



Kuraray Co., Ltd.

1Q FY2023 Kuraray Group Earnings Announcement

Presenter:

Keiji Taga Director and Managing Executive Officer
 Responsible for Corporate Management Planning Office

May 12, 2023

(Billion yen)

	FY2023 1Q	FY2022 1Q	Difference
Net Sales	185.0	167.6	17.4
Operating Income	21.3	22.1	(0.8)
Ordinary Income	20.4	22.3	(1.9)
Net Income Attributable to Owners of the Parent	8.2*	12.7	(4.5)
Reference			
JPY/USD (average)	132	116	
JPY/EUR (average)	142	130	
Domestic naphtha (JPY 1,000/kl)	68	63	

* On April 26, 2023, we reached settlements with the remaining plaintiffs in the lawsuits brought against Kuraray America, Inc. in Texas, U.S., except for one whose motion to dismiss is expected to be granted soon. The lawsuits have therefore been effectively resolved. Kuraray has recorded an extraordinary loss of ¥7.2 billion as loss on litigation.

Taga: Hello, everyone. I am Taga. Thank you very much for taking the time to participate in our conference call.

I will now present the financial results for Q1 of FY2023.

Please see page two of the slide.

In Q1 of FY2023, although there were some signs of improvement, such as China's shift from a zero-COVID-19 policy to normalize its economy, the economic outlook remained uncertain due to continued monetary tightening in various countries to curb inflation, the impact of the situation in Russia and Ukraine, and other factors, which led to an increasing slowdown in the economy.

As a result, as shown in the slide, net sales increased JPY17.4 billion YoY to JPY185 billion, operating income decreased JPY0.8 billion to JPY21.3 billion, and net income decreased JPY4.5 billion to JPY8.2 billion.

As disclosed on April 26, the civil lawsuit against Kuraray America Inc. in Texas, US has been settled with all plaintiffs except one who is expected to be granted a motion to dismiss soon, effectively resolving the lawsuit. As a result, an extraordinary loss of JPY7.2 billion was recorded as loss on litigation.

The actual results for foreign exchange and raw materials and fuel are as shown in the materials.

Net Sales and Operating Income by Segment

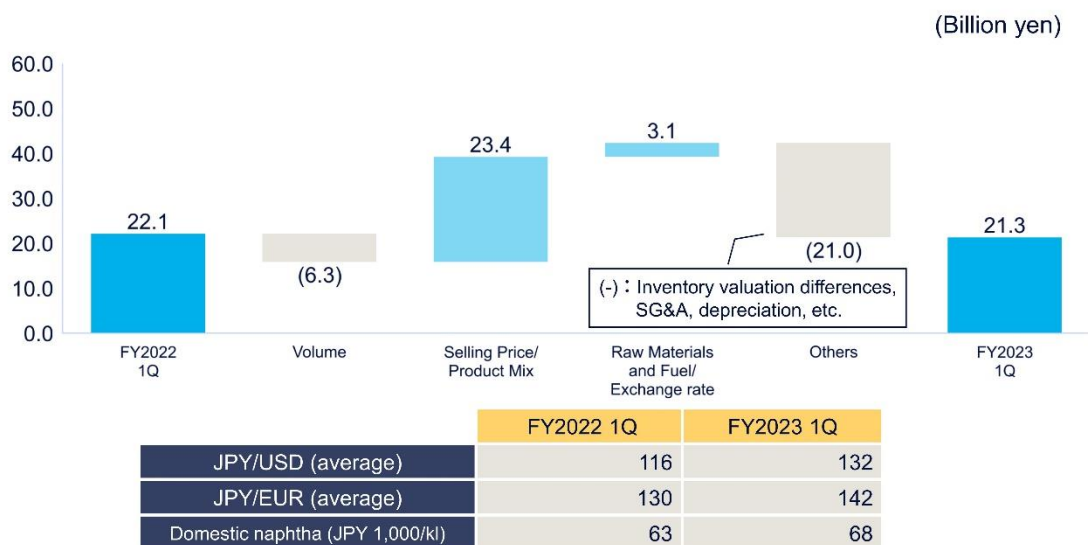
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(Billion yen)

	FY2023 1Q		FY2022 1Q		Difference	
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income
Vinyl Acetate	97.8	17.8	86.2	17.2	11.7	0.6
Isoprene	15.8	0.2	15.4	2.7	0.4	(2.5)
Functional Materials	45.4	3.5	38.0	2.2	7.4	1.3
Fibers & Textiles	13.5	0.2	14.4	1.6	(0.9)	(1.4)
Trading	13.8	1.1	14.0	1.3	(0.1)	(0.2)
Others	11.3	0.1	10.7	0.4	0.7	(0.3)
Elimination & Corporate	(12.7)	(1.6)	(11.0)	(3.3)	(1.7)	1.7
Total	185.0	21.3	167.6	22.1	17.4	(0.8)

Next, please see page three. This slide shows net sales and operating income results for each segment compared to the same period last year.

Vinyl Acetate and Functional Materials posted increases in both sales and earnings, while other segments saw declines in earnings.



Please see page four. This slide shows a company-wide summary of factors affecting the increase or decrease in operating income.

Others was a negative factor of JPY21 billion due to inventory valuation differences due to fluctuations in raw material and fuel prices, and increase in expenses, including depreciation.

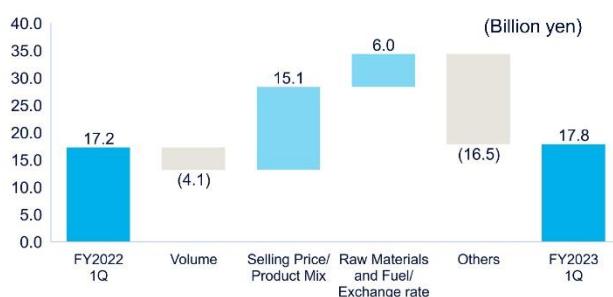
On the other hand, the revision of selling prices and the shift to high value-added products contributed JPY23.4 billion to the increase in selling price and product mix.

Volume was a negative factor of JPY6.3 billion due to lower sales volume and inventory adjustments caused by the economic slowdown.

(Billion yen)

	FY2022 1Q	FY2023 1Q	Difference
Net Sales	86.2	97.8	11.7
Operating Income	17.2	17.8	0.6

【Factors Affecting the Change in Operating Income】



PVOH resin	The sales volume decreased due to receding global demand, but we further promoted a shift to high value-added products.
Optical-use poval film	Shipments decreased due to effects of inventory adjustments for LCD panels ongoing from the latter half of last year.
Water-soluble PVOH film MonoSol	Shipments decreased mainly for use in unit dose detergent packets in Europe due to inflation-driven belt tightening and other effects.
Advanced Interlayer Solutions	Sales of PVB film remained steady in North America, Asia, and elsewhere.
EVAL™	Sales for food packaging applications remained firm.

Main reason of increase/decrease	Despite the impact of the economic slowdown, production adjustments, and inventory valuation differences, segment operating income increased overall due to the revision of product prices and the shift to high value-added products.
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Next, please see page five. I will now explain our business by segment.

The first is the Vinyl Acetate segment.

Both net 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.

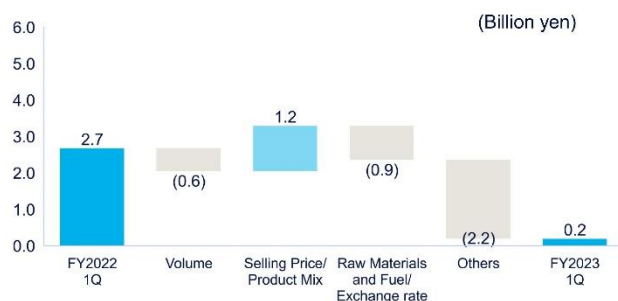
Operating income increased by JPY0.6 billion from the same period last year. The economic slowdown and production adjustments led to a JPY4.1 billion decline in volume.

In addition, inventory valuation differences and other factors led to a JPY16.5 billion decrease in Others factor. On the other hand, product price revisions and a shift to high value-added products contributed to a JPY15.1 billion increase in selling price and product mix.

Although demand for optical-use poval film has not yet fully recovered and each business has had to bear the burden of inventory valuation differences, the segment as a whole secured profit growth thanks to contributions from EVAL, PVOH resin, PVB film, and other products.

(Billion yen)

	FY2022 1Q	FY2023 1Q	Difference
Net Sales	15.4	15.8	0.4
Operating Income	2.7	0.2	(2.5)

【Factors Affecting the Change in Operating Income】**Isoprene Chemicals and Elastomers**

The sales volume decreased due to the ongoing effects of lower demand, which began in the latter half of the previous year.

GENESTAR™

The sales volume decreased due to inventory adjustments for electric and electronic devices despite signs of recovery in demand for automobile applications.

Main reason of increase/decrease

Despite the promotion of price revisions, depreciation at the Thai site that started operations and other expenses increased. At domestic production sites, utility cost increased. Sales volume declined due to the impact of the economic slowdown and inventory adjustments.

Please see page six. Next is the Isoprene segment.

This segment reported higher revenues and lower earnings compared with the previous year. Please refer to the comments listed for the status of sales for each business.

The promotion of price revisions contributed to an increase of JPY1.2 billion in total sales price and product mix. On the other hand, others were negative factors of JPY2.2 billion mainly due to increased depreciation at the Thai site and expenses.

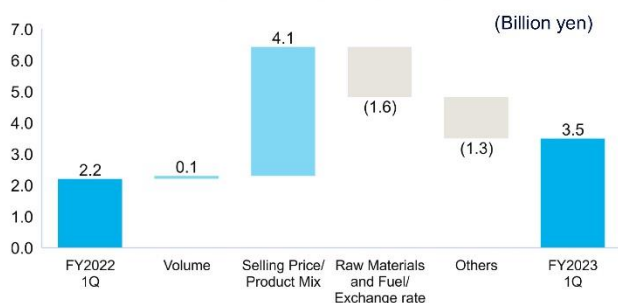
In addition, raw materials and fuel and foreign exchange were negative factors of JPY0.9 billion due to higher unit costs of utility at domestic plants, and volume was a negative factor of JPY0.6 billion due to the economic slowdown and inventory adjustments.

All three businesses reported a decrease in profit, resulting in an overall segment profit decline of JPY2.5 billion.

(Billion yen)

	FY2022 1Q	FY2023 1Q	Difference
Net Sales	38.0	45.4	7.4
Operating Income	2.2	3.5	1.3

【Factors Affecting the Change in Operating Income】



Methacrylate	The sales volume decreased due to the effects of inventory adjustments for electric and electronic devices.
Medical	Sales of cosmetic dental materials remained favorable, especially in Europe.
Environmental Solutions	Demand increased for drinking water applications, and sales of activated carbon remained steady.

Main reason of increase/decrease	Increase in profit due to progress in price revisions and improved sales mix offset the impact of higher raw material and fuel prices, higher expenses, and inventory adjustment differences.
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Please see page seven. In the Functional Materials segment, both sales and income increased YoY.

The status of each business is shown in the comments in the upper right portion.

In raw materials and fuel and foreign exchange, higher raw material and fuel prices led to a JPY1.6 billion decrease in income, and in others, higher SG&A and other expenses and inventory valuation differences caused a JPY1.3 billion decrease in income.

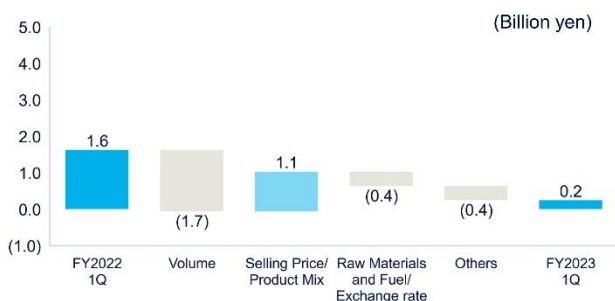
On the other hand, progress in price revisions and improved sales mix contributed to a JPY4.1 billion increase in selling price and product mix, resulting in a JPY1.3 billion increase in operating income.

By business segment, methacrylate struggled due to rising raw material and fuel prices, but medical and environmental solutions performed well.

(Billion yen)

	FY2022 1Q	FY2023 1Q	Difference
Net Sales	14.4	13.5	(0.9)
Operating Income	1.6	0.2	(1.4)

【Factors Affecting the Change in Operating Income】



CLARINO™	Shipments decreased due to the effects of lower demand for sports and other applications.
Fibers and Industrial Materials	KURALON™ was affected by economic deceleration and a delayed recovery in the production of automobiles, while sales of VECTRAN™ remained stable.
Consumer Goods and Materials	Demand for KURAFLEX™ in the restaurant industry was weak.

Main reason of increase/decrease	Despite progress in price revisions, shipments decreased due to sluggish demand caused by the economic slowdown.
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Next, please see page eight. The Fibers and Textiles segment reported lower sales and profits YoY.

The status of each business is as commented.

Although selling price and product mix were factors for an increase of JPY1.1 billion, volume was a factor for a decrease of JPY1.7 billion, affected by sluggish demand due to the economic slowdown and other factors.

As a result, all three businesses reported lower profits, and overall segment operating income declined by JPY1.4 billion.

(Billion yen)

	Mar. 31, 2023	Dec. 31, 2022	Difference
Current Assets	527.8	533.9	(6.1)
Non-current Assets	689.3	687.6	1.7
Total Assets	1,217.1	1,221.5	(4.5)

	Mar. 31, 2023	Dec. 31, 2022
JPY/USD (end of period)	134	133
JPY/EUR (end of period)	146	141

Please see page nine. This slide compares this financial term's assets section of the balance sheet to the end of last year.

Current asset decreased by JPY6.1 billion from the previous fiscal year. While inventories increased by JPY11.4 billion, cash and deposits decreased by JPY15.1 billion mainly due to the repayment of loans.

(Billion yen)

	Mar. 31, 2023	Dec. 31, 2022	Difference
Current Liabilities	220.6	221.3	(0.7)
Non-current Liabilities	320.0	331.7	(11.6)
Total Liabilities	540.7	553.0	(12.3)
Net Assets	676.4	668.5	7.9
Total Liabilities and Net Assets	1,217.1	1,221.5	(4.5)
Equity Ratio	53.8%	52.9%	0.8%
	Mar. 31, 2023	Dec. 31, 2022	
JPY/USD (end of period)	134	133	
JPY/EUR (end of period)	146	141	

Next, please see page 10. This slide shows the liabilities and net assets sections of the balance sheet.

Liabilities decreased by JPY12.3 billion mainly due to the repayment of long-term debt. Net assets increased by JPY7.9 billion. As a result, the equity ratio was 53.8%.

(Billion yen)

	FY2023 Revised Forecast			FY2023 Original Forecast			Difference		
	1H	2H	FY	1H	2H	FY	1H	2H	FY
Net Sales	380.0	430.0	810.0	400.0	430.0	830.0	(20.0)	0	(20.0)
Operating Income	36.0	48.0	84.0	36.0	48.0	84.0	0	0	0
Ordinary Income	33.0	46.0	79.0	33.0	46.0	79.0	0	0	0
Net Income Attributable to Owners of the Parent	17.0	30.0	47.0	21.0	30.0	51.0	(4.0)	0	(4.0)

(Reference)

JPY/USD (average)	130	130
JPY/EUR (average)	140	140
Domestic naphtha (JPY 1,000/kl)	68	69

Please turn to page 11. This slide shows the revised business forecast for FY2023 compared to the initial forecast announced in February.

Although the economic slowdown has been intensifying due to monetary tightening in Europe and the US and the Group's products have been affected in some areas, we expect that demand for high value-added products, mainly Vinyl Acetate, will continue to be strong in Q2.

We have revised our H1 and full-year forecasts in light of the loss on litigation recorded in Q1 and the current business environment.

For H1, we forecast net sales of JPY380 billion, down JPY20 billion from the initial forecast, and net income of JPY17 billion, down JPY4 billion. The forecasts for operating income and ordinary income remain unchanged.

The forecast for H2 remains unchanged from the initial forecast at this time and will be revised as necessary when Q2 results are finalized.

(Billion yen)

	FY2023 Revised Forecast			FY2022			Difference		
	1H	2H	FY	1H	2H	FY	1H	2H	FY
Net Sales	380.0	430.0	810.0	358.0	398.3	756.4	22.0	31.7	53.6
Operating Income	36.0	48.0	84.0	38.1	49.0	87.1	(2.1)	(1.0)	(3.1)
Ordinary Income	33.0	46.0	79.0	37.9	46.2	84.1	(4.9)	(0.2)	(5.1)
Net Income Attributable to Owners of the Parent	17.0	30.0	47.0	24.2	30.1	54.3	(7.2)	(0.1)	(7.3)

(Reference)

JPY/USD (average)	130	123	132
JPY/EUR (average)	140	134	138
Domestic naphtha (JPY 1,000/kl)	68	72	75

From page 12 onward is the detailed accounting information. Please see for reference.

This concludes my presentation. Thank you very much.