Kuraray Co., Ltd., Summary of Q&A session for June 2023 Management Briefing

[Time & Date] From 10:00 to 11:10, June 19, 2023

[Place] Kuraray Head Office *Hybrid conference

[Speakers]

Hitoshi Kawahara	President and Representative Director
Hiroaya Hayase	Representative Director and Senior Managing Executive Officer, Vinyl Acetate Film Company Executive Supervisor
Christian Herrmanns	Executive Officer, General Manager of MonoSol Division, MonoSol, LLC. President
Shinichi Takizawa	Senior Manager, Corporate Communications Department

Q&As

Q1 About sales regions and current status for soluble unit dose (SUD) films for laundry and dishwasher detergents.

A1 Our main growth markets are Europe and North America, which have each almost achieved a 30% penetration of the laundry SUD category. Our short to medium growth target here is to grow that to 50%. Our emerging growth markets are Japan and China. Japan is at a penetration level of almost 20%. China is at a very small base, given the size of its market. However, it has the largest growth potential, and the SUD form is very popular amongst Chinese consumers.

With regard to the macroeconomic environment, consumers in Europe and North America, where are our main markets today, are impacted by inflation. However, as we are seeing inflation coming down, we also expect CPI to come down to levels that consumers will soon be driving the category growth in these markets as well.

The distribution between laundry detergent and dishwashing detergent is two-thirds for laundry and one-third for dishwashing. By region, Europe and the US are of equal size and represent a combined around 80% of the business today. Japan and China represent the remaining 20% of the business.

Q2 About the competitive landscape for laundry detergent SUD.

A2 We expected competitive pressure much earlier in the growth of this category. However up to this point, we were able to maintain and even expand our market share. As shown in the slide that explains our business model, integration with Kuraray is a differentiating factor when compared to competitors. In addition, our business model of engaging in exclusive and semi-exclusive customer partnerships allows an openness of joint collaboration and joint development with some of the largest customers and consumer

products companies in the world that I believe sets us apart.

Q3 About the major customers for laundry detergent SUD.

A3 The number one customer accounts for 65% to 70% of the market. This would suggest that, obviously, we need to put a strong focus on the number one player. However, it is also true that competition drives the growth of SUD category, and we believe that competition itself is necessary.

Q4 Regarding applications that are expected to grow the most.

A4 The laundry and dishwasher SUD market is the fastest growing market and our most focused area. It is also relevant for other applications, but the size and growth potential are smaller than SUD. We believe that the personal care market is the next growth market, but there are still significant growth opportunities in the home care market for laundry detergents and dishwasher detergents.

Q5 About the background and timeline that can be expected to achieve 50% market penetration.

A5 First, our innovation, whether it's faster dissolution, faster degradation or reduced greenhouse gas emission films, is an enabler to our customers. That requires film technologies that are second to none in their dissolution profile. Our customers invest in the superiority of cleaning performance of SUD because its concentrated form that also gives them the opportunity to separate different chemistries in the different compartments of the end product that is unique to the SUD form. This requires our innovation on resin level, as well as on film level and help drive the category penetration in North America and Europe to 50%. Regarding the timeline of achieving 50%, we do believe that this can be achieved over the next five years.

Q6 About the advantages over competitors.

A6 Our competitor also has the same value chain as we do. However, we have the experience and capabilities that we have developed over the last 20 years in this area. Also, the business model that we have chosen is a very close collaboration with our customers. We do business with our customers to develop new products starting from the polymer, through the film, all the way to the end product. I believe, in combination with the capabilities that we have developed over the last two decades and our experience will set us apart going forward as well.

Q7 About regions where growth is expected in the future.

A7 The growth in the recent past has been the slowest in the European market. I do believe that is because of the pressure on consumers that comes from inflation. On the other hand, the North American consumer has continued helping to grow the

category. What is the key here is that we have consumer prices coming down again to give consumers a breathing room and to then move back into the category. In terms of the strongest growth markets going forward, we believe North America and Europe have an equally high potential. Outside of Europe and North America, I do believe that the largest growth potential is in China. Now, China is going economically through some challenges. That's something that we need to keep an eye on, but outside of Europe and North America, I believe the strongest growth potential is indeed in China.

Q8 About future growth for laundry detergents and dishwasher detergents.

A8 The largest growth potential is in laundry SUD because the share right now there is significantly lower than automatic dishwash, roughly 30% in Europe and North America. In automatic dishwash, the share is already at 65% to 70%.

The only growth that can come in automatic dishwash is by increasing the utilization of automatic dishwash machines. Today, it is not just important how many machines are installed, but how frequent they are being used. That is a big hurdle for us for growth. Our customers are looking into strategies, how to shorten the cycles of a dishwashing machine. Reducing that cycle will also help with water consumption and energy consumption. However, that will require films that dissolve faster. This is where our innovation will help our customers to drive that.

Q9 About the assumed risks.

A9 The current economic environment is not helping consumption amongst premium products. In the short term, that's the largest hurdle for growth. However, I think this is just temporary.

In the longer run, I think the key to driving to 50% penetration is really to make sure that we can continue enabling our customers to move to what they call cold and fast, which is washing with much shorter cycles with cold water temperature.

In terms of risk, there have been child safety issues in the past but we work together with industry associations to have appropriate standards put in place that today, the entire industry must obey.

Q10 About the ratio of the Russian market and industrial applications.

A10 The loss of Russian SUD market was a one-time adjustment and was a minor impact overall. As for the ratio by application, SUD is about 70%, of which laundry detergents account for two-thirds, dishwashing detergents for one-third.

Q11 Issues about SUD, such as residue of detergent or film.

A11 My apologies for the residue experience. If users put SUD first and then the laundry, the remaining of the solvent or film can be greatly reduced. However, it is necessary to pursue solubility without the need for such guides. With regard to size of SUD, our

customers have responded to that by having started to introduce sizes that are more appropriate to the given markets.

As for auto dosing machines, we're looking at very carefully because, obviously, it addresses the desire of convenience for the consumer, similarly to using SUD. However, that also has an inherent problem, which is many consumers appreciate and enjoy the dosing. There a fabric enhancer, fabric softness and other auxiliary products. I do believe Japanese consumers often enjoy also the ability to have control dosing and potentially picking different brands for different purposes. Machines get replaced every 7 to 10 years. For the next 10 years, we will continue driving that growth to 50% and beyond, despite the fact whether there is a competing option such as auto dosing machines

Q12 About the synergies from Kuraray's acquisition of MonoSol and any similarities in corporate cultures.

A12 I do believe the synergies and the similarities lie in the long-term vision of the businesses. We, as MonoSol felt very aligned with the culture of Kuraray to think long term and make the investments, seeing them all the way through to the end. From MonoSol side, the harder synergies were certainly on the research and development side. Before we joined Kuraray, we were a large customer of Kuraray already. However, the solution, biodegradability and reducing carbon footprint, require a close collaboration and development on the polymer level.

From Kuraray side, it was a significant in the meaning that MonoSol injected entrepreneurship into the Kuraray Group. MonoSol builds a stronger relationship with brand owners, who are one step downstream from Kuraray, a manufacturer of materials and intermediate materials, and utilize these relationships in product development and manufacturing. Having MonoSol as a part of the Kuraray Group, we learned a lot from such model. We believe that there was significant global synergy.

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