion, mainly due to repayment of loans. Net assets increased by JPY11.1 billion, mainly due to a JPY3.7 billion increase in foreign currency translation adjustments. As a result, the equity ratio increased by 1.2% to 58.1%.

Forecast for FY2024

kuraray

(Billion yen)

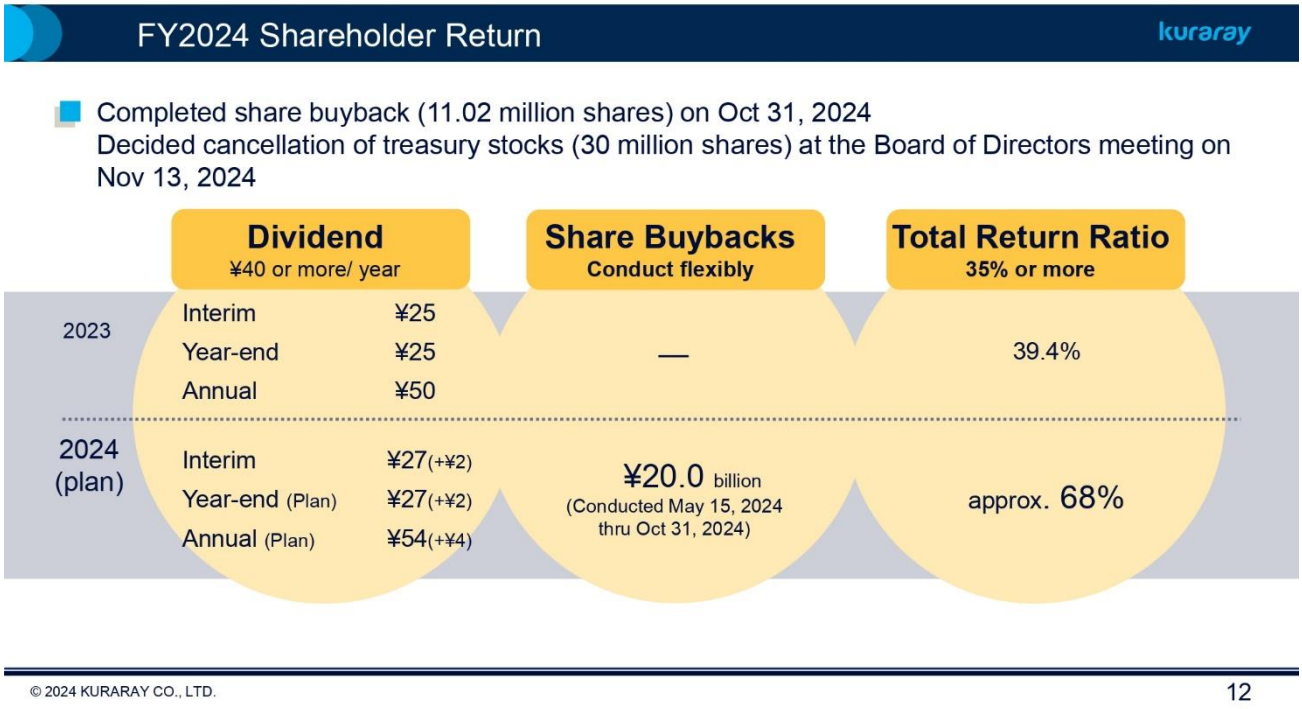
	FY2024 Revised Forecast (Nov 13, 2024)	FY2023	Difference	FY2024 Forecast (Aug 9, 2024)	Difference
Net Sales	**835.0**	780.9	54.1	850.0	(15.0)
Operating Income	**89.0**	75.5	13.5	89.0	0.0
Ordinary Income	**84.0**	69.0	15.0	84.0	0.0
Net Income Attributable to Owners of the Parent	**55.0**	42.4	12.6	55.0	0.0
(Reference)					
JPY/USD (average)	151	141		149	
JPY/EUR (average)	163	152		160	
Domestic naphtha (JPY 1,000/kl)	75	68		77	

© 2024 KURARAY CO., LTD.

11

Based on the performance up to Q3 and the current business environment, we revised our full-year earnings forecast.

Net sales are expected to be JPY835 billion, down JPY15 billion from the previous forecast. There is no change in operating income, ordinary income and net income.



The Company regards the distribution of incomes to shareholders as one of its most important management issues, and its medium-term management plan, PASSION 2026, sets a basic policy of a total return ratio of 35% or higher and an annual dividend of JPY40 per share or more, and aims to enhance shareholder returns through profit growth.

There is no change in the dividend forecast for FY2024, with the interim and year-end dividend forecasts of JPY27 per share each, for an annual dividend of JPY54 per share. In addition, based on the resolution of the Board of Directors meeting held on May 14, 2024, we completed the repurchase of 11.02 million shares of treasury stock for approximately JPY20 billion by October 31 of this year. Combining dividends and share buybacks, the total return ratio will be approximately 68%.

In addition, the Board of Directors decided today to cancel 30 million shares of treasury stock on November 29, 2024. The 30 million shares represent 8.45% of the total number of issued shares before cancellation. We will continue to enhance shareholder returns.

Please refer to page 13 onward for a segment-by-segment comparison of the revised forecast and detailed coefficient information.

This concludes the explanation. Thank you very much.

【Ref.】 Net Sales and Operating Income by Segment

(Billion yen)

	FY2024 Revised Forecast (Nov 13, 2024)		FY2023		Difference		FY2024 Forecast (Aug 9, 2024)		Difference	
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income
Vinyl Acetate	**420.0**	**88.0**	406.8	86.3	13.2	1.7	423.0	85.0	(3.0)	3.0
Isoprene	**76.0**	**(8.0)**	65.7	(10.9)	10.3	2.9	77.5	(7.0)	(1.5)	(1.0)
Functional Materials	**210.0**	**14.0**	189.8	10.3	20.2	3.7	215.0	15.0	(5.0)	(1.0)
Fibers & Textiles	**66.0**	**2.0**	61.9	1.8	4.1	0.2	69.0	3.5	(3.0)	(1.5)
Trading	**67.0**	**5.7**	61.6	5.2	5.4	0.5	67.0	5.7	0.0	0.0
Others	**51.0**	**2.0**	45.7	0.5	5.3	1.5	46.5	2.5	4.5	(0.5)
Elimination & Corporate	**(55.0)**	**(14.7)**	(50.4)	(17.8)	(4.6)	3.1	(48.0)	(15.7)	(7.0)	1.0
Total	**835.0**	**89.0**	780.9	75.5	54.1	13.5	850.0	89.0	(15.0)	0.0

© 2024 KURARAY CO., LTD.

【Ref.】 Quarterly Net Sales by Segments

(Billion yen)

	FY2023					FY2024				
	1Q	2Q	3Q	4Q	FY	1Q	2Q	3Q	4Q (Forecast)	FY (Forecast)
Vinyl Acetate	97.8	101.1	103.9	104.0	406.8	99.0	109.8	106.7	104.5	420.0
Isoprene	15.8	16.0	15.0	18.8	65.7	17.2	20.4	18.5	19.9	76.0
Functional Materials	45.4	48.0	46.3	50.1	189.8	48.7	54.0	49.6	57.7	210.0
Fibers & Textiles	13.5	16.6	14.8	16.9	61.9	13.8	17.4	15.0	19.8	66.0
Trading	13.8	15.2	15.8	16.8	61.6	15.3	16.9	16.0	18.8	67.0
Others	11.3	11.5	11.1	11.7	45.7	11.7	13.3	12.1	13.9	51.0
Elimination & Corporate	(12.7)	(12.4)	(13.5)	(11.8)	(50.4)	(13.6)	(12.8)	(14.2)	(14.4)	(55.0)
Total	185.0	196.0	193.4	206.6	780.9	192.2	219.0	203.6	220.2	835.0

© 2024 KURARAY CO., LTD.

【Ref.】 Quarterly Operating Income by Segments

(Billion yen)

	FY2023					FY2024				
	1Q	2Q	3Q	4Q	FY	1Q	2Q	3Q	4Q (Forecast)	FY (Forecast)
Vinyl Acetate	17.8	22.4	23.5	22.6	86.3	24.8	19.1	26.7	17.4	88.0
Isoprene	0.2	(2.9)	(1.4)	(6.8)	(10.9)	0.0	(4.0)	(1.5)	(2.4)	(8.0)
Functional Materials	3.5	2.3	2.4	2.2	10.3	3.2	3.2	2.8	4.7	14.0
Fibers & Textiles	0.2	0.4	1.1	0.1	1.8	(0.2)	1.0	1.5	(0.2)	2.0
Trading	1.1	1.2	1.4	1.4	5.2	1.3	1.4	1.4	1.6	5.7
Others	0.1	0.5	0.0	(0.1)	0.5	0.4	0.5	1.0	0.1	2.0
Elimination & Corporate	(1.6)	(4.2)	(6.3)	(5.6)	(17.8)	(0.8)	(4.5)	(3.3)	(6.1)	(14.7)
Total	21.3	19.6	20.7	13.8	75.5	28.8	16.7	28.5	15.1	89.0

© 2024 KURARAY CO., LTD.