

FY2018 1Q Earnings Presentation (Overview)

KURARAY CO., LTD.

Overview of FY2018 1Q Results

(Billion yen)

	FY2018 1Q	FY2017 1Q	Difference
Net Sales	149.2	126.3	22.8(18.1%)
Operating Income	23.3	22.8	0.5(2.3%)
Ordinary Income	22.9	22.1	0.8(3.7%)
Net Income*	15.7	15.3	0.5(3.0%)

*Net Income Attributable to Owners of the Parent.

Reference

JPY/USD	108	114
JPY/EUR	133	121
Domestic naptha (JPY 1,000/kl)	47	40

*Following the change in the method used for evaluating products, raw materials, and work in process under inventories to the first-in first-out. Figures for the first quarter of fiscal 2017 have been restated.

*Calgon Carbon results are included in results from the first quarter of fiscal 2018.

Incorporating Calgon Carbon Corporation into Consolidated Results

With the completion of procedures to acquire Calgon Carbon on March 9, 2018 (U.S. time), that company's results were incorporated into Kuraray's consolidated results from the first quarter of fiscal 2018.

- ◆ Reflection of results in FY2018 1Q: January 1, 2018–March 31, 2018
- ◆ Segment: Functional Materials segment
- ◆ The exact amount of goodwill is expected to be determined by the end of fiscal 2018, so we used a tentative estimate of goodwill for the quarterly results.

Old Segments (FY2017)

Vinyl Acetate	No change
Isoprene	No change
Functional Materials	Methacryl Medical Clarino Carbon materials (including energy materials)
Fiber and Textiles	Fibers and textiles Consumer goods and materials
Trading	No change
Others	No change

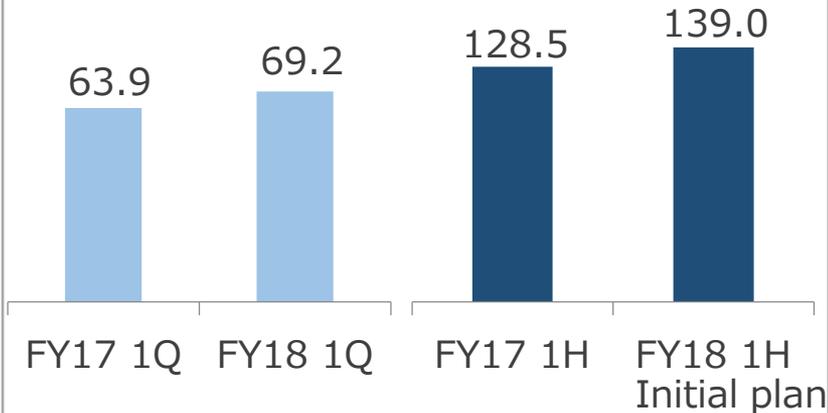


New Segments (FY2018)

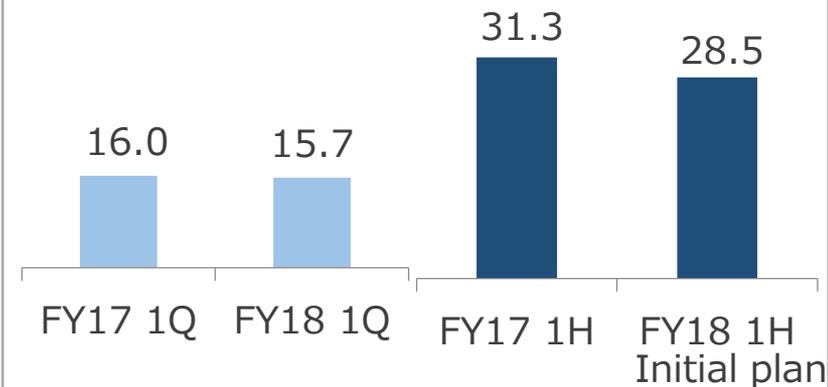
Vinyl Acetate	No change
Isoprene	No change
Functional Materials	Methacryl Medical Carbon materials (including energy materials) Calgon Carbon
Fiber and Textiles	Clarino Fibers and textiles Consumer goods and materials
Trading	No change
Others	No change

Vinyl Acetate

Net Sales (Billion yen)



Operating Income (Billion yen)



■ PVA resin

PVA resin, the U.S. plant, which began regular operations from last year, contributed to results, and although sales increased in the North American market, increases in raw material and fuel prices had a negative impact on performance.

■ Optical-use poval film

Sales of optical-use poval film rose. In addition, to respond to the growing display market and needs for larger panels, we decided to invest in new facilities at the Kurashiki Plant with operations expected to begin at the end of 2019.

■ Water-soluble PVA film

The sales volume of water-soluble PVA film continued to increase.

■ PVB film

Sales of PVB film expanded but were impacted by the higher raw material and fuel prices.

■ EVAL

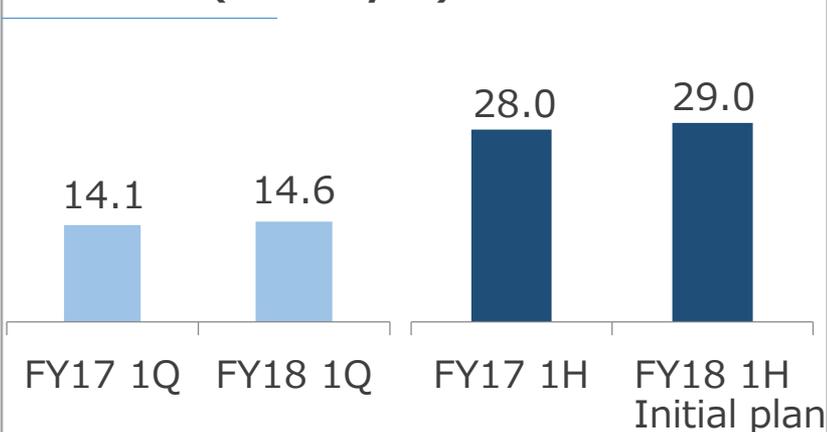
Sales of *EVAL* ethylene vinyl alcohol copolymer (*EVOH* resin) were brisk, growing for both automotive gas tank and food packaging applications.

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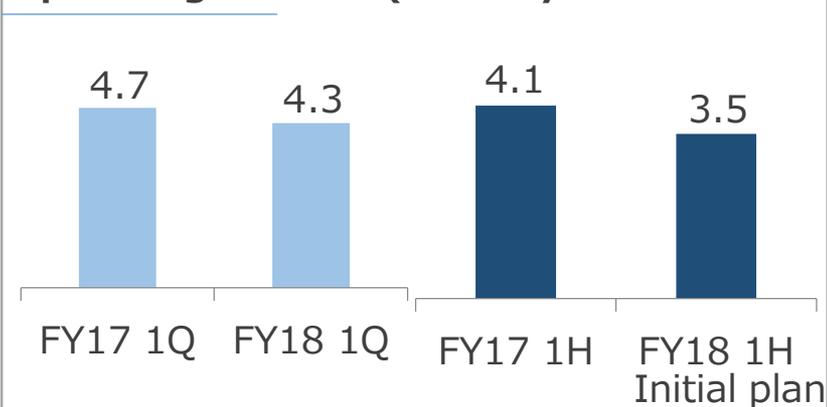
*Operating income in the first quarter of fiscal 2018 was negatively affected by the changes in the depreciation method and estimated useful lives used for tangible fixed assets as well as the method of allocating corporate expenses.

Isoprene

Net Sales (Billion yen)



Operating Income (Billion yen)



■ Isoprene

In isoprene chemicals, although sales of fine chemicals and liquid rubber expanded and remained firm, the sales volume of *SEPTON* thermoplastic elastomer declined.

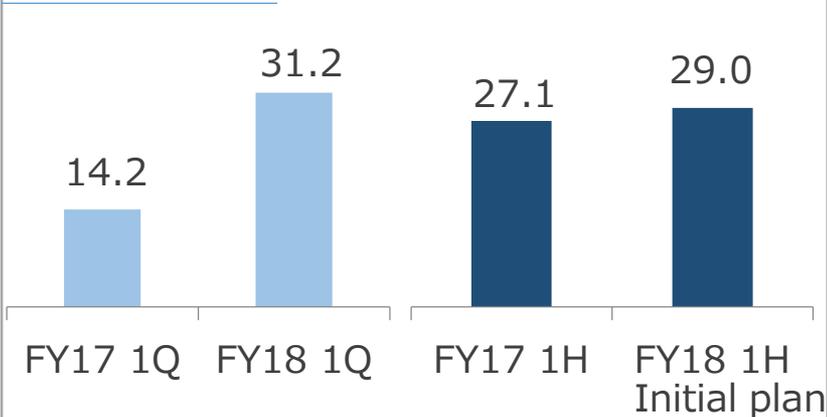
■ GENESTAR

The sales volume of *GENESTAR* heat-resistant polyamide resin for automotive, connector and LED reflector applications expanded.

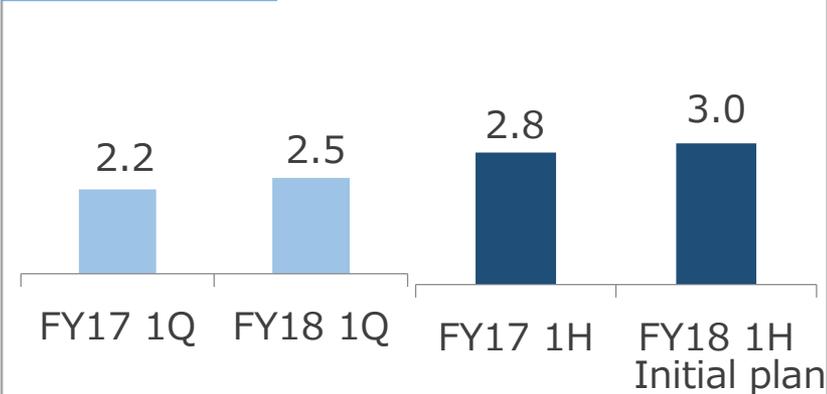
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Functional Materials

Net Sales (Billion yen)



Operating Income (Billion yen)



■ Methacrylic Resin

In the methacrylic resin business, market conditions remained healthy, but sales of resins were weak for some applications.

■ Medical

In the medical business, an expansion in sales of zirconia-based dental material products contributed to overall brisk sales.

■ Carbon Materials

Carbon Materials business the sales volume of general purpose applications decreased.

■ Calgon Carbon

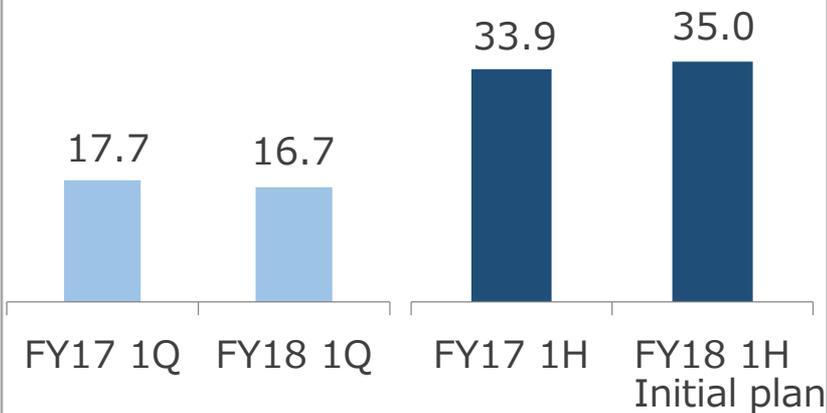
Calgon Carbon's sales remained favorable.

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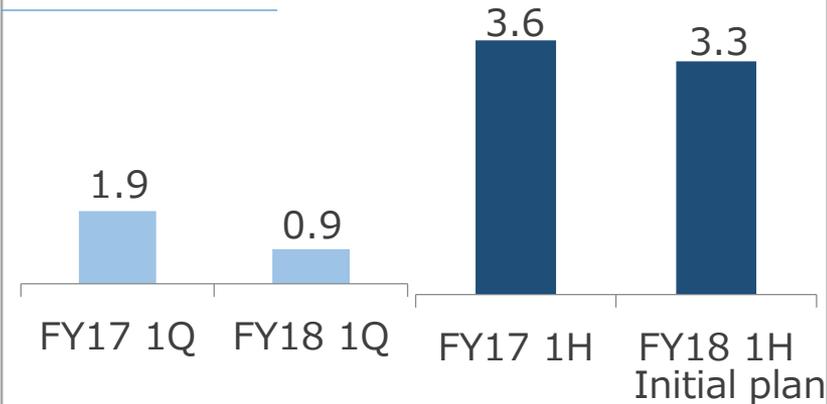
*Calgon Carbon results are included in results from the first quarter of fiscal 2018.

Fibers and Textiles

Net Sales (Billion yen)



Operating Income (Billion yen)



■ CLARINO

Sales of *CLARINO* man-made leather remained weak as shipments related to sports shoes declined.

■ Fibers and Industrial Materials

The sales volume of *KURALON* decreased due to shipment delays for some applications, with higher raw material and fuel costs affecting sales.

■ Consumer Goods and Materials

Sales of consumer goods and materials were favorable overall.

*Following the change in the method used for evaluating products, raw materials, and work in process under inventories to the first-in first-out. Figures for the first quarter of fiscal 2017 have been restated.

*With the change in the organizational structure from the first quarter of fiscal 2018, Clarino results have been retroactively included in figures from the first quarter of fiscal 2017 onward.

Sales and Operating Income by Segment

(Billion yen)

	FY2018 1Q		FY2017 1Q		Difference	
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income
Vinyl Acetate	69.2	15.7	63.9	16.0	5.3	(0.3)
Isoprene	14.6	4.3	14.1	4.7	0.5	(0.4)
Functional Materials	31.2	2.5	14.2	2.2	17.0	0.3
Fibers & Textiles	16.7	0.9	17.7	1.9	(1.0)	(1.0)
Trading	32.5	1.1	31.8	1.0	0.7	0.1
Others	12.8	0.3	11.7	0.9	1.1	(0.6)
Elimination & Corporate	(27.8)	(1.6)	(27.1)	(3.9)	(0.7)	2.3
Total	149.2	23.3	126.3	22.8	22.8	0.5

*Following the change in the method used for evaluating products, raw materials, and work in process under inventories to the first-in first-out. Figures for the first quarter of fiscal 2017 have been restated.

Impact of Calgon Carbon Corporation

1. Impact on business performance (billions of yen)

	FY2018 forecast		
	1H	2H	Full-year
Net sales	35.0	35.0	70.0

Tentative goodwill* : 85.5

Amortization of goodwill (tentative)	(2.0)	(2.0)	(4.0)
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* Therefore purchase price allocation has not been completed, the calculation of the amount of goodwill is tentative. The yen figure was converted using the exchange rate as of December 31, 2017. Furthermore, the amortization of goodwill is the amount to be amortized over 20 years using the straight-line method.

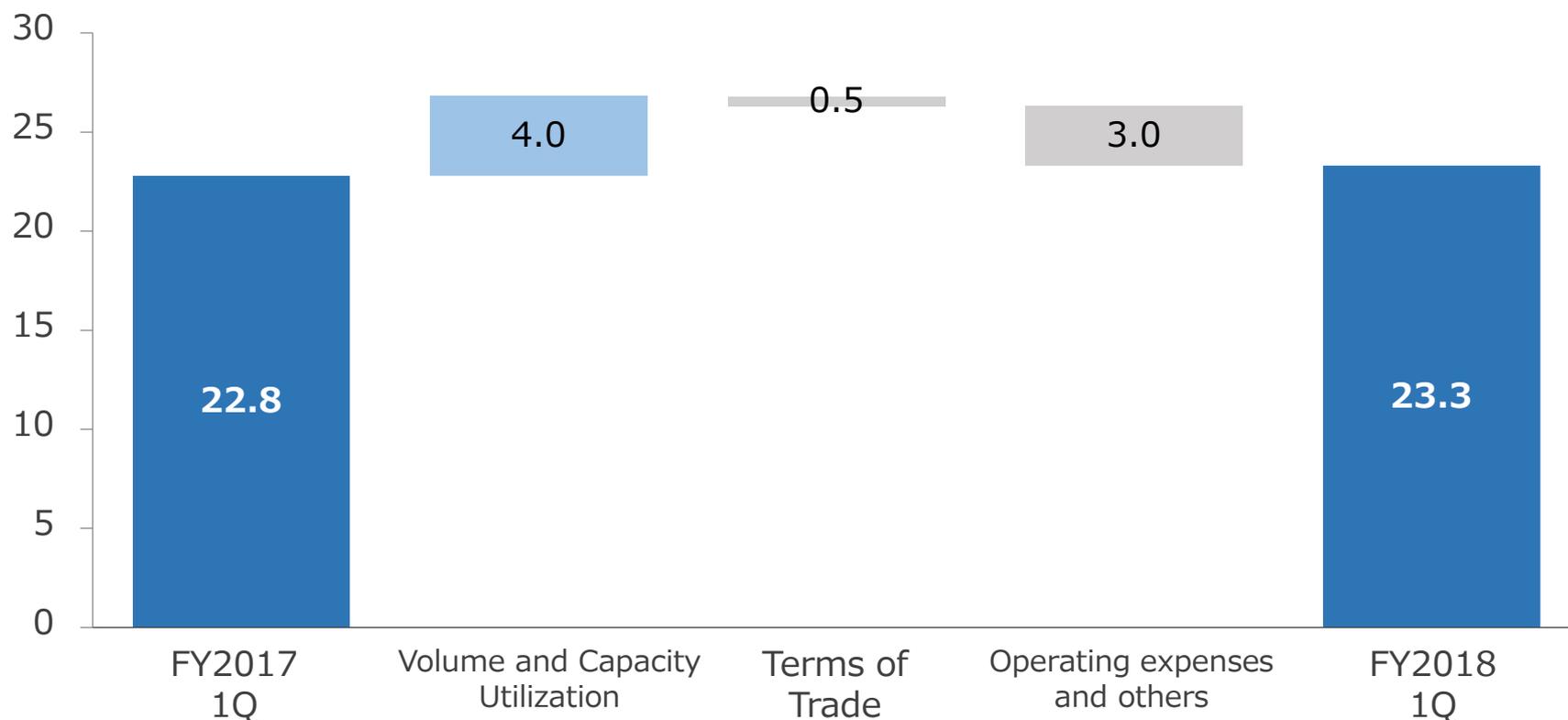
2. Impact on balance sheets (the time of consolidation)

Current assets	42.6	Current liabilities	43.7
Noncurrent assets	55.9	Noncurrent liabilities	7.6
<u>Total assets</u>	<u>98.5</u>	<u>Total liabilities</u>	<u>51.3</u>
		Net assets	47.2

* Excluding the tentative goodwill above.

Factors Affecting the Change in Operating Income

(Billion yen)



	FY2017 1Q	FY2018 1Q
Domestic naphtha(JPY1,000/kl)	¥40	¥47
USD (average)	¥114	¥108
EUR (average)	¥121	¥133

*Following the change in the method used for evaluating products, raw materials, and work in process under inventories to the first-in first-out. Figures for the first quarter of fiscal 2017 have been restated.

Balance Sheet [1]: Assets

(Billion yen)

	Mar. 31, 2018	Dec. 31, 2017	Difference
Current Assets	392.5	360.5	32.0
Noncurrent Assets	532.4	416.3	116.1
Total Assets	924.9	776.7	148.2

Reference: Exchange rates at end of period

	Mar. 31, 2018	Dec. 31, 2017
JPY/USD	106	113
JPY/EUR	131	135

Balance Sheet [2]: Liabilities and Net Assets

(Billion yen)

	Mar. 31, 2018	Dec. 31, 2017	Difference
Current Liabilities	236.8	108.1	128.7
Noncurrent Liabilities	133.5	103.2	30.3
Total Liabilities	370.3	211.2	159.1
Net Assets	554.6	565.5	(10.9)
Total Liabilities and Net Assets	924.9	776.7	148.2

Reference: Exchange rates at end of period

	Mar. 31, 2018	Dec. 31, 2017
JPY/USD	106	113
JPY/EUR	131	135

Forecast for FY2018

(Billion yen)

	FY2018 Revised Forecast		FY2018 Initial Plan (Announced Feb 14, 2018)		Difference	
	1H	Full	1H	Full	1H	Full
Net Sales	300.0	610.0	267.0	540.0	33.0	70.0
Operating Income	36.0	77.0	36.0	77.0	0	0
Ordinary Income	35.0	75.0	35.0	75.0	0	0
Net Income*	23.0	49.0	23.0	49.0	0	0

*Net Income Attributable to Owners of the Parent

Forecast for FY2018

(Billion yen)

	FY2018 Revised Forecast		FY2017 Results		Difference	
	1H	Full	1H	Full	1H	Full
Net Sales	300.0	610.0	251.3	518.4	48.7	91.6
Operating Income	36.0	77.0	37.5	75.1	(1.5)	1.9
Ordinary Income	35.0	75.0	36.3	73.0	(1.3)	2.0
Net Income*	23.0	49.0	24.0	53.6	(1.0)	(4.6)

*Net Income Attributable to Owners of the Parent. FY2017 results: U.S. tax cut impact + ¥7.5 billion

Net Sales by Segment

(Billion yen)

	FY2018 Revised Forecast		FY2017 Results		Difference		Difference from Initial Plan	
	1H	Full	1H	Full	1H	Full	1H	Full
Vinyl Acetate	141.0	282.0	128.5	266.9	12.5	15.1	2.0	0
Isoprene	29.0	59.0	28.0	56.4	1.0	2.6	0	0
Functional Materials	64.0	129.0	27.1	55.2	36.9	73.8	35.0	70.0
Fibers & Textiles	33.5	68.0	33.9	66.4	(0.4)	1.6	(1.5)	0
Trading	66.0	135.0	62.7	128.8	3.3	6.2	0	0
Others	22.0	51.0	23.7	54.2	(1.7)	(3.2)	(2.0)	0
Elimination & Corporate	(55.5)	(114.0)	(52.6)	(109.5)	(2.9)	(4.5)	(0.5)	0
Total	300.0	610.0	251.3	518.4	48.7	91.6	33.0	70.0

*This table compares the restated fiscal 2017 results and the fiscal 2018 results forecasts reflecting the Clarino business's segment change.

Operating Income by Segment

(Billion yen)

	FY2018 Revised Forecast		FY2017 Results		Difference		Difference from Initial Plan	
	1H	Full	1H	Full	1H	Full	1H	Full
Vinyl Acetate	28.5	58.5	31.3	61.3	(2.8)	(2.8)	0	0
Isoprene	3.5	9.0	4.1	8.4	(0.6)	0.6	0	0
Functional Materials	3.5	6.5	2.8	6.3	0.7	0.2	0.5	0
Fibers & Textiles	2.8	7.5	3.6	7.2	(0.8)	0.3	(0.5)	0
Trading	2.2	4.5	1.9	3.9	0.3	0.6	0	0
Others	1.0	3.5	1.4	3.3	(0.4)	0.2	(0.7)	0
Elimination & Corporate	(5.5)	(12.5)	(7.6)	(15.3)	2.1	2.8	0.7	0
Total	36.0	77.0	37.5	75.1	(1.5)	1.9	0	0

*This table compares the restated fiscal 2017 results and the fiscal 2018 results forecasts reflecting the Clarino business's segment change.

Share Buyback

	Number of Shares	Amount
Specified Buyback	2.2 million	¥4.0 billion
Period	May 16, 2018 to October 31, 2018	

1. Type of share in buyback: Common stock
2. Buyback method: Market purchase based on a trade contact for acquiring of treasury stock

Reference:

Total outstanding shares of March 31, 2018: 350,855,503(excluding treasury stock)

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All figures are rounded to the nearest hundred million yen.

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