KURARAY CO., LTD.

FY2024 Earnings Announcement and Progress & Outlook of Medium-Term Management Plan

Presenter:
Hitoshi Kawahara President and Representative Director

February 12, 2025

FY2024 Results

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- Sales volume growth in many businesses led to net sales reaching a record high and operating income exceeding the previous year.
  Net income declined due to extraordinary losses for building a more sophisticated business portfolio.

(Billion yen)

	FY2024	FY2023	Difference
Net Sales	**826.9**	780.9	46.0
Operating Income	**85.1**	75.5	9.6
Ordinary Income	**81.5**	69.0	12.5
Net Income Attributable to Owners of the Parent	**31.7**	42.4	(10.7)
	Reference		
JPY/USD (average)	152	141	
JPY/EUR (average)	164	152	
Domestic naphtha (JPY 1,000/kl)	75	68	

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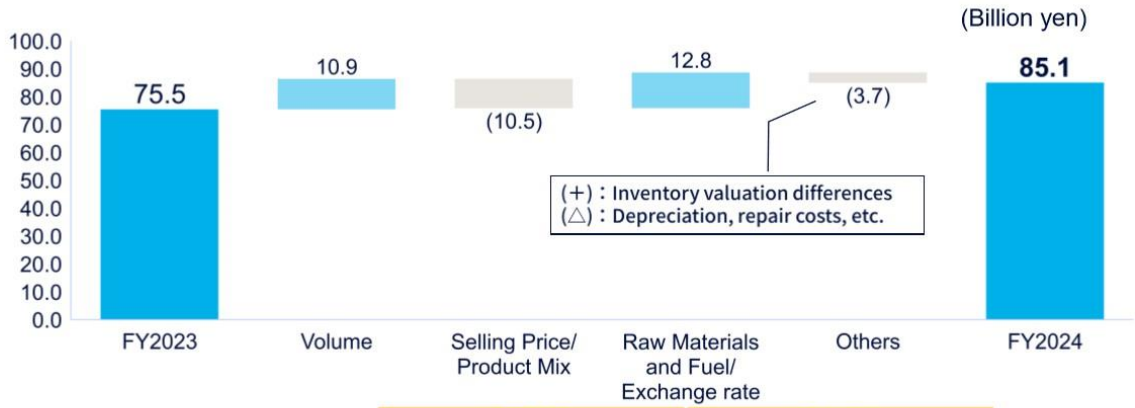
Kawahara: I will explain the FY2024 financial results and the progress and outlook of medium-term management plan.

In FY2024, the global economy grew moderately overall, although it lacked strength in some regions. In many of our businesses, sales volume increased. As a result, net sales increased by JPY46 billion YoY to JPY826.9 billion, and operating income increased by JPY9.6 billion to JPY85.1 billion. As a result, net sales reached a record high and operating income the second highest level on record.

On the other hand, net income attributable to owners of the parent decreased by JPY10.7 billion YoY to JPY31.7 billion. This was due to the recording of impairment losses on some businesses in the course of sophisticating our business portfolio, which we have been promoting during the period of this medium-term management plan.

The actual results of exchange rates and raw materials and fuels are as shown on the slide.

FY2024 Factors Affecting the Change in Operating Income



	FY2023	FY2024
JPY/USD (average)	141	152
JPY/EUR (average)	152	164
Domestic naphtha (JPY 1,000/kl)	68	75

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This slide shows a company-wide summary of factors contributing to the increase or decrease in operating income.

As for volume, sales expanded along with the economic recovery, contributing positively to income by JPY10.9 billion.

For the selling price/product mix, the impact of price adjustments, particularly in the area of sales prices, in line with changes in raw materials and fuel prices, was a negative factor causing the JPY10.5 billion decrease, together with the product mix. The raw materials and fuel/exchange rate contributed positively by JPY12.8 billion.

In others, inventory valuation difference was on the positive side, but depreciation and repair expenses increased YoY, causing a JPY3.7 billion decrease in operating income.

Net Sales and Operating Income by Segment

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(Billion yen)

	FY2024		FY2023		Difference	
	Net Sales	**Operating Income**	Net Sales	Operating Income	Net Sales	Operating Income
Vinyl Acetate	**414.9**	**87.6**	406.8	86.3	8.1	1.3
Isoprene	**76.4**	**(9.5)**	65.7	(10.9)	10.7	1.4
Functional Materials	**208.0**	**12.9**	189.8	10.3	18.2	2.6
Fibers & Textiles	**62.7**	**1.2**	61.9	1.8	0.8	(0.6)
Trading	**67.6**	**5.9**	61.6	5.2	6.0	0.7
Others	**50.9**	**2.3**	45.7	0.5	5.2	1.8
Elimination & Corporate	**(53.5)**	**(15.4)**	(50.4)	(17.8)	(3.1)	2.4
Total	**826.9**	**85.1**	780.9	75.5	46.0	9.6

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This slide shows net sales and operating income of each segment in comparison with the previous fiscal year.

Net sales increased in all segments and operating income increased in most segments except the Fibers and Textiles.

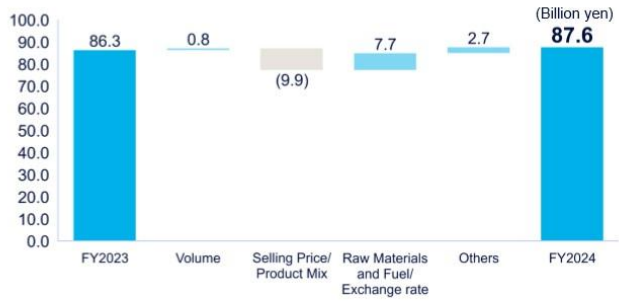
Vinyl Acetate

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(Billion yen)

	FY2023	FY2024	Difference
Net Sales	406.8	**414.9**	8.1
Operating Income	86.3	**87.6**	1.3

【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 from the start of the third quarter. To meet demand for larger TV panels, we began operating new equipment in the second 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 held steady year on year due to the effects of protracted economic stagnation in Europe.
EVAL™	The sales volume slightly increased as food packaging applications showed a recovery trend from the second quarter onwards, and automotive applications also remained steady. We decided to construct a new plant in Singapore (slated to begin operating by the end of 2026) for accommodating future growth in demand, especially in circular economy-related fields.
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 an increase in profits for the entire segment.

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I will explain the increase or decrease in operating income by segment compared to the previous fiscal year.

The first is the Vinyl Acetate segment. Both net sales and operating income in this segment increased YoY. In line with changes in raw material and fuel prices, we implemented price adjustments and changed the sales mix. Therefore, the selling price/product mix contributed negatively by JPY9.9 billion, but the raw materials and fuel/exchange rate contributed positively by JPY7.7 billion.

Inventory valuation differences caused an increase of JPY2.7 billion in the others.

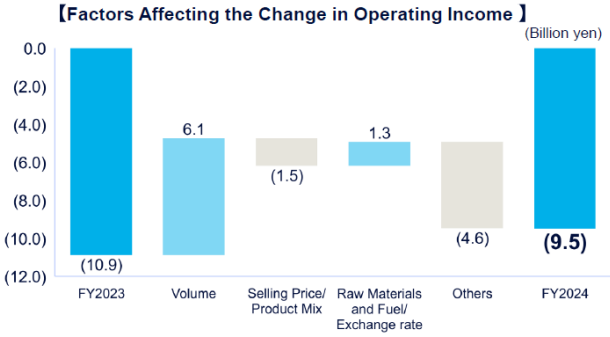
As a result, the segment as a whole reported an increase of JPY1.3 billion in operating income.

Isoprene

(Billion yen)

	FY2023	**FY2024**	Difference
Net Sales	65.7	**76.4**	10.7
Operating Income	(10.9)	**(9.5)**	1.4

【Factors Affecting the Change in Operating Income 】



Isoprene Chemicals and Elastomers	The sales volume increased as demand recovered, especially for automotive applications, and due in part to higher sales utilizing the new Thai base of operations.
GENESTAR™	The sales volume remained favorable for automotive applications. In addition, regarding electric and electronic device applications, demand recovered for devices while expanding for server connectors, driven by robust investment in generative AI data centers.
Main reason of increase/ decrease	The sales volume increased due to sales expansion with the start of operations in Thailand. Sales price were adjusted in line with fluctuations in raw material and fuel prices. Although there was an impact from depreciation expenses and inventory valuation differences, the segment as a whole saw improvement.

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Next is the Isoprene segment.

This segment saw an increase in net sales and a reduction in operating loss YoY. With respect to volume, the increase in sales volume generated an increase by JPY6.1 billion in income due to sales expansion using the Thai base and other factors. The price revision in line with changes in raw material and fuel prices, which is included in the selling price/product mix, and the portion of raw materials and fuel/exchange rate almost offset each other. On the other hand, the depreciation cost of the Thai base increased YoY, and there was a temporary production trouble. Therefore, the others contributed negatively by JPY4.6 billion.

In all three subsegments, such as Isoprene Chemicals, Elastomers, and GENESTAR™, sales volumes have significantly increased YoY, and we will continue to expand sales in order to further reduce losses and return to profitability.

Functional Materials

(Billion yen)

	FY2023	**FY2024**	Difference
Net Sales	189.8	**208.0**	18.2
Operating Income	10.3	**12.9**	2.6

【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, but was affected by intensified competition and other factors. 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.

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This page shows the Functional Materials segment.

Compared to the previous year, both net sales and operating income increased. As for volume, sales volume increased in all the businesses, generating an increase of JPY3.6 billion. In addition, the raw materials and fuel/exchange rate caused a JPY2.8 billion increase, mainly due to the impact of yen depreciation. In the others, an increase in depreciation expenses due to the start of operation of a new activated carbon facility in the US in the Environmental Solutions and a slight increase in expenses for sales expansion in line with the expansion of the medical business contributed negatively to operating income by JPY3.9 billion decrease. However, for the segment as a whole, these factors were offset and achieved an increase in operating income.

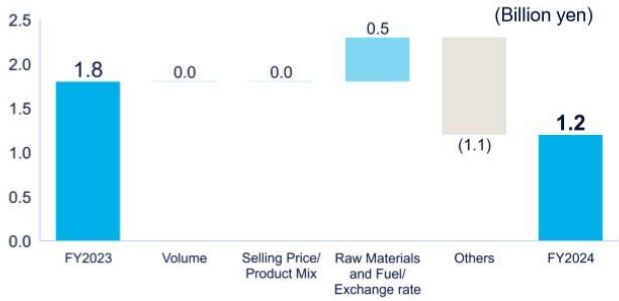
Fibers and Textiles

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(Billion yen)

	FY2023	FY2024	Difference
Net Sales	61.9	62.7	0.8
Operating Income	1.8	1.2	(0.6)

【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 in the third quarter.

Main reason of increase/ decrease	Despite the positive impact of yen depreciation, the segment income decreased due to increased expenses for periodic maintenance, etc.

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This page shows the Fibers and Textiles segment.

Net sales increased and operating income decreased YoY. While there was an increase of JPY0.5 billion in the raw materials and fuel/exchange rate, there was a decrease of JPY1.1 billion in the others due to inventory valuation difference and expenses for periodic maintenance.

FY2024 Cash Flows and Key Data

(Billion yen)

	FY2024	FY2023	Difference
Operating CF	**138.3**	129.3	9.0
Investing CF*	**(76.0)**	(63.2)	(12.9)
Free CF*	**62.3**	66.1	(3.9)
CAPEX(acceptance basis)	**84.3**	67.3	17.0
Depreciation and Amortization (incl. amortization of goodwill)	**85.2**	77.2	8.1
R&D Expenses	**25.7**	24.4	1.3

*Cash flows from investing activities and free cash flow exclude net cash used in fund management and M&A.

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This slide shows cash flows and key indicators for FY2024.

Operating cash flow increased by JPY9 billion YoY to JPY138.3 billion. Investing cash flow was an outflow of JPY76 billion, and free cash flow was JPY62.3 billion as a result. On an acceptance basis, capital investment totaled JPY84.3 billion, up JPY17 billion YoY. Depreciation and amortization increased by JPY8.1 billion to JPY85.2 billion, and R&D expenses increased by JPY1.3 billion to JPY25.7 billion.

Balance Sheet

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(Billion yen)

	Dec. 31, 2024	Dec. 31, 2023	Difference
Current Assets	**565.3**	551.7	13.5
Non-current Assets	**726.0**	702.8	23.2
Total Assets	**1,291.2**	1,254.5	36.8
Total Liabilities	**509.4**	518.3	(8.9)
Net Assets	**781.8**	736.2	45.6
Total Liabilities and Net Assets	**1,291.2**	1,254.5	36.8
Equity Ratio	**59.2%**	56.9%	2.2%

	Dec. 31, 2024	Dec. 31, 2023
JPY/USD (end of period)	158	142
JPY/EUR (end of period)	165	157

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This slide shows the balance sheet in comparison with the end of the previous year.

Assets increased by JPY36.8 billion but excluding the effect of the depreciation of the yen, both current assets and non-current assets, as well as the total, decreased in real terms. Liabilities decreased by JPY8.9 billion, mainly due to a decrease in repayment of interest-bearing debt. Net assets increased by JPY45.6 billion, mainly due to the impact of a JPY52.4 billion increase in foreign currency translation adjustments resulting from the weaker yen.

As a result, the equity ratio increased by 2.2 percentage points from the end of FY2023 to 59.2%.

Financial KPIs

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Financial KPIs

	FY2023	FY2024	FY2026 Targets
ROIC	6.2%	**7.3%**	8%
EBITDA※	¥152.6 billion	**¥170.3 billion**	¥170.0 billion
ROE	6.2%	**4.3%**	10%
EBITDA Margin（reference）	19.5%	**20.6%**	23%

*Operating income + depreciation and amortization

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This page shows financial KPIs for FY2024 results.

ROIC was 7.3%, EBITDA was JPY170.3 billion, and ROE was 4.3%, mainly due to lower net income because of a one-time extraordinary loss associated with portfolio sophisticating.

I will provide further details in the medium-term management plan document that follows.

Forecasts for FY2025

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(Billion yen)

	FY2025 Forecast	FY2024	Difference
Net Sales	**860.0**	**826.9**	33.1
Operating Income	**90.0**	**85.1**	4.9
Ordinary Income	**85.0**	**81.5**	3.5
Net Income Attributable to Owners of the Parent	**45.0**	**31.7**	13.3
CAPEX(decision basis)	**120.0**	128.7	(8.7)
CAPEX(acceptance basis)	**100.0**	84.3	15.7
Depreciation and Amortization (incl. amortization of goodwill)	**82.0**	85.2	(3.2)
R&D Expenses	**27.0**	25.7	1.3
JPY/USD (average)	**155**	152	
JPY/EUR (average)	**160**	164	
Domestic naphtha (JPY 1,000/kl)	**75**	75	

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This slide shows our forecast for the FY2025.

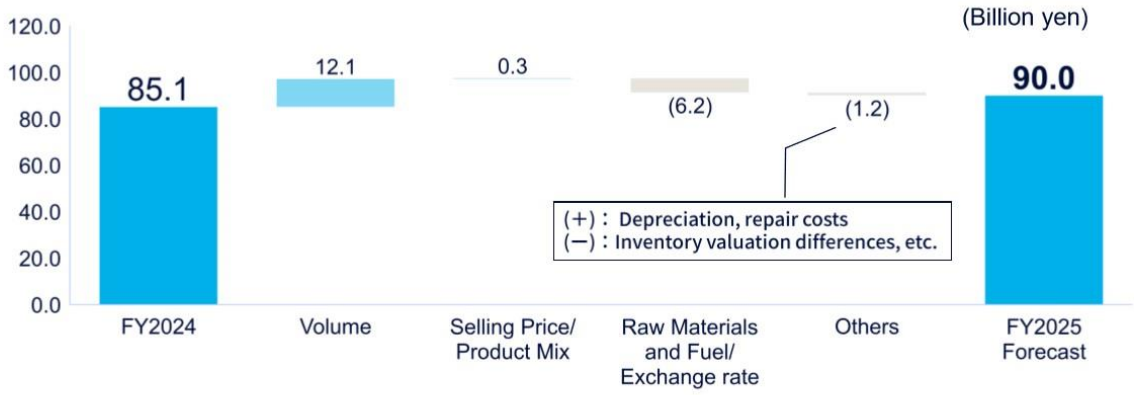
We expect the economic environment in the current fiscal year to remain uncertain due to policy shifts caused by the change of administration in the US, economic stagnation in China, and ongoing geopolitical risks in various regions.

Based on these factors, for FY2025, we project net sales of JPY860 billion, up JPY33.1 billion from FY2024, operating income of JPY90 billion, up JPY4.9 billion, and net income attributable to owners of the parent of JPY45 billion, up JPY13.3 billion.

I would like to explain this as well in the next medium-term management plan document, including the flow of FY2026. In FY2025, we plan to continue to promote efforts to sophisticate our business portfolio, as we did in FY2024, and we have factored in a certain degree of extraordinary losses and restructuring costs.

Capital investment on a decision basis is expected to be JPY120 billion, including investment in new facilities for optical-use poval film and investment for growth and expansion in activated carbon and dental materials, for which demand is expected to grow. On an acceptance basis, it is expected to be JPY100 billion, mainly due to the progress of the construction of the new EVAL™ plant, which has already been decided and construction work has started. Depreciation and amortization are expected to decrease by JPY3.2 billion to JPY82 billion, and R&D expenses are expected to increase by JPY1.3 billion to JPY27 billion.

FY2025 Factors Affecting the Change in Operating Income



	FY2024	FY2025
JPY/USD (average)	152	155
JPY/EUR (average)	164	160
Domestic naphtha (JPY 1,000/kl)	75	75

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This slide shows the increase or decrease in operating income forecast for FY2025 compared to the FY2024 results.

In FY2025, volume is expected to be a JPY12.1 billion driver of income growth, as sales growth continues to be driven by businesses with high growth potential. On the other hand, due to higher raw material and fuel prices and other factors, we expect raw materials and fuel/exchange rate to be a negative factor of JPY6.2 billion. As for the others, although expenses such as repair costs will decrease, inventory valuation difference is expected to be a negative factor, resulting in a factor for the income decrease of about JPY1.2 billion. The total of these factors is expected to result in an overall increase of JPY4.9 billion in operating income.

Net Sales and Operating Income by Segment

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(Billion yen)

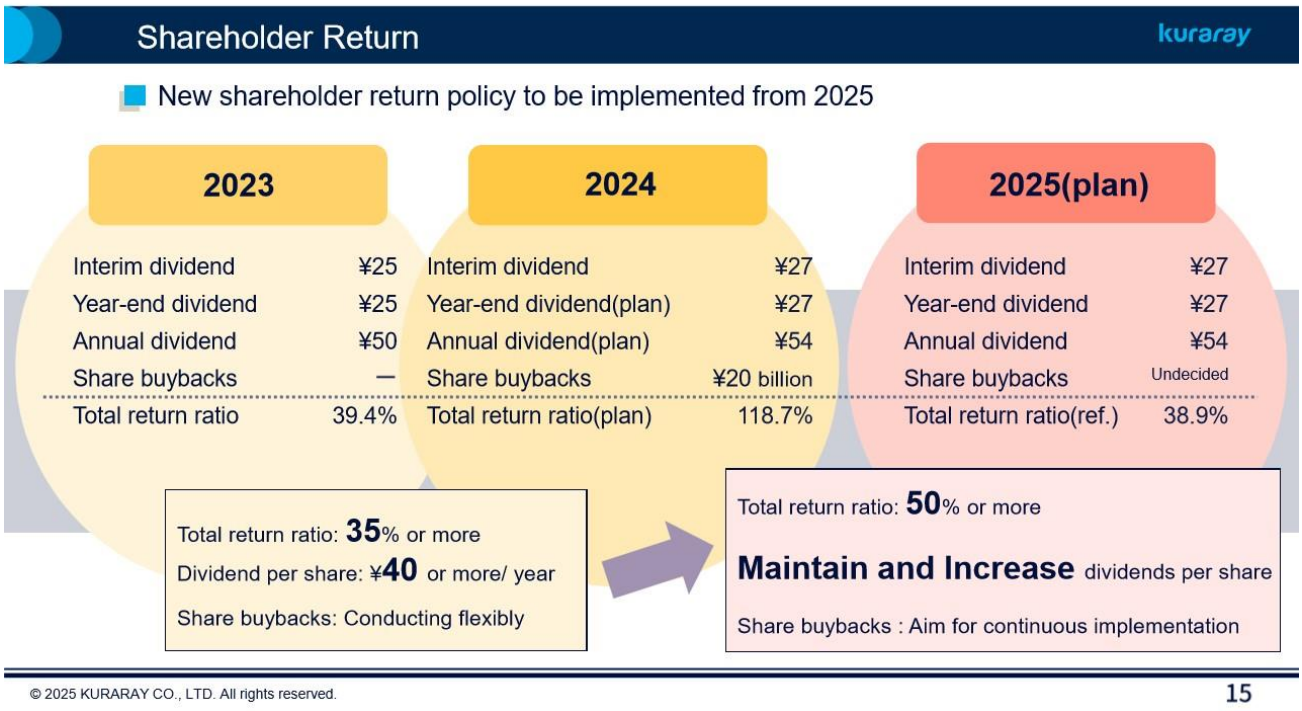
	FY2025 Forecast		FY2024		Difference	
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income
Vinyl Acetate	**428.0**	**81.0**	414.9	87.6	13.1	(6.6)
Isoprene	**85.0**	**(4.5)**	76.4	(9.5)	8.6	5.0
Functional Materials	**221.0**	**19.0**	208.0	12.9	13.0	6.1
Fibers & Textiles	**65.0**	**2.0**	62.7	1.2	2.3	0.8
Trading	**70.0**	**6.5**	67.6	5.9	2.4	0.6
Others	**43.0**	**2.0**	50.9	2.3	(7.9)	(0.3)
Elimination & Corporate	**(52.0)**	**(16.0)**	(53.5)	(15.4)	1.5	(0.6)
Total	**860.0**	**90.0**	826.9	85.1	33.1	4.9

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This slide shows the projected net sales and operating income for each segment for FY2025 compared to FY2024.

In the Vinyl Acetate segment, although net sales and operating income are expected to increase due to higher sales volume, higher raw material and fuel prices and inventory valuation differences are expected to be factors for reducing income, resulting in a decrease in operating income despite higher sales. Other major segments are expected to see increases in both net sales and operating income.

For details of the operating income forecast by segment, please refer to the reference material on and after page 16.



This slide shows shareholder returns.

Our company's policy has been to maintain a total return ratio of at least 35% and a dividend of at least JPY40 per share, and to flexibly implement share buybacks.

Under this policy, we plan to pay a year-end dividend of JPY27 per share for FY2024, and an annual dividend of JPY54 yen per share, including the interim dividend of JPY27 per share already paid. Together with the JPY20 billion share buyback implemented from May to October last year, the total return ratio for FY2024 is 118.7%.

We plan to implement shareholder returns for FY2025 in accordance with our new shareholder return policy, which we have recently reviewed. I have shown them here, but I will explain them again in detail in the medium-term management plan document that follows.

That is all for the explanation of the financial results.



Kuraray Group Medium-Term Management Plan 2022-2026

PASSION 2026

Progress and Outlook

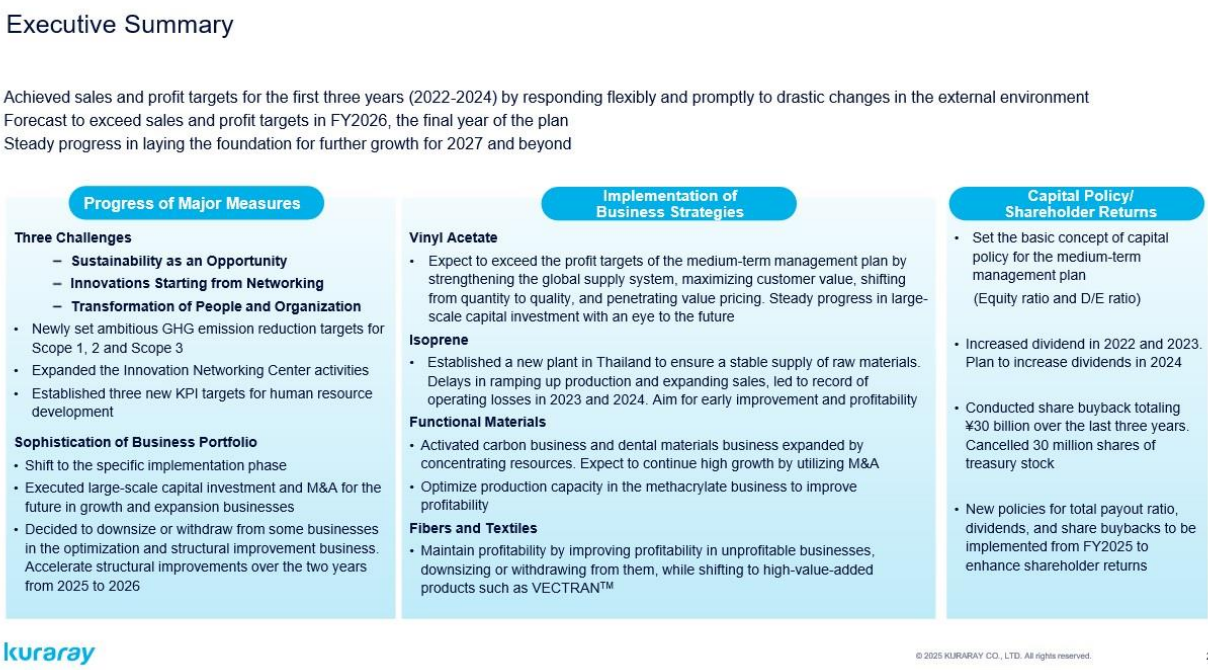
KURARAY CO., LTD.

February 12, 2025

I will now continue with an explanation of the progress and outlook of the medium-term management plan.

The Kuraray Group is implementing the five-year medium-term management plan “PASSION 2026” starting in FY2022. FY2024 was the middle year of the five-year plan, so we took this opportunity to confirm the progress of the plan's measures and the outlook for targets toward the final year, FY2026.

In the subsequent slides, I will talk about the details.

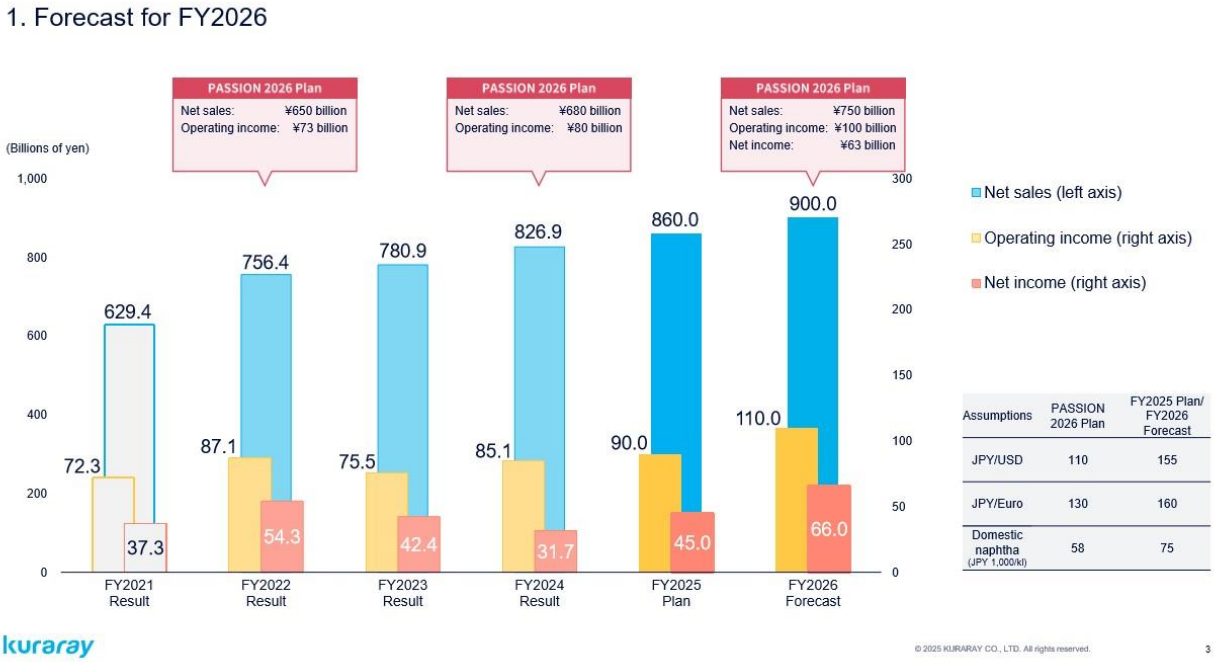


On this page, you will find an executive summary of what we would like to share with you today.

Shortly after the start of the medium-term management plan, “PASSION 2026”, geopolitical problems and conflicts escalated in various regions, including Russia's invasion into Ukraine and the tense situation in the Middle East that began the following year, followed by ongoing and expanding conflicts. These factors caused raw material and fuel prices to skyrocket further, resulting in global inflation and cost increases, which in turn caused interest rates to rise due to monetary tightening in many countries to curb such inflation, resulting in economic slowdowns in major regions.

During this period, the outlook remained uncertain. The external environment, including the assumptions for the plan, has changed significantly. Despite these circumstances, we have achieved our sales and profit targets for the first three years by steadily implementing our business strategy of strengthening our global supply system, shifting to high value-added products, and maximizing customer value, while responding flexibly and agilely. Looking ahead, we expect to exceed our sales and profit targets for the final year, FY2026.

This slide shows the progress of our main measures, including the implementation of our business strategies for the three challenges we initially set forth and the sophisticating of our business portfolio. As you can see in the section of the implementation of business strategies, we show you the situation of main business segments. The third section summarizes capital policy and shareholder returns. I will explain the details one by one in the following slides.



The period of the medium-term management plan, from FY2022 to FY2026, is shown on the slide. Net sales and operating income are presented in the form of actual results for the years FY2022 through FY2024, and plan for FY2025 and forecast for the final year, FY2026.

The original plan for “PASSION 2026” established numerical targets in the form of year one, year three, and year five. They are written in the boxes above. The assumptions, exchange rates as terms of trade, the original plan for the domestic naphtha price as an indicator, and the comparison with the current forecast are shown on the lower right.

Shortly after the start of the medium-term management plan, there were major changes in assumptions and the economic environment. Regarding foreign exchange, while the depreciation of the yen against both the US dollar and the euro has led to an increase in profits, inflation and the accompanying rise in interest rates have caused raw material prices to soar, which has significantly increased costs. This means that economic activity also remained very uncertain.

Despite this environment, we believe that we have been able to enhance our profitability by responding to the market with agile pricing and sales strategies, focusing on strong products with competitive and growth potential. As a result, we achieved our numerical targets for both net sales and operating income in the first year and the interim year of FY2024. Although the future business environment remains uncertain, we expect to exceed our initial targets in FY2026, the final year of the plan, and to achieve record-high net sales, operating income, and net income in all of them.

2. Financial KPIs

- Expect ROIC and EBITDA to exceed the target, while ROE and EBITDA margin to fall short
- Focus on enhancing profitability by sophisticating the business portfolio and improving capital efficiency

	FY2021 Results	FY2024 Results	PASSION 2026 FY2026 Targets (Announced in Feb. 2022)	PASSION 2026 FY2026 Forecast
ROIC	6%	7%	8%	9%
EBITDA (Operating income + depreciation and amortization)	¥131.3 billion	¥170.3 billion	¥170.0 billion	¥186.0 billion
ROE	7%	4%	10%	9%
EBITDA Margins (Reference)	21%	21%	23%	21%

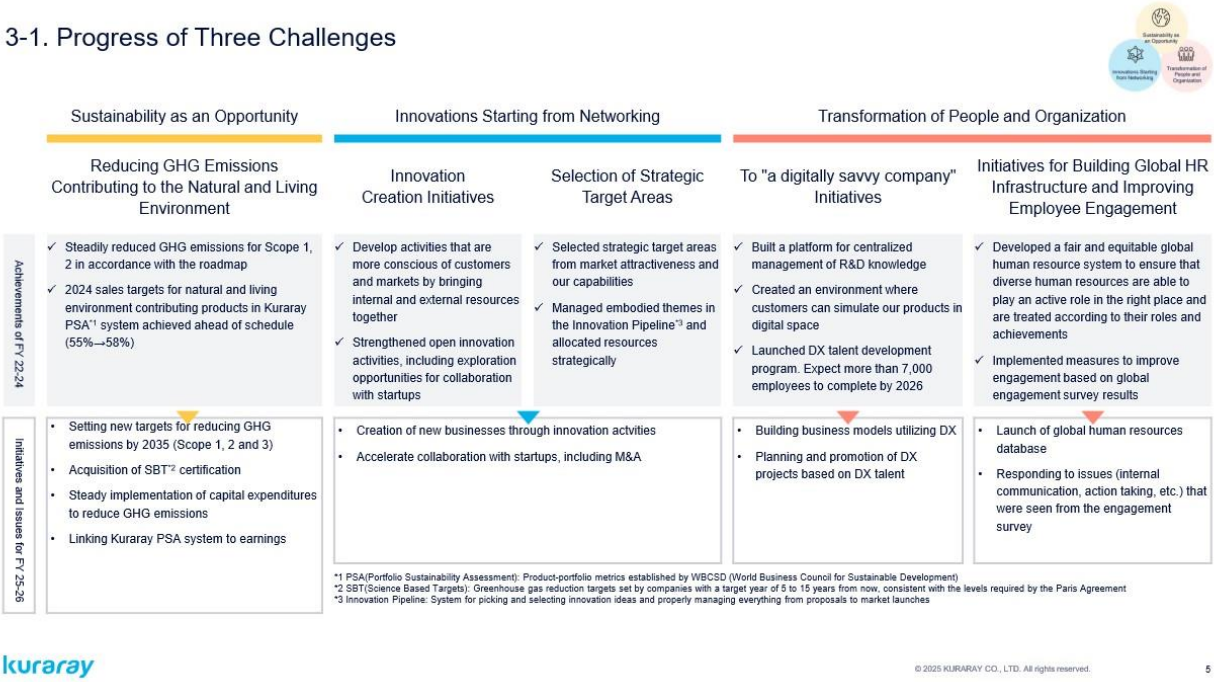
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This page shows our financial KPIs.

For FY2024, ROIC was just over 7% and EBITDA was JPY170.3 billion. ROIC and EBITDA have continued to improve and expand year after year, and we expect to exceed our targets for FY2026.

On the other hand, ROE for FY2024 was just over 4% due to extraordinary losses, including impairment losses, loss on liquidation of business, and loss on disposal of fixed assets, which we view as a one-time factor. Although ROE for FY2026 is expected to be slightly below the target, we recognize that we are making solid progress on the earning power. We intend to continue to enhance profitability by sophisticating our business portfolio and steadily improving capital efficiency.



In this slide, I would like to explain the three challenges we have set forth in “PASSION 2026”.

First is the progress of sustainability as an opportunity. With regard to the reduction of GHG emissions, we have been steadily implementing Scope 1 and Scope 2 reductions for the first three years in accordance with the initial roadmap. For the latter two years, we intend to steadily implement measures to achieve the GHG emission reduction targets we have just set.

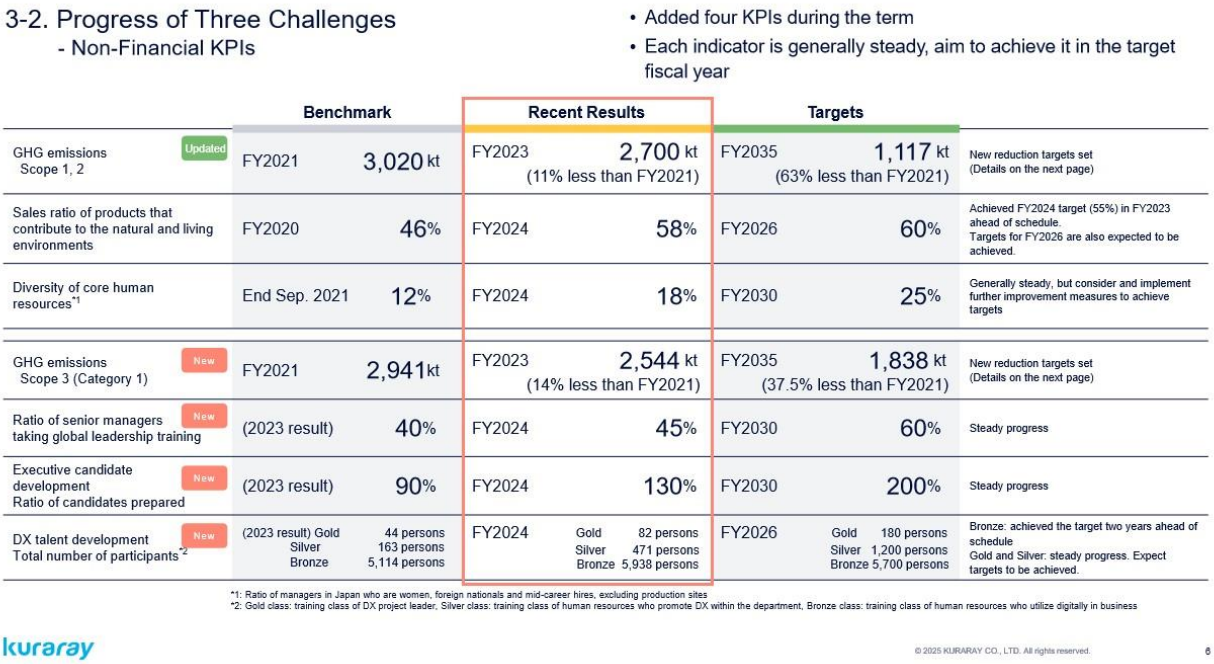
With respect to Kuraray PSA, or portfolio sustainability assessment system, we were able to achieve our FY2024 sales ratio target for products that contribute to the natural and living environment ahead of schedule. The current Kuraray PSA system is tied to net sales, but in the latter two years, we will work to reflect this in our strategy so that we can show the contribution to profits based on business earnings, which we have already begun to consider.

Second is the progress of innovations starting from networking. Here, we describe our initiatives for innovation creation. In the first three years, we have focused on activities to bring internal and external resources together, exploring partnerships with startups and strengthening open innovation activities. In the latter two years, we will move into the phase of materializing these activities. We will create new businesses, using M&As as an option.

Lastly, I would like to talk about the progress of the transformation of people and organization. The Kuraray Group aims to be a digitally savvy company, a company where all employees are digitally savvy. To this end, we are building a digital platform and preparing an environment where customers can simulate our products in a digital space, and we are focusing on internal human resource development. We plan to have more than 7,000 employees complete the DX training program by 2026. In the future, we would like to plan and promote DX projects using the personnel who have completed the training program as a starting point.

At the same time, we are actively working to improve our global human resource infrastructure and employee engagement. The results of the global engagement survey conducted from 2022 to 2024 indicate that management policies and measures have not yet fully penetrated the frontline, or that there are areas where the voice of the frontline has not been sufficiently picked up by management. We take these results seriously and are working to solve issues, and the most recent results show improvement since the last survey in both

score and response rate. In order to improve engagement, we recognize the importance of continuously absorbing the voices and opinions of employees and making use of them in management, and we would like to continue our efforts.



3-2. Progress of Three Challenges
- Non-Financial KPIs

- Added four KPIs during the term
- Each indicator is generally steady, aim to achieve it in the target fiscal year

	Benchmark	Recent Results	Targets	
GHG emissions Scope 1, 2 (Updated)	FY2021 3,020 kt	FY2023 2,700 kt (11% less than FY2021)	FY2035 1,117 kt (63% less than FY2021)	New reduction targets set (Details on the next page)
Sales ratio of products that contribute to the natural and living environments	FY2020 46%	FY2024 58%	FY2026 60%	Achieved FY2024 target (55%) in FY2023 ahead of schedule. Targets for FY2026 are also expected to be achieved.
Diversity of core human resources*1	End Sep. 2021 12%	FY2024 18%	FY2030 25%	Generally steady, but consider and implement further improvement measures to achieve targets
GHG emissions Scope 3 (Category 1) (New)	FY2021 2,941kt	FY2023 2,544 kt (14% less than FY2021)	FY2035 1,838 kt (37.5% less than FY2021)	New reduction targets set (Details on the next page)
Ratio of senior managers taking global leadership training (New)	(2023 result) 40%	FY2024 45%	FY2030 60%	Steady progress
Executive candidate development Ratio of candidates prepared (New)	(2023 result) 90%	FY2024 130%	FY2030 200%	Steady progress
DX talent development Total number of participants*2 (New)	(2023 result) Gold 44 persons, Silver 163 persons, Bronze 5,114 persons	FY2024 Gold 82 persons, Silver 471 persons, Bronze 5,938 persons	FY2026 Gold 180 persons, Silver 1,200 persons, Bronze 5,700 persons	Bronze: achieved the target two years ahead of schedule. Gold and Silver: steady progress. Expect targets to be achieved.

*1: Ratio of managers in Japan who are women, foreign nationals and mid-career hires, excluding production sites
*2: Gold class: training class of DX project leader, Silver class: training class of human resources who promote DX within the department, Bronze class: training class of human resources who utilize digitally in business

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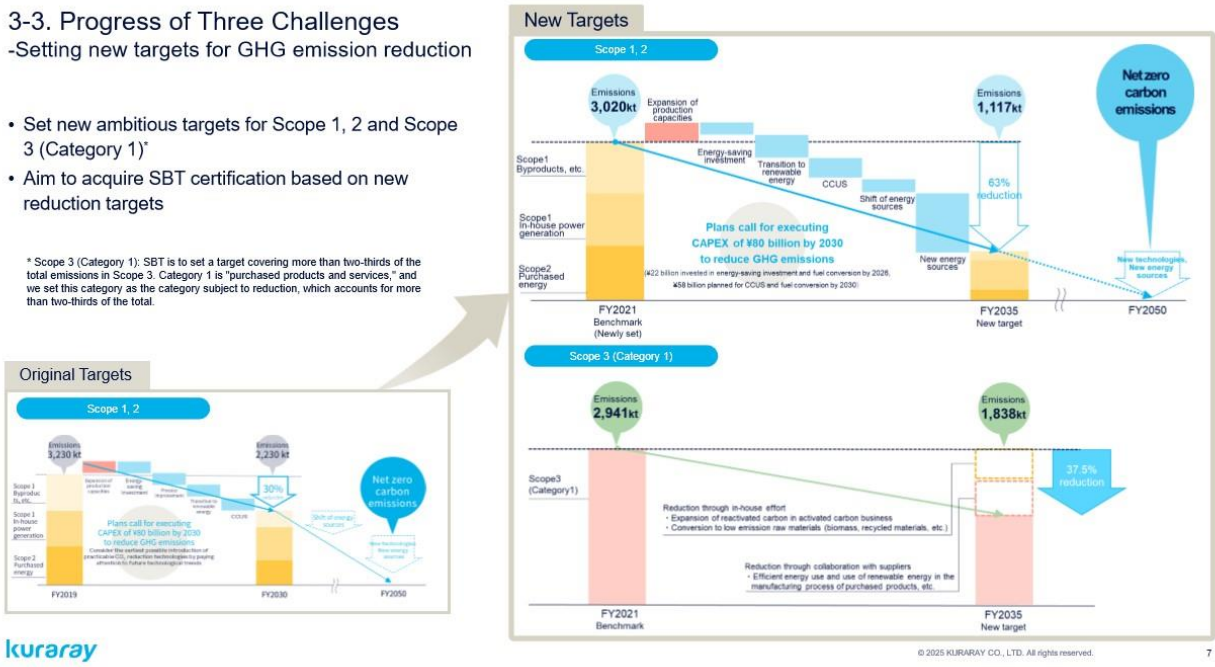
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This slide summarizes the non-financial KPIs for the three challenges.

The top three are the three KPIs initially defined, and the bottom four are the four new non-financial KPIs defined during this period. As for the new four KPIs, we are proceeding with the addition of Scope 3 Category 1 for greenhouse gases, or GHG emissions, the participation ratio of global leadership training at the senior manager level, the preparation ratio of candidates for executive candidate development, and the number of participants in the DX talent development as non-financial KPIs.

I will not go into the details of each indicator today, but so far, we are making good progress. Although we have different target years for each KPI, we are aiming to achieve them.



I would like to explain the new targets for GHG emissions.

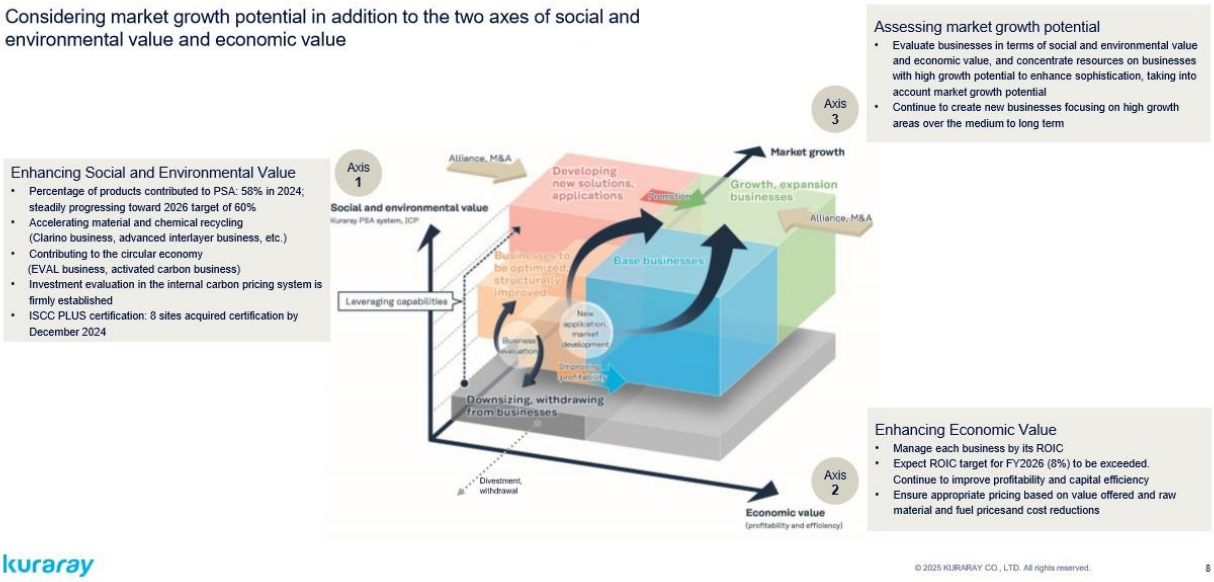
We have been aiming for a 30% GHG emissions reduction by 2030 for Scopes 1 and 2, with FY2019 as the benchmark. In the new target, we have set a more ambitious figure and are working to achieve it.

As we have been expanding investments and capabilities for future growth, our GHG emissions tend to increase along with the launches of new facilities. However, we are aiming to reduce GHG emissions by 63% by FY2035 compared to FY2021, the new starting point, by actively combining investments in energy conservation, the transition to renewable energy for electric power, CCUS, shift of energy resources, and the use of renewable energy, among others. There is no change to our original goal of zero net carbon emissions by FY2050.

In addition, we have recently set a new target for Scope 3. Category 1, which accounts for more than 2/3 of Scope 3 emissions and refers to purchased products and services, is to be reduced by 37.5% by FY2035, with FY2021 as the new benchmark like Scopes 1 and 2.

Based on the new reduction targets, we will aim to obtain certification for the Science-Based Targets in the future.

4-1. Sophistication of Business Portfolio

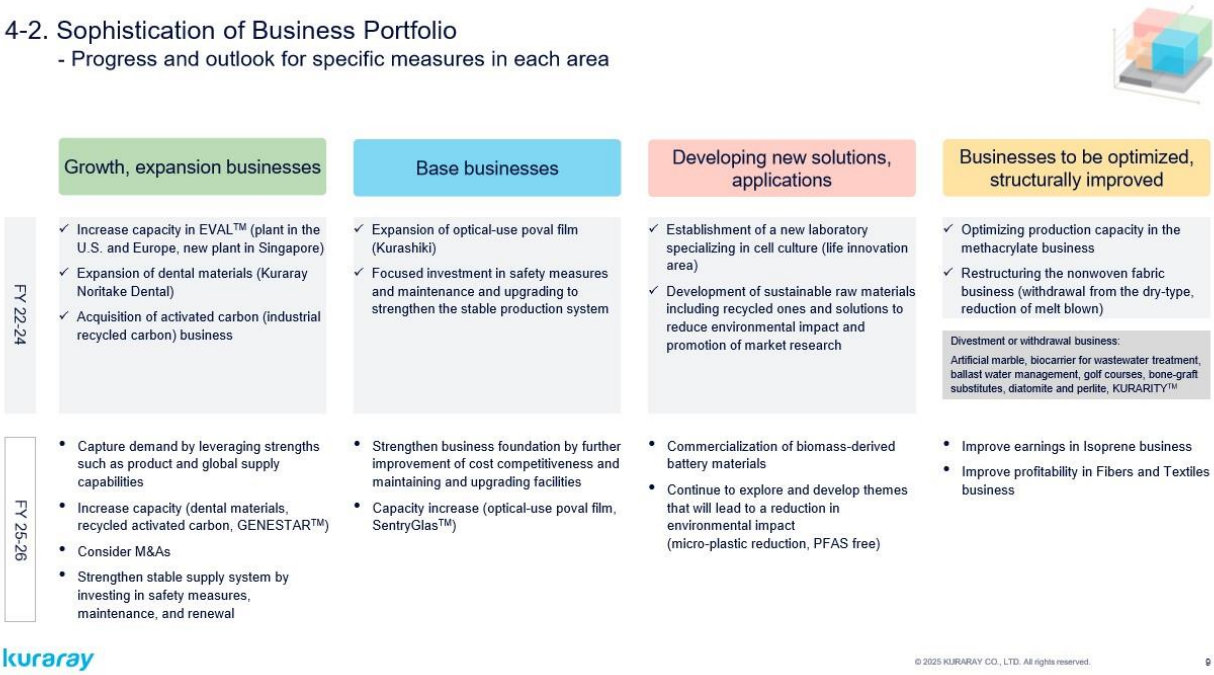


I would like to explain how the Kuraray Group is sophisticating its business portfolio under its medium-term management plan, “PASSION 2026”.

In the illustration, the evaluation of the business portfolio is based on three axes: the axis one on the vertical axis, which is described as social and environmental value, axis two on the horizontal axis as economic value, and axis three on the depth axis as market growth potential.

For social and environmental value on the vertical axis, we use a combination of two methods: internal carbon pricing, in addition to the Kuraray PSA system. For economic value on the horizontal axis, we evaluate each business and product using two indicators: operating cash flow as earning power, and ROIC as efficiency. In addition, we examine the growth potential of the market in which each product or business is located, as well as our perspective on whether we are the best owner.

During the first two years of “PASSION 2026”, we had been working to identify businesses and products with high growth potential and competitiveness through the thorough operation of these businesses and products. The four colors shown in the illustration indicate the areas of growth and expansion businesses in green, base businesses in light blue, new solution and application development in pink, and businesses to be optimized and structurally improved in orange. Each business and product is positioned in one of these areas. Furthermore, for businesses to be optimized and structurally improved, we conduct feasibility assessments and make decisions on downsizing or withdrawing from some businesses.



I will explain the progress and outlook for specific measures in each area related to business portfolio sophistication.

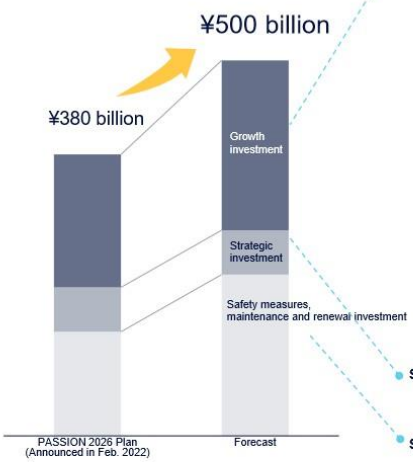
We are moving into the phase of concrete implementation beginning in FY2024. As for the growth, expansion businesses and base businesses, we are steadily launching facilities that have already been decided and construction work has begun, making capital investments such as the new EVAL™ plant in Singapore, acquiring the industrial reactivated carbon business in the activated carbon field, and making decisions for future growth.

On the other hand, we have made decisions to transfer, downsize, or withdraw from some businesses and products that are difficult to improve for the future. Businesses that have been sold, withdrawn, or downsized are shown in the gray box on the right side of the slide. We also announced today the termination of production and sales of KURARITY™, acrylic block copolymers.

For the second half of the medium-term management plan from FY2025 to FY2026, we will leverage our strengths in growth and expansion businesses such as EVAL™, activated carbon, and dental materials to accurately respond to growing demand, while improving profitability in the Isoprene business and Fibers and Textiles business. We are determined to make necessary decisions quickly and boldly with measures such as capacity expansion and M&As, which are necessary for growth.

In addition, we will invest firm management resources to strengthen our stable supply system, including safety measures and maintenance and renewal. Through these efforts, we intend to further advance the sophistication of our business portfolio.

5. Capital Expenditures during PASSION 2026 (decision basis)



Growth investment: Implement growth investment contributing to future profits

Investment decisions expected from FY2025 onward

Classification for business portfolio management	Content of investment	Investment objective	Year of operation (including plans)
Growth, Expansion business	EVAL™ Production capacity expansion in the U.S. and Europe	Responding to increased demand for use in food packaging applications as a circular economy adaptation	2024, 2026
	EVAL™ Construction of new plant		2026
	Expansion of dental materials (inorganic)	Production capacity expansion for zirconia products, ceramics, etc.	2026
	Expansion of dental materials (organic)	Production capacity expansions for bonds, composite resins, etc.	2026 and thereafter
	New construction and expansion of recycled activated carbon in the U.S. and Europe	Responding to increased demand due to strengthen PFAS regulations	2026 and thereafter
	Expansion of GENESTAR™	Responding to the expansion use of automotive parts, further expansion into global markets	2026 and thereafter
Base businesses	Expansion of optical-use poval film (Kurashiki)	To meet rising demand for large polarizing films	2024
	Expansion of optical-use poval film		2026 and thereafter

Strategic investment (Reduction of GHG emissions, DX and new research center): Investment in reducing GHG emissions is reduced due to a detailed examination, but total investment is expected to be about the same due to an increase in DX investment

Safety measures, maintenance and renewal investment: Investment in safety measures based on the concept of placing the highest priority on safety, and investment in responding to aging and maintaining and upgrading necessary for business continuity. Strengthen production system to stabilize earnings

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This slide summarizes capital expenditures during the “PASSION 2026” period.

As of the original plan created in 2022, on a decision basis, we had planned capital investment of JPY380 billion over a five-year period. In the current forecast, the amount has been increased to JPY500 billion, which includes the impact of the depreciation of the yen. By further developing the Kuraray Group's strengths and highly competitive businesses and products, we intend to lay a solid foundation for the Group's growth.



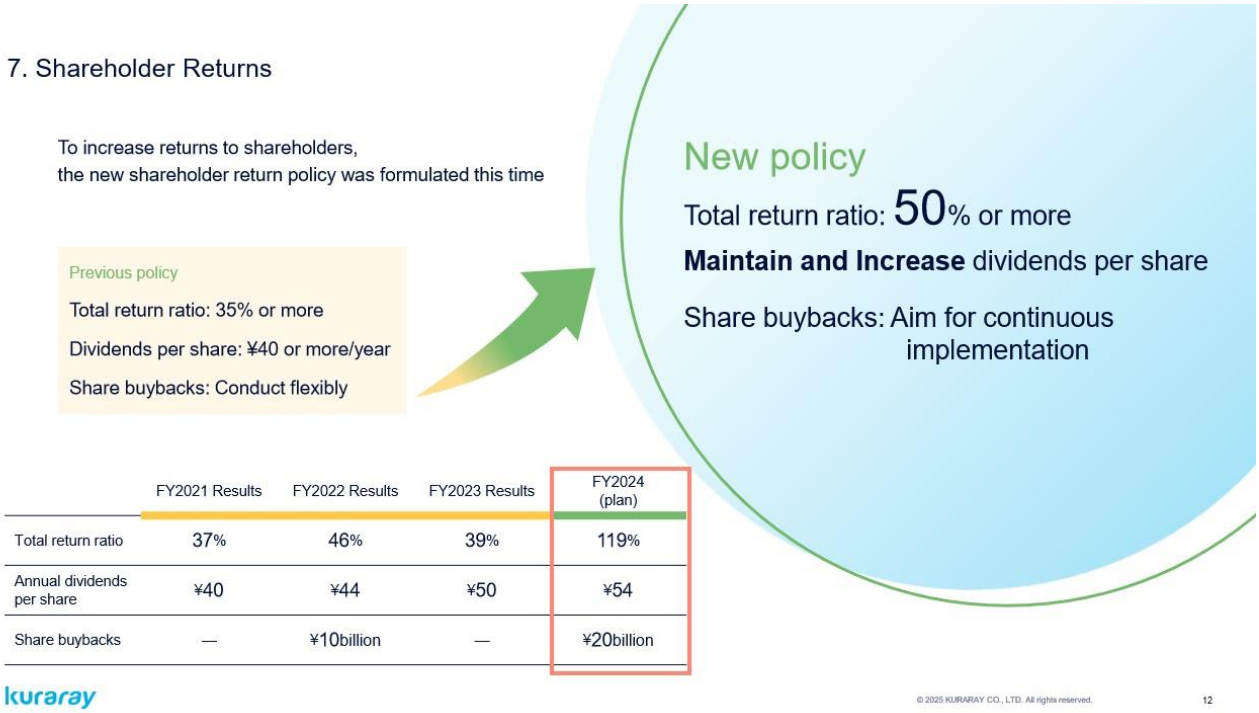
This is the capital policy during “PASSION 2026”.

Although the equity ratio declined temporarily due to the fire incident at EVAL™ plant in US that occurred in 2018 and the associated litigation settlement payments, the ratio has been on an upward trend in recent years as the litigation has been resolved and as the Company's performance has expanded.

We have recently organized our basic approach to capital policy in the review of our medium-term management plan and have presented it on the slide. Specifically, the Company's financial management will target an equity ratio in the 50% to 60% zone and a D/E ratio of 0.45 or less.

With regard to cash allocation, operating cash flow during the period will be approximately JPY600 billion, of which JPY450 billion will be for capital expenditures on an acceptance basis, and about JPY150 billion for shareholder returns.

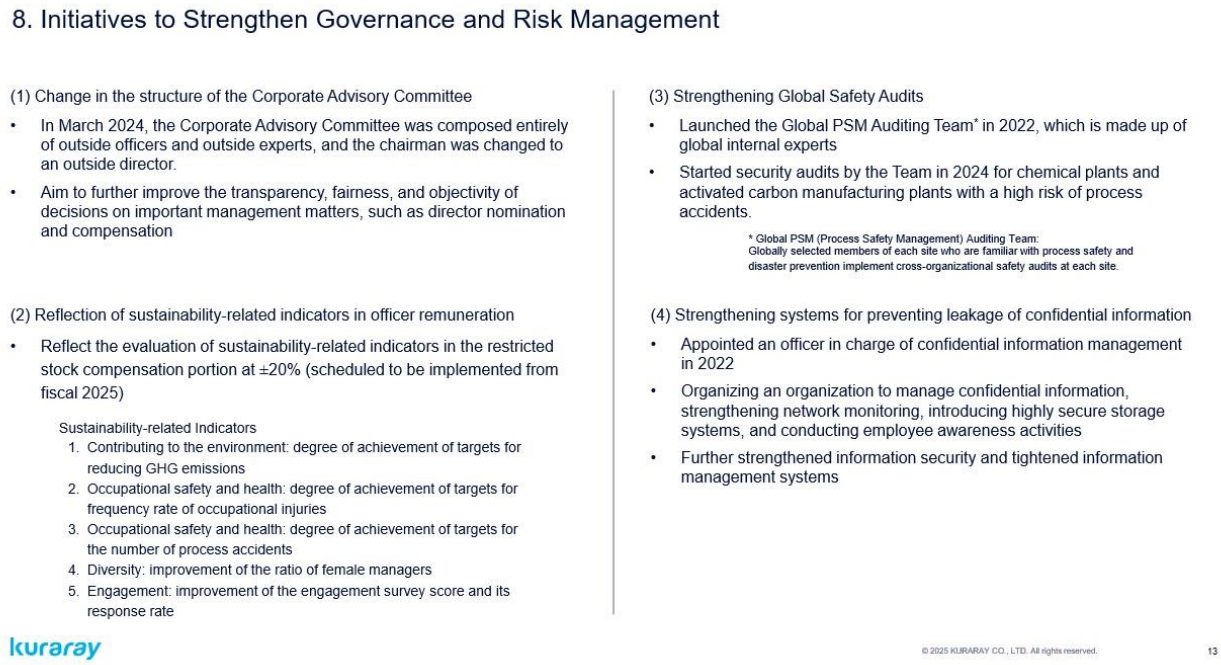
In addition, regarding M&As, we will continue to make decisions on a case by case, taking into account the appropriate partners, targets, and timing. We are aiming for about 100 billion yen in M&A, as per the initial plan as initially planned. In executing this, we are mindful of the need to raise funds as needed.



On this slide, I will explain shareholder returns.

During the period of “PASSION 2026”, we increased dividends in FY2022 and FY2023 consecutively, and we plan to increase dividends in FY2024 as well. In addition, over the past three years, the Company has repurchased a total of JPY30 billion in treasury stock, and in November of last year, 30 million shares of treasury stock, including those already repurchased, were cancelled.

We have now formulated a new shareholder return policy to further enhance shareholder returns. Our new policy is to ensure a total return ratio of at least 50%, to maintain or increase dividends per share, and aim to continue share buybacks. From FY2025 onward, we will return profits to shareholders under this policy, and we hope that you will look forward to it.



In this slide, I will explain our governance and our efforts to strengthen risk management.

The left side of the slide shows governance-related initiatives. The Company has already changed the composition of the Corporate Advisory Committee, which serves as an advisory body to the Board of Directors, in March last year, to a structure consisting solely of outside officers and outside experts. With the chairperson of the committee as an outside director, we will continue our efforts to improve the transparency, fairness, and objectivity of decision-making regarding director nominations, compensation, and important management matters.

In addition, this will be an initiative starting in 2025, and we will introduce a system to reflect sustainability-related indicators in officer remuneration in order to further enhance the commitment of officers to sustainability. Specifically, the Company will introduce a restricted stock compensation portion that will reflect an evaluation based on environmental contribution, occupational safety, diversity, and engagement in the range of plus or minus 20%.

Please take a look at the right side of the slide. This section describes risk management-related initiatives. The Group will steadily implement measures to further strengthen the safety and risk management systems of the entire Group, with a view to preventing a serious accident such as the fire at the EVAL™ plant in the US that occurred in 2018 from ever happening again. As part of this effort, we have indicated that we are working to strengthen our global safety audits.

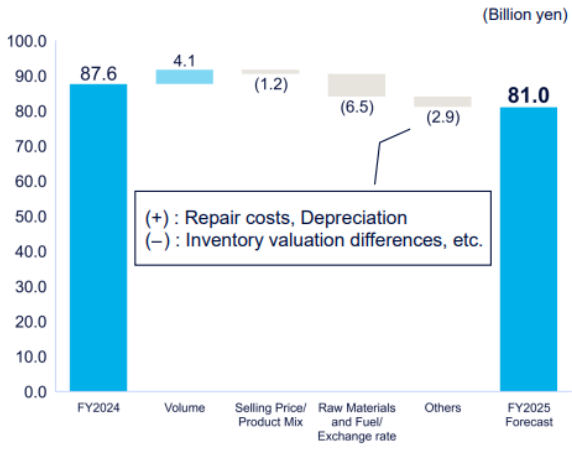
We will also focus on strengthening our system for preventing the leakage of confidential information, and will further enhance our information security and information management systems by introducing more robust systems, as well as by educating our employees. That concludes my report on the progress and outlook of the medium-term management plan.

This concludes my explanation. Thank you for your attention.

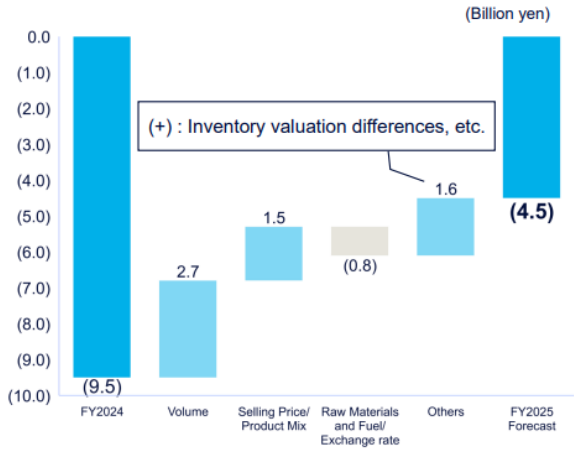
【Ref.】 Factors Affecting the Change in Operating Income by Segment

kuraray

Vinyl Acetate



Isoprene

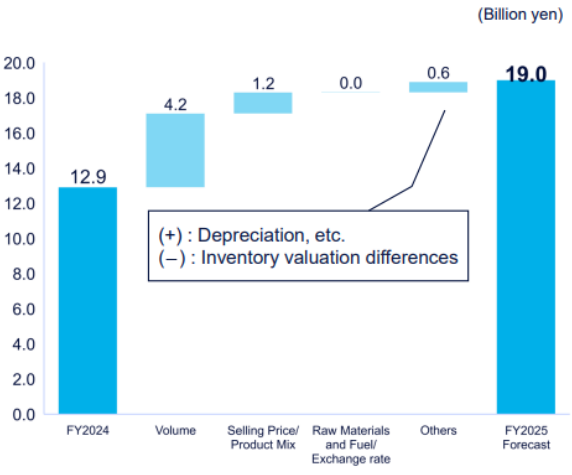


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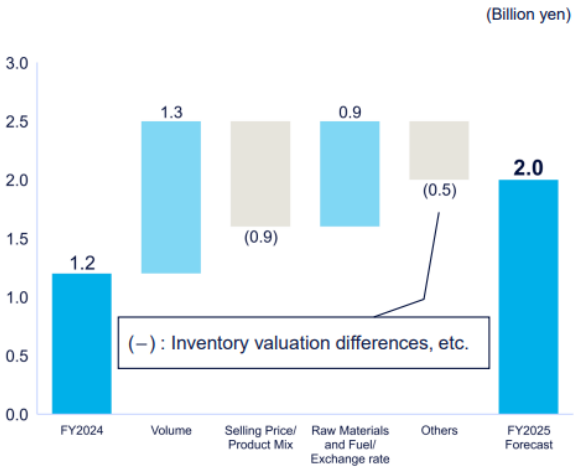
【Ref.】 Factors Affecting the Change in Operating Income by Segment

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Functional Materials



Fibers & Textiles



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【Ref.】 Forecast for FY2025

kuraray

(Billion yen)

	FY2025 Forecast			FY2024			Difference		
	1H	2H	FY	1H	2H	FY	1H	2H	FY
Net Sales	420.0	440.0	860.0	411.2	415.7	826.9	8.8	24.3	33.1
Operating Income	38.0	52.0	90.0	45.5	39.6	85.1	(7.5)	12.4	4.9
Ordinary Income	36.0	49.0	85.0	44.0	37.5	81.5	(8.0)	11.5	3.5
Net Income Attributable to Owners of the Parent	22.0	23.0	45.0	30.4	1.3	31.7	(8.4)	21.7	13.3

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【Ref.】 Net Sales Forecast by Segment

kuraray

(Billion yen)

	FY2025 Forecast			FY2024			Difference		
	1H	2H	FY	1H	2H	FY	1H	2H	FY
Vinyl Acetate	210.0	218.0	428.0	208.8	206.1	414.9	1.2	11.9	13.1
Isoprene	41.0	44.0	85.0	37.5	38.8	76.4	3.5	5.2	8.6
Functional Materials	107.5	113.5	221.0	102.8	105.2	208.0	4.7	8.3	13.0
Fibers & Textiles	31.0	34.0	65.0	31.2	31.4	62.7	(0.2)	2.6	2.3
Trading	34.5	35.5	70.0	32.2	35.4	67.6	2.3	0.1	2.4
Others	21.0	22.0	43.0	25.0	25.9	50.9	(4.0)	(3.9)	(7.9)
Elimination & Corporate	(25.0)	(27.0)	(52.0)	(26.4)	(27.1)	(53.5)	1.4	0.1	1.5
Total	420.0	440.0	860.0	411.2	415.7	826.9	8.8	24.3	33.1

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【Ref.】Operating Income Forecast by Segment

kuraray

(Billion yen)

	FY2025 Forecast			FY2024			Difference		
	1H	2H	FY	1H	2H	FY	1H	2H	FY
Vinyl Acetate	34.0	47.0	81.0	43.9	43.7	87.6	(9.9)	3.3	(6.6)
Isoprene	(2.5)	(2.0)	(4.5)	(4.0)	(5.5)	(9.5)	1.5	3.5	5.0
Functional Materials	9.0	10.0	19.0	6.5	6.5	12.9	2.5	3.5	6.1
Fibers & Textiles	0.5	1.5	2.0	0.7	0.5	1.2	(0.2)	1.0	0.8
Trading	3.2	3.3	6.5	2.7	3.2	5.9	0.5	0.1	0.6
Others	0.8	1.2	2.0	0.9	1.4	2.3	(0.1)	(0.2)	(0.3)
Elimination & Corporate	(7.0)	(9.0)	(16.0)	(5.2)	(10.2)	(15.4)	(1.8)	1.2	(0.6)
Total	38.0	52.0	90.0	45.5	39.6	85.1	(7.5)	12.4	4.9

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【Ref.】 FY2024 Net Sales and Operating Income by Segment (vs. Previous Forecast)

kuraray

(Billion yen)

	FY2024		Previous Forecast (As of Nov. 13, 2024)		Difference	
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income
Vinyl Acetate	414.9	87.6	420.0	88.0	(5.1)	(0.4)
Isoprene	76.4	(9.5)	76.0	(8.0)	0.4	(1.5)
Functional Materials	208.0	12.9	210.0	14.0	(2.0)	(1.1)
Fibers & Textiles	62.7	1.2	66.0	2.0	(3.3)	(0.8)
Trading	67.6	5.9	67.0	5.7	0.6	0.2
Others	50.9	2.3	51.0	2.0	(0.1)	0.3
Elimination & Corporate	(53.5)	(15.4)	(55.0)	(14.7)	1.5	(0.7)
Total	826.9	85.1	835.0	89.0	(8.1)	(3.9)

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【Ref.】 Quarterly Net Sales by Segments

kuraray

(Billion yen)

	FY2023					FY2024				
	1Q	2Q	3Q	4Q	FY	1Q	2Q	3Q	4Q	FY
Vinyl Acetate	97.8	101.1	103.9	104.0	406.8	99.0	109.8	106.7	99.4	414.9
Isoprene	15.8	16.0	15.0	18.8	65.7	17.2	20.4	18.5	20.3	76.4
Functional Materials	45.4	48.0	46.3	50.1	189.8	48.7	54.0	49.6	55.7	208.0
Fibers & Textiles	13.5	16.6	14.8	16.9	61.9	13.8	17.4	15.0	16.5	62.7
Trading	13.8	15.2	15.8	16.8	61.6	15.3	16.9	16.0	19.4	67.6
Others	11.3	11.5	11.1	11.7	45.7	11.7	13.3	12.1	13.8	50.9
Elimination & Corporate	(12.7)	(12.4)	(13.5)	(11.8)	(50.4)	(13.6)	(12.8)	(14.2)	(12.9)	(53.5)
Total	185.0	196.0	193.4	206.6	780.9	192.2	219.0	203.6	212.1	826.9

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【Ref.】 Quarterly Operating Income by Segments

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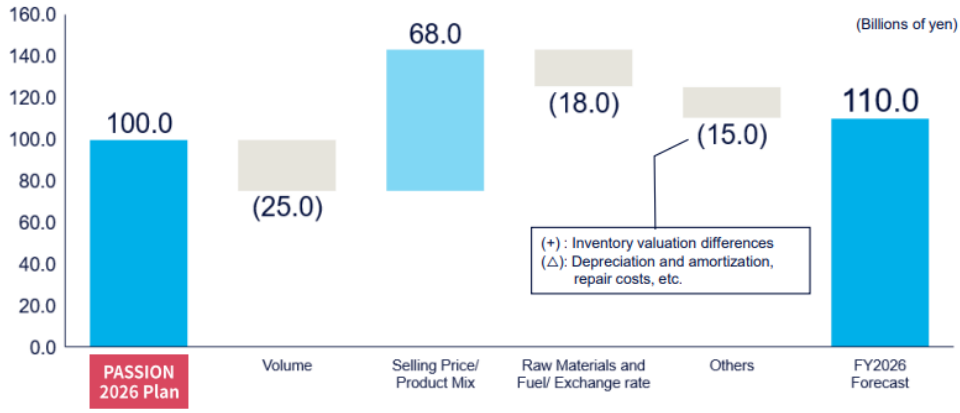
(Billion yen)

	FY2023					FY2024				
	1Q	2Q	3Q	4Q	FY	1Q	2Q	3Q	4Q	FY
Vinyl Acetate	17.8	22.4	23.5	22.6	86.3	24.8	19.1	26.7	17.0	87.6
Isoprene	0.2	(2.9)	(1.4)	(6.8)	(10.9)	0.0	(4.0)	(1.5)	(3.9)	(9.5)
Functional Materials	3.5	2.3	2.4	2.2	10.3	3.2	3.2	2.8	3.6	12.9
Fibers & Textiles	0.2	0.4	1.1	0.1	1.8	(0.2)	1.0	1.5	(1.0)	1.2
Trading	1.1	1.2	1.4	1.4	5.2	1.3	1.4	1.4	1.8	5.9
Others	0.1	0.5	0.0	(0.1)	0.5	0.4	0.5	1.0	0.4	2.3
Elimination & Corporate	(1.6)	(4.2)	(6.3)	(5.6)	(17.8)	(0.8)	(4.5)	(3.3)	(6.8)	(15.4)
Total	21.3	19.6	20.7	13.8	75.5	28.8	16.7	28.5	11.2	85.1

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FY2026 Factors Affecting the Change in Operating Income vs. PASSION 2026 Plan

Reference Materials



Assumptions	PASSION 2026 Plan	FY2026 Forecast
JPY/USD	110	155
JPY/Euro	130	160
Domestic naphtha (JPY 1,000/kl)	58	75

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FY2026 Net Sales and Operating Income by Segment

Reference Materials

(Billions of yen)

	PASSION 2026					
	FY2026 Plan (Announced in Feb. 2022)		FY2026 Forecast		Difference	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Vinyl Acetate	350.0	77.0	438.0	89.0	88.0	12.0
Isoprene	90.0	10.0	95.0	0.0	5.0	(10.0)
Functional Materials	175.0	18.0	227.0	25.0	52.0	7.0
Fibers & Textiles	65.0	7.0	70.0	7.0	5.0	0.0
Trading	70.0	6.0	75.0	7.0	5.0	1.0
Others	52.0	3.0	42.5	2.0	(9.5)	(1.0)
Elimination & Corporate	(52.0)	(21.0)	(47.5)	(20.0)	4.5	1.0
Total	750.0	100.0	900.0	110.0	150.0	10.0

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