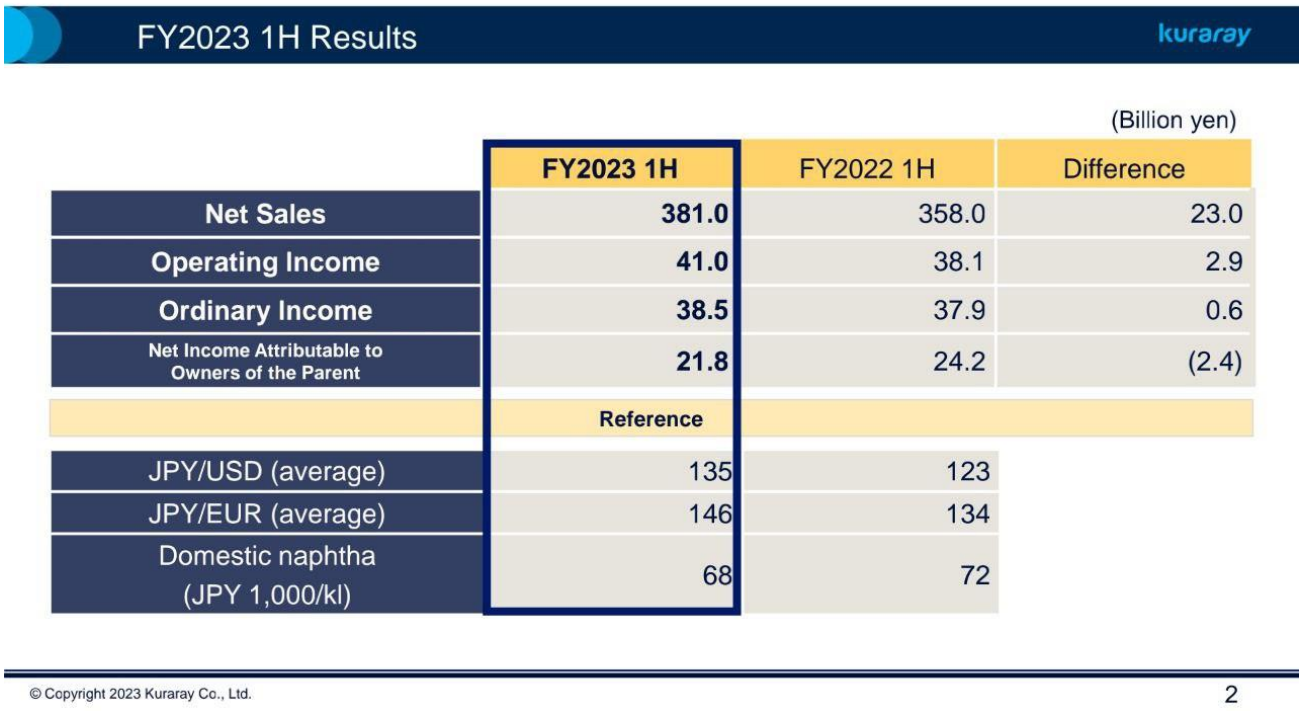
Kuraray Co., Ltd.

2Q FY2023 Earnings Announcement

Presenters:

Hitoshi Kawahara	President and Representative Director
Keiji Taga	Director and Managing Executive Officer Responsible for Corporate Management Planning Office

August 9, 2023



Kawahara: Hello, everyone. Thank you very much for taking time out of your busy schedules today to attend the Kuraray Group's financial results briefing. I am Hitoshi Kawahara, President. I will now begin to explain the financial results for Q2 of FY2023.

Please see page two.

In H1 of FY2023, the economy recovered moderately, with the exception of some regions, as disruptions in the supply chain was coming to an end and supply restrictions due to the shortage of semiconductors eased. On the other hand, the outlook remains uncertain due to continued monetary tightening in various countries to curb inflation, the Chinese economy, which lacked strength despite expectations of a recovery at the beginning of the year, and the situation in Russia and Ukraine, where no way out is in sight.

In this environment, sales of the Group increased JPY23 billion YoY to JPY381 billion, operating income increased JPY2.9 billion to JPY41 billion, and net income decreased JPY2.4 billion to JPY21.8 billion due to the last extraordinary loss recorded in Q1 related to the litigation of the fire at the EVAL plant in the US. Sales, operating income, and ordinary income reached record highs for H1. The actual results for foreign exchange and raw materials and fuel are as shown in the material.

Factors Affecting the Change in Operating Income



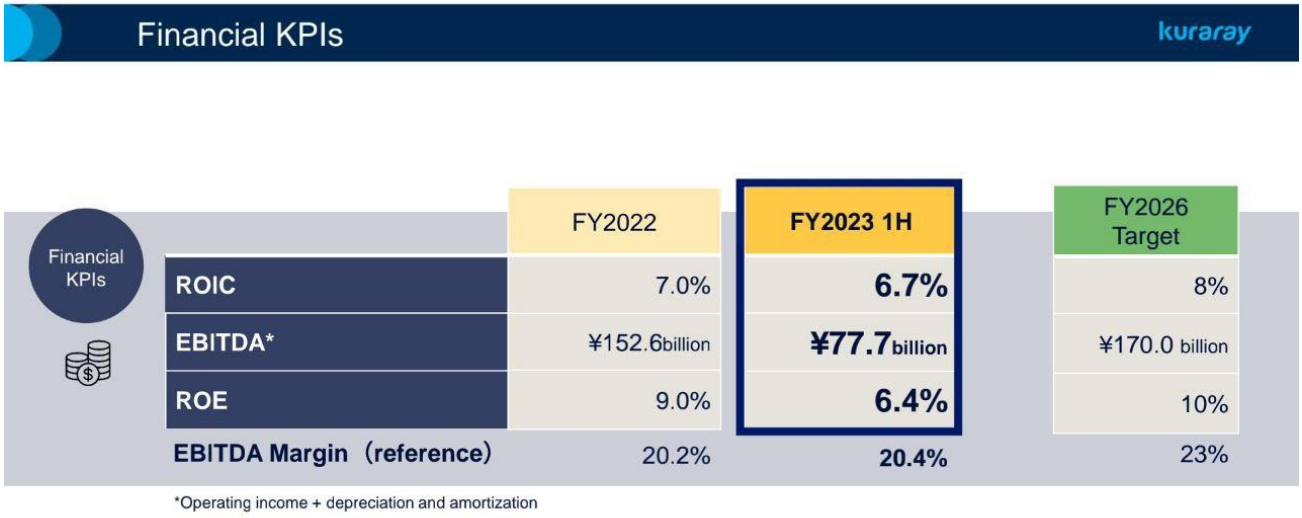
	FY2022 1H	FY2023 1H
JPY/USD (average)	123	135
JPY/EUR (average)	134	146
Domestic naphtha (JPY 1,000/kl)	72	68

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Next, please see page three. On the next slide, we show the factors for the increase or decrease in operating income.

As for the volume, from the left, the decrease in sales volume due to the economic slowdown, including the production adjustment, was approximately JPY19.9 billion. On the other hand, the revision of selling prices and the shift to high added value products were successful, contributing to an increase of JPY37.5 billion in selling prices and product mix. Other factors contributing to the JPY20.4 billion decrease include inventory valuation differences due to changes in raw material and fuel prices, and increased expenses, including depreciation and amortization.



Next, please see page four. This slide shows the results for H1 of FY2023 for the financial KPIs set forth in our medium-term management plan, PASSION 2026.

The results for each KPI for H1 of FY2023 were as follows: ROIC was 6.7%, EBITDA was JPY77.7 billion, and ROE was 6.4%. We will continue to strive to improve capital efficiency and cash generation.

Forecasts for FY2023 (vs FY2022)

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(Billion yen)

	FY2023 Forecasts (No change from May 12, 2023)	FY2022	Difference
Net Sales	810.0	756.4	53.6
Operating Income	84.0	87.1	(3.1)
Ordinary Income	79.0	84.1	(5.1)
Net Income Attributable to Owners of the Parent	47.0	54.3	(7.3)

Reference

JPY/USD (average)	138	132
JPY/EUR (average)	148	138
Domestic naphtha (JPY 1,000/kl)	66	75

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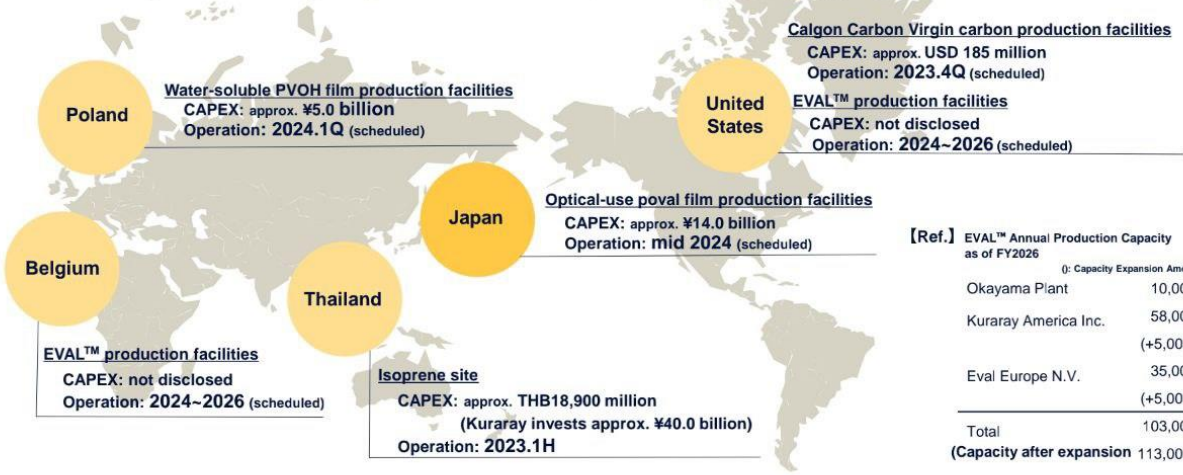
See page five.

The results in H1 exceeded expectations. However, due to the delay in the recovery of demand in some businesses and regions, we maintain our full-year forecasts as announced on May 12, with sales of JPY810 billion, operating income of JPY84 billion, and income of JPY47 billion.

Promotion of Measures to Strengthen our Earnings Base

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- Steady progress in major projects to strengthen production and supply systems
- Isoprene site in Thailand started operation in 2023 1H
- Increase production capacity for EVAL™ in response to growing demand



【Ref.】 EVAL™ Annual Production Capacity as of FY2026

(): Capacity Expansion Amount

Okayama Plant	10,000t
Kuraray America Inc.	58,000t
	(+5,000t)
Eval Europe N.V.	35,000t
	(+5,000t)
Total	103,000t
(Capacity after expansion	113,000t)

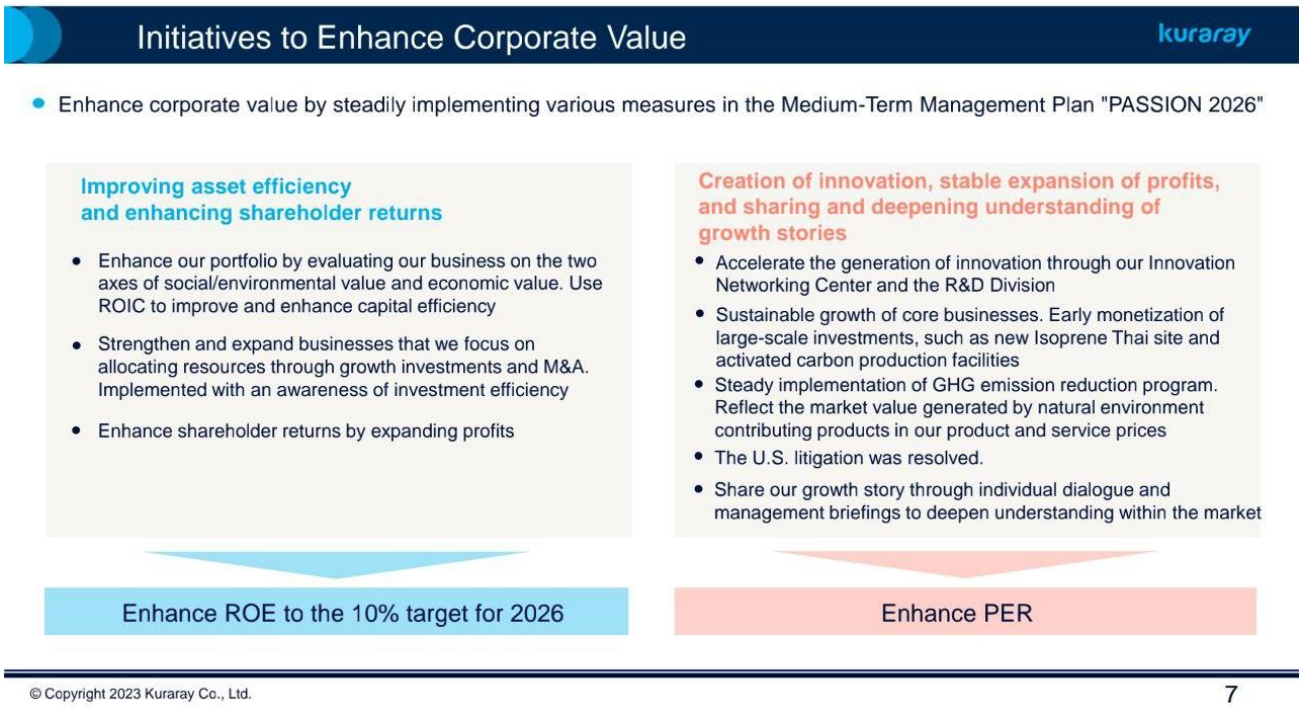
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Please see next page, page six. This slide shows the progress of major projects under execution.

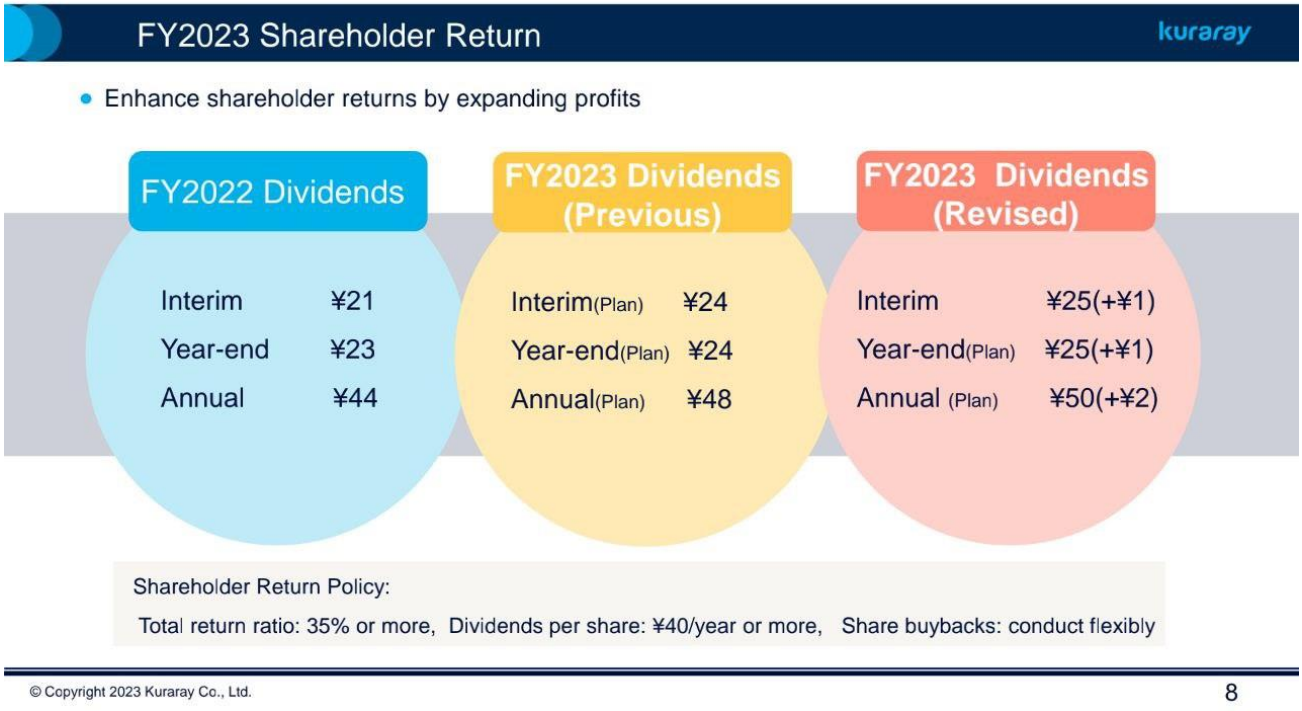
The base in Thailand for Isoprene has started operation in H1 of 2023, this fiscal year. This is a large capital investment, and it will take some time to improve the operating ratio, but we aim to contribute to income as soon as possible so that it will become the second pillar of our business after Vinyl Acetate segment.

In addition, regarding EVAL, we are currently considering the construction of a new plant in Asia, and as a preliminary step, we are strengthening our existing facilities to meet the growing demand. This expansion will increase total production capacity by approximately 10%, or 10,000 tons, by 2026.



Next, please see page seven. This slide shows our efforts to enhance our corporate value.

With regard to ROE, we aim to achieve 10% by 2026 through improved asset efficiency and enhanced shareholder returns. In addition, the lawsuit in the US, which has been our concern, has been resolved. Going forward, we will focus more than ever on creating new businesses through innovation and sustainable growth of existing businesses to achieve stable profit growth.



See page eight.

The medium-term management plan's shareholder return policy promises a total return ratio of at least 35% and a dividend of at least JPY40 per share as a basic policy. We advocate enhancing shareholder returns through expanding profits. Based on this policy, and taking into account the current performance trend, we plan to increase the interim and year-end dividends for FY2023 by JPY1 respectively, to an annual dividend of JPY50. As a result, the dividend for FY2023 will be JPY6 higher than in FY2022. Assuming the income of JPY47 billion in the full-year forecast mentioned earlier, the total return ratio is expected to be 35.6%.

This is all for the overview of financial results for Q2 of FY2023. Mr. Taga, Director and Managing Executive Officer Responsible for Corporate Management Planning Office, will now explain the details of financial results.

Net Sales and Operating Income by Segment

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(Billion yen)

	FY2023 1H Results		FY2022 1H Results		Difference	
	Net Sales	**Operating Income**	Net Sales	Operating Income	Net Sales	Operating Income
Vinyl Acetate	**198.9**	**40.2**	185.4	33.6	13.5	6.6
Isoprene	**31.8**	**(2.7)**	31.9	2.5	(0.1)	(5.2)
Functional Materials	**93.4**	**5.7**	77.8	3.3	15.6	2.4
Fibers & Textiles	**30.2**	**0.7**	31.8	3.8	(1.6)	(3.1)
Trading	**29.0**	**2.3**	29.7	2.8	(0.7)	(0.5)
Others	**22.9**	**0.6**	23.7	1.2	(0.8)	(0.6)
Elimination & Corporate	**(25.1)**	**(5.9)**	(22.3)	(9.1)	(2.8)	3.2
Total	**381.0**	**41.0**	358.0	38.1	23.0	2.9

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Taga: I, Taga, will now explain the details of financial results.

Please turn to page 10. This slide shows the actual sales and operating income of each segment in comparison with the same period of the previous year.

The Vinyl Acetate segment and Functional Materials segment posted increases in both sales and income, while other segments saw declines in income.

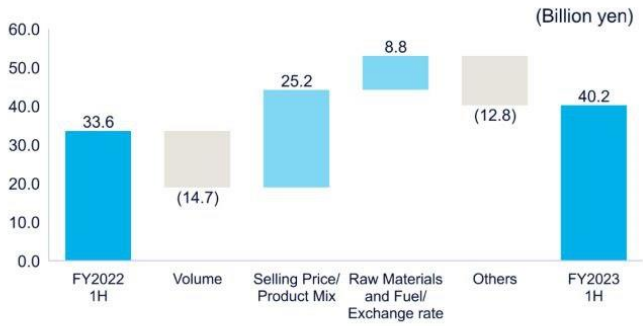
Vinyl Acetate

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(Billion yen)

	FY2022 1H	**FY2023 1H**	Difference
Net Sales	185.4	**198.9**	13.5
Operating Income	33.6	**40.2**	6.6

【Factors Affecting the Change in Operating Income 】



PVOH resin	The sales volume decreased due to receding global demand, but we further promoted a shift to high value-added products.
Optical-use poval film	Shipments decreased due to a delay in recovery for demand for large LCD displays despite inventory adjustments for LCD panels returning to normal.
Water-soluble PVOH film MonoSol	Shipments decreased mainly for use in unit dose detergent packets in Europe due to inflation-driven belt tightening and other effects.
Advanced Interlayer Solutions	Sales of PVB film remained steady for construction applications in addition to a recovery in demand for automotive applications.
EVAL™	Sales for food packaging applications remained firm, and demand for automotive applications showed signs of recovery.

Main reason of increase/ decrease	Despite the impact from the delayed recovery in demand, belt tightening, and inventory valuation differences, segment income increased overall due in part to the shift to high value-added products.

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Next page, page 11, please. We will now explain our business situation for each segment.

The first is the Vinyl Acetate segment. Both sales and income in this segment increased YoY. Please see the comments in the upper right corner for the status of sales in each business.

Operating income increased by JPY6.6 billion YoY. Declining demand and production adjustments led to a JPY14.7 billion decline in volume. Impacted by the inventory valuation difference and others, the others had a JPY12.8 billion decrease. On the other hand, due to the shift to high added value products and other factors, selling prices and product mix contributed to a JPY25.2 billion increase.

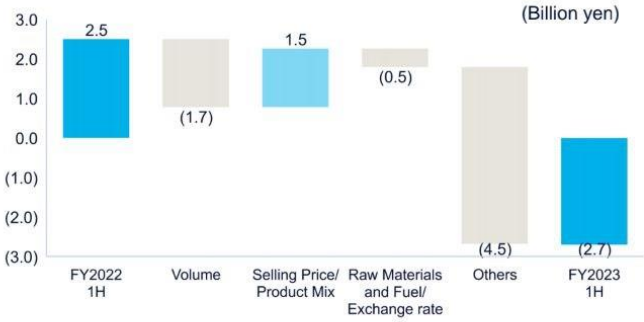
In the optical-use Poval film business, inventory adjustment of LCD panels has run its course, but recovery in demand for large LCDs has been delayed. Each business segment was also affected by inventory valuation differences. However, the segment as a whole secured an increase in income thanks to contributions from EVAL, PVOH resin, PVB film, and other products.

Isoprene

(Billion yen)

	FY2022 1H	**FY2023 1H**	Difference
Net Sales	31.9	**31.8**	(0.1)
Operating Income	2.5	**(2.7)**	(5.2)

【Factors Affecting the Change in Operating Income 】



Isoprene Chemicals and Elastomers	Results were affected by deteriorating market conditions in addition to a decrease in sales volume due to the ongoing effects of lower demand, which began in the latter half of the previous year.
GENESTAR™	The sales volume decreased due to inventory adjustments for electric and electronic devices despite signs of recovery in demand for automobile applications.
Main reason of increase/ decrease	Despite the promotion of price revisions, depreciation at the Thai site that started operations and other expenses increased. Sales volume declined due to the impact of the economic slowdown and inventory adjustments.

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Next, please see page 12 for the Isoprene segment.

Both sales and income in this segment declined YoY. Please see comments for the status of sales in each business.

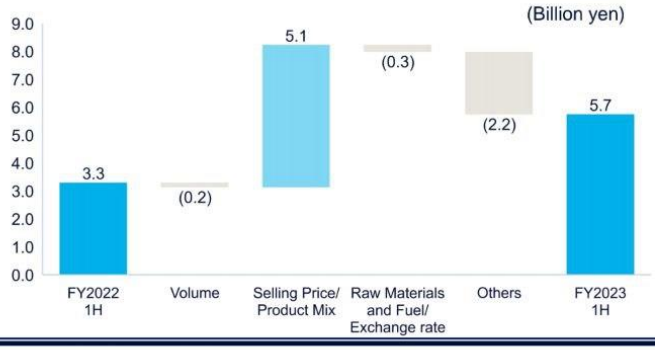
The promotion of price revisions contributed to an increase of JPY1.5 billion in total for selling prices and product mix. On the other hand, the others recorded a JPY4.5 billion decrease in income, mainly due to an increase in depreciation and expenses at the Thai base. In addition, raw materials and fuel / exchange rate were negative factors of JPY0.5 billion due to higher unit costs of utility at domestic plants, while volume was a negative factor of JPY1.7 billion due to lower demand and inventory adjustments. All three businesses reported decreases in income, resulting in an overall segment income decline of JPY5.2 billion.

Functional Materials

(Billion yen)

	FY2022 1H	**FY2023 1H**	Difference
Net Sales	77.8	**93.4**	15.6
Operating Income	3.3	**5.7**	2.4

【Factors Affecting the Change in Operating Income 】



Methacrylate	Results were affected by higher raw material and fuel prices in addition to a decrease in sales volume due in part to inventory adjustments for electric and electronic devices.
Medical	Sales of cosmetic dental materials remained favorable in Japan and overseas.
Environmental Solutions	Demand increased for drinking water applications in North America, and sales of activated carbon remained steady.

Main reason of increase/ decrease	Increase in profit due to progress in price revisions and improved sales mix offset the impact of higher expenses and inventory adjustment differences.

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Next, please see page 13.

In the Functional Materials segment, both sales and income increased YoY. The status of each business is shown in the comments above right.

Raw materials and fuel / exchange rate were negative factors of JPY0.3 billion due to higher raw material and fuel prices, and others were negative factors of JPY2.2 billion due to higher SG&A expenses and inventory valuation differences. On the other hand, progress in price revisions and a better sales mix contributed to a JPY5.1 billion increase in selling prices and product mix. As a result, operating income increased by approximately JPY2.4 billion. By business segment, methacrylate struggled due to inventory adjustments and other factors, but medical and environmental solutions performed well.

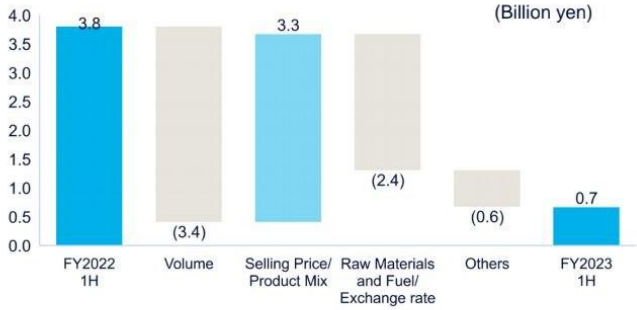
Fibers and Textiles

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(Billion yen)

	FY2022 1H	**FY2023 1H**	Difference
Net Sales	31.8	**30.2**	(1.6)
Operating Income	3.8	**0.7**	(3.1)

【Factors Affecting the Change in Operating Income 】



CLARINO™	Shipments decreased due to the effects of lower demand for sports and other applications.
Fibers and Industrial Materials	Sales of VECTRAN™ remained stable. Sales of KURALON™ was weak for construction applications in Europe despite signs of a recovery in automotive applications.
Consumer Goods and Materials	Demand for KURAFLEX™ in the restaurant industry was weak.

Main reason of increase/ decrease	Despite progress in price revisions, shipments decreased due to sluggish demand caused by the economic slowdown.

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Next, please see page 14.

The Fibers and Textiles segment reported lower sales and income YoY. The status of the segment is as in the comment.

Although selling prices and product mix were factors for an increase of JPY3.3 billion, volume was a factor for a decrease of JPY3.4 billion due to sluggish demand. In addition, raw materials and fuel / exchange rate were factors contributing to a JPY2.4 billion decrease in income due to higher raw materials and fuel prices. As a result, all three businesses reported lower income, and overall segment operating income declined by JPY3.1 billion.

Cash Flow for FY2023 1H and Key Data

(Billion yen)

	FY2023 1H	FY2022 1H	Difference
Operating CF	**57.6**	21.4	36.3
Investing CF*	**(30.2)**	(30.8)	0.6
Free CF*	**27.4**	(9.4)	36.8
CAPEX(acceptance basis)	**32.5**	33.9	(1.4)
Depreciation and Amortization (incl. amortization of goodwill)	**36.7**	31.2	5.5
R&D Expenses	**11.9**	10.9	0.9

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

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See page 15. This slide shows the cash flow and key indicators for H1 of FY2023.

Operating cash flow was JPY57.6 billion, investing cash flow was negative JPY30.2 billion, and free cash flow was JPY27.4 billion. The capital investment on the acceptance basis was JPY32.5 billion, down JPY1.4 billion YoY. Depreciation and amortization expenses increased JPY5.5 billion to JPY36.7 billion, and R&D expenses increased JPY0.9 million to JPY11.9 billion.

Balance Sheet [1]: Assets

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(Billion yen)

	Jun. 30, 2023	Dec. 31, 2022	Difference
Current Assets	**535.9**	533.9	2.0
Non-current Assets	**721.3**	687.6	33.7
Total Assets	**1,257.3**	1,221.5	35.7

	Jun. 30, 2023	Dec. 31, 2022
JPY/USD (end of period)	145	133
JPY/EUR (end of period)	158	141

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See page 16. This slide compares the assets section of the balance sheet to the end of last year.

Current assets increased by JPY2 billion. This was due to an increase of JPY6.2 billion in trade accounts receivable and an increase of JPY15.4 billion in inventories as a result of the weaker yen, while cash and deposits decreased by JPY18.1 billion. Non-current assets increased by JPY33.7 billion due to an increase from capital investment and the higher valuation of fixed assets of overseas subsidiaries due to the weaker yen.

Balance Sheet [2]: Liabilities and Net Assets

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(Billion yen)

	Jun. 30, 2023	Dec. 31, 2022	Difference
Current Liabilities	**202.1**	221.3	(19.3)
Non-current Liabilities	**321.4**	331.7	(10.2)
Total Liabilities	**523.5**	553.0	(29.5)
Net Assets	**733.8**	668.5	65.2
Total Liabilities and Net Assets	**1,257.3**	1,221.5	35.7
Equity Ratio	**56.6%**	52.9%	3.7%

	Jun. 30, 2023	Dec. 31, 2022
JPY/USD (end of period)	145	133
JPY/EUR (end of period)	158	141

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Please turn to page 17. This slide shows the liabilities and net assets section of the balance sheet.

Liabilities decreased by JPY29.5 billion due to decreases in long-term debt, commercial paper and bonds. Net assets increased by JPY65.2 billion. As a result, the equity ratio increased by 3.7% from the end of FY2022 to 56.6%.

Full-Year Forecast for FY2023

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(Billion yen)

	FY2023 Forecasts	FY2022	Difference
Net Sales	**810.0**	756.4	53.6
Operating Income	**84.0**	87.1	(3.1)
Ordinary Income	**79.0**	84.1	(5.1)
Net Income Attributable to Owners of the Parent	**47.0**	54.3	(7.3)
EPS	**¥140.43**	¥161.13	¥(20.70)
Dividends per share	**¥50***	¥44	¥6
CAPEX(decision basis)	**77.0***	65.9	11.1
CAPEX(acceptance basis)	**67.0***	72.6	(5.6)
Depreciation and Amortization (incl. amortization of goodwill)	**74.0***	65.5	8.5
R&D Expenses	**24.0**	22.7	1.3

*Revised

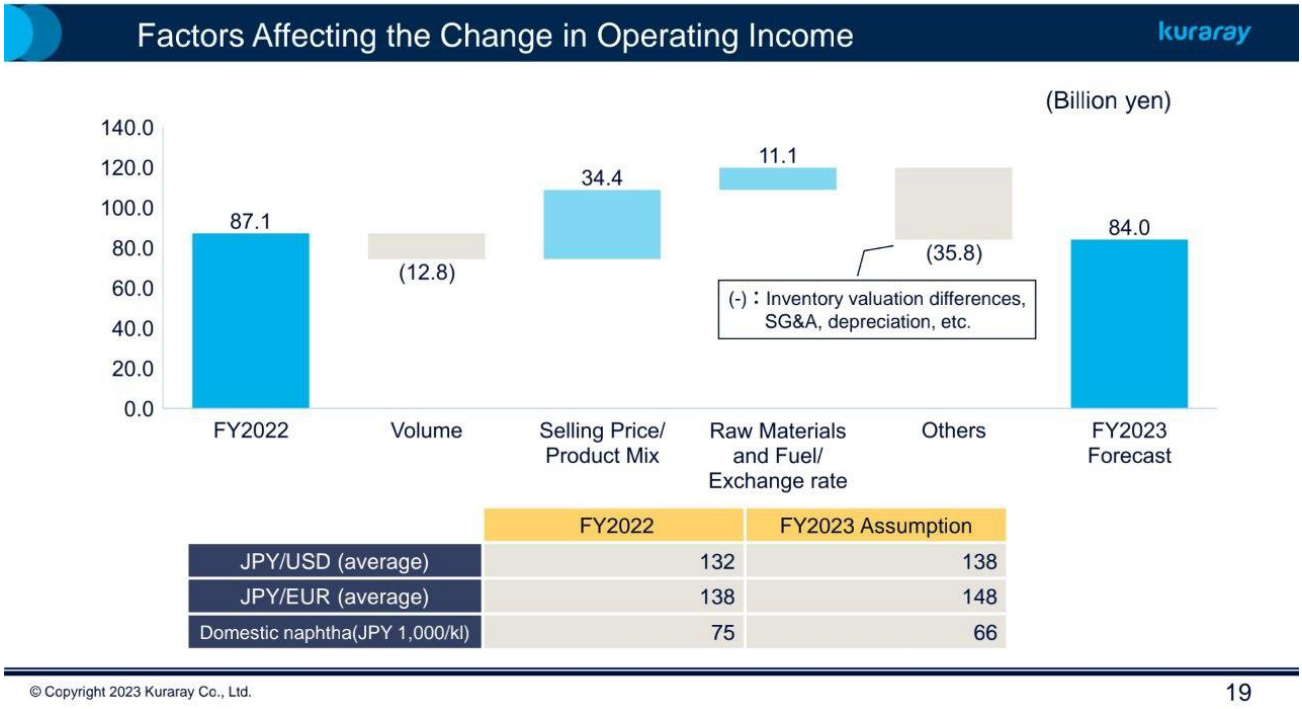
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Next, please see page 18. This slide shows our full-year forecast for FY2023.

Sales and each profit are as Kawahara mentioned earlier.

Net income per share will be JPY140.43, based on JPY47 billion. The annual dividend is planned to be JPY50 per share. Capital investment on a decision basis is JPY77 billion. On the acceptance basis, it is expected to be JPY67 billion, mainly due to the expansion of optical-use Poval film production facility at the Kurashiki Plant. Depreciation and amortization expenses are expected to increase by JPY8.5 billion to JPY74 billion due to the start of operation of the Isoprene production facility in Thailand and the activated carbon production facility in the US. R&D expenses are expected to increase by JPY1.3 billion to JPY24 billion.



See page 19. On the next slide, we show the factors for the increase or decrease in operating income.

The selling prices and product mix is expected to increase by JPY34.4 billion, partly due to the effects of the product price revisions that we have been negotiating during 2022. On the other hand, the total income is expected to decrease by JPY3.1 billion due to factors such as an increase in SG&A expenses, depreciation and amortization, and the impact of inventory valuation differences, which will result in a JPY35.8 billion decrease in the others.

Net Sales and Operating Income by Segment

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(Billion yen)

	FY2023 Forecasts (Aug. 9, 2023)		FY2022		Difference		FY2023 Forecasts (May 12, 2023)		Difference	
	Net Sales	**Operating Income**	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income
Vinyl Acetate	**420.0**	**85.0**	385.3	77.5	34.7	7.5	415.0	83.0	5.0	2.0
Isoprene	**70.0**	**(7.0)**	65.6	4.3	4.4	(11.3)	75.0	(2.5)	(5.0)	(4.5)
Functional Materials	**196.0**	**10.5**	174.1	8.6	21.9	1.9	195.0	9.5	1.0	1.0
Fibers & Textiles	**68.0**	**3.5**	66.9	6.7	1.1	(3.2)	69.0	4.5	(1.0)	(1.0)
Trading	**62.0**	**5.0**	58.8	5.1	3.2	(0.1)	61.0	5.0	1.0	0.0
Others	**44.0**	**1.0**	52.1	2.7	(8.1)	(1.7)	44.0	1.0	0.0	0.0
Elimination & Corporate	**(50.0)**	**(14.0)**	(46.4)	(17.8)	(3.6)	3.8	(49.0)	(16.5)	(1.0)	2.5
Total	**810.0**	**84.0**	756.4	87.1	53.6	(3.1)	810.0	84.0	0.0	0.0

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Next, please see page 20. This slide shows the revised forecast by segment in comparison with the previous year's results and the previous forecast.

While the Isoprene segment and the Fibers and Textiles segment are forecast to decrease in income in light of the severe business environment, the Vinyl Acetate segment and the Functional Materials segment are expected to increase in sales and income, thanks to a shift to high added value products and a steady uptake of needs of improvement in the natural environment and living conditions.

The next page, page 21, and subsequent pages provide analyses of increase/decrease in income by segment and detailed numerical information for the revised earnings forecast. Behind that, on pages 27 and 28, we have information on cost of capital and return on capital related to our efforts to increase corporate value, as Kawahara explained earlier. Please take a look later for reference.

This concludes the presentation. Thank you very much.