～Toward becoming a specialty chemical company with a global presence～

Medium-Term Management Plan

GS-III（FY2012 – FY2014）

April 5, 2012

KURARAY CO., LTD.

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- Review of the Previous Medium-Term Plan GS-Twins (FY2009 – F2011)
- Overview of New Medium-Term Management Plan GS-III (FY2012 – FY2014)
- New Business Case Studies

1. Primary Objectives & Measures

1. Improve profit structure

- Reduce capital expenditure and fixed costs
- Improve product price and business portfolio
- Improve low-profit business structure

2. Creation and expansion of new business

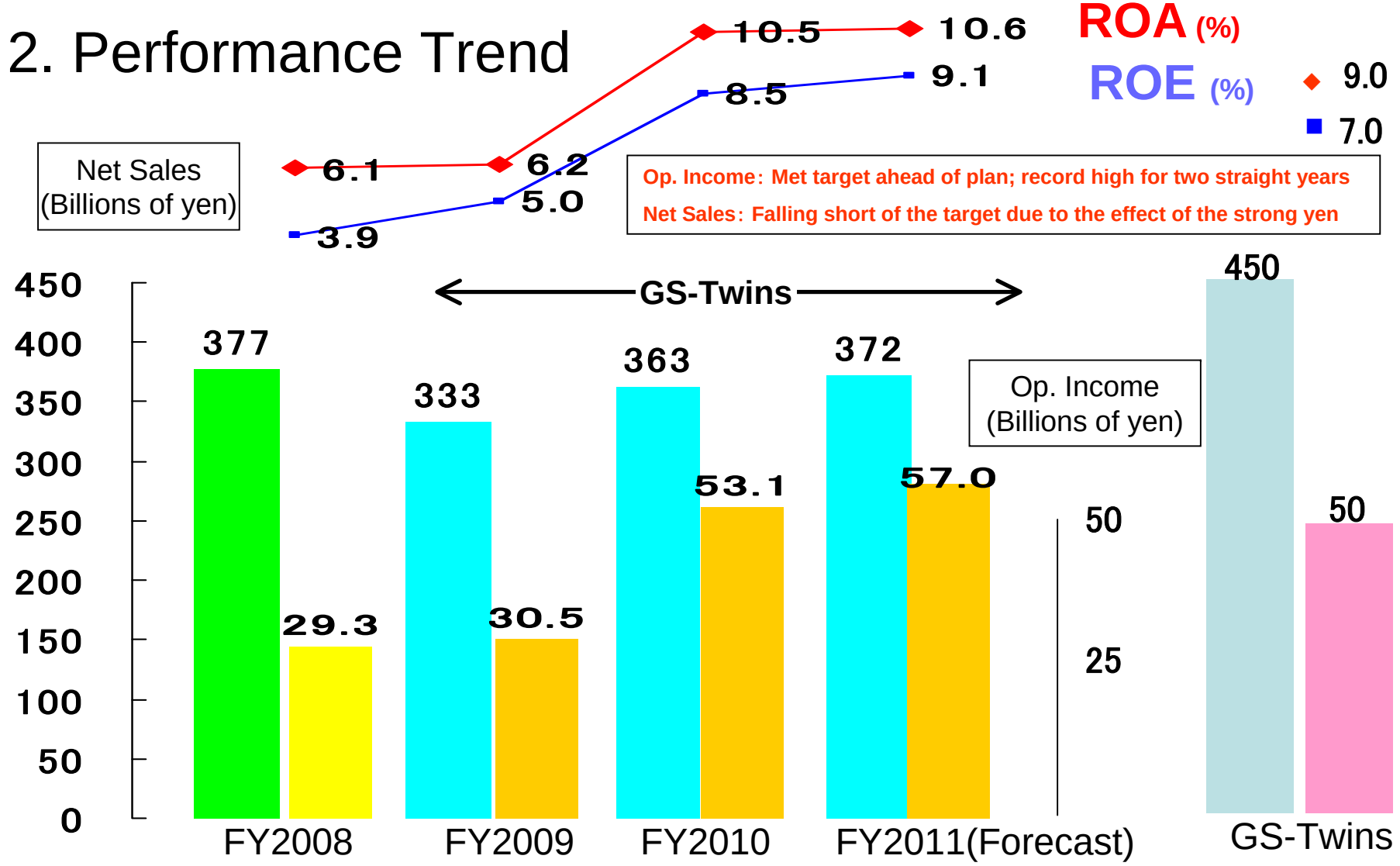
- Aqua & Environmental areas: Develop the aqua business (wastewater treatment, valuables recycling system, ballast water management system)
- Energy areas: Commercialize concentrating lens for solar power generation; enter the LiB negative-electrode material business
- Optical and electronic areas: Expand LED reflector applications; materials for elementary particle detection
- Others: Commercialize new type elastomer; develop liquid rubber for tires

3. Acceleration of global strategy for core businesses

- Investment to strengthen PVA & PVB in Europe; investment to strengthen EVOH in N. America; purchase of land in N. America for PVA
- Dental material alliance and establishment of a base in France
- Develop markets in emerging countries with bases in India and Brazil

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2. Performance Trend



[Ref] Net sales in US dollars

(Millions of US$)	3,844	3,579	4,375	4,831	4,500
Exchange rate:	98 yen/US$	93 yen/US$	83 yen/US$	77 yen/US$	100 yen/US$

“Long-Term Corporate Vision” and Basic Policies of GS-III

Corporate Culture	“Contributing to the world and individual well-being through actions that others are unable to produce.”
Goal	Specialty Chemical Company with a Global Presence
Performance Target	Net sales 1 trillion yen, Op.income 150 billion yen around 2018

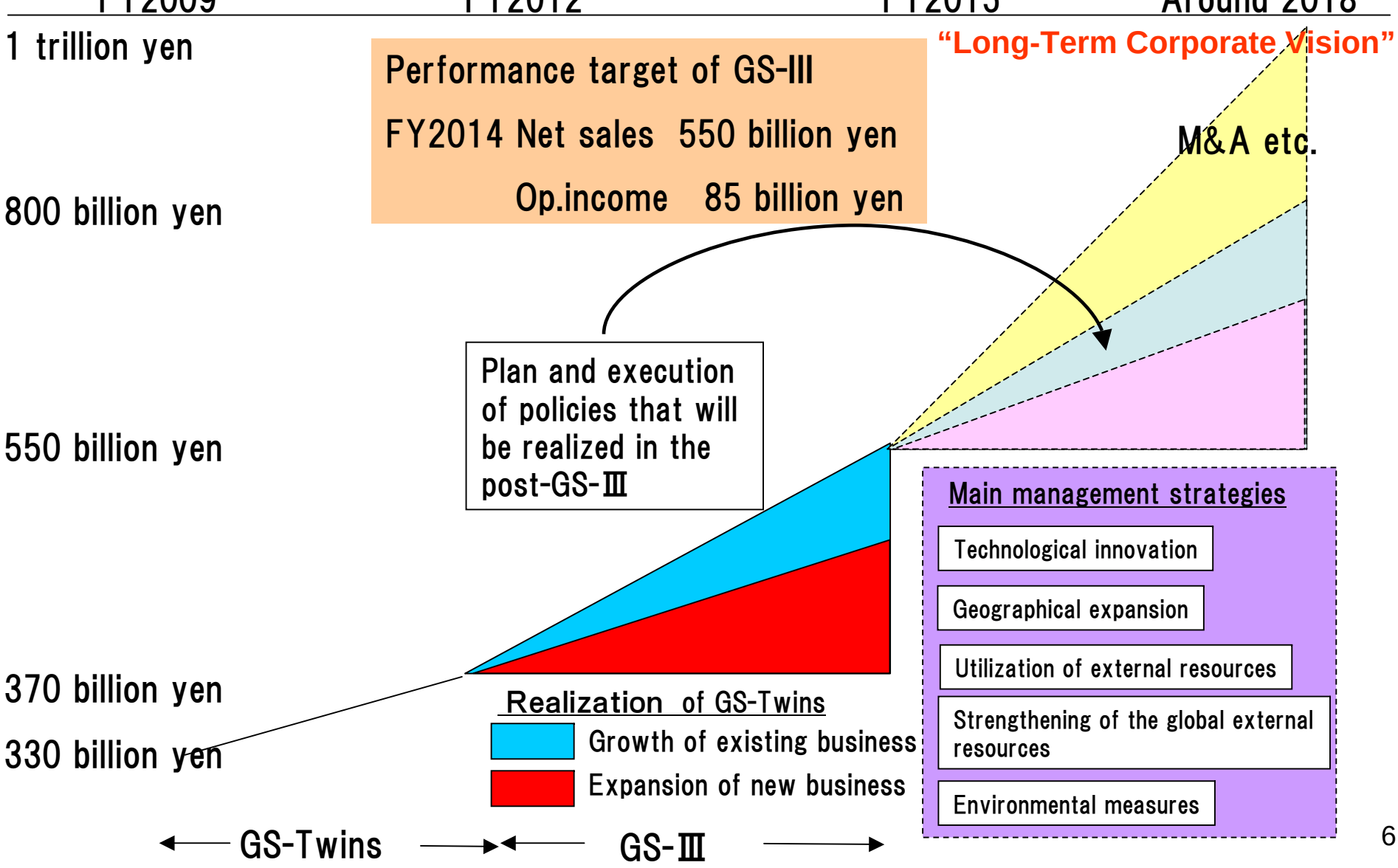
Basic Policies of GS-Ⅲ

① Business plan that foresees net sales of 1 trillion yen around 2018

② Establish a business foundation that can make Kuraray’s further growth

③ Achieve an excellent management foundation with a global view

Target of GS-Ⅲ ～For the implementation of Long-Term Corporate Vision～



Technological innovation	Accelerate development of new products and applications. Secure cost competitiveness through process innovation.
Geographical expansion	Initiate activities in growth markets everywhere to accelerate business expansion.
Utilization of external resources	Accelerate business expansion by leveraging external resources through alliances and M&A.
Strengthening of the global business foundation	Strengthen back-office functions that support global business expansion, incl. human resources, CSR and finance.
Environmental measures	Offer products that contribute to the environment with low environmental burden

●Performance Target

	FY2011 Forecast	FY2014 Plan (GS-III)
Net sales	372 billion yen	550 billion yen
Op. income	57 billion yen	85 billion yen
(OP margin)	*15%*	*15%*
Net income	33.5 billion yen	50.0 billion yen
ROA	11%	14%
ROE	9%	11%

[Ref.]

Net sales in US dollars	4,831 million US$	6,875 million US$
Exchange rate	77 yen/US$	80 yen/US$

●Capital expenditure

240 billion yen for 3 years(decision basis)
(Over 70% is for enhancing production capacity)

Main capital expenditure

Poval resin - New facility in North America
Poval resin - Expand facilities in Asia and Europe
PVB film - New facility in Asia
Poval film - Facility expansion
EVAL - New facility in Asia
SEPTON - Expand facility in North America
Expand facility for concentrating lens for solar generation
LiB negative-electrode material - New facility
VECSTAR - Facility expansion

●Shareholder returns

Increase dividend payment ⇒
- Growth of business performance
- Growth of consolidated dividend payout ratio(at least 30% →at least 35%)

Sales and operating income plan by business segment

(Billions of yen)

Business segment	FY2011		FY2014		Increase/Decrease	
	Net sales	Op. income	Net sales	Op. income	Net sales	Op. income
Resins	150.0	51.0	220.0	65.0	+70.0	+14.0
Chemicals	76.0	9.5	120.0	18.0	+44.0	+8.5
Fibers and Textiles	63.0	1.0	80.0	4.0	+17.0	+3.0
Trading	111.0	3.5	135.0	5.0	+24.0	+1.5
New Businesses and Others	68.0	6.0	105.0	8.0	+37.0	+2.0
Corporate & Elimination	(96.0)	(14.0)	(110.0)	(15.0)	(14.0)	(1.0)
Total	372.0	57.0	550.0	85.0	+178.0	+28.0

Resins Segment

- Grow by expanding EVAL sales regions & applications
- Aggressively expand Poval resin and PVB film sales regions and develop new applications
- Steady Poval film performance

Chemicals Segment

- Full capacity utilization at existing facilities for isoprene chemicals, elastomer and *GENESTAR*
- Expand by enhancement of liquid rubber de-bottlenecking
- Rapid contribution to results from products incl. *KURARITY* and new liquid rubbers
- Dental materials: Rapidly achieve synergies with the Noritake Group

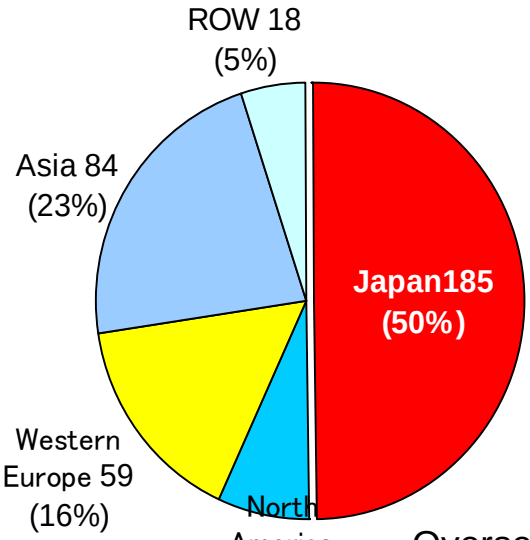
Fibers and Textiles Segment

- Secure stable earnings by completing *CLARINO* business structure reform
- Expand *KURALON* FRC applications
- Early expansion of new materials such as *FELIBENDY* non-woven fabrics

New Businesses and Others

- Contribution to results from each area of the aqua business (ballast water management system, valuables recycling system, wastewater treatment)
- Develop new capacitor-related products in the carbon materials business and start contributing LiB materials
- Commercialize other electronic materials under development
- Steady business in existing related businesses

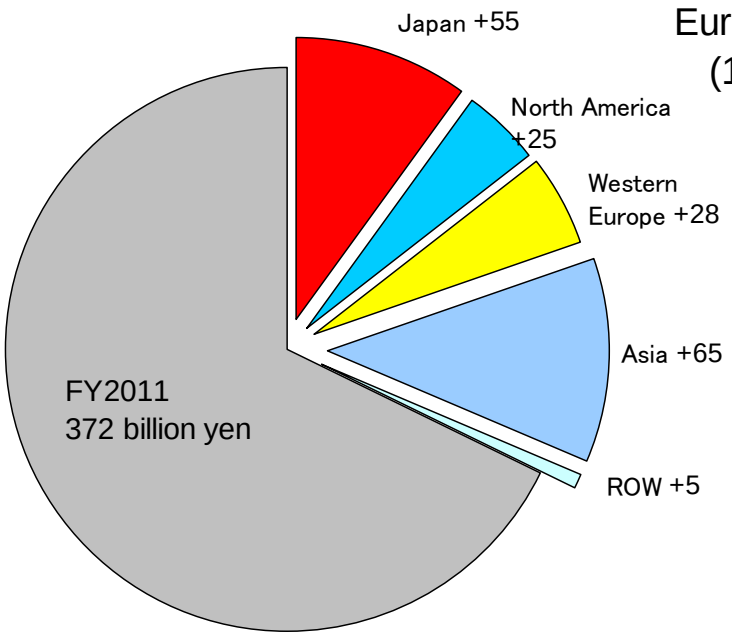
Breakdown of net sales by region



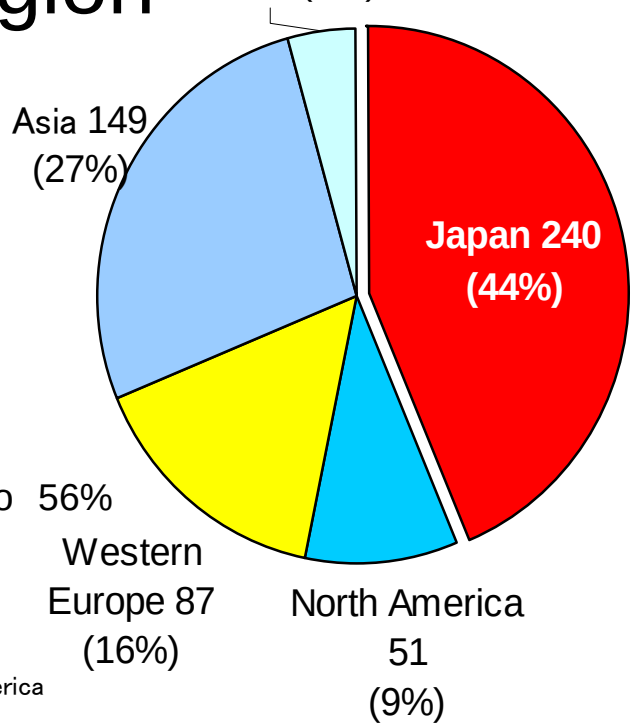
Net sales in FY2011

372 billion yen

Overseas sales ratio 50%



Overseas sales ratio 56%



Net sales in FY2014

550 billion yen

FY2011→FY2014

Increase in net sales (178 billion yen)

Main business strategies by segment

1. Resins Segment: Further development as the world's No. 1 supplier in the vinyl acetate-derivatives business

- **Poval resin: Establish a production base in North America→Build a 4-point global framework**
- **PVB film: Establish a production base in Asia→ Fully develop automotive applications**
- **Poval film: High-value-added application and stable supply for optical use; develop new applications**
- ***EVAL*: Establish a production base in Asia→Build a 4-point global framework**

2. Chemicals Segment: Expand operations in the high-potential specialty chemical business

- **Isoprene chemicals: Expand "one and only" product market**
- ***GENESTAR*: Expand LED illumination and automotive area**
- **Elastomer: Strengthen the supply capacity of *SEPTON*; expand *KURARITY* applications**
- **Liquid rubber: Accelerate the development of tire applications; expand scale globally; create grades that use new biomaterials (farnesene)**
- **Dental materials: Achieve synergies with the Noritake Group**
- **Methacrylic resin: Establish a stable profit base**

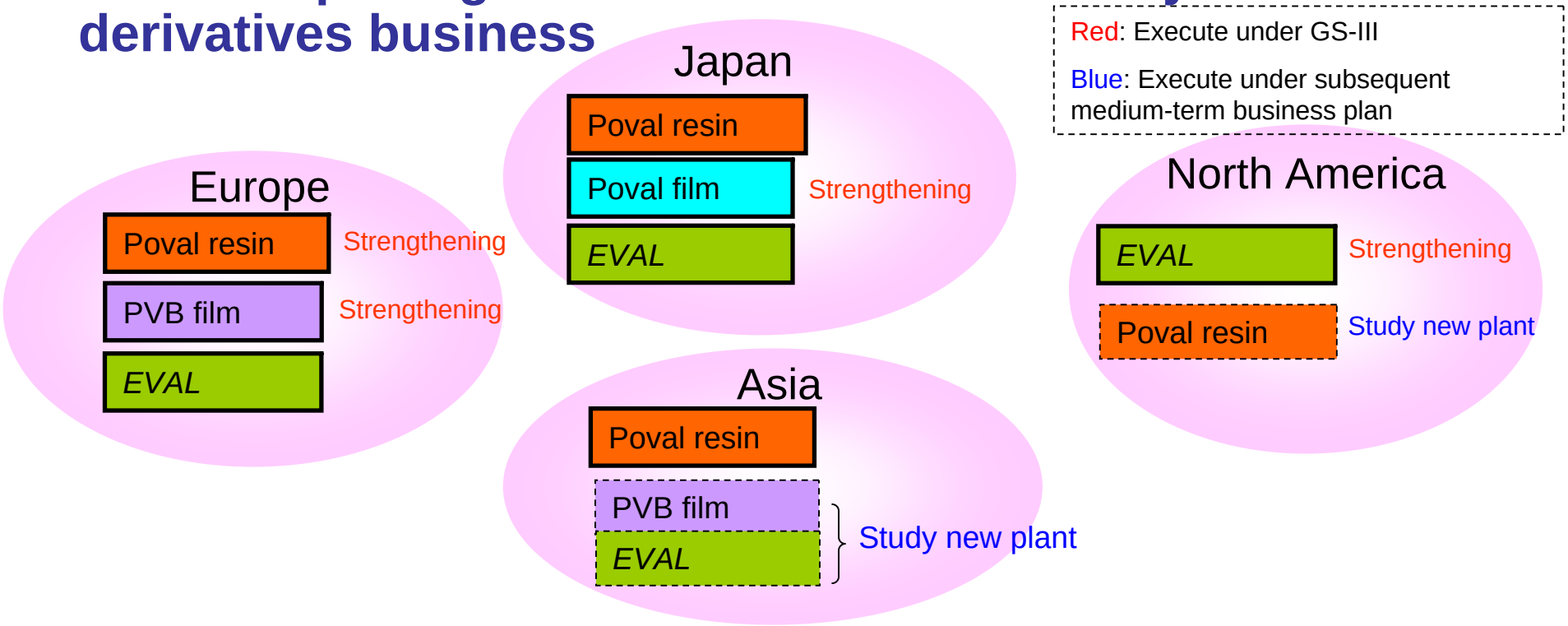
→ Linked to new overseas plant concept

3. Fibers and Textiles Segment: Secure sustainable earnings power and develop new areas taking advantage of strengths in each business area

- ***KURALON*: Expand FRC applications and establish technology for new production process**
- **Man-made leather: Secure stable earnings by completing business structure reform**
- **Non-woven fabrics/Fastening: Early expansion of new materials**

Geographical expansion of core businesses

Build a 4-point global framework for the vinyl acetate-derivatives business



Global expansion in isoprene business

- Strengthen *SEPTON* in North America; New overseas liquid rubber plant concept
- New overseas isoprene and *GENESTAR* plant concept

New Business

Aqua-Environment

- Ballast water management system
- Valuables recycling system

Energy

- Concentrating lenses for solar power generation
- LiB materials (incl. negative-electrode materials)
- Capacitor-related products (activated carbon, etc.)

Optical-Electronic

- *VECSTAR* LCP film for high-speed transmission circuits
- New grades of *GENESTAR* for LEDs

New Materials

- New biomaterial for liquid rubber
- New barrier materials
- Acrylic thermoplastic elastomer *KURARITY*
- New flame-retardant fabrics; conductive nanotech fabrics

New Business

New biomaterial (farnesene) for liquid rubber (LFR)

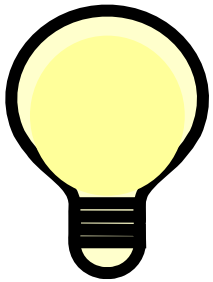
- Expand liquid rubber business centered on tire applications
- Focus on biomaterials for a liquid rubber product lineup that uses new monomers to succeed isoprene (LIR) and butadiene (LBR)
- Begin development in the alliance with U.S. biomaterial venture Amyris, Inc.
  - ➢ LFR reacts with tire rubber more easily than LIR or LBR. Adding LFR strengthens adhesion of fillers (rubber components that improve tire shape stability). This minimizes heat loss from friction between fillers, which raises fuel efficiency.
- Sales are expected to begin in the second half of 2013 (targeted sales of about 10 billion yen in 2018)



New Business

New grades of *GENESTAR* for LEDs

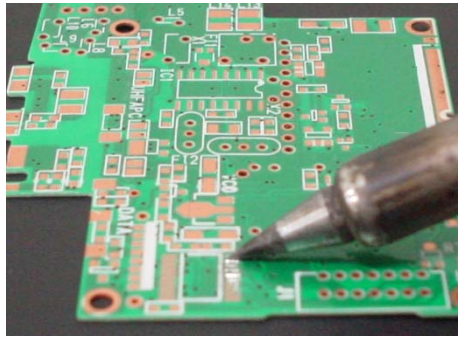
- Changed resin composition to improve light resistance
- Converted some existing equipment and started production (second half of 2011)
- Launch products in succession during FY2012
- Similar to growth in the LED package market, we expect FY2014 sales volume of new and existing *GENESTAR* grades to be double the level of FY2011



New Business

LCP film *VECSTAR* for high-speed transmission circuits

- Suited for both high transmission speeds and thinner products
- Expected applications in high-performance notebook PCs, tablet PCs and smartphones
- Large users are now evaluating circuit performance
- Now expanding supply chain, which centers on manufacturers of copper laminates and flexible circuit boards
- Production enhancements planned in FY2012 and FY2013 to develop production technologies and increase production capacity
- Contribution to earnings expected from FY2013



Environmental Measures

Formulate and implement “Medium-Term Environmental Plan” that includes target figures for FY2020 by choosing eco-efficiency (net sales/environmental load)

Main targets for domestic offices

■Measures against global warming

Net sales/GHG (global greenhouse gas) emissions:40% improvement

■Emissions of chemical substances

Net sales/chemical substances emissions: 100% improvement

■Efficient use of resources

Net sales/waste materials produced: 10% improvement

Note: Targets for overseas offices will be determined by reference to the above.

Main Action Plan (Resins Segment)

Poval resin	➢ Expand differentiated brands and improve the regional and customer portfolio ➢ Build a 4-point global framework by establishing a production base in North America
PVB film (Glass interlayer)	➢ Establish a production base in Asia, strengthen automotive application, maintain and expand share in architectural application ➢ Accelerate the development of differentiated products
Poval film	➢ High-value-added application and stable supply for optical use ➢ Develop new applications
EVAL	➢ Develop markets in emerging countries, accelerate development of applications and create demand, and develop next-generation barrier materials ➢ Build a 4-point global framework by establishing a production base in Asia

Main Action Plan (Chemicals Segment)

Methacrylic resin	➢ Expand high-value-added resin and sheets to establish a stable profit base
Isoprene chemicals	➢ Expand “one and only” product market ➢ Develop new processes and next plant framework
Elastomer	➢ Strengthen the supply capacity of *SEPTON* and provide high-quality customer service to establish presence ➢ Liquid rubber: Expand scale globally ➢ *KURARITY*: Expand scale globally
GENESTAR	➢ Develop illumination market and expand automotive area ➢ Next plant concept
Medical	➢ Achieve synergies with Noritake Group and develop new products

Main Action Plan (Fibers and Textiles Segment)

Fibers and textiles materials	➢ Expand FRC applications and accelerate development of original materials such as new materials for separators ➢ Establish technology for new production process of *KURALON*
CLARINO	➢ Secure stable earnings by completing business structure reform (improve the business feasibility of new environmentally friendly processes and transfer the production of general-purpose products to China)
KURAFLEX・Fastening	➢ Early expansion of new materials such as *FELIBENDY*

Main Action Plan (New Businesses and Others)

Aqua business	➢ Establish a business foundation with original materials (wide bore membrane and gel) at its core ➢ Expand the valuables recycling system and ballast water management system business
Carbon materials business	➢ Develop and commercialize new products for secondary battery materials and new products in the areas of water treatment
Other new businesses	➢ Develop and commercialize new areas early, such as concentrating lenses for solar power generation, liquid crystal polymers for electronic materials, and carbon nanotube application products



All financial figures are rounded to the nearest hundred million yen.

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