

FY2020 Earnings Presentation (Overview)

KURARAY CO., LTD.

Overview of FY2020 Results

(Billion yen)

	FY2020	FY2019	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 (-%)

Reference

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 comprehensive 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" 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**

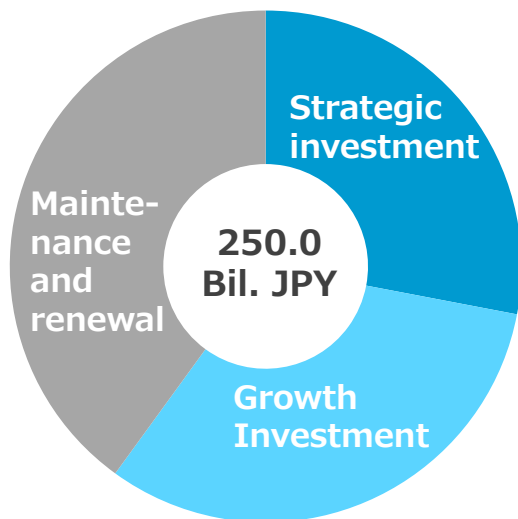
Main management target

1. Conduct continuous capital expenditure for growth in core and new businesses
✓CAPEX executed for Optical-use and Water-soluble PVA film and SentryGlas.
2. 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™.
3. 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. Establish global business foundations
✓Global IT system formulated and installed as a part of strengthening governance.
5. Support for protection of global environment
✓Improve environment: Calgon Carbon(Activated carbon)
✓Enhance quality of life: PLANTIC™(biomass-derived), EVAL

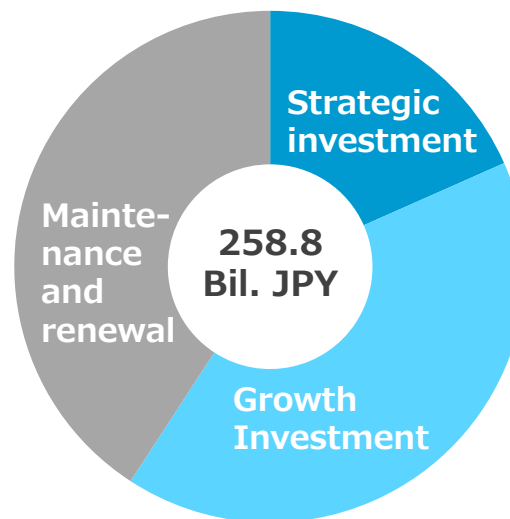
Medium-Term Management Plan : Review

Capacity Expansion

“PROUD2020”



Results of FY2018-FY2020



◇ CAPEX determined (Major facilities)

- Isoprene: Plant in Thailand
- Water-soluble PVA film: New plant in U.S. and Poland
- Optical-use poval film: New line in Kurashiki
- Calgon Carbon: New facilities in U.S. and Belgium

M & A

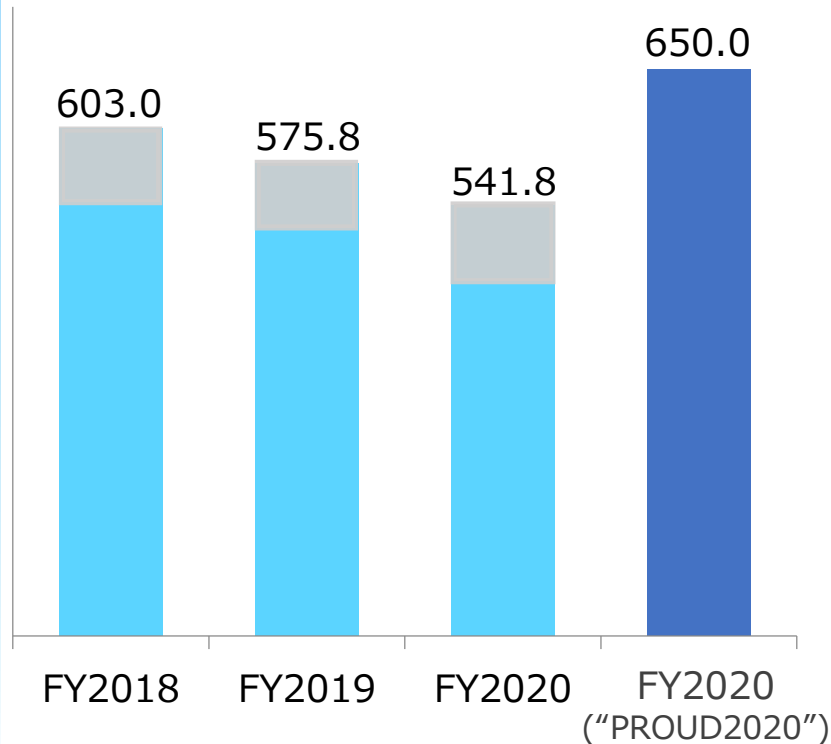
FY2018 (March) Acquisition of Calgon Carbon Corporation (The world's largest producer of granular activated carbon)
The amount: US\$1,093 million

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.

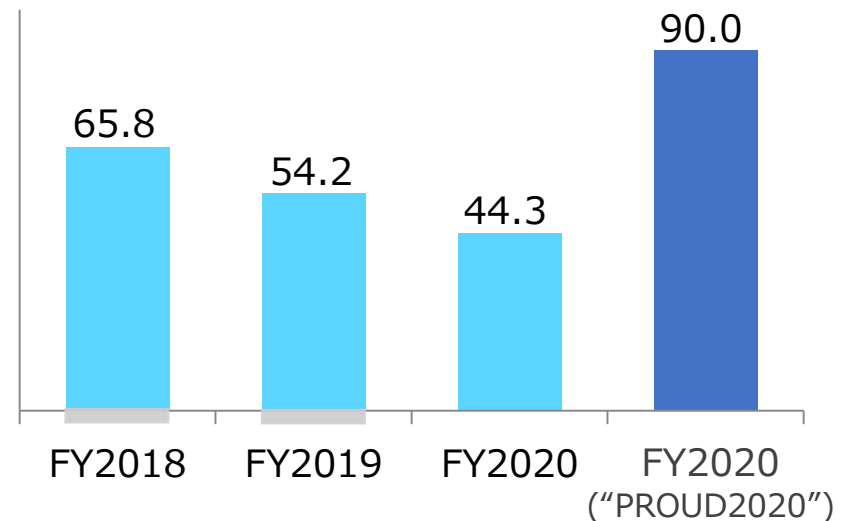
Net Sales (Billions JPY)

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

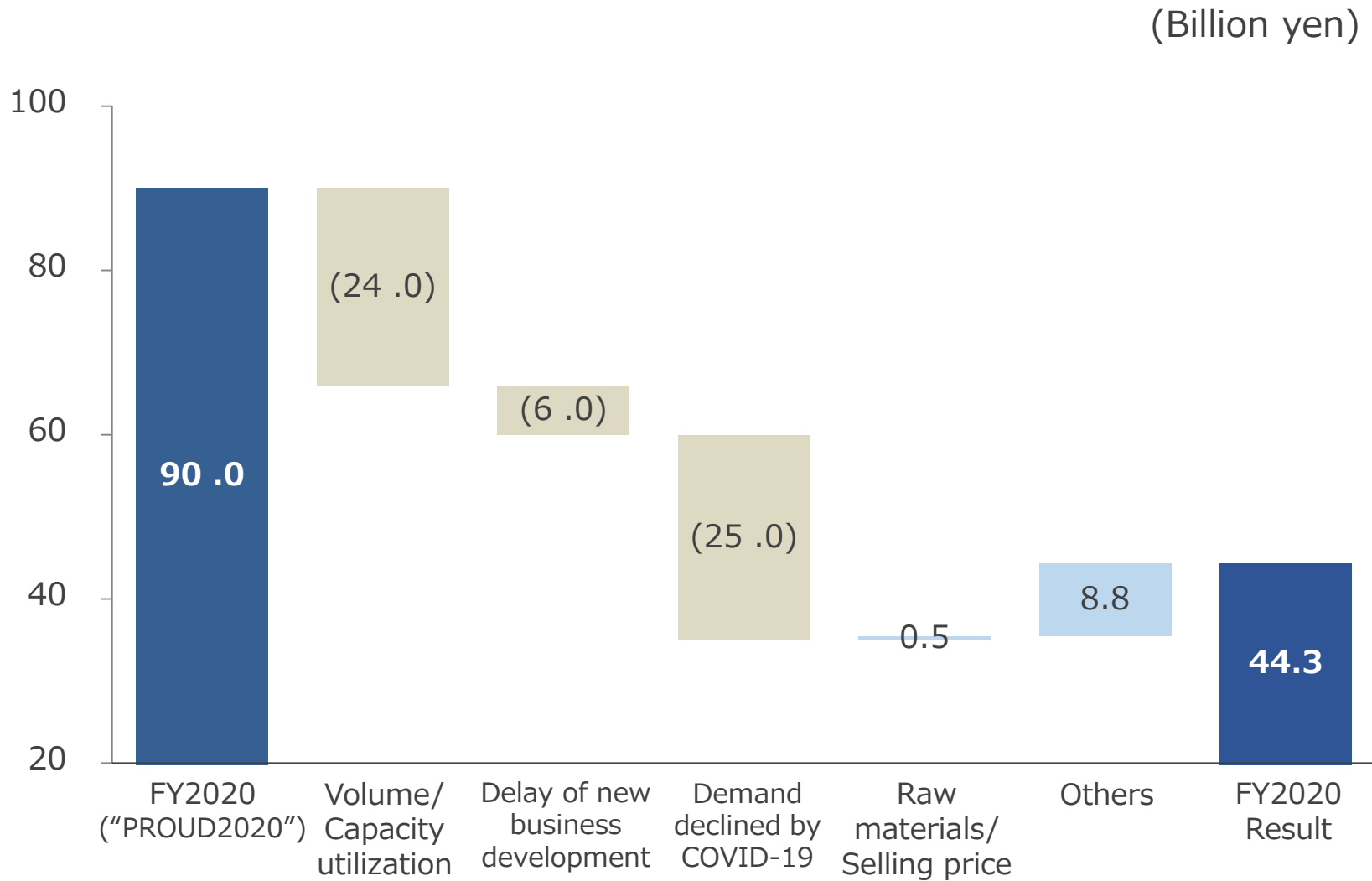


Operating Income and ratio

	FY2017	FY2020	FY2020 ("PROUD2020")
Op. income ratio (%)	14%	8%	14%
EPS (JPY)	152	7	174



Medium-Term Management Plan : Review (Operating Income)



Key Initiatives for FY2021

FY2018 – FY2020

P R O U D 20 20

FY2021

Management
Plan

FY2022 - 2026
New Medium-Term
Management Plan

- ◇ 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

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

Domestic naphtha
(JPY1,000/kl)

¥35

¥34

USD (average)

¥105

¥107

EUR (average)

¥125

¥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)**

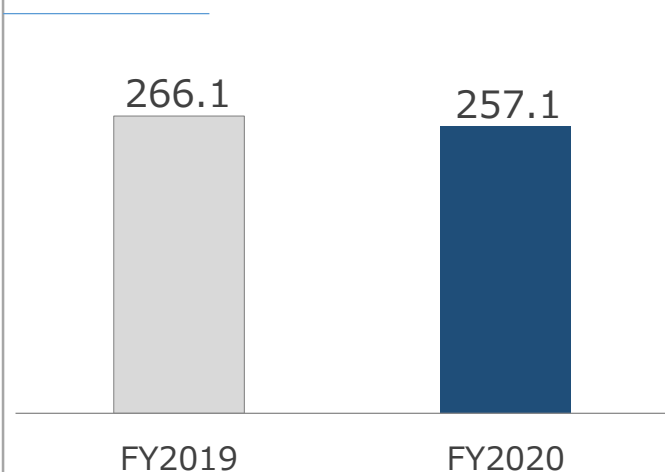
**FY2021: ¥40 per share scheduled
(interim: ¥20, year-end: ¥20)**

FY2020 Results (Details)

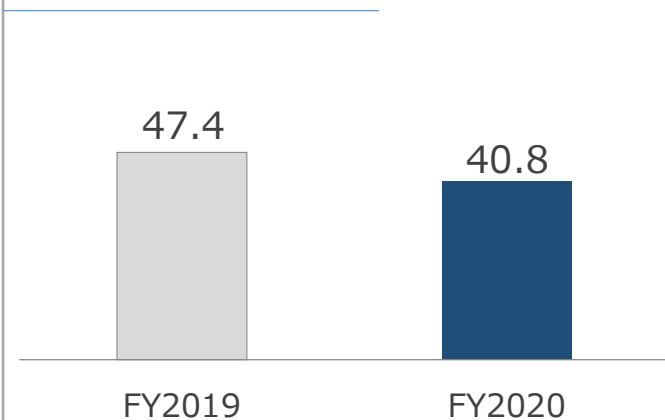
KURARAY CO., LTD.

Net Sales

(Billion yen)



Operating Income



■ 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

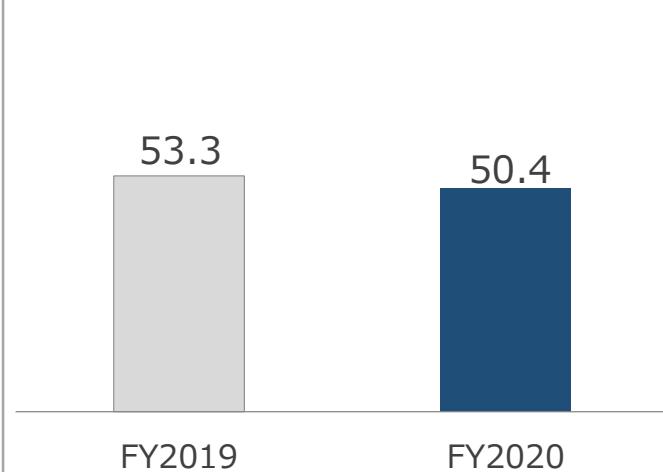
Demand gradually recovered from third quarter onward despite the demand for construction and automotive application were stagnated.

■ EVAL™

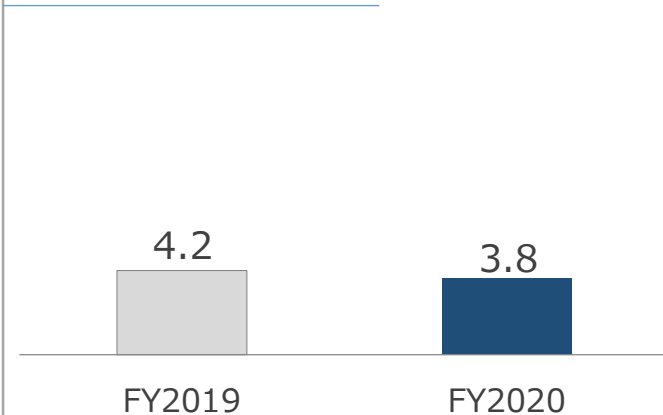
Sales remained weak for gas tank applications while sales increased for food packaging applications due to at-home consumption.

Net Sales

(Billion yen)



Operating Income



■ Isoprene

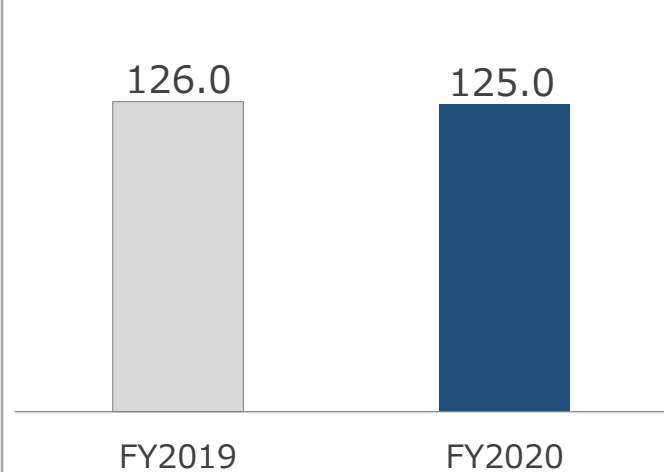
Sales both of isoprene chemicals and SEPTON™ thermoplastic elastomer began to recover from fourth quarter despite being affected by stagnant demand mainly China and the rest of Asia.

■ GENESTAR™

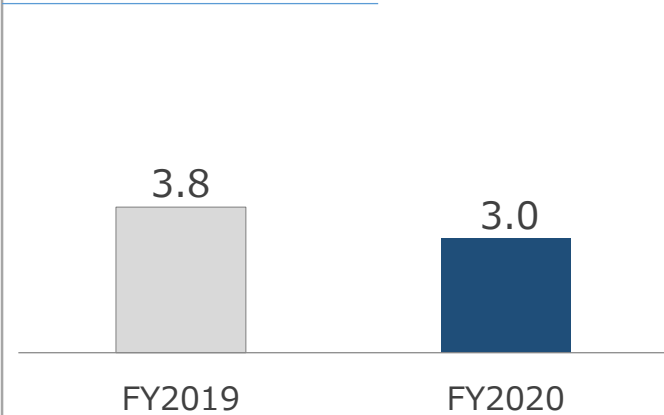
Sales remained brisk for electric and electronic device applications.

Net Sales

(Billion yen)



Operating Income



■ 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

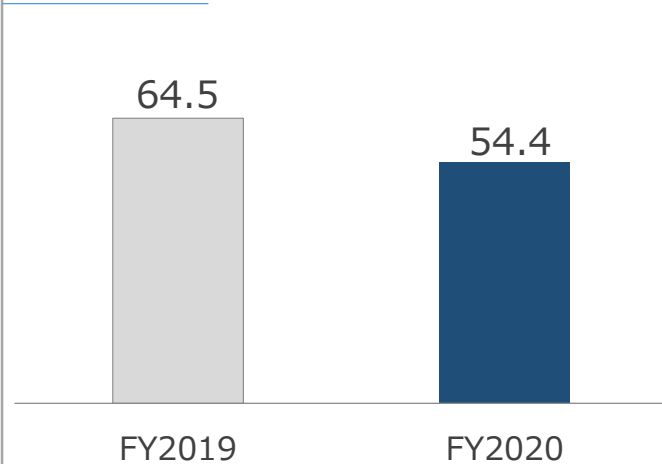
Sales were steady especially of products for water treatment applications even during pandemic as such products underpin people's daily lives.

With expanding demand, we decided to expand facilities at plants of Calgon Carbon.

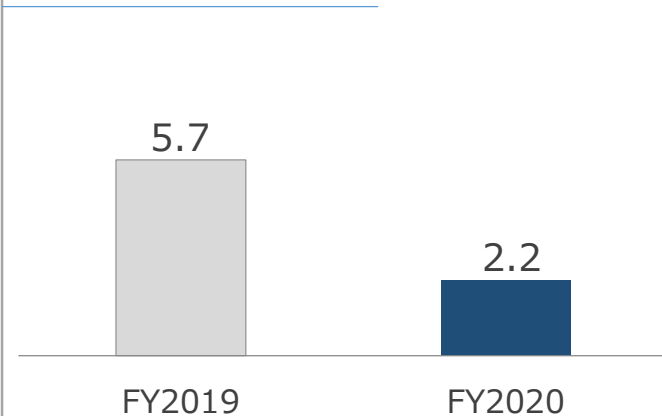
- U.S. (high-performance activated carbon)
- Belgium (reactivated carbon for industries)

Net Sales

(Billion yen)



Operating Income



■ 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

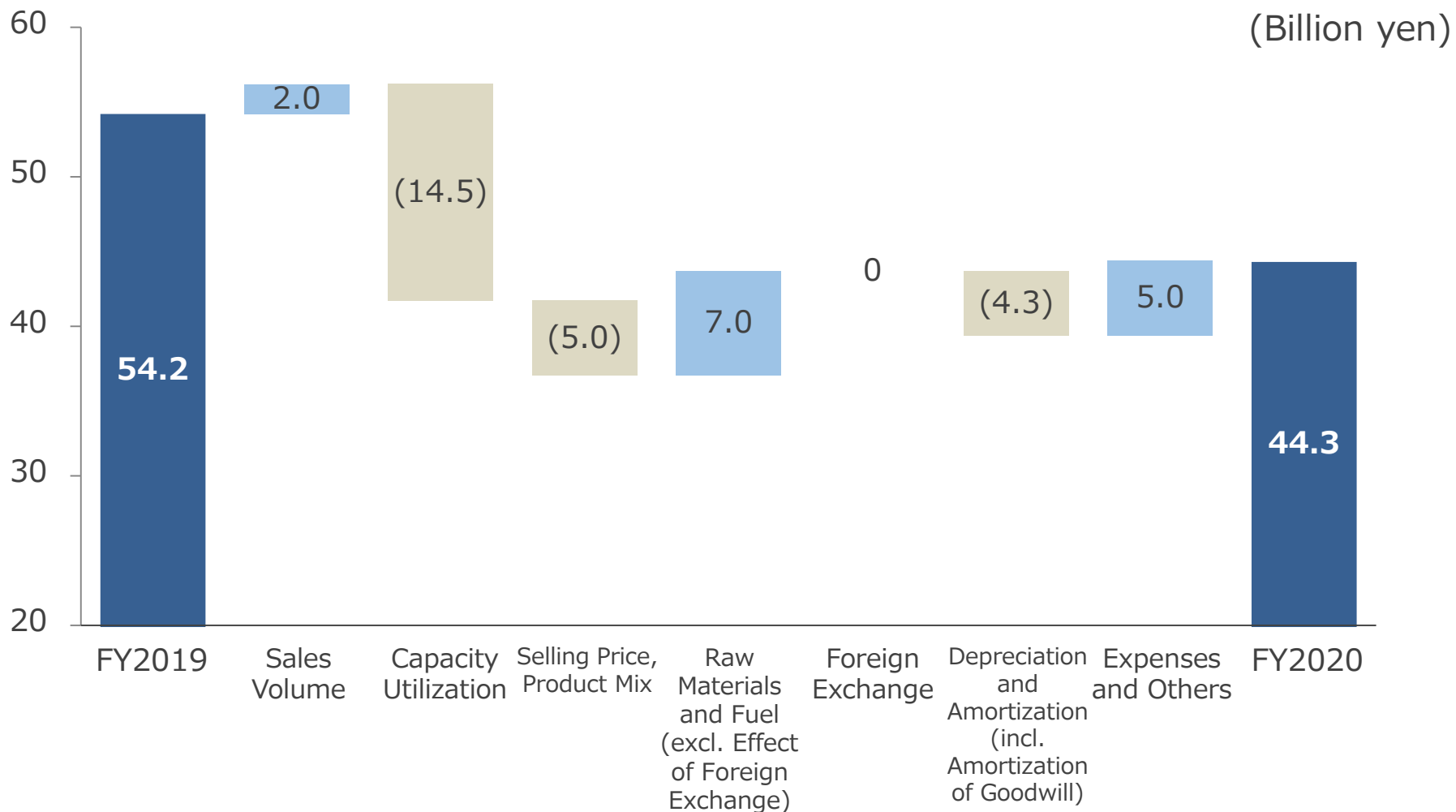
Sales volume decreased by stagnant demand automotive and cosmetic applications while sales for mask-related applications increased.

Sales and Operating Income by Segment

(Billion yen)

	FY2020		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



	FY2019	FY2020
Domestic naphtha(JPY1,000/kl)	¥43	¥34
USD (average)	¥109	¥107
EUR (average)	¥122	¥122

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)	76.7	97.4	(20.7)
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
JPY/EUR	127	123

Forecast for FY2021

(Billion yen)

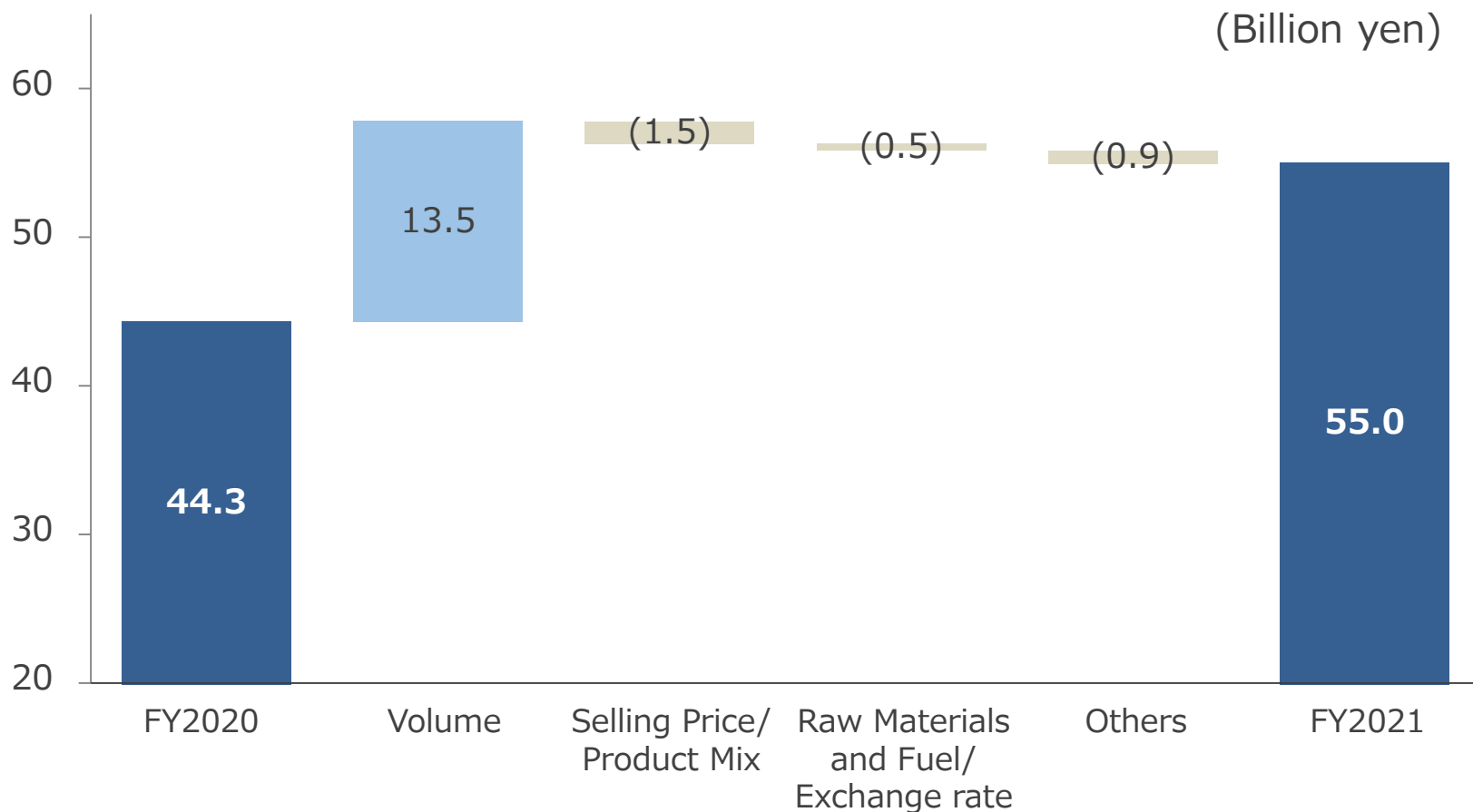
	FY2021 Forecast	FY2020 Results	Difference
Net Sales	570.0	541.8	28.2
Operating Income	55.0	44.3	10.7
Ordinary Income	50.0	39.7	10.3
Net Income	30.0	2.6	27.4
EPS	¥87.23	¥7.48	¥79.76
Dividends per share	¥40	¥40	¥0
CAPEX(Decision basis)	75.0	61.4	13.6
CAPEX(Acceptance basis)	85.0	76.7	8.3
Depreciation and 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

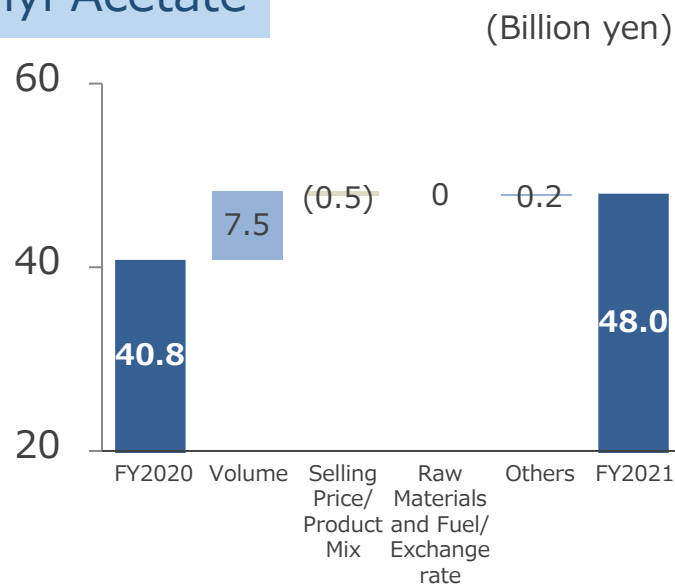
Factors Affecting the Change in Operating Income



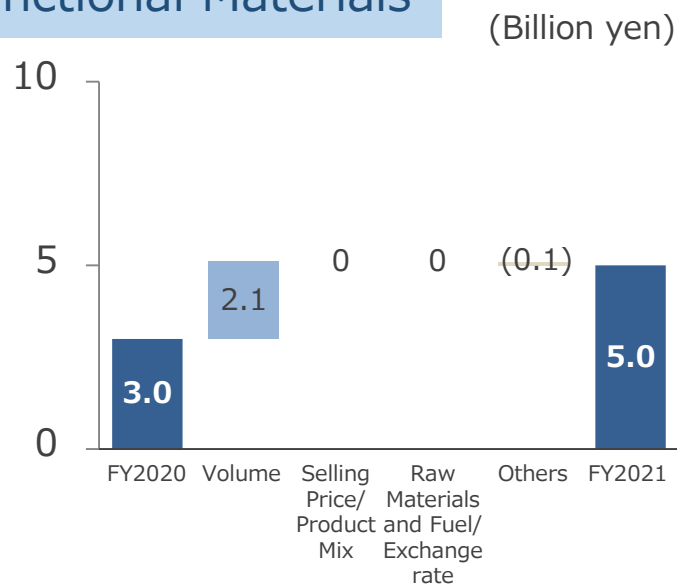
	FY2020	FY2021
Domestic naphtha (JPY1,000/kl)	¥34	¥35
USD (average)	¥107	¥105
EUR (average)	¥122	¥125

【Ref.】 Factors Affecting the Change in Operating Income (by Segment)

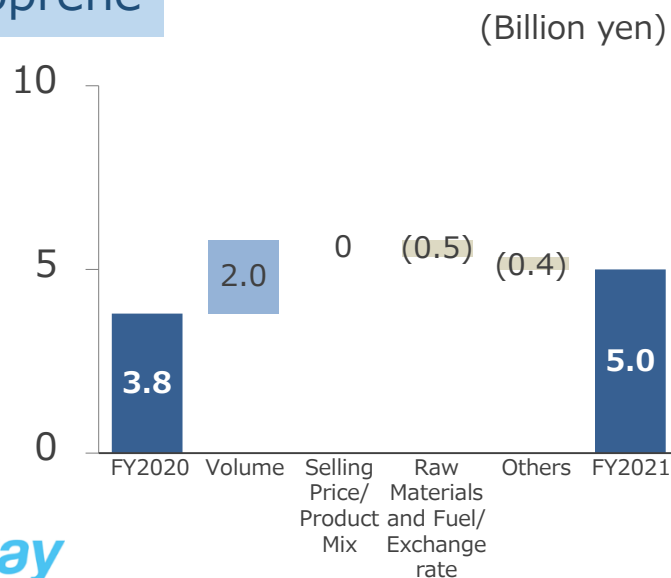
Vinyl Acetate



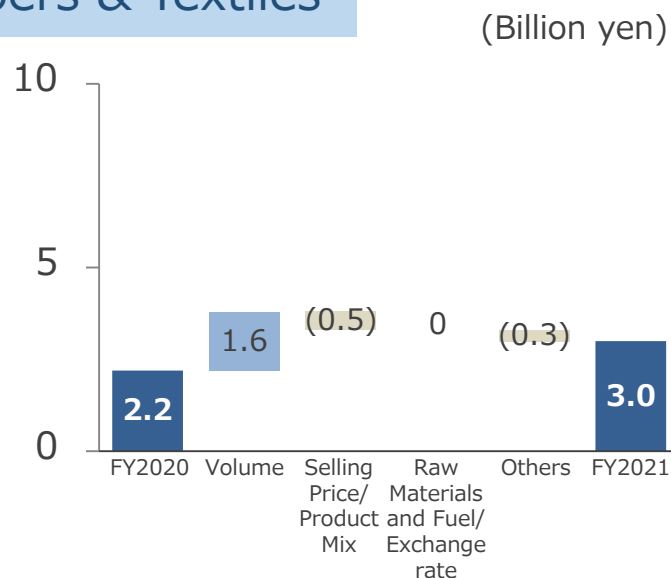
Functional Materials



Isoprene



Fibers & Textiles



【Ref.】 Forecast for FY2021

(Billion 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

【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

kuraray

All figures are rounded to the nearest hundred million yen.

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