

FY2020 1H Earnings Presentation (Overview)

KURARAY CO., LTD.

Overview of FY2020 1H Results

(Billion yen)

	FY2020 1H	FY2019 1H	Difference
Net Sales	262.0	287.4	-25.4 (-8.8%)
Operating Income	19.6	27.9	-8.3 (29.8%)
Ordinary Income	17.6	24.7	-7.0 (-28.5%)
Net Income*	9.2	13.3	-4.1 (-30.9%)
Reference			
JPY/USD	108	110	
JPY/EUR	119	124	
Domestic naphtha (JPY 1,000/kl)	37	45	

*Net Income Attributable to Owners of the Parent

Outcomes of Main FY2020 1H Initiatives

Pursue competitive superiority

- ◆ Optical-use poval film: Began operations of a wide-width film line at the Kurashiki Plant
- ◆ Water-soluble POVAL Film: Expanded production capacity
 - Began operations at a new U.S. plant
 - Decided to construct a new plant in Poland(Production start from FY22)
- ◆ EVAL™: Studied a new plant
- ◆ Calgon Carbon: Determined to build a new plant in U.S.
- ◆ Changed the meltblown nonwoven fabric facilities which are under construction, also to produce for mask filters

Expand new business fields

- ◆ LCP film VECSTAR™: Accelerated sales with an eye toward 5G proliferation and considered introducing mass production facilities
- ◆ PLANTIC™: Completed construction of resin production line in U.S. with plans to begin production and supply from the second half

Enhance comprehensive strengths of the Kuraray Group

- ◆ Promoted integrated synergies with the Calgon Carbon business
- ◆ Promoted “Kuraray PRIDE” training system for business creation
 - Began online academies and group training with other companies led by internal and external experts
- ◆ Promote work-style reforms
 - Proactively introduced web tools that smoothly facilitate working from home under COVID-19 crisis
 - Introduced an hour-based annual paid leave system

Forecast for FY2020

*Revised from the public announcement on May 14, 2020

	FY20 1H Actual	FY20 2H Forecast	FY20 Full Year	FY19 Actual	Difference
Net Sales	262.0	248.0	510.0	575.8	(65.8)
Operating Income	19.6	13.4	33.0	54.2	(21.2)
Ordinary Income	17.6	11.4	29.0	48.3	(19.3)
Net Income*	9.2	3.8	13.0	(2.0)	15.0
Domestic naphtha (JPY1,000/kl)	¥37	¥25	¥31	¥43	
USD (average)	¥108	¥105	¥106	¥109	
EUR (average)	¥119	¥120	¥120	¥122	

*Net Income Attributable to Owners of the Parent

FY2020 Shareholder Returns

■ Returns on Profit during PROUD 2020

Total return ratio: 35% or higher
Dividends per share: ¥40 or higher

■ FY2020 Interim dividends

Interim dividend: ¥21/share (forecast at start of year: ¥21/share)

■ FY2020 Year end dividends (forecast)

Year end : ¥19/share (forecast at start of year: ¥21/share)

*** Full-year dividend forecast: ¥40/share** (interim: ¥21; year-end: ¥19)

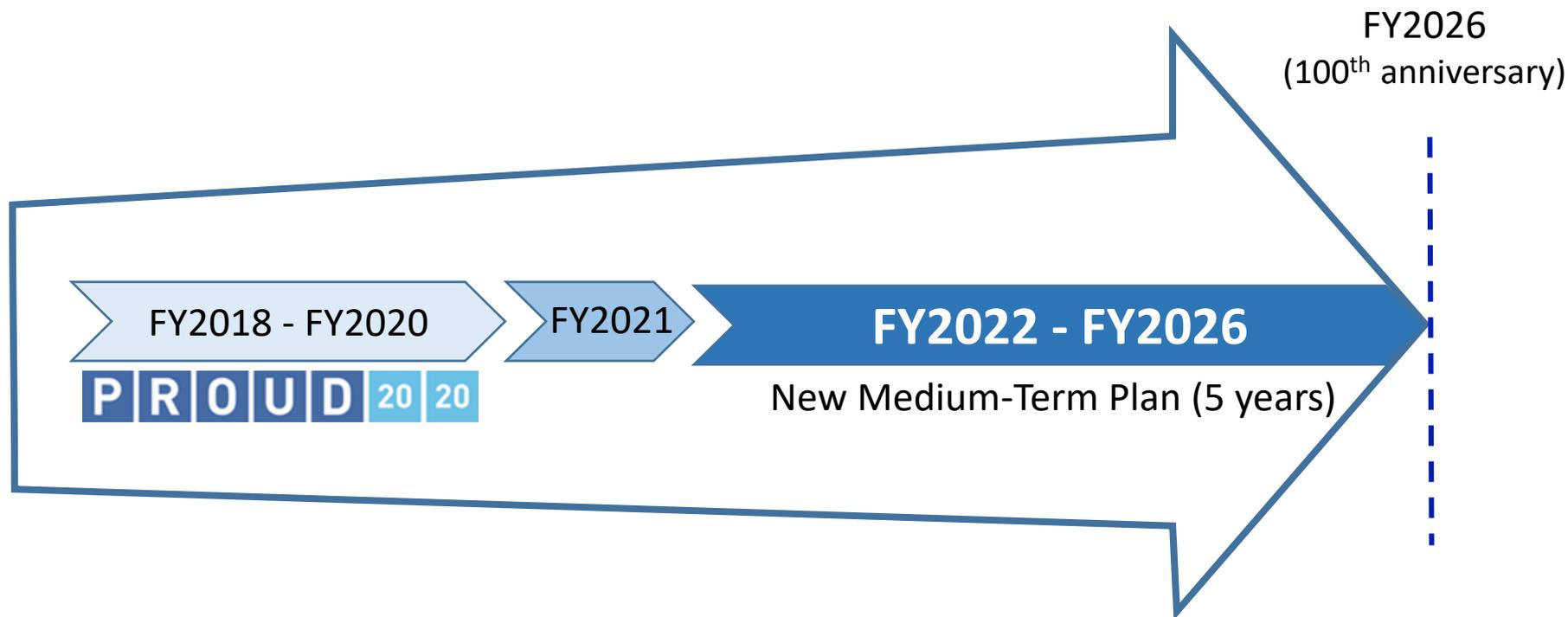
In line with the shareholder return policy outlined in the current medium-term management plan and in consideration of the fiscal 2020 full-year results forecast, we forecast an annual dividend of ¥40 per share.

New Medium-Term Management Plan

"Kuraray Vision 2026" Long-Term Vision

Vision for Kuraray

Specialty Chemical Company growing sustainably by incorporating new foundational platforms into its own technologies"



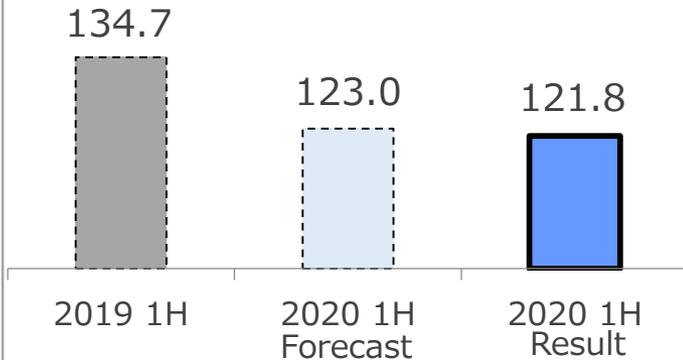
Since the impact of COVID-19 pandemic on global economy remains unclear, we'll establish New Medium-Term Plan which covers five years starting in 2022. (A single-year management plan will cover 2021.)

FY2020 1H Earnings Results (Details)

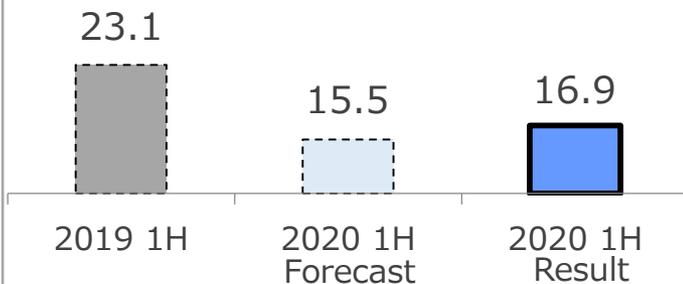
KURARAY CO., LTD.

Vinyl Acetate

Net Sales (Billion yen)



Operating Income (Billion yen)



■ PVA resin

Sales volume declined due to stagnant global demand.

■ Optical-use poval film

Although LCD panel manufacturers reduced inventory adjustments, shipments stayed level with the previous year due to effects from COVID-19.

■ Water-soluble PVA film <MonoSol>

Sales continued to expand for use in unit dose detergent packets.

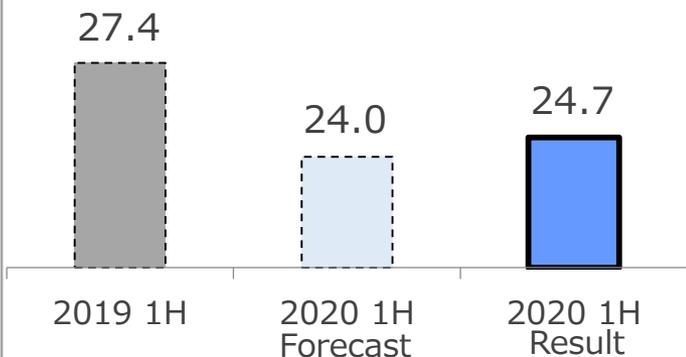
■ PVB film

Sales were weak for construction and automotive applications.

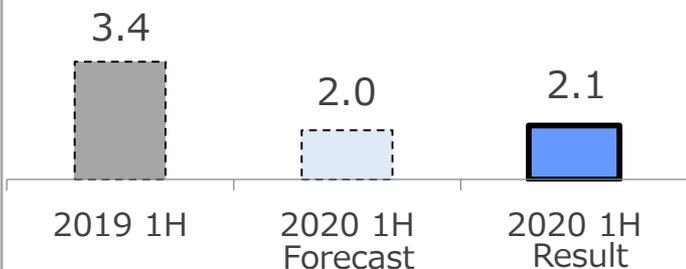
■ EVAL™

Although sales for gas tank applications were heavily impacted by a decline in the number of vehicles produced, sales volume increased for food packaging applications.

Net Sales (Billion yen)



Operating Income (Billion yen)



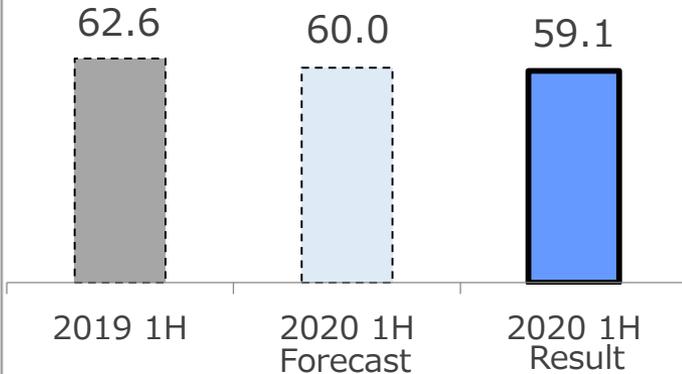
■ Isoprene

Sales of isoprene chemicals and SEPTON™ thermoplastic elastomer were affected by slowing demand, mainly in China and the rest of Asia.

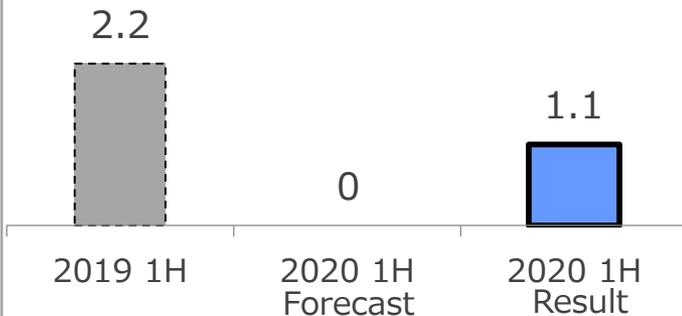
■ GENESTAR™

Sales for automotive applications were affected by the decline in vehicle production while sales remained steady for electric and electronic device applications.

Net Sales (Billion yen)



Operating Income (Billion yen)



■ Methacrylate

The overall business was affected by worsening market conditions despite an increase in demand for spatter-blocking barrier panels.

■ Medical

Dental materials business struggled, especially in the United States and Europe, as a result of an increase in dental clinic closures in response to spreading infections.

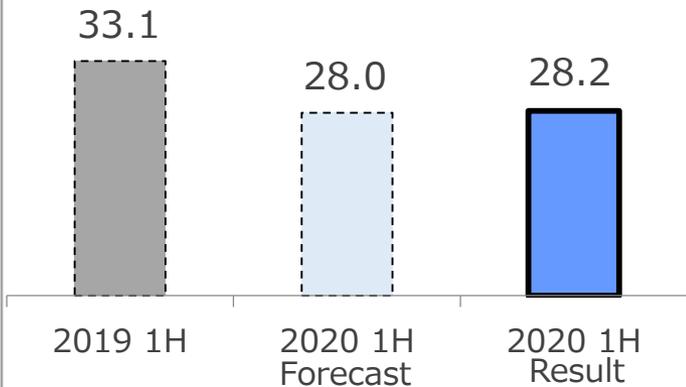
■ Calgon Carbon & Carbon Materials

Calgon Carbon sales was steady even during COVID-19, this business's products underpin people's daily lives.

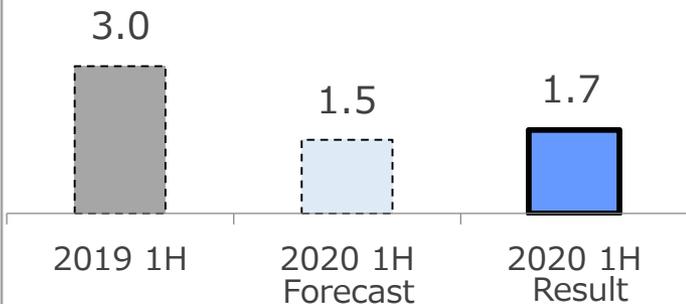
In the Carbon Materials business, high value-added products sales increased.

With expanding demand for high-performance activated carbon, we decided to expand the facilities at the U.S. plant of Calgon Carbon.

Net Sales (Billion yen)



Operating Income (Billion yen)



■ CLARINO™

Sales volume decreased due to receding demand in Asia and Europe.

■ Fibers and Industrial Materials

Sales for cement reinforcement use remained weak. Sales of products used in reinforcing rubber were negatively affected by a decline in the number of vehicles produced.

■ Consumer Goods and Materials

Sales of KURAFLEX™ were weak as demand for cosmetic and automotive applications stagnated despite an increase in the sales for mask-related applications.

Sales and Operating Income by Segment

(Billion yen)

	FY2020 1H		FY2019 1H		Difference	
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income
Vinyl Acetate	121.8	16.9	134.7	23.1	(12.9)	(6.2)
Isoprene	24.7	2.1	27.4	3.4	(2.7)	(1.3)
Functional Materials	59.1	1.1	62.6	2.2	(3.4)	(1.2)
Fibers & Textiles	28.2	1.7	33.1	3.0	(4.8)	(1.3)
Trading	60.0	2.1	64.8	2.1	(4.7)	0
Others	22.2	0.2	26.0	0.4	(3.9)	(0.2)
Elimination & Corporate	(54.1)	(4.4)	(61.2)	(6.2)	7.1	1.8
Total	262.0	19.6	287.4	27.9	(25.4)	(8.3)

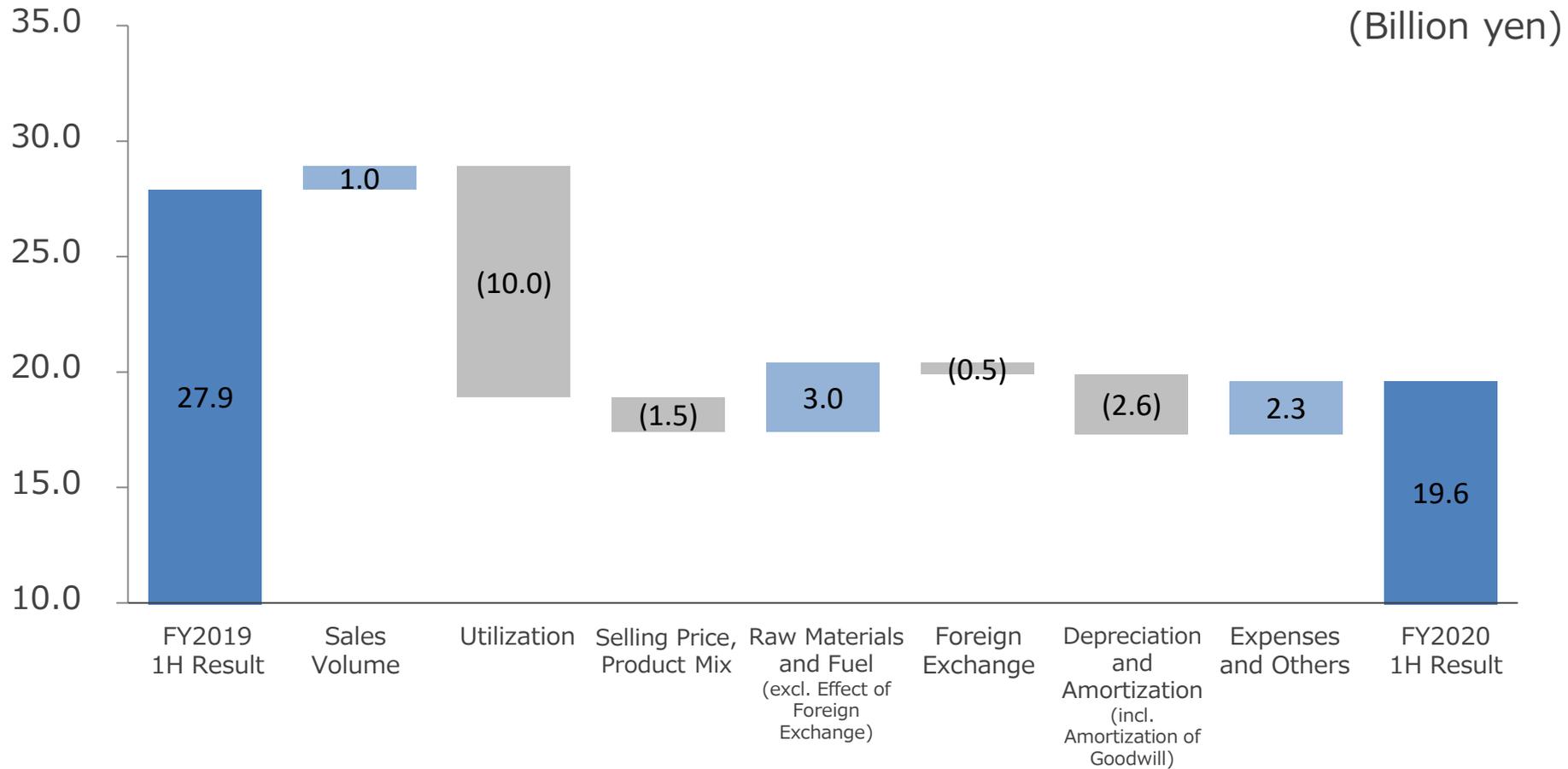
Cash Flow for FY2020 1H

(Billion yen)

	FY2020 1H	FY2019 1H	Difference
Operating CF	12.1	37.4	(25.3)
Investing CF*	(48.2)	(40.9)	(7.3)
Free CF*	(36.1)	(3.5)	(32.6)
M&A	-	-	-
CAPEX(Acceptance basis)	40.8	44.8	(4.0)
Depreciation and Amortization (incl.amortization of goodwill)	31.0	28.4	2.6
R&D Expenses	10.3	10.6	(0.3)

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

Factors Affecting the Change in Operating Income



	FY2019 1H	FY2020 1H
Domestic naphtha(JPY1,000/kl)	¥45	¥37
USD (average)	¥110	¥108
EUR (average)	¥124	¥119

Balance Sheet [1]: Assets

(Billion yen)

	Jun. 30, 2020	Dec. 31, 2019	Difference
Current Assets	487.8	394.7	93.0
Noncurrent Assets	596.0	596.4	(0.4)
Total Assets	1,083.8	991.1	92.6

Reference: Exchange rates at end of period

	Jun. 30, 2020	Dec. 31, 2019
JPY/USD	108	110
JPY/EUR	121	123

Balance Sheet [2]: Liabilities and Net Assets

(Billion yen)

	Jun. 30, 2020	Dec. 31, 2019	Difference
Current Liabilities	202.2	201.7	0.5
Noncurrent Liabilities	349.3	250.9	98.4
Total Liabilities	551.5	452.6	98.9
Net Assets	532.3	538.5	(6.3)
Total Liabilities and Net Assets	1,083.8	991.1	92.6
Equity Ratio	47.7%	53.0%	(5.3%)

Reference: Exchange rates at end of period

	Jun. 30, 2020	Dec. 31, 2019
JPY/USD	108	110
JPY/EUR	121	123

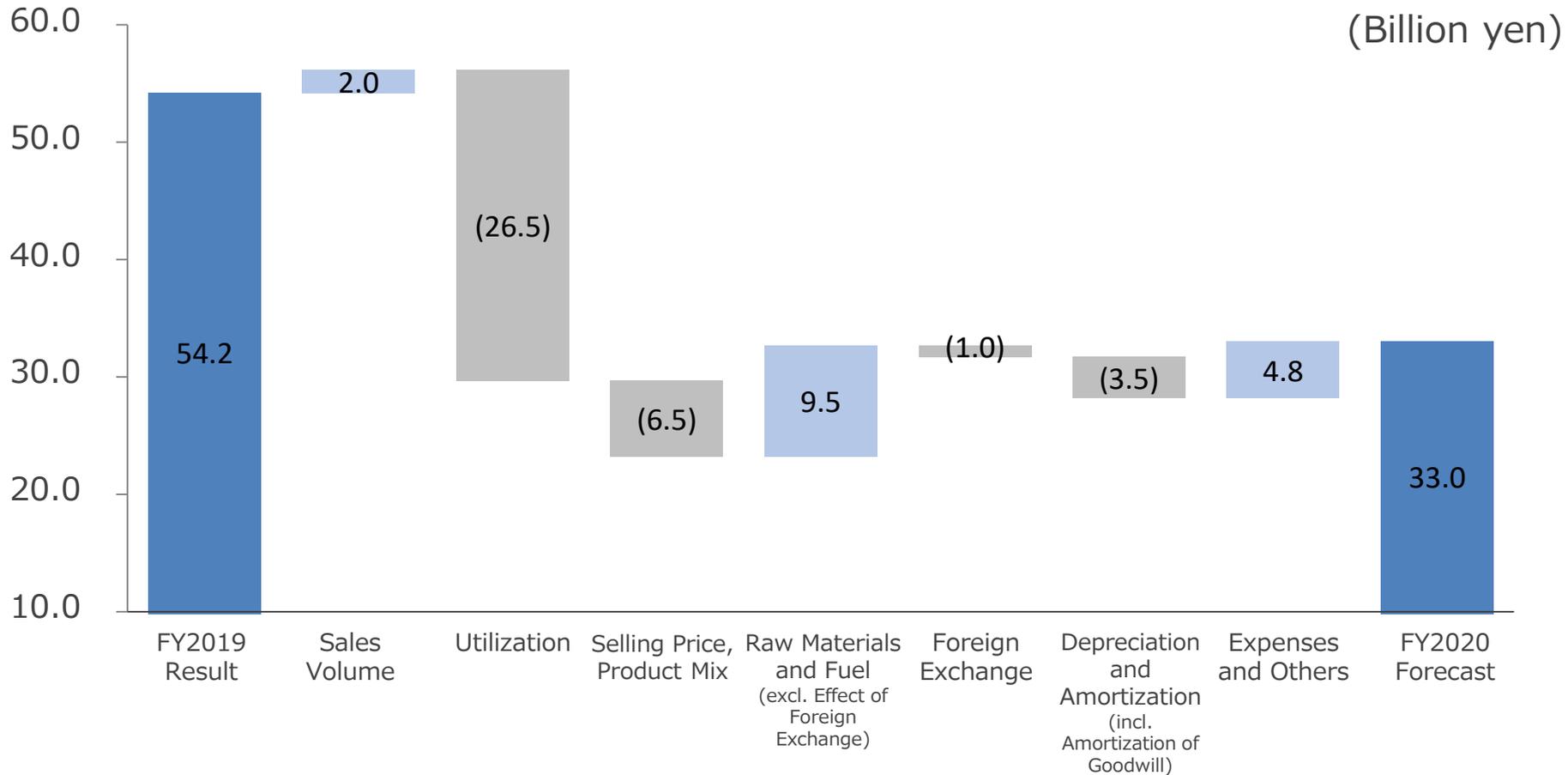
Forecast for FY2020

(Billion yen)

	FY2020 Full-Year Forecast	FY2019 Full-Year Results	Difference
Net Sales	510.0	575.8	(65.8)
Operating Income	33.0	54.2	(21.2)
Ordinary Income	29.0	48.3	(19.3)
Net Income*	13.0	(2.0)	15.0
EPS	¥37.80	(¥5.66)	¥43.46
Dividends per share	¥40	¥42	(¥2)
CAPEX(Decision basis)	90.0	51.4	38.6
CAPEX(Acceptance basis)	95.0	97.4	(2.4)
Depreciation and Amortization (incl. amortization of goodwill)	61.7	58.2	3.5
R&D Expenses	21.0	21.2	(0.2)

*Net Income Attributable to Owners of the Parent

Factors Affecting the Change in Operating Income



	FY2019	FY2020
Domestic naphtha(JPY1,000/kl)	¥43	¥31
USD (average)	¥109	¥106
EUR (average)	¥122	¥120

Forecast for FY2020 (vs FY2019)

(Billion yen)

	FY2020 Revised Forecast (Announced Aug 12, 2020)			FY2019 Results			Difference		
	1H (Act)	2H	Full	1H	2H	Full	1H	2H	Full
Net Sales	262.0	248.0	510.0	287.4	288.4	575.8	(25.4)	(40.4)	(65.8)
Operating Income	19.6	13.4	33.0	27.9	26.3	54.2	(8.3)	(12.9)	(21.2)
Ordinary Income	17.6	11.4	29.0	24.7	23.6	48.3	(7.0)	(12.2)	(19.3)
Net Income*	9.2	3.8	13.0	13.3	(15.2)	(2.0)	(4.1)	19.0	15.0

*Net Income Attributable to Owners of the Parent.

Net Sales by Segment

(Billion yen)

	FY2020 Revised Forecast			FY2019 Results			Difference			Difference from latest forecast (May 14, 2020)		
	1H (Act)	2H	Full	1H	2H	Full	1H	2H	Full	1H	2H	Full
Vinyl Acetate	121.8	121.2	243.0	134.7	131.4	266.1	(12.9)	(10.2)	(23.1)	(1.2)	-	-
Isoprene	24.7	23.3	48.0	27.4	25.9	53.3	(2.7)	(2.6)	(5.3)	0.7	-	-
Functional Materials	59.1	57.9	117.0	62.6	63.4	126.0	(3.4)	(5.6)	(9.0)	(0.9)	-	-
Fibers & Textiles	28.2	25.8	54.0	33.1	31.4	64.5	(4.8)	(5.7)	(10.5)	0.2	-	-
Trading	60.0	55.0	115.0	64.8	66.1	130.9	(4.7)	(11.2)	(15.9)	0	-	-
Others	22.2	15.8	38.0	26.0	25.1	51.1	(3.9)	(9.2)	(13.1)	2.7	-	-
Elimination & Corporate	(54.1)	(51.0)	(105.0)	(61.2)	(54.9)	(116.1)	7.1	4.0	11.1	0.4	-	-
Total	262.0	248.0	510.0	287.4	288.4	575.8	(25.4)	(40.5)	(65.8)	2.0	-	-

Operating Income by Segment

(Billion yen)

	FY2020 Revised Forecast			FY2019 Results			Difference			Difference from latest forecast (May 14, 2020)		
	1H (Act)	2H	Full	1H	2H	Full	1H	2H	Full	1H	2H	Full
Vinyl Acetate	16.9	15.6	32.5	23.1	24.3	47.4	(6.2)	(8.7)	(14.9)	1.4	-	-
Isoprene	2.1	0.9	3.0	3.4	0.8	4.2	(1.3)	0.1	(1.2)	0.1	-	-
Functional Materials	1.1	0.5	1.5	2.2	1.6	3.8	(1.2)	(1.2)	(2.3)	1.1	-	-
Fibers & Textiles	1.7	0.3	2.0	3.0	2.7	5.7	(1.3)	(2.3)	(3.7)	0.2	-	-
Trading	2.1	1.5	3.6	2.1	2.1	4.2	0	(0.7)	(0.6)	0.3	-	-
Others	0.2	(0.5)	(0.3)	0.4	0.2	0.6	(0.2)	(0.8)	(0.9)	0.4	-	-
Elimination & Corporate	(4.4)	(4.9)	(9.3)	(6.2)	(5.6)	(11.8)	1.8	0.7	2.5	1.2	-	-
Total	19.6	13.4	33.0	27.9	26.3	54.2	(8.3)	(12.9)	(21.2)	4.6	-	-



All figures are rounded to the nearest hundred million yen.

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