KURARAY CO., LTD., Summary of Q&A Session for 1H FY2025 Earning Announcement

[Time & Date]	From 15:00pm to 16:00pm, August 8, 2025	
[Place]	Kuraray Head Office *Hybrid conference	
[Speakers]	Hitoshi Kawahara	President and Representative Director
	Takai Nobuhiko	Director and Managing Executive Officer, President, Functional Materials Company
	Junichi Fujiwara	Managing Executive Officer, Officer Responsible for Corporate Management Planning Office
	Shinichi Takizawa	Senior Manager, Corporate Communications Department

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

	1H FY2024 actual → 1H FY2025 actual	1H FY2025 actual → 2H FY2025 forecast
PVOH resin	More than -10%	More than +10%
Optical-use poval film	Slightly positive	Slightly positive
Advanced Interlayer Solutions	More than -5%	Slightly positive
Water-soluble PVOH film	Less than +5%	More than +10%
EVAL™	More than +5%	More than +5%
Elastomer	Slightly positive	More than +10%
GENESTAR™	More than +20%	More than +20%
Activated carbon	More than +5%	More than +15%
KURALON™	More than +5%	Slightly negative

2. Q & As

Q Regarding the Q2 trends and 2H outlook for the Vinyl Acetate segment.

A As for movements from Q1 to Q2, PVOH resin suffered a decrease in profit due to the impact of production troubles at the U.S. plant in Q2 and a 10% decrease in sales volume. As for the optical-use poval film, although the inventory adjustment at panel and set makers proceeded in Q2, our shipment remained strong until the first half of Q2 because our customers, polarizer makers, were not able to increase their inventory in Q1. Regarding the Advanced Interlayer Solutions, although sales volume increased by more than 5%, profit declined slightly due to intensified competition with Asian companies and the product mix. EVAL™, EVOH resin, showed less than 5% sales volume increase with back drop of steady demand growth related to circular economy in food packaging application, resulting profit increase.

The Company plans a increase in profit from the 1H to the 2H of the year. The forecast for PVOH resin is for an increase in earnings, as the negative impact of inventory valuation differences in the 1H will be eliminated. In addition, expenses due to production troubles in the 1H have already

been booked in the Q2 and will not affect the 2H. Although optical-use poval film is currently in an inventory adjustment phase, the forecast of demand for large LCD TVs for the full year remains unchanged. Demand is expected to grow toward the end of the year, so a slight increase in volume is expected. Water-soluble PVOH film is expected to increase in both sales and profit. Single-unit-dose detergents, which had been sluggish for some time, are showing signs of recovery and volume is expected to increase by more than 10%. Although the forecast for EVAL™ has been lowered slightly from the original estimate, due to growth in the circular economy related demand and other factors, a sales volume increase of slightly more than 5% is expected.

Q. Regarding the Q2 trends and 2H outlook for the Functional Materials segment.

A. Results for the 1H of the year were almost in line with the plan for methacrylate and medical businesses, and the main factor that pushed down profits was Environmental Solutions. In addition to the impact of the cold wave in Q1, in Q2, customers' capital investment was delayed due to the impact of US tariff policy and other factors, resulting in the postponement of scheduled product deliveries until the Q3 or later. There were also the impact of soaring prices of coconut shells, the raw material for coconut-based activated carbon, and production troubles at the U.S. plant, as well as the impact of the planned 2H maintenance work that was moved up to Q2.
As for the 2H of the year, methacrylate production capacity has been optimized in June, and we expect profit improvement in the 2H. The medical business is expected to continue to perform well. In the Environmental Solution business, the Company expects an increase in profit from 1H to 2H as the impact of cold wave and production problems in the 1H of the year will be eliminated. In addition, an increase in the sales volume of activated carbon and equipment for drinking water application, including postponed shipment from 1H to 3Q or later, is expected. The price revision of coconut-based activated carbon also contributes an increase in profit.

Q. Regarding the outlook for medium- to long-term view of the Environmental Solutions business.

A. Among water treatment applications, the main use of activated carbon, the volume of existing demand such as exchange of spent carbon, is increasing steadily. In the 1H of the year, product deliveries for a new demand such as equipment installment at water treatment facility, were pushed back. It is because customers delayed their capital investment due to increase of uncertainty because of the US tariff policy and other factors. However, the contracts have been finalized more than 6 months ago, and we do not expect any significant impact on long-term demand.
In addition, PFAS regulations for drinking water announced by the U.S. Environmental Protection Agency's (EPA) last year have been a factor in boosting new demand. We are monitoring the situation carefully as EPA's grace period extension from 2029 to 2031 may affect some small- and medium-scale water system behavior. On the other hand, some states do not wait until 2031 and are moving to introduce their own regulations, and monitoring period until 2027 remains unchanged. We do not expect major change in demand trend. Therefore, we are considering capital investment to proceed as planned.

Q Regarding the factors behind the downward revision of consolidated full-year results forecast.

A There are the impact from the downward revision of the sales volume forecast mainly for Advance Interlayer Solutions, EVAL™, and activated carbon.

Q. Regarding the outlook for medium- to long-term view of GENESTAR™, the heat-resistant polyamide resin.

A. Since the fixed cost burden mainly of depreciation of Thai plant is still heavy, and the business is currently in the red. However, the profit margin of GENESTAR™ is relatively high among the Isoprene segment, and we have the view that GENESTAR™ will make a solid contribution to profits as sales volume expands. The trend of expanding automotive applications, such as EVs and HVs have continued, and demand for data centers has increased with back drop of spread of AI.

Q. Regarding the sales ratio to the automotive application.
A. Sales to automotive applications is not so large, account for about 10% of consolidated net sales. The businesses that have relatively larger exposure is Advanced Interlayer Solutions, GENESTAR™, and EVAL™. They would be affected by a decline in automobile production, but the impact would be limited from an overall perspective.

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(Cautionary Statement)
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