KURARAY CO., LTD., Summary of Q&A Session for H1 FY2024 Earning Announcement

[Time & Date] From 14:30pm to 15:30pm, August 9, 2024

[Place] Kuraray Head Office *Hybrid conference

[Speakers]

Hitoshi Kawahara	President and Representative Director
Keiji Taga	Representative Director and Senior Managing Executive Officer Officer Responsible for Corporate Management Planning Office
Yoji Ikemori	Managing Executive Officer President of Isoprene Company and General Manager of Genestar Division
Shinichi Takizawa	Senior Manager, Corporate Communications Department

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

	H1 FY2023 actual → H1 FY2024 actual	H1 FY2024 actual →H2 FY2024 forecast
PVOH resin	About +20%	More than -10%
Optical-use poval film	About +10%	Less than +5%
Advanced Interlayer Solutions	More than -5%	Slightly positive
Water-soluble PVOH film	More than +5%	About +10%
EVALTM	About -10%	About +10%
Elastomer	More than +15%	More than +5%
GENESTAR™	Less than +10%	More than +15%
Activated carbon	Less than +5%	More than +15%
KURALON™	More than -5%	About +10%

2. Q&As

Q1: Regarding the background of profit decrease of Vinyl Acetate segment from Q1 to Q2.
A1: Sales increased more than 10 billion yen due to volume increase for PVOH resin, optical-use poval film, water-soluble PVOH film and EVAL™. On the other hand, operating income decreased less than 6 billion yen. A main factor in lowering profits is scheduled maintenance in Q2 at the EVAL™ and PVOH resin plant in the US. There was negative impact from inventory valuation difference and plant utilization, too.

Q2: Regarding the demand trend for EVAL™.

A2: Demand for food packaging application declined slightly from the middle of last year. Built up inventory was adjusted, and sales volume decreased in the latter half of 2023. Although demand is returning to a certain extent, the overall economy, especially in Europe, is still not doing so well. We are currently taking a more cautious view. However, as explained when we decided investment in a new plant in Singapore in March 2024, we expect new demand, such as circular economy related, to emerge gradually.

Q3: Regarding ordinance or clearance for mono-material of food packaging material using EVAL™.
A3: If the EVAL™ content is less than 5% of total weight and the other layer is a single layer of polyethylene, it is considered a mono-material and is certified as a recyclable material. The industry association set the guideline. We participate the discussion and provide data.

Q4: Regarding business environment and negative profit in H2 of Isoprene segment.
A4: Demand is recovering steadily in all three businesses, Isoprene Chemical, Elastomer and GENESTAR™, especially in the automobile industry. In addition, in GENESTAR™, demand for electrical and electronic applications is recovering, but it is still in the process of recovery. Although sales volume in H2 will increase, profits will only slightly improve because plant utilization rate is not enough from total production capacity perspective.

Q5: Regarding growth driver of GENESTAR™.
A5: Actual demand of electrical and electronic components for PCs, tablets, smartphones, etc. is returning. Furthermore, since the beginning of this year, we see strong demand for servers for data center with backdrop of expansion of generation AI. GENESTAR™ is used for this application and we believe that this demand will continue to grow.
As for automotive application, we also expect growth taking advantage of its properties such as heat-resistant and high-voltage resistant.

Q6: Regarding business situation of activated carbon business in Environmental Solution Division.
A6: As for activated carbon business, as a major trend, we have received many inquiries mainly in the U.S. with the backdrop of PFAS regulation tightening. Although it will be some time before we see full-fledged growth and our business has been affected a little by weak demand in Europe, sales volume is increasing even now.

Q7: Regarding businesses to be optimized and structurally improved or reorganization on page six of presentation material.
A7: We have various businesses, and each has its life cycle. We evaluate them by market growth adding to economic value and social and environmental value. We expect there might be some businesses that are categorized in businesses to be optimized or structurally improved in the future. There are cases where the way out is to come to the growth and expansion businesses or base businesses while improving profitability, and unfortunately, there are also cases to go to a place of downsizing and withdrawal. I think we could establish a framework for objective evaluation. We will continue to work on it not only during Medium-Term Management Plan period but also beyond 2026 while verifying and enhancing the framework.

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(Cautionary Statement)
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