KURARAY CO., LTD., Summary of Q&A Session for Q1 FY2025 Earning Announcement

[Time & Date]	From 14:00pm to 15:00pm, May 14, 2025	
[Place]	Kuraray Head Office *Telephone conference	
[Speakers]	Junichi Fujiwara	Managing Executive Officer, Officer Responsible for Corporate Management Planning Office
	Shinichi Takizawa	Senior Manager, Corporate Communications Department

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

	1H FY2024 actual → 1H FY2025 forecast	2H FY2024 actual → 1H FY2025 forecast
PVOH resin	Slightly negative	More than +10%
Optical-use poval film	Flat	More than +5%
Advanced Interlayer Solutions	About -10%	Slightly negative
Water-soluble PVOH film	Less than +5%	About -5%
EVAL™	About +10%	About +5%
Elastomer	Less than +5%	About +10%
GENESTAR™	Less than +20%	Less than -5%
Activated carbon	Less than +15%	Less than +10%
KURALON™	Flat	Slightly positive

2. Q & As

Q Regarding the strengths and weaknesses of each sub-segment in the progress of operating profit in 1Q 2025.

A Overall, the business performance is progressing smoothly and according to plan, with some strengths and weaknesses depending on the business.
In the Vinyl Acetate segment, optical-use poval film was slightly above expectations due to a slightly smaller-than-expected carryover of inventory valuation differences from FY2024. In the Isoprene segment, all three sub-segment businesses are slightly above plan, as facility and production problems have been resolved and sales and plant operations have been smooth. In the Functional Materials segment, the results for activated carbon were a little weaker than expected. Although demand for North America, including PFAS treatment in drinking water, is moving smoothly as expected, the cold wave that hit the U.S. in the 1Q had an impact. Plant operations were halted for several days, energy efficiency deteriorated due to extremely low temperatures, and equipment deliveries were delayed due to customers being affected by the cold wave. We believe we will be able to recover to some extent over the course of the year.

Q. Regarding the demand environment for optical-use poval film and EVAL™.

A. Optical-use poval film performed well in 1Q due to China's home appliance replacement subsidy program and last-minute demand before the tariff implementation. Shipments are currently strong, but end-user demand for TVs has not recovered, so we believe that adjustments will occur at some point and that the growth rate in quantities will settle to a certain point when viewed over the full year.
Regarding EVAL™, circular economy-related demand has been on the rise since 2024, mainly in Europe, and shipment volumes have been growing steadily.

Q. Regarding the impact of temporary factors such as cold waves and production troubles in the Functional Materials segment.

A. The production trouble with methacrylate is temporary and has already been resolved. The impact on profits is not significant.
Environmental Solutions was affected by the cold wave in the U.S. The shutdown of factories for several days for employee safety, the drop in temperature leading to a decline in energy efficiency, and delays in equipment deliveries to customers due to the cold wave had a negative impact on profits of double-digit billions of yen in total. Although the facility utilization rate is high, we expect to recover to some extent over the course of the year.

Q Regarding the status of contracts with customers in the activated carbon business that comply with U.S. drinking water PFAS regulations.

A The contract with American Water, the largest water and sewerage company in the U.S., was made public at the request of the client, but contracts with other water companies are also being concluded one after another.

Q. Regarding the Isoprene segment results for 1Q 2025 and outlook for the 1H.

A. Regular maintenance is scheduled for the Kashima and Thai plants in 2Q, and inventory is being stockpiled in 1Q prior to the regular maintenance. The facility malfunction at the Thai plant has been resolved, and production is going smoothly, which is the reason for the increase in operating profit in 1Q. Profits in 2Q will be significantly lower than in 1Q due to the gap caused by the regular maintenance.
There are no changes to the earnings forecast, but there is a possibility that the 1H results will also exceed the forecast due to the increase in 1Q.

Q. Regarding trends in raw material and fuel prices.

A. There are two main types of raw materials and fuels that have a large impact on our business performance: naphtha and natural gas. Naphtha prices are on a downward trend, which we believe will have a positive impact on our business performance. On the other hand, natural gas prices in the U.S. are slightly higher than expected, which is of some concern. Natural gas prices in Europe have recently fallen slightly, which is a favorable situation for us.

Q Regarding the policy on dividends and share buybacks.

A When the medium-term management plan was revised in February 2025, the company established three new shareholder return policies: "a total return ratio of 50% or more as a proportion of net income attributable to owners of the parent," "maintaining and increasing dividends per share," and "aiming for continuous share buybacks." In addition, the company also announced a capital policy with a target equity ratio of 50% to 60%. The equity ratio is at a high level within the company's guidelines, and it is considered necessary to change the capital structure.
In the medium-term management plan revision, the company indicated a total shareholder return of around 150 billion yen during the plan period, but it is aiming for continuous share buybacks and would like to return 150 billion yen or more to shareholders.

Q Regarding the impact of U.S. tariff policy.

A We have large production bases in the U.S., mainly for the Vinyl Acetate segment and Calgon Carbon. We also have large production bases in Europe, and have established a system of local production and local consumption to a certain extent. We plan to take advantage of this global network to further promote the best mix of production and sales locations.

Comparing imports and exports of U.S. bases, our exports are overwhelmingly large, and we believe that we can do business in the U.S. in an advantageous position compared to imports. If retaliatory tariffs are imposed on exports from the U.S., we will be negatively affected, but by rearranging our production locations, we have achieved stable supply to customers. Products produced only in Japan will be affected by U.S. tariffs, but since tariff rates vary by country, we also expect situations in which competing products will be relatively more affected.

We can explain the impact of tariffs on each individual business, but there are both negative and positive factors, and it is difficult to quantitatively show the overall impact. We also believe that the biggest impact will be refraining from purchasing in each country and sluggish end demand. Various impacts are anticipated, but we will work with our customers to consider the best mix of production and sales locations to respond.

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(Cautionary Statement)

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