KURARAY CO., LTD., Summary of Q&A Session for FY2024 Earning Announcement and Progress and Outlook for Medium-Term Management Plan "PASSION 2026"

[Time & Date]	From 14:00pm to 15:40pm, February 12, 2025	
[Place]	Kuraray Head Office *Hybrid conference	
[Speakers]	Hitoshi Kawahara	President and Representative Director
	Nobuhiko Takai	Director and Managing Executive Officer, President of Functional Materials Company
	Tomoyuki Watanabe	Director and Managing Executive Officer, President of Vinyl Acetate Resin Company and President of Vinyl Acetate Film Company, Officer Responsible for Electronics Materials Promotion Division
	Junichi Fujiwara	Executive Officer, Officer Responsible for Corporate Management Planning Office
	Shinichi Takizawa	Senior Manager, Corporate Communications Department

1. **Volume growth rates of main products**

	FY2023 actual → FY2024 actual	FY2024 actual → FY2025 forecast
PVOH resin	About +10%	Slightly negative
Optical-use poval film	Flat	More than +5%
Advanced Interlayer Solutions	More than -5%	More than +5%
Water-soluble PVOH film	Flat	Flat
EVAL™	Flat	About +10%
Elastomer	Less than +20%	Less than +15%
GENESTAR™	Less than +20%	Less than +15%
Activated carbon	Less than +5%	More than +15%
KURALON™	Flat	Less than +5%

2. Q & As (for FY2024 Earning Announcement)

Q Regarding the worsening of terms of trade in FY2025.

A With regard to selling prices, some businesses anticipate price adjustment in their plan as raw material and fuel prices settle down. However, this does not mean that we are trying to obtain sales volume by lowering prices.
As for raw materials and fuels, the assumption for domestic naphtha is the same as in FY2024. But there are some raw materials and fuels that are not linked to domestic naphtha, and it is very difficult to predict those prices, especially natural gas in Europe and the U.S. We have expectation

of a slight downward trend in U.S. fuel prices. Natural gas prices in Europe really depend on the Russia – Ukraine situation.

Q. Regarding the evaluation of profit excluding inventory valuation differences.
A. There are many items in accounting that do not involve cash movement, and each has different opinion what is the company's actual profit or performance. But, as the saying goes, "cash is a fact," cash is an important cutoff point. Before FY2022, operating cash flow was about 70 to 80 billion yen, but it was 129.2 billion yen in FY2023 and 138.2 billion yen in FY2024. We think now our cash generation ability up one step above.

Q. Regarding the inventory level at the end of FY2024.
A. The inventory value is at a slightly high level. We have reduced production of optical-use poval film, etc. in Q4 2024. As a result, fixed cost per unit increased, that led higher inventory value at the end of the year. Although the inventory level varies in each business, we have been able to control the volume. In some businesses where we expect higher growth such as EVAL™ and activated carbon, we strategically build up inventories.

Q Regarding the status of Vinyl Acetate segment from FY2024 to FY2026.
A For FY2024, there was a large positive inventory valuation difference compared to FY2023. On the other hand, in FY2025, negative inventory valuation differences were carried over from FY2024. They were mainly from PVOH resin and optical-use poval film, etc. as we reduced production volume in response to sluggish sales at the end of FY2024. Although it depends on fluctuations in raw material and fuel prices, etc. at the end of FY2025, no inventory valuation differences are included in FY2026 forecast. Excluding impact of inventory valuation differences, operating income in the Vinyl Acetate segment has steadily increased.

Q. Regarding the future outlook for optical-use poval film.
A. As LCD panels become larger, wider polarizers are required. Responding to customers' needs, the new facility in Kurashiki which started operation in Q1 2024, is almost at full production. We are now working to decide another investment for wider film early 2025 in response to strong demand from customers.

Q. Regarding the status of EVAL™ in FY2024.
A. Both sales and volume are growing steadily with trust in our stable supply. To meet customers' expectation, a new plant in Singapore and debottlenecking in Europe and the U.S. are under construction.
As for the shift to a circular economy, there is a back-and-forth because some areas are still in R&D phase, but we see a steady shift to recyclable packaging.
In addition, we believe decline of ICE cars will be slower as EV shift is delayed. Hybrid vehicles also use gasoline tanks, and thus we expect that a certain percentage of automotive application will remain.

Q Regarding the background behind projected profit increase in Functional Materials segment in FY2025 and FY2026.
A As for activated carbon, in response to the drinking water PFAS regulations in the U.S. decided in April 2024, we have finalized a long-term supply contract with American Water, a major water company. The agreement covers a series of transactions including delivery of virgin carbon, collection and reactivation of spent carbon. Negotiations with other companies are in progress, and some have already been signed. Since it is expected that demand for reactivation will increase, we will expand reactivation capacity at several locations. Furthermore, not only we just sell virgin or reactivated carbon as products but also we provide total solutions, such as installation of tanks filled with activated carbon and reactivation and replacement of spent carbon. We are working to optimize prices in line with the value we provide and expecting margin to be

improved. We expect strong demand in FY2025, and sales will grow drastically toward FY2029 when grace period end.
In Europe, industrial PFAS and pollutant treatment removal are now receiving attention. As regulation become stricter, activated carbon change out frequency will increase. In Europe also, we expect demand for reactivation will increase and plan several capital investments. In addition, application and solution development for the purification of biomethane, which contains sulfur, could also grow.
As for medical, we have been focusing on marketing in Europe and the U.S. for the past few years, and it has been successful. Although there are some seasonal fluctuations in sales, we are planning to launch new products to differentiate our products further.
As for methacrylate, we will concentrate on sheets and resins, high value-added applications in which we have an advantage. Although sales volume will decrease, we will optimize the production volume of MMA monomer to improve profitability and strengthen our business structure.

3. Q&A (Progress and Outlook of the Medium-Term Management Plan "PASSION 2026")

Q. Regarding how GHG emission reduction can contribute business performance increase.
A. Although there is a slight delay in the capital investment timing, we have not changed our original plan of 80 billion yen in total by FY2030. It is important for us to make firm preparations in line with the roadmap toward our ultimate goal of net zero emissions by FY2050. We understand we have to proceed measures with profitability, not just pursue ideals. We will keeping a close eye on society and the environment to make capital investment decisions.

Q. Regarding the outlook for ROE.
A. We are sophisticating our business portfolio and would like to have a prospect of structural reform by FY2026, the last year of "PASSION 2026". Some reforms may be executed in FY2026 resulting lower net income that will also affect ROE.

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(Cautionary Statement)
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