

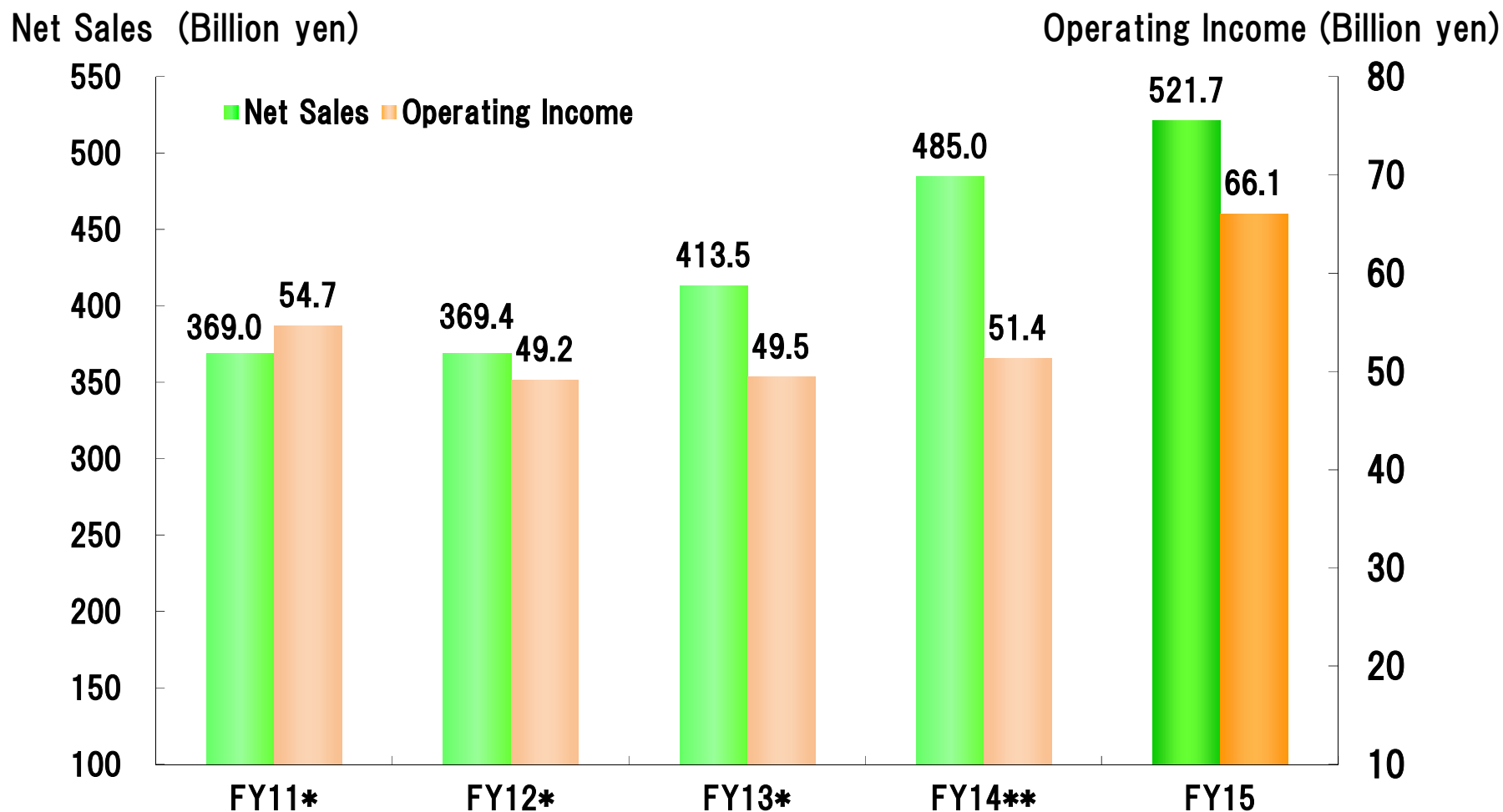


# FY2015 Earnings Presentation (Overview)

KURARAY CO., LTD.

# Overview of FY2015 Results [1]

**Net sales, operating income, ordinary income and net income  
all set new record highs**



\*FY11-FY13: April to March of the following year    \*\*FY14: Adjusted to January-December

# Overview of FY2015 Results [2]

(Billion yen)

	FY2015	FY2014*	Difference
Net Sales	<b>521.7</b>	485.0	+ 36.8 (+7.6%)
Operating Income	<b>66.1</b>	51.4	+ 14.7 (+28.6%)
Ordinary Income	<b>64.5</b>	51.0	+ 13.6 (+26.6%)
Net Income	<b>35.7</b>	27.5	+ 8.3 (+30.2%)

## Reference

JPY/USD	<b>121</b>	106
JPY/EUR	<b>134</b>	140
Domestic naphtha (JPY 1,000/kl)	<b>49</b>	69

\* Adjusted to Jan.-Dec. 2014

# Outcomes of Main FY2015 Initiatives

Implementation of the following measures based on the main management strategies of GS-STEP

## Deepening of Core Businesses

- ◆ Decided to expand production capacity for *EVAL* in Europe  
→ Additional 11,000 tons; start of operation scheduled for end of 2016
- ◆ Decided to expand production capacity for optical-use PVA film (Saijo Plant)  
→ Additional 20 million m<sup>2</sup>; start of operation scheduled for beginning of 2017
- ◆ Strengthened global marketing for *GENESTAR* for automotive applications

## Technological Innovation

- ◆ Developed technology for new *KURALON* manufacturing process  
→ Established filament production technology by utilizing pilot plant (started operation in April)
- ◆ Developed and promoted sales of new/high-value-added products (methacrylic resin, *CLARINO*)

## Next-Generation Growth Model

- ◆ Acquired Australia-based Plantic Technologies Limited
- ◆ Expanded the CAD/CAM business for dental materials  
→ Enhanced the product lineup with the launch of new products that combine organic and inorganic technologies

## Optimum Allocation of Management Resources

- ◆ Integrated GLS business as of July 1  
→ Integrated into Poval Resin Division and PVB Division, respectively; expanded business scale and began integrated operation

# Forecast for FY2016

(Billion yen)

	FY2016	For Reference FY2015	Difference
Net Sales	540.0	521.7	18.3
Operating Income	70.0	66.1	3.9
Ordinary Income	68.0	64.5	3.5
Net Income	40.0	35.7	4.3

## Assumed Raw Material and Fuel Costs/Foreign Exchange

Domestic naphtha/kl	¥39,000	¥49,000
USD (average)	¥120	¥121
EUR (average)	¥130	¥134

# Key Initiatives for FY2016

Implementation of specific measures based on the main management strategies of GS-STEP

## Deepening of Core Businesses

- Establish an optimal four-base global production structure for PVA resin
- Accelerate marketing of PVB film for automotive applications
- Accelerate development of new applications for *EVAL* and expand production capacity in the U.S.
- Conduct timely capacity expansion to meet growing demand for water-soluble PVA film
- Consider measures to expand isoprene business including new plant

## Technological Innovation

- Increase profitability by raising the proportion of high-value-added and high-performance products (fine chemicals, methacrylic resin)
- Develop production technology for VIP staple fibers
- Strengthen efforts for process innovation (*VECTRAN*, catalyst development, etc.)

## Next-Generation Growth Model

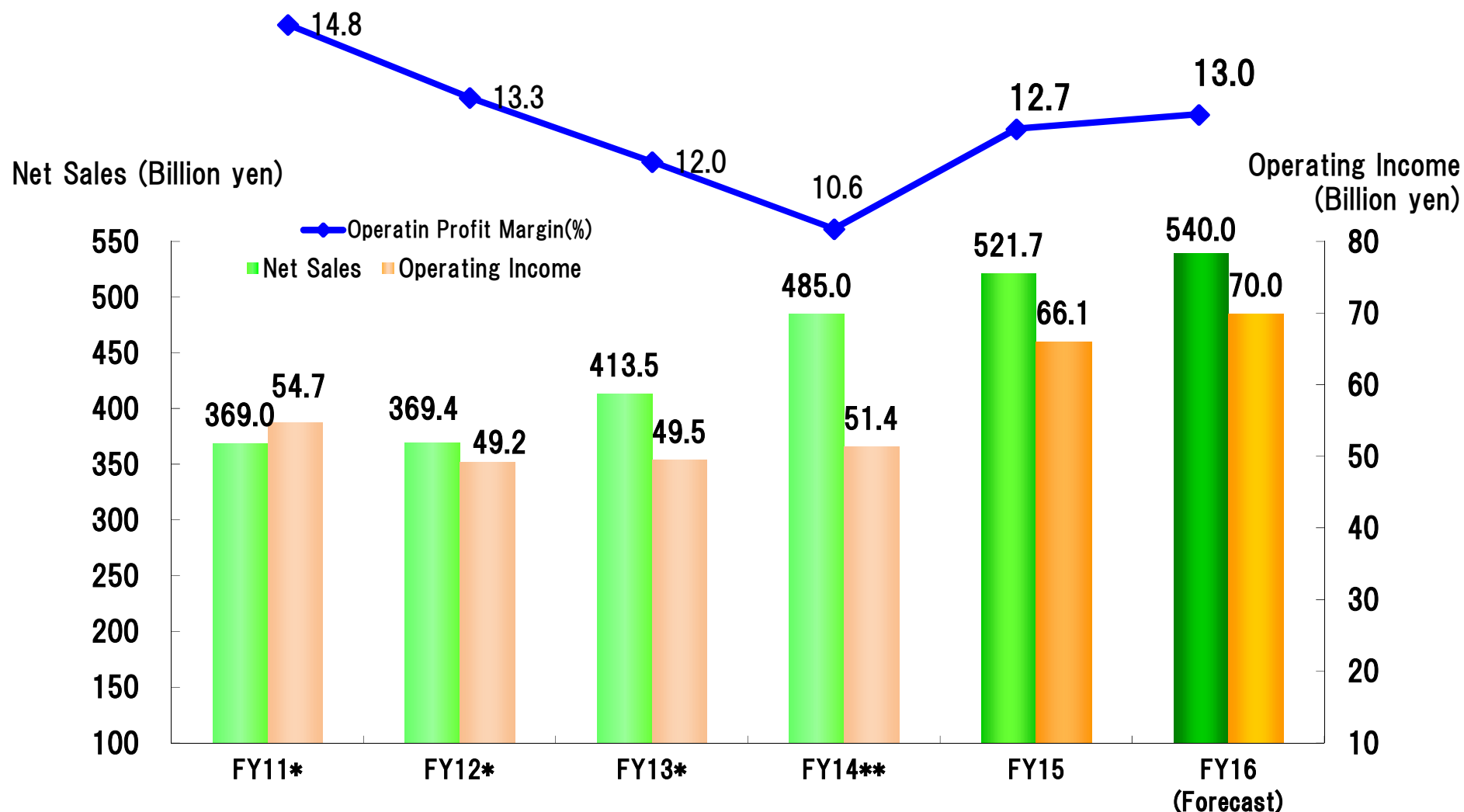
- Consider innovations to build a growth strategy for the future

## Optimum Allocation of Management Resources

- Strengthen the management foundation globally with IT systems, personnel utilization, etc.

# Operating Income Ratio Trend

The operating income ratio has risen



\*FY11-FY13: April to March of the following year    \*\*FY14: Adjusted to January-December

# Dividends

## FY2015

- **¥40 per share scheduled (39.3% payout ratio)**  
**(interim: ¥18, year-end: ¥ 22)**
- **June 2015: Retirement of 28 million shares of treasury stock**

## FY2016

- **¥40 per share scheduled (35.1% payout ratio)**  
**(interim: ¥20, year-end: ¥20)**

**Profit allocation during GS-STEP**

**Total return ratio: 35% or higher; and**

**Annual dividends: ¥36 per share or higher**





# FY2015 Results (Details)

KURARAY CO., LTD.

# Sales and Operating Income by Segment

(Billion yen)

	FY2015		FY2014*		Difference	
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income
Vinyl Acetate	274.7	55.7	237.6	46.2	37.1	9.5
Isoprene	55.0	6.9	55.7	6.4	(0.7)	0.5
Functional Materials	56.9	5.6	53.8	2.0	3.1	3.6
Fibers & Textiles	46.3	4.1	47.7	2.9	(1.4)	1.2
Trading	119.6	3.9	119.2	3.8	0.4	0.1
Other Business	69.6	2.8	68.7	2.6	0.9	0.2
Elimination & Corporate	(100.5)	(12.9)	(97.8)	(12.5)	(2.7)	(0.4)
<b>Total</b>	<b>521.7</b>	<b>66.1</b>	<b>485.0</b>	<b>51.4</b>	<b>36.8</b>	<b>14.7</b>

\* Adjusted to Jan.-Dec. 2014

# Overview of Main Businesses in FY2015

PVA resin	Sales were favorable overall.
PVA film	Sales volume of optical-use PVA film increased due to growth in the number of LCD panels sold and the trend toward larger panels. Sales of water-soluble PVA film were favorable.
PVB film	Sales to China and South America were sluggish, but other regions made up for the shortfall.
<i>EVAL</i>	Sales were favorable for both automotive gas tank and food packaging applications.
Isoprene	Sales of fine chemicals, <i>SEPTON</i> thermoplastic elastomer and liquid rubber were affected by the slowdown in China's economy.
<i>GENESTAR</i>	Sales for LED reflector and connector applications were affected by the slowdown in China's economy, but expanded favorably for automotive applications.
Methacrylic resin	Sales were favorable due to factors including a shift toward highly functional products, despite a drop in demand for certain resin applications.
Medical	Sales expanded with the contribution of the launch of a new dental material product.
<i>CLARINO</i>	Profit grew with brisk sales of products made with both the conventional and the new production processes.
Fibers and textiles	Brisk sales of <i>KURALON</i> compensated for sluggish sales of consumer goods and materials and other products.

# Cash Flow for FY2015

(Billion yen)

	FY2015
Operating CF	93.2
Investing CF*	(48.0)
Free CF*	45.2
M&A	(4.4)
EPS (Yen)	¥101.84
BPS (Yen)	¥1,412.46
CAPEX (Decision basis)	58.0
CAPEX (Acceptance basis)	45.0
Depreciation and Amortization (incl. amortization of goodwill)	44.1
R&D Expenses	19.1

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

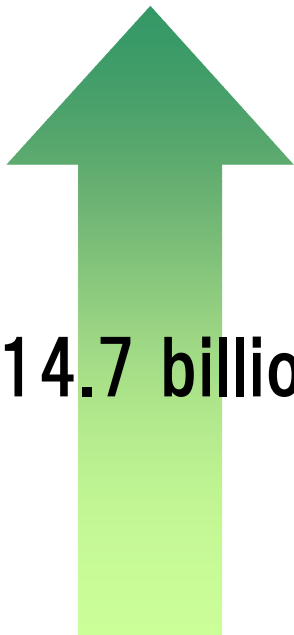
# Factors Affecting the Change in Operating Income

**FY2015**

**¥66.1 billion**

Sales Volume	6.0
Utilization	4.0
Foreign Exchange	1.0
Raw Materials and Fuel (excl. Effect of Foreign Exchange)	16.0
Selling Price, Product Mix	(8.5)
Depreciation and Amortization (incl. Amortization of Goodwill)	(2.1)
Expenses and Others	(1.7)

**¥14.7 billion**



**FY2014\***

**¥51.4 billion**

		FY2014*	FY2015
<u>Raw Materials and Fuel and Foreign Exchange</u>	Domestic naphtha (JPY1,000/kl)	¥69	¥49
	USD (average)	¥106	¥121
	EUR (average)	¥140	¥134

\* Adjusted to Jan.-Dec. 2014

# Balance Sheet [1]: Assets

(Billion yen)

	Dec. 31, 2015	Dec. 31, 2014	Difference
<b>Current Assets</b>	<b>296.5</b>	<b>269.2</b>	<b>27.3</b>
<b>Noncurrent Assets</b>	<b>405.3</b>	<b>422.3</b>	<b>(17.1)</b>
<b>Total Assets</b>	<b>701.8</b>	<b>691.5</b>	<b>10.2</b>

Reference: Exchange rates at end of period

	Dec. 31, 2015	Dec. 31, 2014
JPY/USD	121	121
JPY/EUR	132	147

# Balance Sheet [2]: Liabilities and Net Assets

(Billion yen)

	Dec. 31, 2015	Dec. 31, 2014	Difference
<b>Current Liabilities</b>	<b>95.5</b>	<b>109.9</b>	<b>(14.5)</b>
<b>Noncurrent Liabilities</b>	<b>102.7</b>	<b>99.8</b>	<b>3.0</b>
<b>Total Liabilities</b>	<b>198.2</b>	<b>209.7</b>	<b>(11.5)</b>
<b>Net Assets</b>	<b>503.6</b>	<b>481.8</b>	<b>21.8</b>
<b>Total Liabilities and Net Assets</b>	<b>701.8</b>	<b>691.5</b>	<b>10.2</b>

Reference: Exchange rates at end of period

	Dec. 31, 2015	Dec. 31, 2014
JPY/USD	121	121
JPY/EUR	132	147

# Forecast for FY2016

(Billion yen)

	FY2016 Full-Year Forecast	FY2015 Full-Year Results	Difference
Net Sales	540.0	521.7	18.3
Operating Income	70.0	66.1	3.9
Ordinary Income	68.0	64.5	3.5
Net Income	40.0	35.7	4.3
EPS	¥113.89	¥101.84	¥12.05
Dividends per Share	¥40	¥40	¥0
CAPEX (Decision Basis)	86.0	58.0	28.0
CAPEX (Acceptance Basis)	76.0	45.0	31.0
Depreciation and Amortization (incl. Amortization of Goodwill)	43.6	44.1	(0.5)
R&D Expenses	20.5	19.1	1.4



# Factors Affecting the Change in Operating Income

**FY2016 Forecast**

**¥70.0 billion**

Sales Volume 1.5

Utilization 2.5

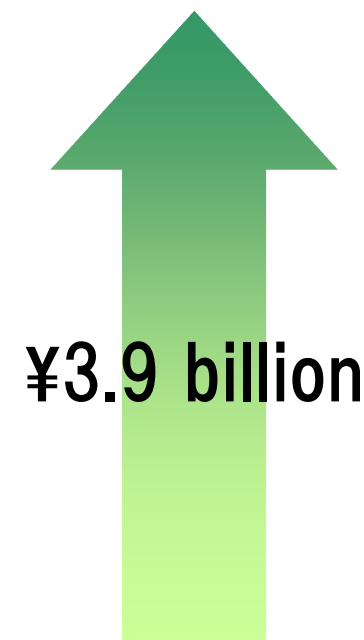
Foreign Exchange (1.0)

Raw Materials and Fuel  
(excl. Effect of Foreign Exchange) 8.0

Selling Price, Product Mix (6.0)

Depreciation and Amortization  
(incl. Amortization of Goodwill) 0.5

Expenses and Others (1.6)



**¥3.9 billion**

**FY2015**

**¥66.1 billion**

		FY2015	FY2016
<u>Raw Materials and Fuel and Foreign Exchange</u>	Domestic naphtha (JPY1,000/kl)	¥49	¥39
	USD (average)	¥121	¥120
	EUR (average)	¥134	¥130

# Net Sales and Operating Income by Segment

(Billion yen)

	FY2016 Full-Year Forecast		FY2015 Full-Year Results		Difference	
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income
Vinyl Acetate	290.0	60.5	274.7	55.7	15.3	4.8
Isoprene	57.0	7.5	55.0	6.9	2.0	0.6
Functional Materials	58.5	5.7	56.9	5.6	1.6	0.1
Fibers & Textiles	48.5	4.5	46.3	4.1	2.2	0.4
Trading	125.0	4.0	119.6	3.9	5.4	0.1
Other Business	70.5	2.0	69.6	2.8	0.9	(0.8)
Elimination & Corporate	(109.5)	(14.2)	(100.5)	(12.9)	(9.0)	(1.3)
Total	540.0	70.0	521.7	66.1	18.3	3.9

# Topics: *CLARINO*

## Study to Increase Production Capacity of *TIRRENINA* during GS-STEP

### Development of *TIRRENINA*, a product made with a new environment-friendly process

- ◆ Application of Kuraray's original water-soluble polymer
- ◆ Organic solvent-free manufacturing process
- ◆ 2007: Marketing began at pilot facility
- ◆ 2009: Plant (2.5 million m<sup>2</sup>) began operation

### Production in China

- ◆ 2005: Started joint venture
- ◆ 2011: Along with business reconstruction, accelerated shift of low-profit brands to China

### 1965: Commercialization of *CLARINO*

Creation of a new material from Kuraray's original technology to follow rayon (1926), *KURALON* (1950) and PVA resin for external sales (1958)

### Expansion of *TIRRENINA*

- ◆ Focus on developing a substitute for high-end natural leather
- ◆ Rollout to new applications that capitalize on its product characteristics

### Expansion of Products Made with the New Process and Increase in Profits

- ◆ Products made in Japan specialize in high-value-added applications
- ◆ Expansion of sales of stable quality/low-cost Chinese products

Business expansion  
as a substitute  
material for  
high-end  
natural leather

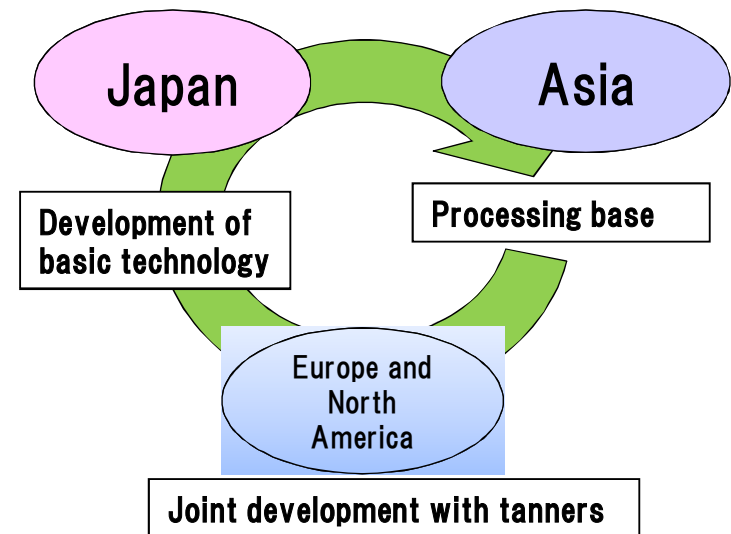
# Topics: *CLARINO*

## Substitute for High-End Natural Leather: Joint Development with Tanners in Europe and North America

- ◆ Market size target for *TIRRENINA*: 15 million m<sup>2</sup>

Note: Potential substitute for 5% of the approximately 300 million m<sup>2</sup> high-end natural leather market

- ◆ Target applications: High-end bags, men's/women's shoes
- ◆ Joint development with tanners in Europe and North America
- ◆ Accelerate development by dividing functions among Japan, US., Europe and Asia



【Ref.】

# Forecast for FY2016

(Billion yen)

	FY2016 Full-Year Forecast		FY2015 Full-Year Results		Difference	
	1H	2H	1H	2H	1H	2H
Net Sales	260.0	280.0	262.9	258.8	(2.9)	21.2
Operating Income	32.0	38.0	31.6	34.5	0.4	3.5
Ordinary Income	31.0	37.0	32.2	32.3	(1.2)	4.7
Net Income	19.0	21.0	20.9	14.8	(1.9)	6.2

【Ref.】

# FY2016 Forecast by Segment

(Billion yen)

	Net Sales			Operating Income		
	1H	2H	Full Year	1H	2H	Full Year
Vinyl Acetate	139.0	151.0	290.0	28.0	32.5	60.5
Isoprene	27.5	29.5	57.0	3.2	4.3	7.5
Functional Materials	28.5	30.0	58.5	2.6	3.1	5.7
Fibers & Textiles	23.5	25.0	48.5	2.2	2.3	4.5
Trading	60.5	64.5	125.0	1.8	2.2	4.0
Other Business	33.5	37.0	70.5	1.0	1.0	2.0
Eliminations & Corporate	(52.5)	(57.0)	(109.5)	(6.8)	(7.4)	(14.2)
Total	260.0	280.0	540.0	32.0	38.0	70.0

【Ref.】

# Net Sales by Segment

(Billion yen)

	FY2016 Full-Year Forecast		FY2015 Full-Year Results		Difference	
	1H	2H	1H	2H	1H	2H
Vinyl Acetate	139.0	151.0	138.4	136.3	0.6	14.7
Isoprene	27.5	29.5	28.5	26.5	(1.0)	3.0
Functional Materials	28.5	30.0	28.3	28.5	0.2	1.5
Fibers & Textiles	23.5	25.0	23.8	22.6	(0.3)	2.4
Trading	60.5	64.5	60.2	59.4	0.3	5.1
Other Business	33.5	37.0	33.6	36.0	(0.1)	1.0
Elimination & Corporate	(52.5)	(57.0)	(49.9)	(50.6)	(2.6)	(6.4)
Total	260.0	280.0	262.9	258.8	(2.9)	21.2

【Ref.】

# Operating Income by Segment

(Billion yen)

	FY2016 Full-Year Forecast		FY2015 Full-Year Results		Difference	
	1H	2H	1H	2H	1H	2H
Vinyl Acetate	28.0	32.5	26.5	29.2	1.5	3.3
Isoprene	3.2	4.3	3.4	3.5	(0.2)	0.8
Functional Materials	2.6	3.1	2.5	3.1	0.1	0
Fibers & Textiles	2.2	2.3	2.1	2.0	0.1	0.3
Trading	1.8	2.2	2.0	1.9	(0.2)	0.3
Other Business	1.0	1.0	1.3	1.5	(0.3)	(0.5)
Elimination & Corporate	(6.8)	(7.4)	(6.2)	(6.7)	(0.6)	(0.7)
Total	32.0	38.0	31.6	34.5	0.4	3.5

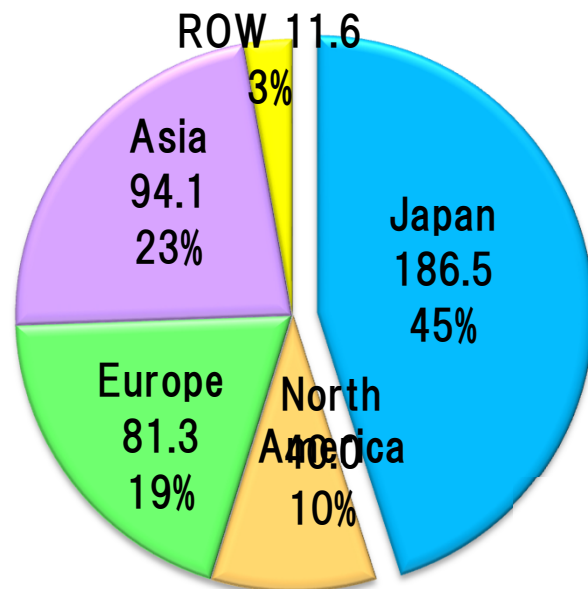


【Ref.】

# Net Sales by Region

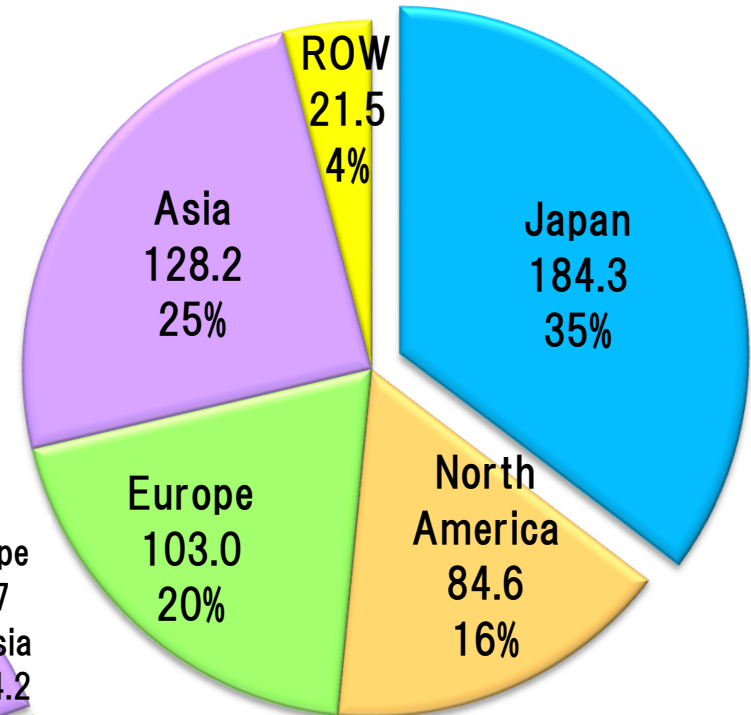
FY2013

Net sales: 413.5 billion yen  
Overseas ratio: 55%

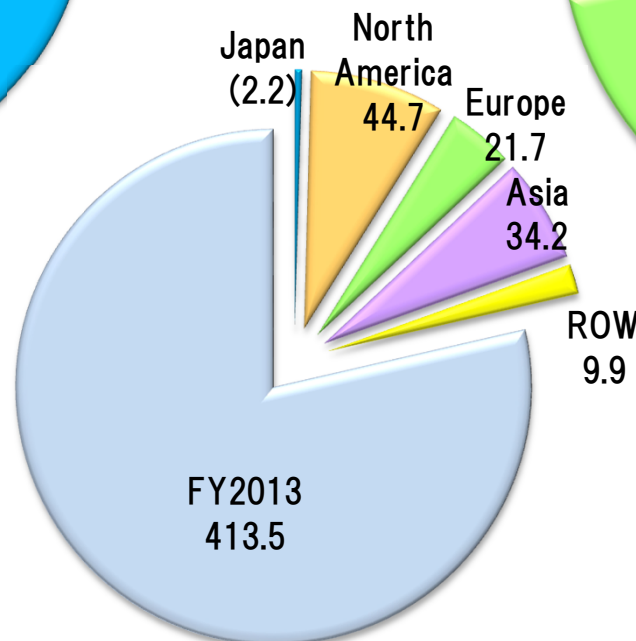


FY2015

Net sales: 521.7 billion yen  
Overseas ratio: 65%



Regional breakdown of  
FY2013 → FY2015  
increase in net sales  
(Total increase:  
+ ¥108.2 billion)



Note: Based on FY2013  
results as effect of  
integration of the GLS  
business is included.



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.