KURARAY CO., LTD.

3Q FY2023 Earnings Announcement

Presenters:

Keiji Taga Director and Managing Executive Officer
Responsible for Corporate Management Planning Office

November 9, 2023

FY2023 3Q Results

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(Billion yen)

	FY2023 3Q	FY2022 3Q	Difference
Net Sales	**574.4**	553.2	21.2
Operating Income	**61.7**	70.8	(9.1)
Ordinary Income	**57.8**	70.1	(12.3)
Net Income Attributable to Owners of the Parent	**36.5**	47.2	(10.7)
	Reference		
JPY/USD (average)	138	128	
JPY/EUR (average)	150	136	
Domestic naphtha (JPY 1,000/kl)	67	75	

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Taga: Hello, everyone. I'm Taga. Thank you for taking time out of your busy schedule to participate in our conference call today.

Mr. Omatsu, Isoprene Company President, is attending today's conference call. I would like you to take this opportunity to ask some questions about the isoprene business.

I will now begin the presentation of the financial results for 3Q of FY2023.

Please see page two of the slide.

In 3Q of FY2023, as for world economy, although the recovery progressed due to the convergence of supply chain disruptions and the easing of supply restrictions caused by the shortage of semiconductors, the pace of the recovery was slow and lacked strength.

The outlook remained uncertain due to stagnant economic activity in Europe as a result of continued monetary tightening, slowing growth in China due to a sluggish real estate market and other factors, and geopolitical tensions, including the situation in Russia and Ukraine, from which no way out was in sight.

In this environment, the Group's performance was as follows: net sales increased JPY21.2 billion YoY to JPY574.4 billion, operating income decreased JPY9.1 billion to JPY61.7 billion, and net income decreased JPY10.7 billion to JPY36.5 billion, partly due to an extraordinary loss related to the Eval fire accident lawsuit in the U.S., which was posted in 1Q of the fiscal year.

Actual results for foreign exchange and raw materials and fuel are as shown in the document.

Net Sales and Operating Income by Segment

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(Billion yen)

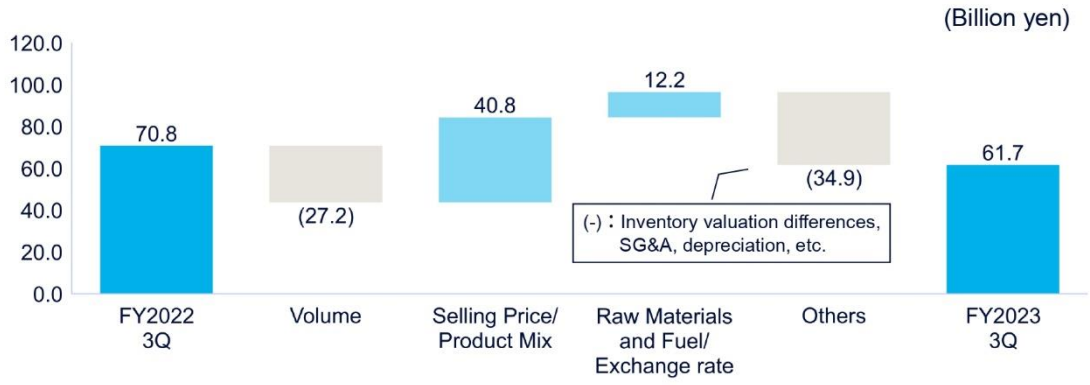
	FY2023 3Q Results		FY2022 3Q Results		Difference	
	Net Sales	**Operating Income**	Net Sales	Operating Income	Net Sales	Operating Income
Vinyl Acetate	**302.8**	**63.8**	285.6	59.0	17.1	4.8
Isoprene	**46.8**	**(4.1)**	48.7	4.1	(1.9)	(8.2)
Functional Materials	**139.6**	**8.1**	123.7	6.5	15.9	1.6
Fibers & Textiles	**44.9**	**1.7**	48.6	6.6	(3.7)	(4.8)
Trading	**44.8**	**3.7**	43.8	3.9	1.0	(0.2)
Others	**34.0**	**0.6**	37.6	1.9	(3.6)	(1.4)
Elimination & Corporate	**(38.6)**	**(12.2)**	(35.0)	(11.2)	(3.6)	(1.0)
Total	**574.4**	**61.7**	553.2	70.8	21.2	(9.1)

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See page three.

This slide shows the sales and operating income results for each segment compared to the same period last year. Vinyl acetate and functional materials posted increases in both sales and earnings, while other segments saw declines in earnings.

Factors Affecting the Change in Operating Income



	FY2022 3Q	FY2023 3Q
JPY/USD (average)	128	138
JPY/EUR (average)	136	150
Domestic naphtha (JPY 1,000/kl)	75	67

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See page four.

This slide shows a company-wide summary of factors contributing to the increase or decrease in operating income. Volume was a negative factor of JPY27.2 billion due to lower sales volume and production adjustments caused by the economic slowdown.

On the other hand, selling price and product mix factors increased by JPY40.8 billion due to sales price revisions and a shift to high value-added products.

Others contributing to the decrease were inventory valuation differences due to changes in raw material and fuel prices and an increase in expenses, including depreciation and amortization, which resulted in a JPY34.9 billion decrease in income.

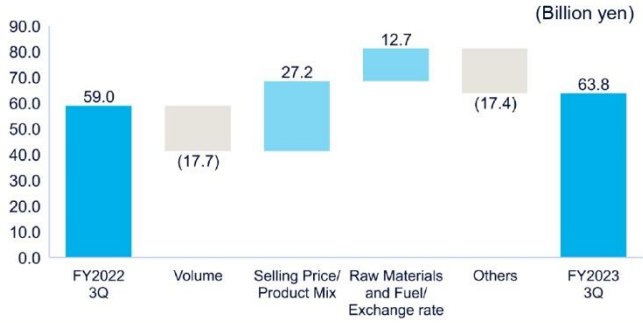
Vinyl Acetate

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(Billion yen)

	FY2022 3Q	**FY2023 3Q**	Difference
Net Sales	285.6	**302.8**	17.1
Operating Income	59.0	**63.8**	4.8

【Factors Affecting the Change in Operating Income 】



PVOH resin	The sales volume was impacted by receding global demand, but we further promoted a shift to high value-added products.
Optical-use poval film	Shipments recovered favorably due to 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	Although demand for PVB film showed signs of receding for construction applications, demand for automotive applications remained firm.
EVAL™	Although sales for automotive applications remained firm, sales volume decreased due to weak sales for food packaging applications.

Main reason of increase/ decrease	Despite the impact of lower volume and inventory valuation differences in many businesses, segment income increased overall due to a recovery in optical-use poval film and a shift to high value-added products.

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Next, please see page five. From here, we will explain our business by segment.

The first is the vinyl acetate segment. Both sales and income in this segment increased compared to the previous year. Please see the comments in the upper right corner for the status of sales in each business.

Operating income increased by JPY4.8 billion from the same period last year. Declining demand and production adjustments contributed to a JPY17.7 billion decline in volume.

On the other hand, the shift to high value-added products and other factors contributed to a JPY27.2 billion increase in selling price and product mix.

In addition, inventory valuation differences and other factors contributed to a JPY17.4 billion decrease in other income. Volumes declined in many businesses and were also affected by inventory valuation differences.

However, the segment as a whole secured an increase in profit due to a recovery in demand for optical-use poval film and contributions from EVAL™, PVB film, and other products.

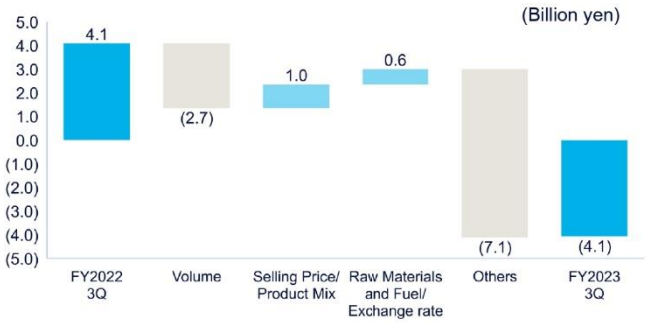
Isoprene

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(Billion yen)

	FY2022 3Q	FY2023 3Q	Difference
Net Sales	48.7	**46.8**	(1.9)
Operating Income	4.1	**(4.1)**	(8.2)

【Factors Affecting the Change in Operating Income 】



Isoprene Chemicals and Elastomers	Results were affected by intensifying competition in addition to 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 demand for automobile applications being on a recovery track.
Main reason of increase/ decrease	Income decreased due to a decline in demand, an increase in depreciation and expenses at the Thai plant that started operations, and the impact of inventory adjustments in electrical and electronic devices.

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See page six.

Next is the isoprene segment. Both sales and profits in this segment declined compared with the previous year. Please refer to the comments listed for the status of sales for each business.

Volume was a factor of JPY2.7 billion in the decrease due to lower demand and production adjustments. In addition, depreciation at the Thai plant and higher expenses contributed to a JPY7.1 billion decrease in other income.

In addition, there was a decrease in production volume and an increase in expenses due to a defect in a production facility after the start-up of the Thai plant, which was resolved by extending the scheduled repair period. All three businesses reported lower profits, and the segment as a whole reported a significant decrease of JPY8.2 billion.

Functional Materials

(Billion yen)

	FY2022 3Q	**FY2023 3Q**	Difference
Net Sales	123.7	**139.6**	15.9
Operating Income	6.5	**8.1**	1.6

【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, mainly in Europe and the United States, remained favorable.
Environmental Solutions	Demand increased for drinking water and industrial 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 valuation differences.

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See page seven.

In the functional materials segment, both sales and income increased from the same period of the previous year. The status of each business is as commented.

Volume was a negative factor of JPY1.7 billion, while others were a negative factor of JPY3.8 billion due to an increase in SG&A expenses and the impact of inventory valuation differences. On the other hand, selling price and product mix were factors for an increase of JPY6.5 billion.

As a result, operating income increased by JPY1.6 billion.

By business segment, methacrylate struggled due to inventory adjustments and higher raw material and fuel prices, while medical and environmental solutions performed well.

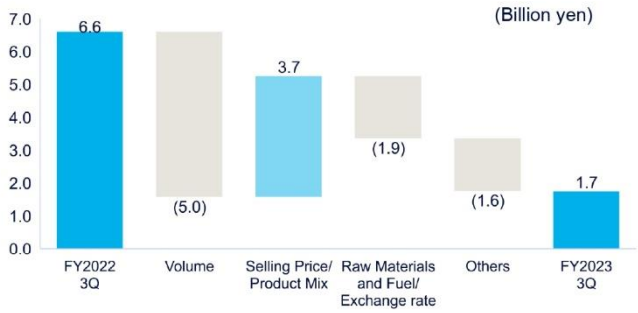
Fibers and Textiles

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(Billion yen)

	FY2022 3Q	**FY2023 3Q**	Difference
Net Sales	48.6	**44.9**	(3.7)
Operating Income	6.6	**1.7**	(4.8)

【Factors Affecting the Change in Operating Income 】



CLARINO™	Shipments decreased due to the effects of lower demand for luxury applications despite signs of a recovery in sports applications.
Fibers and Industrial Materials	Sales of KURALON™ were weak in Europe, but sales of VECTRAN™ remained stable.
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 eight.

The fibers and textiles segment reported lower sales and profits compared with the same period of the previous fiscal year. The status of sales in each business is as commented in the description.

Volume was affected by sluggish demand, which was a factor in the JPY5 billion decrease in profit.

Although selling price and product mix contributed to an increase of JPY3.7 billion, the overall segment income decreased by JPY4.8 billion due to lower income in raw materials and fuel, foreign exchange, and others caused by higher raw material and fuel prices and inventory valuation differences.

Balance Sheet [1]: Assets

(Billion yen)

	Sep. 30, 2023	Dec. 31, 2022	Difference
Current Assets	**547.0**	533.9	13.1
Non-current Assets	**724.6**	687.6	37.0
Total Assets	**1,271.6**	1,221.5	50.0

	Sep. 30, 2023	Dec. 31, 2022
JPY/USD (end of period)	150	133
JPY/EUR (end of period)	158	141

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See page nine.

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

Current assets increased by JPY13.1 billion. This was due to a JPY10.6 billion decrease in cash and deposits, while inventories increased by JPY23 billion, mainly due to the depreciation of the yen.

Fixed assets increased by JPY37 billion, mainly due to the higher valuation of fixed assets of overseas subsidiaries because of the weaker yen.

Balance Sheet [2]: Liabilities and Net Assets

(Billion yen)

	Sep. 30, 2023	Dec. 31, 2022	Difference
Current Liabilities	**198.3**	221.3	(23.0)
Non-current Liabilities	**318.7**	331.7	(13.0)
Total Liabilities	**517.0**	553.0	(36.0)
Net Assets	**754.6**	668.5	86.1
Total Liabilities and Net Assets	**1,271.6**	1,221.5	50.0
Equity Ratio	**57.6%**	52.9%	4.6%

	Sep. 30, 2023	Dec. 31, 2022
JPY/USD (end of period)	150	133
JPY/EUR (end of period)	158	141

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See page 10.

This slide shows the liabilities and net assets sections of the balance sheet.

Liabilities decreased by JPY23 billion due to decreases in long-term debt, commercial paper and bonds. Net assets increased by JPY86.1 billion.

As a result, the equity ratio increased 4.6% from the end of FY2022 to 57.6%.

Forecast for FY2023

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(Billion yen)

	FY2023 Forecasts (Nov. 9, 2023)	FY2022	Difference	FY2023 Forecasts (Aug. 9, 2023)	Difference
Net Sales	770.0	756.4	13.6	810.0	(40.0)
Operating Income	78.0	87.1	(9.1)	84.0	(6.0)
Ordinary Income	73.0	84.1	(11.1)	79.0	(6.0)
Net Income Attributable to Owners of the Parent	45.0	54.3	(9.3)	47.0	(2.0)
<Reference>					
JPY/USD (average)	140	132		138	
JPY/EUR (average)	151	138		148	
Domestic naphtha (JPY 1,000/kl)	68	75		66	

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Next, please see page 11.

We have revised our full-year forecasts in light of our performance through 3Q and the current business environment.

Net sales will be JPY770 billion, down JPY40 billion from the previous forecast, operating income will be JPY78 billion, down JPY6 billion, and net income will be JPY45 billion, down JPY2 billion.

Net Sales and Operating Income by Segment

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(Billion yen)

	FY2023 Forecasts (Nov. 9, 2023)		FY2022		Difference		FY2023 Forecasts (Aug. 9, 2023)		Difference	
	Net Sales	**Operating Income**	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income
Vinyl Acetate	**406.0**	**84.0**	385.3	77.5	20.7	6.5	420.0	85.0	(14.0)	(1.0)
Isoprene	**62.0**	**(9.0)**	65.6	4.3	(3.6)	(13.3)	70.0	(7.0)	(8.0)	(2.0)
Functional Materials	**190.0**	**10.0**	174.1	8.6	16.0	1.4	196.0	10.5	(6.0)	(0.5)
Fibers & Textiles	**61.0**	**2.5**	66.9	6.7	(5.9)	(4.2)	68.0	3.5	(7.0)	(1.0)
Trading	**61.0**	**5.0**	58.8	5.1	2.2	(0.1)	62.0	5.0	(1.0)	0.0
Others	**42.0**	**0.5**	52.1	2.7	(10.1)	(2.2)	44.0	1.0	(2.0)	(0.5)
Elimination & Corporate	**(52.0)**	**(15.0)**	(46.4)	(17.8)	(5.6)	2.8	(50.0)	(14.0)	(2.0)	(1.0)
Total	**770.0**	**78.0**	756.4	87.1	13.6	(9.1)	810.0	84.0	(40.0)	(6.0)

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Page 12 and beyond provide segment comparisons and detailed numerical information for the revised forecast. Please see for reference.

This concludes the explanation. Thank you very much.

【Ref.】 Quarterly Net Sales by Segments

(Billion yen)

	FY2022					FY2023				
	1Q	2Q	3Q	4Q	FY	1Q	2Q	3Q	4Q (Forecast)	FY (Forecast)
Vinyl Acetate	86.2	99.3	100.2	99.7	385.3	97.8	101.1	103.9	103.2	406.0
Isoprene	15.4	16.5	16.8	16.9	65.6	15.8	16.0	15.0	15.2	62.0
Functional Materials	38.0	39.8	45.9	50.3	174.1	45.4	48.0	46.3	50.4	190.0
Fibers & Textiles	14.4	17.4	16.8	18.2	66.9	13.5	16.6	14.8	16.1	61.0
Trading	14.0	15.8	14.1	15.1	58.8	13.8	15.2	15.8	16.2	61.0
Others	10.7	13.0	14.0	14.4	52.1	11.3	11.5	11.1	8.0	42.0
Elimination & Corporate	(11.0)	(11.2)	(12.7)	(11.4)	(46.4)	(12.7)	(12.4)	(13.5)	(13.4)	(52.0)
Total	167.6	190.5	195.1	203.2	756.4	185.0	196.0	193.4	195.6	770.0

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【Ref.】 Quarterly Operating Income by Segments

(Billion yen)

	FY2022					FY2023				
	1Q	2Q	3Q	4Q	FY	1Q	2Q	3Q	4Q (Forecast)	FY (Forecast)
Vinyl Acetate	17.2	16.4	25.4	18.6	77.5	17.8	22.4	23.5	20.2	84.0
Isoprene	2.7	(0.2)	1.7	0.1	4.3	0.2	(2.9)	(1.4)	(4.9)	(9.0)
Functional Materials	2.2	1.1	3.2	2.1	8.6	3.5	2.3	2.4	1.9	10.0
Fibers & Textiles	1.6	2.2	2.8	0.2	6.7	0.2	0.4	1.1	0.8	2.5
Trading	1.3	1.5	1.1	1.2	5.1	1.1	1.2	1.4	1.3	5.0
Others	0.4	0.8	0.7	0.7	2.7	0.1	0.5	0.0	(0.1)	0.5
Elimination & Corporate	(3.3)	(5.8)	(2.1)	(6.6)	(17.8)	(1.6)	(4.2)	(6.3)	(2.8)	(15.0)
Total	22.1	15.9	32.8	16.3	87.1	21.3	19.6	20.7	16.3	78.0

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