

FY2020 Earnings Presentation (Overview)

KURARAY CO., LTD.

Overview of FY2020 Results

| | FY2020 | FY2019 | (Billion yen) Difference |
|------------------------------------|--------|--------|------------------------------------|
| Net Sales | 541.8 | 575.8 | -34.0 (-5.9%) |
| Operating Income | 44.3 | 54.2 | -9.8 (-18.1%) |
| Ordinary Income | 39.7 | 48.3 | -8.5 (-17.7%) |
| Net Income* | 2.6 | (2.0) | 4.5 (-%) |
| | Refere | ence | |
| JPY/USD | 107 | 109 | |
| JPY/EUR | 122 | 122 | |
| Domestic naphtha (JPY 1,000/kl) | 34 | 43 | |
| | | | |

*Net Income Attributable to Owners of the Parent

Outcomes of FY2020 Main 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) Calgon Carbon: Determined expansion of capacity in U.S. and Belgium Meltblown nonwoven fabric: Began operations of new line and supply for mask filters |
|--|--|
| | |
| Expand new business fields | ◆PLANTIC [™] : Completed construction of resin production line in U.S. and began productions from the second half |
| | |
| Enhance comprehensi ve strengths of the Kuraray Group | Promoted integration 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 Declared the support for TCFD Recommendations |

"PROUD2020" Medium-Term Management Plan: Review

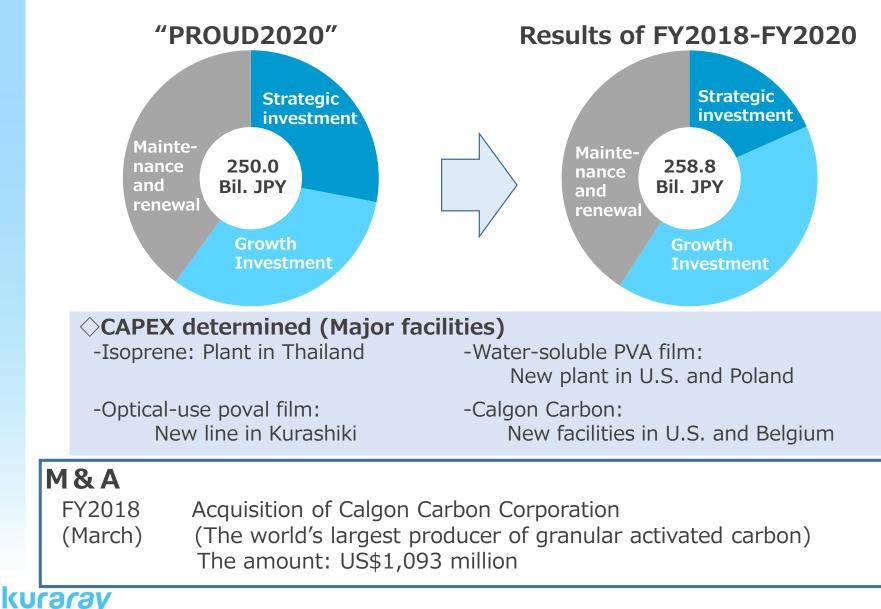
| "PROUD2020" New Medium-Term Management Plan Four Management Strategy | | | | | |
|---|-------------------------------|--|---|--|--|
| Pursue competitive superiority | Expand new business fields | Enhance comprehensive strength of the Kuraray Group | Support for protection of global environment | | |

Main management target

- 1. <u>Conduct continuous capital expenditure for growth in core and new businesses</u> ✓CAPEX executed for Optical-use and Water-soluble PVA film and SentryGlas.
- Isoprene: Pursue business expansion via a project in Thailand
 ✓Plan to start operations in middle of FY2022 with a little delay by COVID-19
 ✓Global sales forces (9 countries, 12 offices) organized for GENESTAR[™].
- Carbon materials: Swiftly realize synergies with Calgon Carbon
 ✓Cost reduced 2.0 billion JPY.
 Determined expansion facilities in U.S. and Belgium for further improvement.
- 4. <u>Establish global business foundations</u>
 ✓Global IT system formulated and installed as a part of strengthening governance.
- 5. <u>Support for protection of global environment</u>
 ✓Improve environment: Calgon Carbon(Activated carbon)
 ✓Enhance quality of life: PLANTIC[™](biomass-derived), EVAL

Medium-Term Management Plan : Review

Capacity Expansion

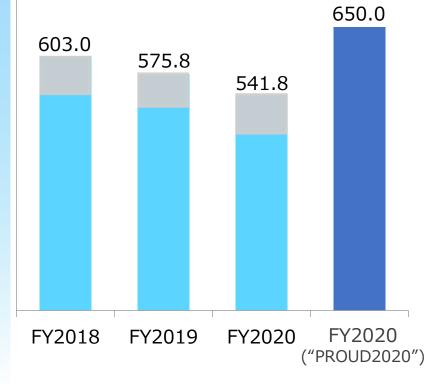


Medium-Term Management Plan : Review (Revenue & Op. income)

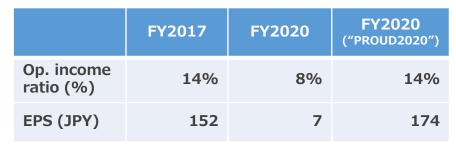
FY2020 resulted behind in net sales and operating income due to delays of sales expansion and demand creation in emerging countries in most business divisions, impact of U.S. fire incident in EVAL and world's economy decline due to COVID-19.

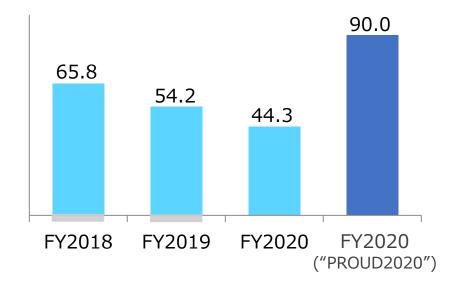
Net Sales (Billions JPY)

Business performance of Calgon Carbon wasn't included in Mid-Term Plan.



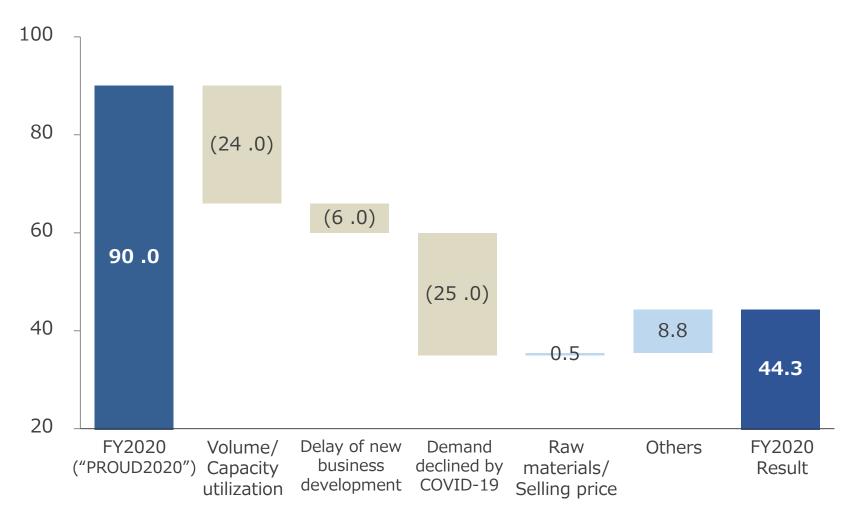
Operating Income and ratio





Medium-Term Management Plan : Review (Operating Income)

(Billion yen)



Key Initiatives for FY2021



♦ Safety operations and steady executions under COVID-19
♦ Promotion for formulation of new Medium-Term Plan

- 1. Secure installation of new facilities decided during "PROUD2020"
 - Isoprene: New plant project in Thailand
 - Calgon Carbon: New facility in U.S.
 - Water-soluble PVA film: New plant in Poland
- 2. Promotion for further synergy by integration of Environmental Solutions business
- **3.** EVAL[™]: Studies for a new plant
- 4. VECSTAR[™] FCCL: Studies for new lines
- 5. Promotion of digitalization in entire group for improvement of operational processes and acceleration of business strategy

(Billion yen)

| | FY2021 Forecast | FY2020 Results | Difference |
|---|---------------------|---------------------|------------|
| Net Sales | 570.0 | 541.8 | 28.2 |
| Operating Income | 55.0 | 44.3 | 10.7 |
| Ordinary Income | 50.0 | 39.7 | 10.3 |
| Net Income* | 30.0 | 2.6 | 27.4 |
| Domestic naphtha (JPY1,000/kl) USD (average) EUR (average) | ¥35 ¥105 ¥125 | ¥34 ¥107 ¥122 | |

*Net Income Attributable to Owners of the Parent

Medium-Term Management Plan "PROUD 2020" Total payout ratio: 35% or higher Annual dividends per share: ¥40 or higher ("PROUD 2020" policy continues for FY2021)

> FY2020: ¥40 per share scheduled (interim: ¥21, year-end: ¥19)

> FY2021: ¥40 per share scheduled (interim: ¥20, year-end: ¥20)





FY2020 Results (Details)

KURARAY CO., LTD.

Vinyl Acetate



PVA resin

Sales remained weak due to stagnant global demand and a subsequent production adjustment.

Optical-use poval film

Sales volume increased due to demand recovery especially for large displays.

■ Water-soluble PVA film <MonoSol>

Sales expanded for use in unit dose detergent packets.

■ PVB film

Demand gradually recovered from third quarter onward despite the demand for construction and automotive application were stagnated.

■ EVAL[™]

Sales remained weak for gas tank applications while sales increased for food packaging applications due to at-home consumption.

Isoprene



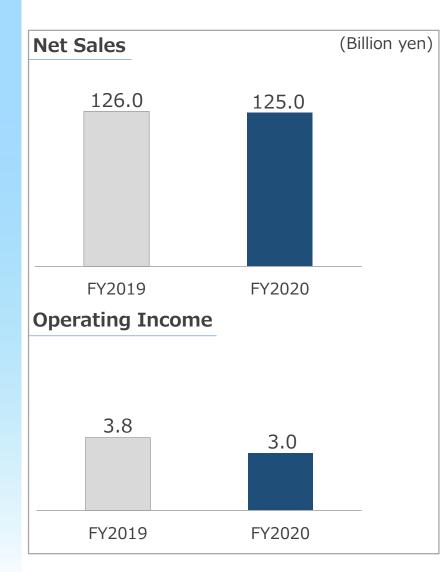
■ Isoprene

Sales both of isoprene chemicals and SEPTON[™] thermoplastic elastomer began to recover from fourth quarter despite being affected by stagnant demand mainly China and the rest of Asia.

■ GENESTAR[™]

Sales remained brisk for electric and electronic device applications.

Functional Materials



Methacrylic Resin

Overall business was affected by rising raw material costs and worsening market conditions despite an increase in sales of spatter-blocking barrier panels and displays.

Medical

Sales reduced in first half mainly in Europe and U.S. due to clinic closings caused by pandemic.

Calgon Carbon & Carbon Materials

Sales were steady especially of products for water treatment applications even during pandemic as such products underpin people's daily lives.

With expanding demand, we decided to expand facilities at plants of Calgon Carbon. -U.S. (high-performance activated carbon) -Belgium (reactivated carbon for industries)

Fibers and Textiles



■ CLARINO[™]

Sales volume decreased due to receding demand for shoe applications in Asia and luxury good applications in Europe.

Fibers and Industrial Materials

KURALON[™] decreased for cement reinforcement and rubber materials.

Consumer Goods and Materials

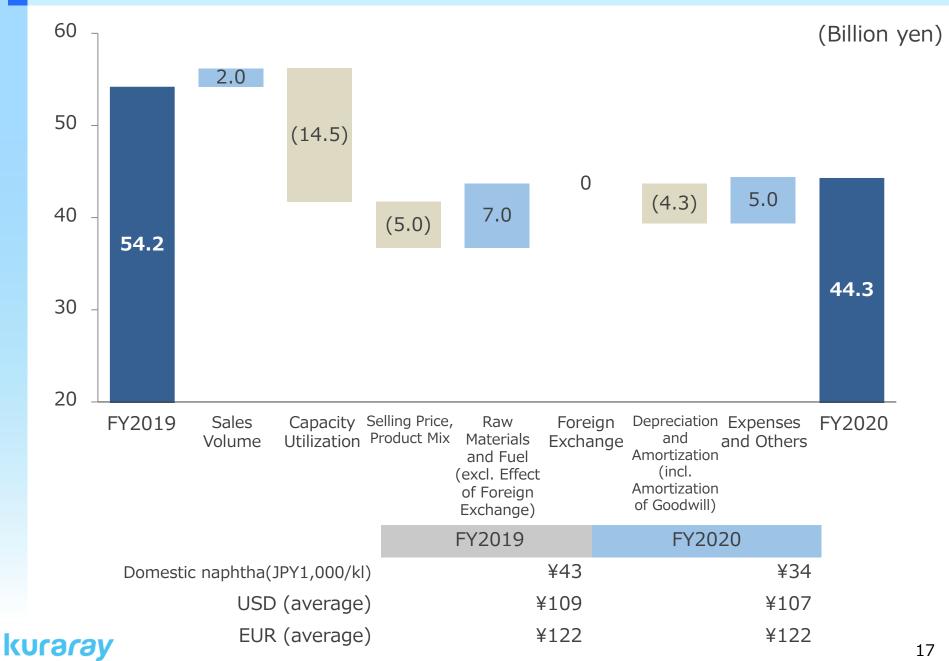
Sales volume decreased by stagnant demand automotive and cosmetic applications while sales for mask-related applications increased.

Sales and Operating Income by Segment

(Billion yen)

| | FY2020 | | FY2 | FY2019 | | Difference | |
|-------------------------|--------------|---------------------|--------------|---------------------|--------------|---------------------|--|
| | Net Sales | Operating Income | Net Sales | Operating Income | Net Sales | Operating Income | |
| Vinyl Acetate | 257.1 | 40.8 | 266.1 | 47.4 | (9.0) | (6.6) | |
| Isoprene | 50.4 | 3.8 | 53.3 | 4.2 | (2.9) | (0.4) | |
| Functional Materials | 125.0 | 3.0 | 126.0 | 3.8 | (1.0) | (0.8) | |
| Fibers & Textiles | 54.4 | 2.2 | 64.5 | 5.7 | (10.1) | (3.5) | |
| Trading | 124.4 | 3.6 | 130.9 | 4.2 | (6.5) | (0.6) | |
| Other Business | 41.7 | 0.2 | 51.1 | 0.6 | (9.4) | (0.4) | |
| Elimination & Corporate | (111.2) | (9.2) | (116.1) | (11.8) | 4.9 | 2.6 | |
| Total | 541.8 | 44.3 | 575.8 | 54.2 | (34.0) | (9.8) | |

Factors Affecting the Change in Operating Income



FY2020 Extraordinary Loss

(Billion yen)

| | FY2020 | Main content |
|---|--------|---|
| Loss on litigation | 23.2 | Litigation costs in U.S. subsidiary caused by fire incident |
| Loss on liquidation of business | 5.2 | Loss in withdrawal of a part of business in U.S. subsidiary |
| Costs related to the suspension of operations | 4.5 | Loss of suspension of operations due to production adjustment |
| Others | 0.6 | Loss on disposal of tangible fixed assets |
| Total | 33.5 | |

Cash Flow for FY2020

(Billion yen)

| | FY2020 | FY2019 | Difference |
|--|-----------|-----------|------------|
| Operating CF | 79.9 | 95.6 | (15.6) |
| Investing CF* | (83.3) | (88.6) | 5.3 |
| Free CF* | (3.4) | 7.0 | (10.4) |
| M&A | 0 | 0 | 0 |
| EPS | ¥7.48 | (¥5.66) | ¥13.13 |
| BPS | ¥1,450.32 | ¥1,527.79 | (¥77.47) |
| CAPEX(Decision basis) | 61.4 | 51.4 | 10.0 |
| CAPEX(Acceptance basis) | 78.3 | 97.4 | (19.1) |
| Depreciation and Amortization (incl. amortization of goodwill) | 62.5 | 58.2 | 4.3 |
| R&D Expenses | 20.6 | 21.2 | (0.6) |

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

Balance Sheet [1]: Assets

(Billion yen)

| | Dec. 31, 2020 | Dec. 31, 2019 | Difference |
|----------------------|---------------|---------------|------------|
| Current Assets | 461.2 | 394.7 | 66.5 |
| Noncurrent Assets | 590.4 | 596.4 | (6.0) |
| Total Assets | 1,051.6 | 991.1 | 60.4 |

Reference: Exchange rates at end of period

| | Dec. 31, 2020 | Dec. 31, 2019 |
|---------|---------------|---------------|
| JPY/USD | 104 | 110 |
| JPY/EUR | 127 | 123 |

Balance Sheet [2]: Liabilities and Net Assets

(Billion yen)

| | Dec. 31, 2020 | Dec. 31, 2019 | Difference |
|-------------------------------------|---------------|---------------|------------|
| Current Liabilities | 195.1 | 201.7 | (6.6) |
| Noncurrent Liabilities | 341.1 | 250.9 | 90.1 |
| Total Liabilities | 536.1 | 452.6 | 83.5 |
| Net Assets | 515.5 | 538.5 | (23.1) |
| Total Liabilities and Net Assets | 1,051.6 | 991.1 | 60.4 |
| Equity Ratio | 47.4% | 53.0% | (5.6%) |

Reference: Exchange rates at end of period

| | Dec. 31, 2020 | Dec. 31, 2019 |
|---------|---------------|---------------|
| JPY/USD | 104 | 110 |
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Forecast for FY2021

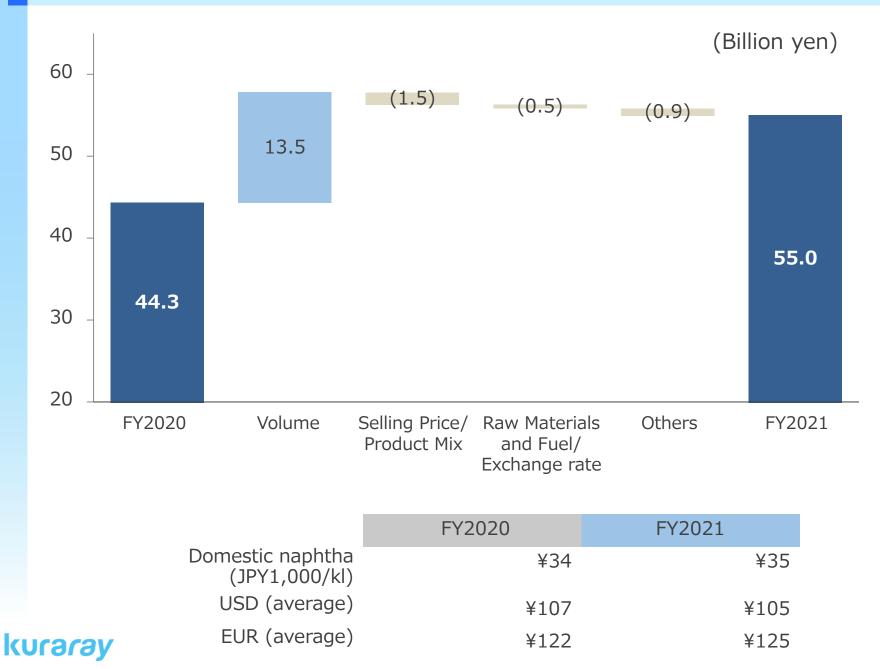
| | | | (Billion yen) |
|--|--------------------|-------------------|---------------|
| | FY2021 Forecast | FY2020 Results | Difference |
| Net Sales | 570.0 | 541.8 | 28.2 |
| Operating Income | 55.0 | 44.3 | 10.7 |
| Ordinary Income | 50.0 | 39.7 | 10.3 |
| Net Income | 30.0 | 2.6 | 27.4 |
| EPS | ¥87.23 | ¥7.48 | ¥79.76 |
| Dividends per share | ¥40 | ¥40 | ¥0 |
| CAPEX(Decision basis) | 75.0 | 61.4 | 13.6 |
| CAPEX(Acceptance basis) | 85.0 | 78.3 | 6.7 |
| Depreciation and Amortization (incl. amortization of goodwill) | 59.5 | 62.5 | (3.0) |
| R&D Expenses | 21.5 | 20.6 | 0.9 |

Net Sales by Segment

(Billion yen)

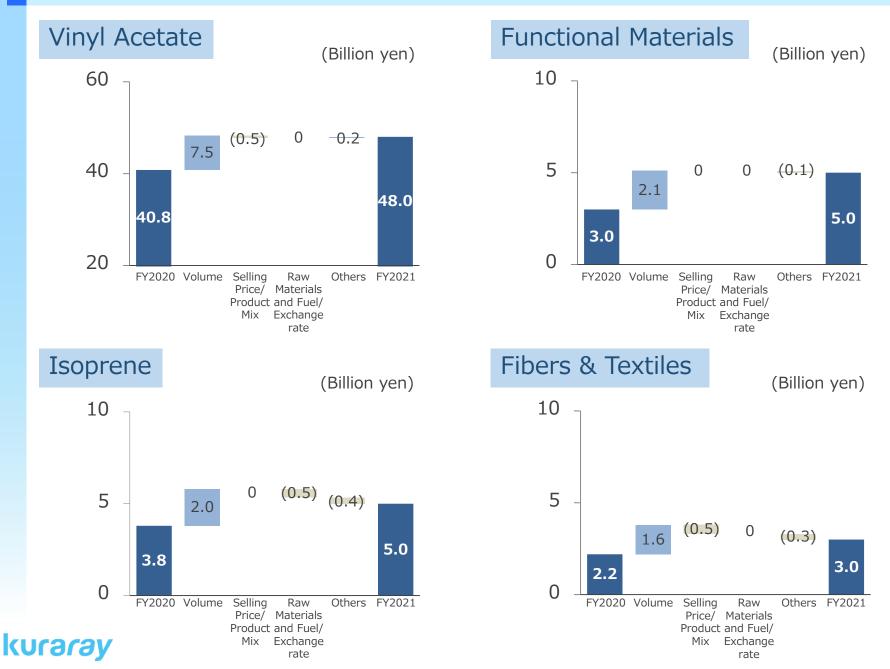
| | FY2021 Forecast | | FY2020 Results | | Difference | |
|----------------------------|--------------------|---------------------|-------------------|---------------------|--------------|---------------------|
| | Net Sales | Operating Income | Net Sales | Operating Income | Net Sales | Operating Income |
| Vinyl Acetate | 270.0 | 48.0 | 257.1 | 40.8 | 12.9 | 7.2 |
| Isoprene | 55.0 | 5.0 | 50.4 | 3.8 | 4.6 | 1.2 |
| Functional Materials | 130.0 | 5.0 | 125.0 | 3.0 | 5.0 | 2.0 |
| Fibers & Textiles | 57.0 | 3.0 | 54.4 | 2.2 | 2.6 | 0.8 |
| Trading | 130.0 | 4.0 | 124.4 | 3.6 | 5.6 | 0.4 |
| Other Business | 43.0 | 0.5 | 41.7 | 0.2 | 1.3 | 0.3 |
| Elimination & Corporate | (115.0) | (10.5) | (111.2) | (9.2) | (3.8) | (1.3) |
| Total | 570.0 | 55.0 | 541.8 | 44.3 | 28.2 | 10.7 |

Factors Affecting the Change in Operating Income



24

[Ref.] Factors Affecting the Change in Operating Income (by Segment)



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[Ref.] Forecast for FY2021

| | (DIIIOIT YEI | | | | | Dillion yen) |
|---------------------|--------------------|-------|-------------------|-------|------------|--------------|
| | FY2021 Forecast | | FY2020 Results | | Difference | |
| | 1H | 2H | 1H | 2H | 1H | 2H |
| Net Sales | 280.0 | 290.0 | 262.0 | 279.8 | 18.0 | 10.2 |
| Operating Income | 25.0 | 30.0 | 19.6 | 24.7 | 5.4 | 5.3 |
| Ordinary Income | 22.5 | 27.5 | 17.6 | 22.1 | 4.9 | 5.4 |
| Net Income* | 13.5 | 16.5 | 9.2 | (6.6) | 4.3 | 23.1 |

*Net Income Attributable to Owners of the Parent

kura*ray*

(Billion ven)

[Ref.] FY2021 Forecast by Segment

(Billion yen)

| | Net Sales | | | Operating Income | | |
|----------------------------|-----------|--------|-----------|------------------|-------|-----------|
| | 1H | 2H | Full Year | 1H | 2H | Full Year |
| Vinyl Acetate | 134.0 | 136.0 | 270.0 | 23.0 | 25.0 | 48.0 |
| Isoprene | 27.0 | 28.0 | 55.0 | 2.0 | 3.0 | 5.0 |
| Functional Materials | 63.0 | 67.0 | 130.0 | 2.0 | 3.0 | 5.0 |
| Fibers & Textiles | 27.0 | 30.0 | 57.0 | 1.0 | 2.0 | 3.0 |
| Trading | 63.0 | 67.0 | 130.0 | 1.8 | 2.2 | 4.0 |
| Other Business | 21.5 | 21.5 | 43.0 | 0.2 | 0.3 | 0.5 |
| Elimination & Corporate | (55.5) | (59.5) | (115.0) | (5.0) | (5.5) | (10.5) |
| Total | 280.0 | 290.0 | 570.0 | 25.0 | 30.0 | 55.0 |

[Ref.] Net Sales by Segment

(Billion yen)

| | FY2021 Forecast | | FY2020 Results | | Difference | |
|----------------------------|--------------------|--------|-------------------|--------|------------|-------|
| | 1H | 2H | 1H | 2H | 1H | 2H |
| Vinyl Acetate | 134.0 | 136.0 | 121.8 | 135.3 | 12.2 | 0.7 |
| Isoprene | 27.0 | 28.0 | 24.7 | 25.7 | 2.3 | 2.3 |
| Functional Materials | 63.0 | 67.0 | 59.1 | 65.8 | 3.9 | 1.2 |
| Fibers & Textiles | 27.0 | 30.0 | 28.2 | 26.2 | (1.2) | 3.8 |
| Trading | 63.0 | 67.0 | 60.0 | 64.4 | 3.0 | 2.6 |
| Other Business | 21.5 | 21.5 | 22.2 | 19.6 | (0.7) | 1.9 |
| Elimination & Corporate | (55.5) | (59.5) | (54.1) | (57.2) | (1.4) | (2.3) |
| Total | 280.0 | 290.0 | 262.0 | 279.8 | 18.0 | 10.2 |

[Ref.] Operating Income by Segment

| | (Billion yen) | | | | | |
|----------------------------|--------------------|-------|-------------------|-------|------------|-------|
| | FY2021 Forecast | | FY2020 Results | | Difference | |
| | 1H | 2H | 1H | 2H | 1H | 2H |
| Vinyl Acetate | 23.0 | 25.0 | 16.9 | 23.9 | 6.1 | 1.1 |
| Isoprene | 2.0 | 3.0 | 2.1 | 1.7 | (0.1) | 1.3 |
| Functional Materials | 2.0 | 3.0 | 1.1 | 1.9 | 0.9 | 1.1 |
| Fibers & Textiles | 1.0 | 2.0 | 1.7 | 0.5 | (0.7) | 1.5 |
| Trading | 1.8 | 2.2 | 2.1 | 1.5 | (0.3) | 0.7 |
| Other Business | 0.2 | 0.3 | 0.2 | 0.0 | 0.0 | 0.3 |
| Elimination & Corporate | (5.0) | (5.5) | (4.4) | (4.8) | (0.6) | (0.7) |
| Total | 25.0 | 30.0 | 19.6 | 24.7 | 5.4 | 5.3 |



All figures are rounded to the nearest hundred million yen.

This presentation contains various forward-looking statements which are based on the current expectations and assumptions of future events. All figures and statements with respect to the future performance, projections, and business plans of Kuraray and its group companies constitute forward-looking statements. Although Kuraray believes that its expectations and assumptions are reasonable, actual results and trends of Kuraray's performance could differ materially from those expressed or implied by such figures or statements due to risks and uncertainties in the future business circumstances. The factors which may cause such difference include, without limitation: (1) general market and economic conditions in Asia including Japan, the U.S., Europe and other regions; (2) fluctuations of currency exchange rates, especially between the Japanese yen and the U.S. dollar and other foreign currencies; (3) changes in raw material and fuel costs; (4) industrial competition and price fluctuations in Japan and international markets; (5) advance or delay in the construction of new plants and production lines; (6) successful development of new products and technologies; and (7) changes in laws and regulations (including tax and environmental) and legal proceedings.