1H of FY2012 (Apr. to Sep.) Earnings Presentation (Overview)

November 1, 2012

KURARAY CO., LTD.

Overview of 1H FY2012 Results

[Billion ¥, except for average rate]

	1H FY2012 Revised Forecast (Announced Jul. 31, 2012)	1H FY2012 Actual	1H FY2011
Net sales	190.0	180.9	185.6
Operating Income	25.0	23.9	29.4
Operating Income Ratio	13.2%	13.2%	15.8%
Ordinary Income	24.0	21.9	29.0
Net Income	14.0	12.7	17.2
Average rate for the period			
¥/$U.S.	80	79	80
¥/Euro	100	101	114
Domestic naphtha／kl	¥54,300	¥55,000	¥ 57,000

Breakdown of Operating Income

[Billion ¥]

	FY2012 Forecast	FY2011 Actual	Difference
Net Sales	380.0	369.0	+11.0
Operating Income	52.0	54.7	(2.7)
Ordinary Income	50.5	53.9	(3.4)
Net Income	30.0	31.5	(1.5)
[Ref.]			
Selling, General and Administrative Expenses	72.0	67.7	+4.3

FY2012 Priority

Main Examples of Specific Measures Based on Medium-Term Management Plan GS-III

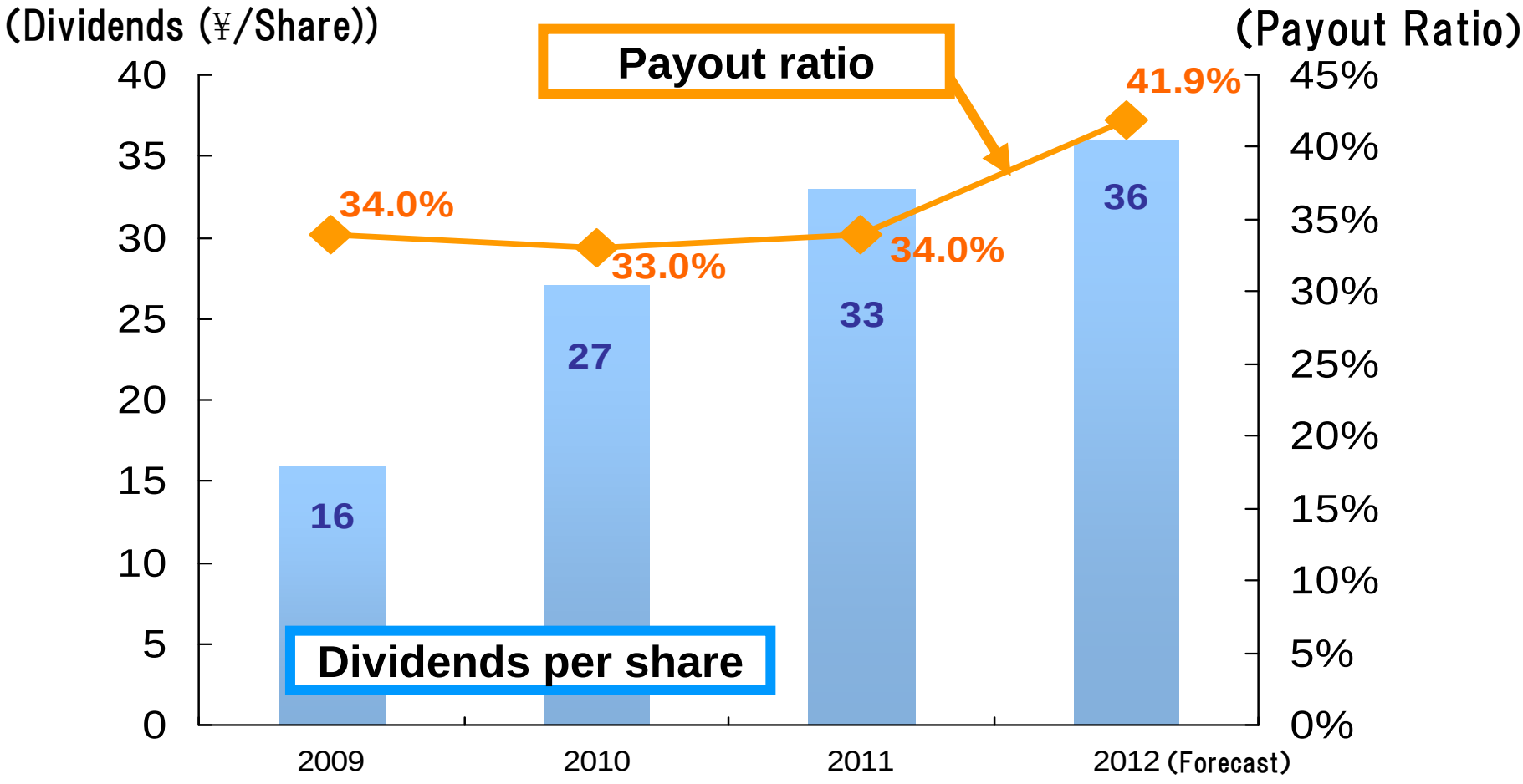
- New poval resin facility in North America (decided).
- Acquisition of MonoSol, LLC. and expansion of poval film business for industrial applications.
- Progress in differentiating optical poval film (thinner film, wider film, etc.).
- Market expansion of *EVAL* in Asia: Establishment of local subsidiary in Thailand.
- Progress in development of liquid rubber that uses biomaterials (farnesene).
- Start of sales of new grade of *GENESTAR* for general lighting applications.
- Dental materials: Start-up of new production base in Niigata Plant.

- Battery materials development: Decision to build new facility for hard carbon anode material for lithium-ion batteries derived from plant material.
- Full-scale start of sales of ballast water management system (final approval received from Ministry of Land, Infrastructure, Transport and Tourism).

FY2012 Dividends

¥36 per Share Scheduled

（Interim;¥18, Year-end; ¥18）



1H FY2012 Results (Details)

November 1. 2012

KURARAY CO., LTD.

Sales and Operating Income by Segment

[¥ Billion]

	1H FY2012		1H FY2011		Difference	
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income
Resins	75.1	24.4	77.5	25.9	(2.4)	(1.5)
Chemicals	38.9	2.1	38.9	5.2	0.0	(3.1)
Fibers & Textiles	27.9	0.8	29.6	0.6	(1.7)	0.1
Trading	54.2	1.6	56.8	1.8	(2.6)	(0.1)
Others	31.7	2.2	33.7	3.0	(2.1)	(0.8)
Elimination &Corporate expense	(46.9)	(7.2)	(50.9)	(7.1)	4.0	(0.1)
Total	180.9	23.9	185.6	29.4	(4.7)	(5.5)

1H FY2012 Results(Cash Flow, etc.)

[¥ Billion]

	1H FY2012	2H FY2011	Difference	
Operating CF	24.8	27.7	(2.8)	
Investing CF*	(19.9)	(17.1)	(2.8)	
Free CF*	4.9	10.7	(5.7)	
M&A	(31.1)		(31.1)	
EPS	¥36.57	¥49.43	(12.86)	(-26.0%)
CAPEX (Acceptance basis)	20.6	19.5	1.1	
Depreciation & Amortization	13.8	147	(0.9)	
R&D Expenses	7.9	7.9	0	

***Cash flows from investment activities and free cash flow exclude net cash used in deposit and short-term investment securities and M&A fees.**

Overview of Main Businesses

Poval resin	Demand was weak against the backdrop of a global economic slowdown.
Optical-use poval film	Essentially the same as the same period of the previous fiscal year, despite the impact of inventory adjustments for LCD panels in the first half, as demand grew in the second half.
EVAL	Sales for automotive applications grew steadily, although stagnated for food packaging applications.
Methacrylic resin	Sales of molding materials for light guide panels were firm, but results were impacted by worsening market conditions in Japan and rising raw material and fuel costs.
Isoprene	Although sales of liquid rubber grew, thermoplastic elastomer *SEPTON* and fine chemicals were weak with the impact of worsening economic conditions in Europe and Asia and the effect of currency translation.
GENESTAR	Sales for automotive applications grew, with solid sales for LED reflectors and connectors
Medical	Sales of dental materials were firm.
KURALON	A market downturn in Europe impacted sales of fiber-reinforced cement (FRC) applications for asbestos substitute.
CLARINO	Demand was robust for school bag applications but weak for shoes. Results are improving with progress in business restructuring, including a shift to an environment-friendly production process.

Summary of Consolidated BS [1](Assets)

[Billion ¥]

	Sept. 30, 2012	March 31, 2012	Difference
Current Assets	233.1	269.1	(36.0)
Fixed Assets	292.4	254.2	38.3
Total Assets	525.5	523.2	2.3

Summary of Consolidated BS [2] (Liabilities and Net Assets)

[¥ Billion]

	Sept.30, 2012	March 31, 2012	Difference
Current Liabilities	73.9	81.7	(7.8)
Long-Term Liabilities	78.5	75.2	3.3
Total Liabilities	152.4	156.9	(4.5)
Net Assets	373.1	366.3	6.8
Total Liabilities and Net Assets	525.5	523.2	2.3

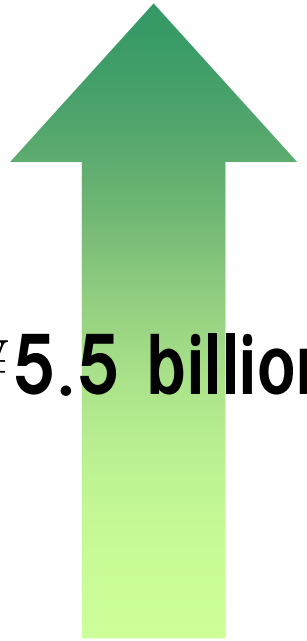
FY 2012 Forecast

[¥ Billion]

	1H Actual	2H Forecast	Full Year
Net Sales	180.9	199.1	380.0
Operating Income	23.9	28.1	52.0
Ordinary Income	21.9	28.6	50.5
1H Net Income	12.7	17.2	30.0
1H Earnings per Share(¥)	36.57	49.50	86.07
Dividends per Share(¥)	18.00	18.00	36.00
CAPEX (Acceptance basis)	20.6	27.5	48.1
Depreciation & Amortization	13.8	17.9	31.7
R&D Expenses	7.9	8.8	16.7

Factors Affecting the Change in Operating Income

1H FY2012	¥ 23.9 billion
Sales volume	(1.9)
Utilization	(1.6)
Selling price, product mix	(0.7)
Raw material and fuel costs	0.4
Foreign exchange	(0.9)
Depreciation and amortization	0.9
Cost and expense reduction	(1.6)



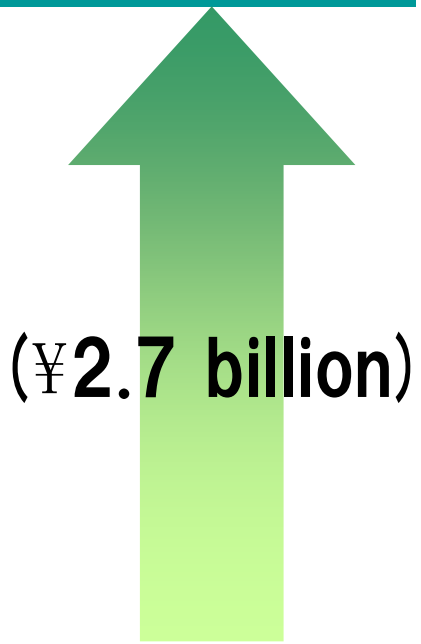
(¥5.5 billion)

1H FY2011	¥29.4 billion

Raw Materials and Fuel and Foreign Exchange	1H FY2011(Actual)	1H FY2012 (Actual)
Domestic naphtha／kl	¥ 57,000	¥ 55,000
$U.S.(average)	¥80	¥79
Euro(average)	¥114	¥101

Factors Affecting the Change in Operating Income

FY2012 (Forecast)	*¥ 52.0 billion*
Sales volume	5.0
Utilization	1.1
Selling price, product mix	(1.8)
Raw material and fuel costs	1.2
Foreign exchange	(1.4)
Depreciation and amortization	(1.0)
Cost and expense reduction	(5.9)



FY2011	¥ 54.7 billion

Raw Materials and Fuel and Foreign Exchange	FY2011 (Actual)	FY2012 (Assumption)
Domestic naphtha／kl	55,000	54,000
$U.S.(average)	¥79	¥80
Euro(average)	¥109	¥100

【Ref.】 FY2012 Forecast by Segment

[Billion ¥]

	Net Sales			Operating Income		
	1H	2H	Full Year	1H	2H	Full Year
Resins	75.1	82.9	158.0	24.4	26.6	51.0
Chemicals	38.9	43.1	82.0	2.1	4.9	7.0
Fibers & Textiles	27.9	30.1	58.0	0.8	0.7	1.5
Trading	54.2	57.8	112.0	1.6	1.9	3.5
Others	31.7	35.3	67.0	2.2	1.8	4.0
Elimination & corporate expenses	(46.9)	(50.1)	(97.0)	(7.2)	(7.8)	(15.0)
Total	180.9	199.1	380.0	23.9	28.1	52.0

FY2012 Priority Issues Example [1]

MonoSol Acquisition, Business Expansion

- Acquired MonoSol, LLC., a U.S.-based poval film manufacturer, in June 2012.
- The company specializes in water soluble film, with applications including individual packaging for detergents, agrochemicals and dyes as well as laundry bags and mold-release films for synthetic marble.
- Expected to contribute to income from the second half of FY2012, the year of acquisition.
- Business is expanding with growth in demand for individual detergent packaging.





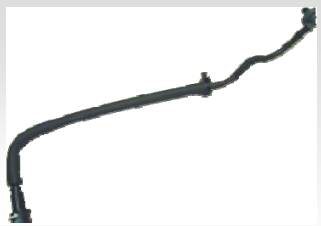




FY2012 Priority Issues Example [2]

Development of *GENESTAR* for Automobile Parts

- Development for automobile parts using the characteristics of heat resistance, low water absorbency, chemical resistance, gas barrier function, high abrasion resistance, etc.
  → Contribute to lighter vehicles as a replacement for metal parts
- Current expansion centered on fuel-, cooling- and abrasion-related parts
- FY2014 sales volume forecast: Approx. 4x FY2011



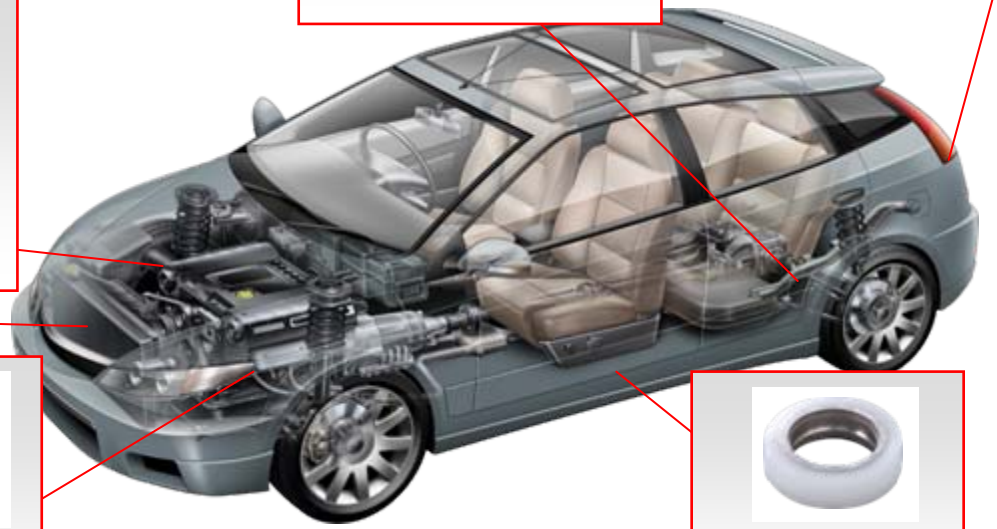
Fuel line



Wiper motor gear



Intercooler tank





Thermostat



Wire harness protective tube

Roller for sliding door



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.