

FY2018 3Q Earnings Presentation (Overview)

KURARAY CO., LTD.

Overview of FY2018 3Q Results

(Billion yen)

	FY2018 3Q	FY2017 3Q	Difference
Net Sales	449.9	379.7	70.3(18.5%)
Operating Income	57.2	58.3	-1.2(-2.0%)
Ordinary Income	54.8	57.1	-2.3(-4.0%)
Net Income*	35.1	37.5	-2.4(-6.5%)

*Net Income Attributable to Owners of the Parent.

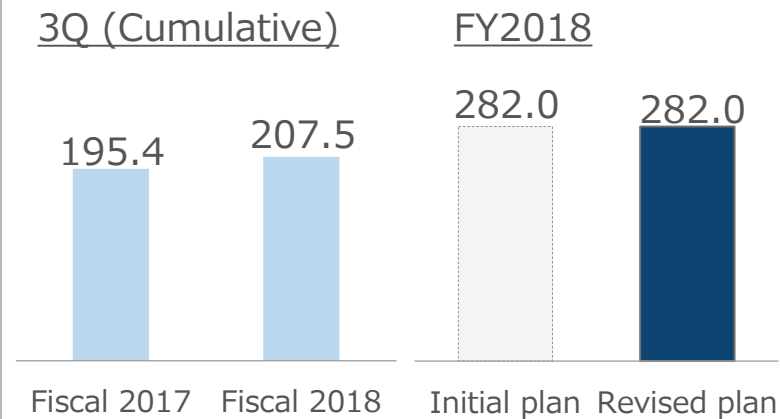
Reference

JPY/USD	110	112
JPY/EUR	131	125
Domestic naptha (JPY 1,000/kl)	49	39

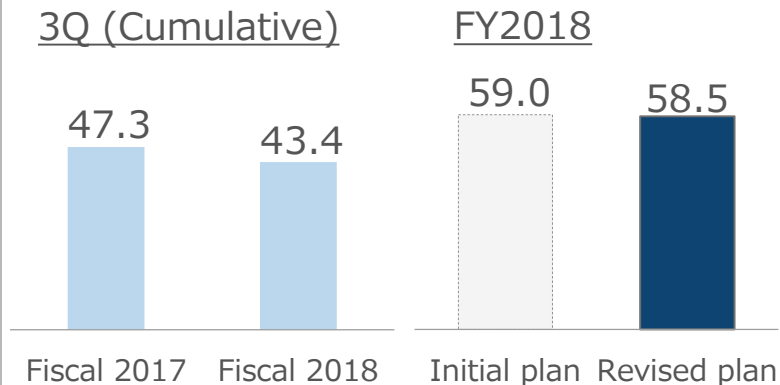
*Following the change in the method used for evaluating products, raw materials, and work in process under inventories to the first-in first-out. Figures for the third quarter of fiscal 2017 have been restated.

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

Net Sales (Billion yen)



Operating Income (Billion yen)



■ PVA resin

Business remained favorable due to an improved product mix.

■ Optical-use poval film

Sales rose due to a steady expansion in demand. In addition, to respond to the growing display market and needs for larger panels, in the consolidated first quarter 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 increased, especially for unit dose detergent packet applications.

■ PVB film

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

■ EVAL

Sales were affected by shutdown maintenance and delays in construction to expand capacity at the U.S. plant.

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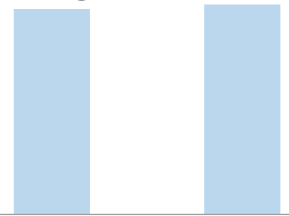
*Operating income in the third quarter of fiscal 2018 was negatively affected by the changes in the depreciation method and estimated useful lives used for tangible fixed assets as well as the method of allocating corporate expenses.

Isoprene

Net Sales (Billion yen)

3Q (Cumulative)

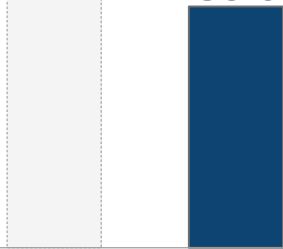
41.8 42.7



Fiscal 2017 Fiscal 2018

FY2018

60.0 58.0

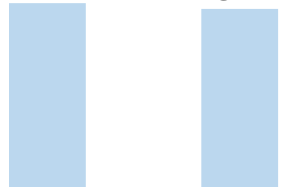


Initial plan Revised plan

Operating Income (Billion yen)

3Q (Cumulative)

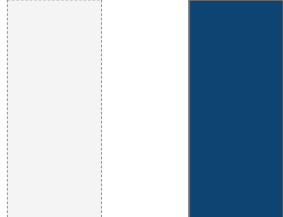
6.4 6.2



Fiscal 2017 Fiscal 2018

FY2018

9.0 9.0



Initial plan Revised plan

■ Isoprene

The sales volume of fine chemicals, *SEPTON* thermoplastic elastomer, and liquid rubber expanded but were affected by higher raw material and fuel costs.

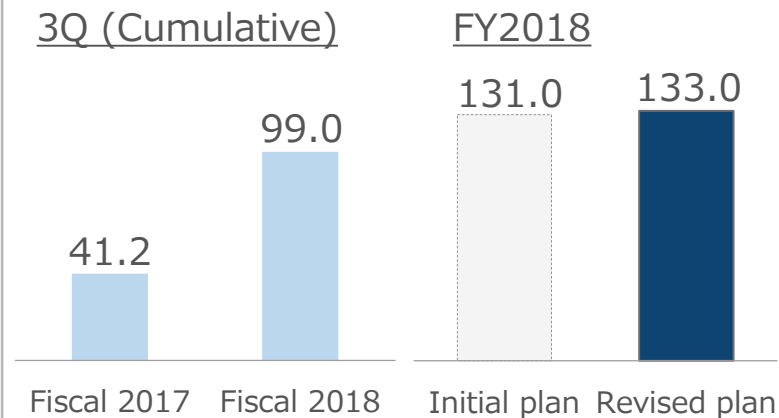
■ GENESTAR

The sales volume expanded, especially for automotive and connector applications, but was impacted by higher raw material and fuel prices.

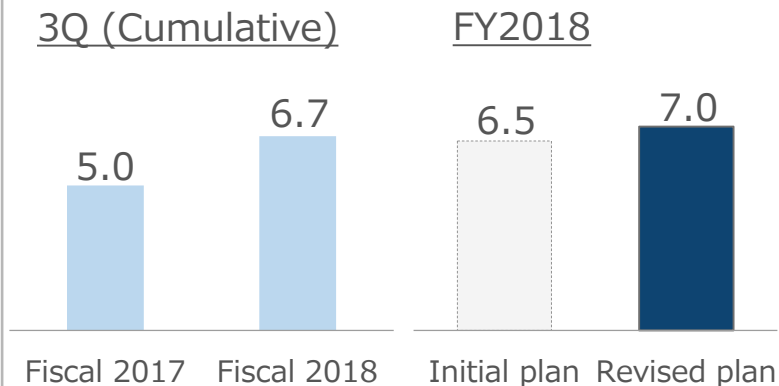
*Following the change in the method used for evaluating products, raw materials, and work in process under inventories to the first-in first-out. Figures for the third quarter of fiscal 2017 have been restated.

Functional Materials

Net Sales (Billion yen)



Operating Income (Billion yen)



■ Methacrylic Resin

Business was favorable due to an expansion in sales of high-value added products in addition to continuing healthy market conditions.

■ Medical

An expansion in sales of zirconia-based dental material products contributed to sales.

■ Carbon Materials

The sales volume of general purpose applications decreased.

■ Calgon Carbon

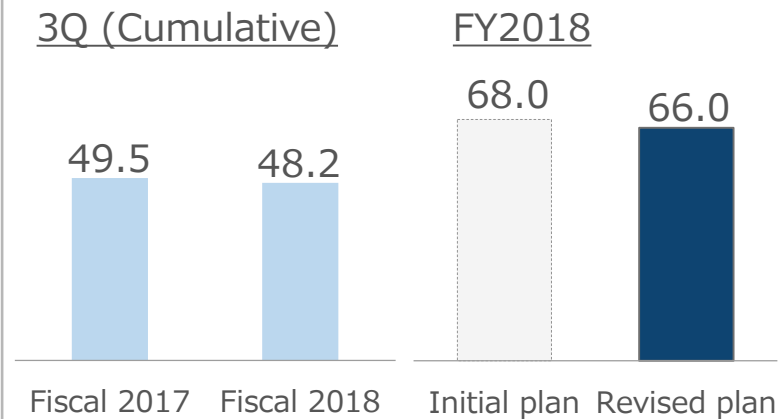
Sales volumes increased, mainly in the United States.

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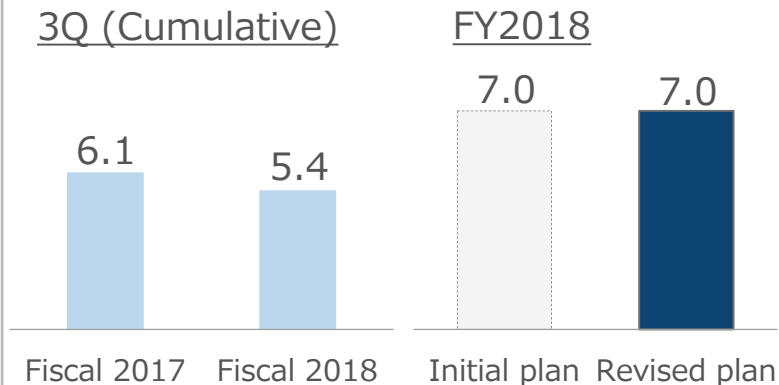
*Calgon Carbon results are included in results from the first quarter of fiscal 2018.

Fibers and Textiles

Net Sales (Billion yen)



Operating Income (Billion yen)



■ CLARINO

Sales of *CLARINO* for use in sports shoes declined but continued to expand for luxury item applications.

■ Fibers and Industrial Materials

Sales of *KURALON* were affected by higher raw material and fuel costs.

■ Consumer Goods and Materials

In consumer goods and materials, sales of high-value-added *KURAFLEX* products expanded.

*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 third 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 third quarter of fiscal 2017 onward.

Sales and Operating Income by Segment

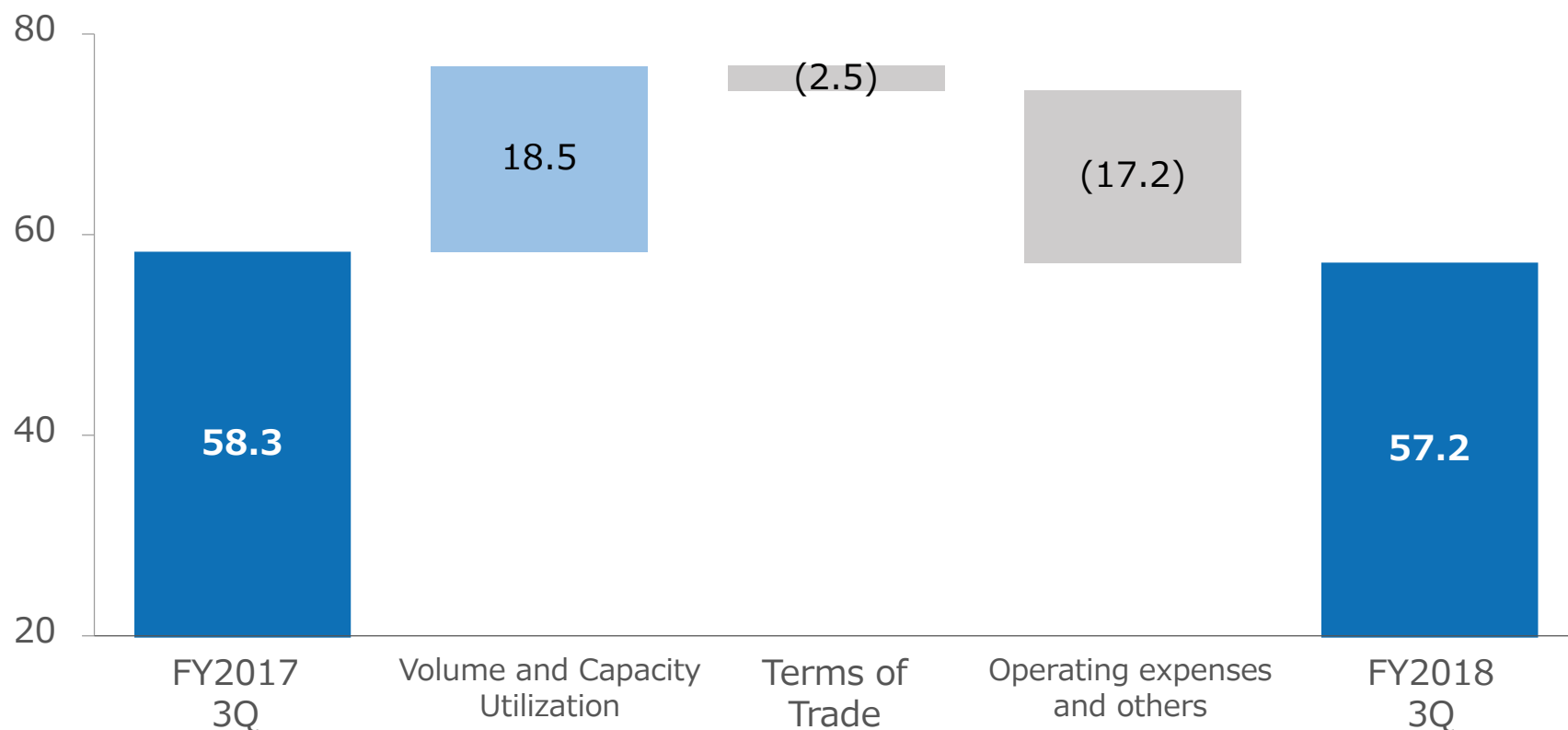
(Billion yen)

	FY2018 3Q		FY2017 3Q		Difference	
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income
Vinyl Acetate	207.5	43.4	195.4	47.3	12.1	(3.9)
Isoprene	42.7	6.2	41.8	6.4	0.9	(0.2)
Functional Materials	99.0	6.7	41.2	5.0	57.8	1.7
Fibers & Textiles	48.2	5.4	49.5	6.1	(1.3)	(0.7)
Trading	102.0	3.0	96.8	2.9	5.2	0.1
Others	42.8	0.8	35.5	1.7	7.3	(0.9)
Elimination & Corporate	(92.3)	(8.2)	(80.4)	(11.0)	(11.9)	2.8
Total	449.9	57.2	379.7	58.3	70.3	(1.2)

*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 third quarter of fiscal 2017 have been restated.

Factors Affecting the Change in Operating Income

(Billion yen)



	FY2017 3Q	FY2018 3Q
Domestic naphtha(JPY1,000/kl)	¥39	¥49
USD (average)	¥112	¥110
EUR (average)	¥125	¥131

*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 third quarter of fiscal 2017 have been restated.

Balance Sheet [1]: Assets

(Billion yen)

	Sep. 30, 2018	Dec. 31, 2017	Difference
Current Assets	399.2	360.5	38.7
Noncurrent Assets	559.1	416.3	142.9
Total Assets	958.3	776.7	181.6

Reference: Exchange rates at end of period

	Sep. 30, 2018	Dec. 31, 2017
JPY/USD	114	113
JPY/EUR	132	135

Balance Sheet [2]: Liabilities and Net Assets

(Billion yen)

	Sep. 30, 2018	Dec. 31, 2017	Difference
Current Liabilities	149.7	108.1	41.6
Noncurrent Liabilities	227.4	103.2	124.2
Total Liabilities	377.1	211.2	165.8
Net Assets	581.2	565.5	15.7
Total Liabilities and Net Assets	958.3	776.7	181.6

Reference: Exchange rates at end of period

	Sep. 30, 2018	Dec. 31, 2017
JPY/USD	114	113
JPY/EUR	132	135

Net Sales by Segment

(Billion yen)

	FY2018 Revised Plan		FY2017 Results		Difference	
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income
Vinyl Acetate	282.0	58.5	266.9	61.6	15.1	(3.1)
Isoprene	58.0	9.0	56.4	9.1	1.6	(0.1)
Functional Materials	133.0	7.0	55.2	6.7	77.8	0.3
Fibers & Textiles	66.0	7.0	66.4	7.5	(0.4)	(0.5)
Trading	135.0	4.5	131.8	3.9	3.2	0.6
Others	57.0	2.0	51.3	3.0	5.7	(1.0)
Elimination & Corporate	(121.0)	(11.0)	(109.5)	(15.4)	(11.5)	4.4
Total	610.0	77.0	518.4	76.4	91.6	0.6

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

*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 FY2017 have been restated.

【Ref.】 Net Sales by Segment

(Billion yen)

	FY2018		FY2017		Difference	
	3Q Results	Full-Year Forecast	3Q Results	Full-Year Results	3Q	Full-Year
Vinyl Acetate	207.5	282.0	195.4	266.9	12.1	15.1
Isoprene	42.7	58.0	41.8	56.4	0.9	1.6
Functional Materials	99.0	133.0	41.2	55.2	57.8	77.8
Fibers & Textiles	48.2	66.0	49.5	66.4	(1.3)	(0.4)
Trading	102.0	135.0	96.8	131.8	5.2	3.2
Others	42.8	57.0	35.5	51.3	7.3	5.7
Elimination & Corporate	(92.3)	(121.0)	(80.4)	(109.5)	(11.9)	(11.5)
Total	449.9	610.0	379.7	518.4	70.3	91.6

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

【Ref.】 Operating Income by Segment

(Billion yen)

	FY2018		FY2017		Difference	
	3Q Results	Full-Year Forecast	3Q Results	Full-Year Results	3Q	Full-Year
Vinyl Acetate	43.4	58.5	47.3	61.6	(3.9)	(3.1)
Isoprene	6.2	9.0	6.4	9.1	(0.2)	(0.1)
Functional Materials	6.7	7.0	5.0	6.7	1.7	0.3
Fibers & Textiles	5.4	7.0	6.1	7.5	(0.7)	(0.5)
Trading	3.0	4.5	2.9	3.9	0.1	0.6
Others	0.8	2.0	1.7	3.0	(0.9)	(1.0)
Elimination & Corporate	(8.2)	(11.0)	(11.0)	(15.4)	2.8	4.4
Total	57.2	77.0	58.3	76.4	(1.2)	0.6

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

*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 FY2017 have been restated.

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All figures are rounded to the nearest hundred million yen.

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