KURARAY CO., LTD., Summary of Q&A Session for 3Q FY2023 Earning Announcement

[Time & Date] From 13:00pm to 14:00pm, November 9, 2023

[Place] Kuraray Head Office *Telephone conference

[Speakers]

Keiji Taga	Director and Managing Executive Officer Responsible for Corporate Management Planning Office
Toshihiro Omatsu	Isoprene Company President
Shinichi Takizawa	Senior Manager, Corporate Communications Department

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

	1H FY2023 actual → 2H FY2023 forecast	FY2022 actual →FY2023 forecast
Optical-use poval film	more than +10%	less than +15%
Water-soluble PVOH film	more than +15%	more than - 5%
PVB	more than -5%	slightly negative
EVAL™	less than -10%	less than -10%
PVOH resin	about +5%	about -20%
Elastomer	slightly negative	flat
GENESTAR™	slightly negative	flat
Activated carbon	about +5%	slightly negative
KURALON™	about -10%	about -10%

2. Q&As

Q1: Regarding the background to the downward revision of the full-year forecast.

A1: We revised the forecast for operating income downward by a total of ¥6 billion in the latest announcement.

For the Vinyl Acetate segment, we revised its forecast downward by ¥1 billion due to the impact of considerable production adjustment at PVOH resin from 3Q to 4Q in response to declining demand.

For the Isoprene segment, we revised its forecast downward by ¥2 billion. The volume decreased due to sluggish sales. In addition, there were some problems with the equipment at the new plant in Thailand. We had been carrying out scheduled maintenance since July, but we extended that period by about one month and used that time to deal with the problems. There are those costs and other fixed costs during that time.

For the Functional Materials segment, we have revised downward by ¥500 million. Although sales of dental materials in medical business and activated carbon are firm, sales of methacrylate are sluggish.

For Fibers and Textiles segment, we have revised downward by ¥1 billion, because of sluggish demand in KURALON™ for construction application in Europe. Other than that, other adjustments are made for common raw materials, etc., and the forecast is lowered in those areas.

Q2: Regarding the scheduled maintenance and operating status of the new plant in Thailand in the Isoprene segment.

A2: Some unexpected defects occurred during the first scheduled maintenance after the plant went into operation. The scheduled maintenance was scheduled for July, but it was postponed until August, and the start-up after the scheduled maintenance did not go smoothly. As a result, the number of operating days in 3Q was quite limited.

In terms of the timing of full operation, we are advancing initiatives to achieve full operation in approximately two to three years, although situation may vary among the three businesses of isoprene chemicals, elastomers, and GENESTAR™.

All expenses related to the scheduled maintenance are counted as operating expenses.

Q3: Regarding the status of major products in the Vinyl Acetate segment.

A3: As for PVOH resin, demand including high-value-added products, which we are focusing on, is declining. That being the case, we will be making considerable production adjustments in 4Q.

For EVAL™, automotive gasoline tank applications have been recovering steadily from a decline in automotive output due to a shortage of semiconductors, but demand for food packaging applications, which had been strong until 2Q, has been weak in 3Q. It is estimated that the demand decreased due to small-lot purchases and holding off due to the progress of inflation.

For optical-use poval film, the volume in 3Q was higher than expected. However, it is not considered that the final demand of large-size LCDs, including TVs, has completely recovered. As final demand gradually recovers, we think that this is the result of each manufacturer in the supply chain moving aggressively to procure raw materials and production. We expect annual shipment volume to be about the same as the previous forecast.

Q4: Regarding trends in demand for activated carbon in the environmental solutions business, operation status of its new manufacturing facilities in the U.S., and status of applications for removing poly- and perfluoroalkyl substances (PFAS).

A4: There have been no major changes in the demand for activated carbon and the market outlook, and the business environment is robust.

The new manufacturing facility in the U.S. was expected to be launched around October, but the adjustment of the facility has been delayed, and it is currently aiming to be launched by the end of the year. As a result, contributes to results for the current fiscal year are not expected.

The company expects future demand growth for PFAS, but does not expect demand to increase soon next year as it expects to set a transition period for several years from the timing of regulatory start. However, overall inquiries are increasing, and the company has not changed its view of this as a product that matches the times.

Q5: Regarding the impact of production adjustment in each segment?

A5: As for products, the impact of production adjustment on PVOH resin and isoprene products has been considerable. In Fibers and Textiles, we have also reduced production of KURALON™ due to sluggish demand. Losses due to reduced production of PVOH resin will not be carried over to the next fiscal year and will be accounted for during the current fiscal year. Therefore, the impact on next fiscal year will be limited.

Q6: Regarding the time to recover the sales of EVAL™ and water-soluble PVOH film.

A6: We will formulate the next fiscal year's plan from now on, so we do not have a clear picture of it yet. However, we estimate that the decline in sales of these products is coming from decline in

demand due to inflation. In that means, we believe that demand will also start to increase in line with the global economic recovery.

Q7: Regarding the medium- to long-term growth potential of EVAL™.

A7: EVAL™ has been evaluated for its high gas barrier properties and recyclability, contributing to the major trends of circular economy in food packaging materials, long-term food preservation, and food loss reduction. These major trends remain unchanged, and we believe that EVAL™ will continue to grow.

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(Cautionary Statement)

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