

# FY2011 Earnings Presentation

April 26, 2012

KURARAY CO., LTD.

The logo for Kuraray, featuring the word "kuraray" in a lowercase, blue, sans-serif font.

# FY2011 Results

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(Billion yen)

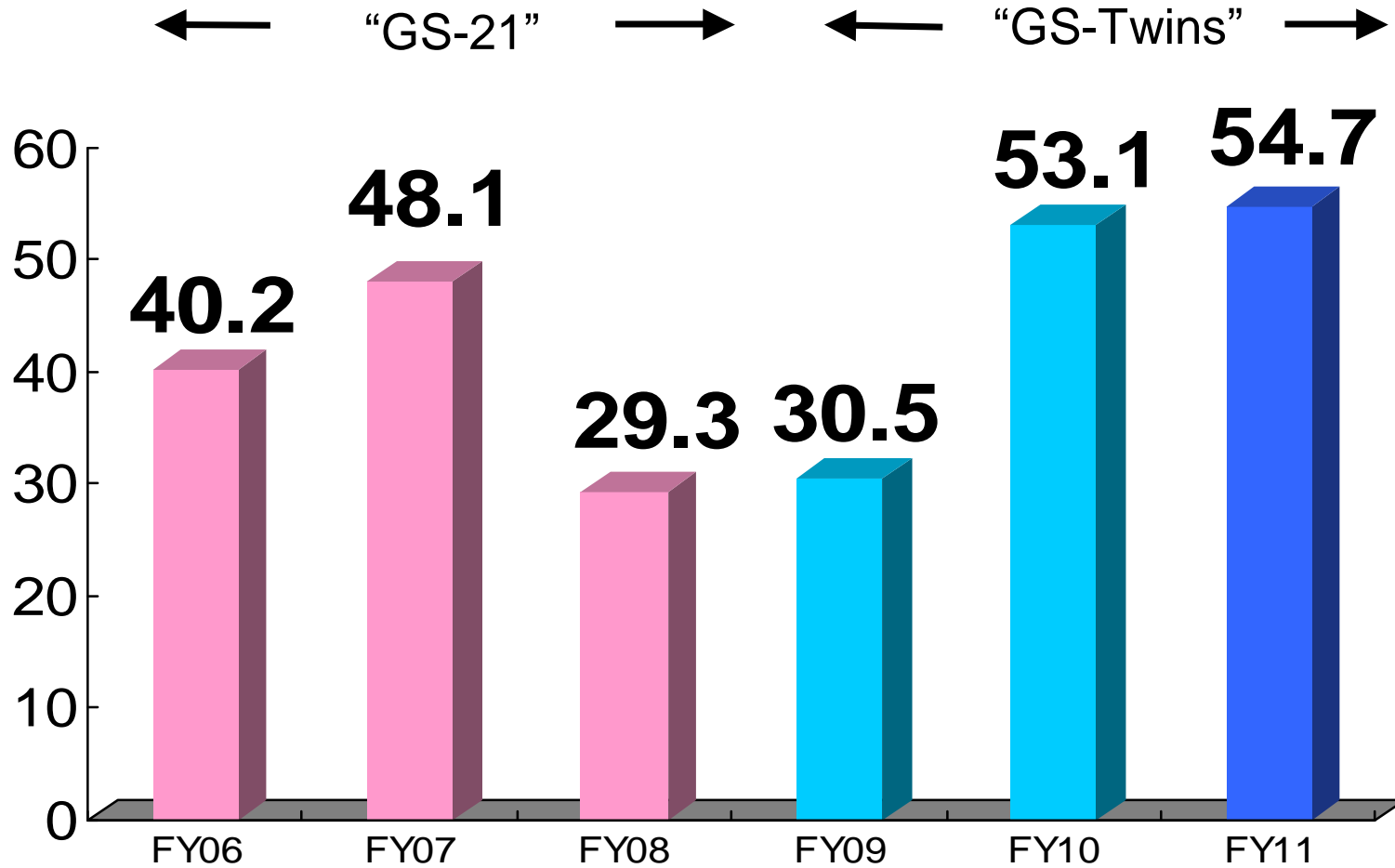
	FY2011	FY2010	FY2011 (Announced in the earnings report of 3Q)
Net Sales	369.0	363.2	372.0
Operating Income	54.7	53.1	57.0
Ordinary Income	53.9	51.1	55.5
Net Income	31.5	28.7	33.5
Average rate for the period			
JPY/USD	79	86	79
JPY/EUR	109	113	108
Domestic naphtha/kl	¥55,000	¥47,000	¥54,000

**kuraray**

# Operating Income Trend

*Record earnings for two consecutive years*

(Billion yen)





# Forecast for FY2012

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<b>Net Sales</b>	¥400 billion
<b>Operating Income</b>	¥60 billion
<b>Ordinary Income</b>	¥58.5 billion
<b>Net Income</b>	¥35 billion



# Key Initiatives for FY2012

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Implement specific measures based on the core management strategies of GS-III

## Technological innovation

- ◆ *GENESTAR*: Expand the applications (LED illuminations and automotive area)
- ◆ New material for rapid transmission circuit boards: Full-scale development
- ◆ New liquid rubber (farnesene): Accelerate development
- ◆ *KURALON*: Establish technology for new production process
- ◆ Aqua (ballast water management system, coolant recovery system); Energy (concentrating lenses for solar power generation, materials for secondary batteries): Develop related businesses

## Geographical expansion

- ◆ PVA resin: Establish a base in North America
- ◆ PVB film: Establish a production base in Asia
- ◆ Expand aqua business in emerging countries
- ◆ Establish a subsidiary in Thailand

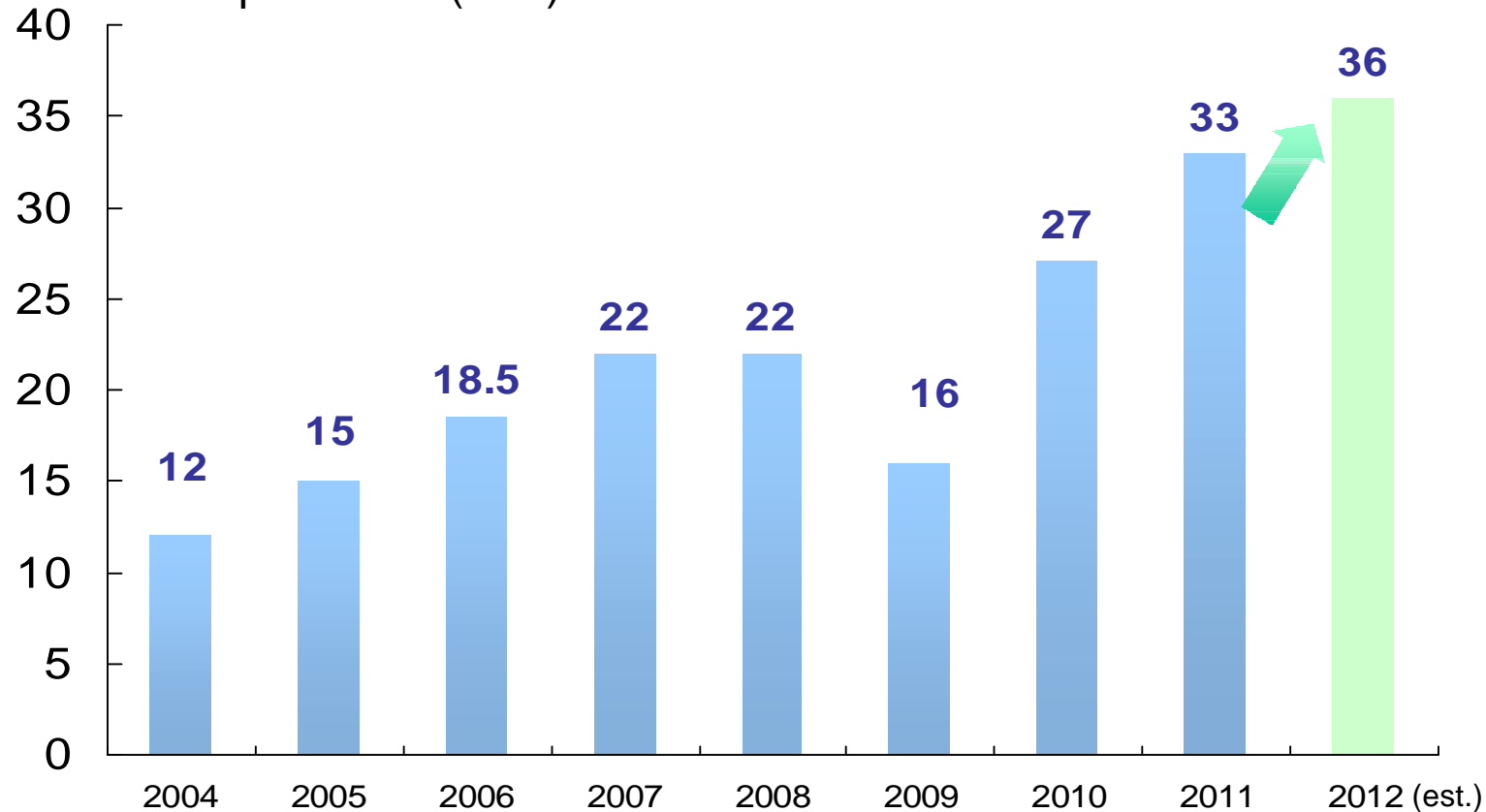
## Utilization of external resources

- ◆ Jointly develop with Kureha, Noritake, etc.
- ◆ Collaborate with Amyris(USA)
- ◆ Expand the Aqua business through a JV with a local Chinese company

# FY2011 Dividends

**¥36 per Share Scheduled**  
( Interim: ¥18 Year-end: ¥18, Payout ratio:36%)

Cash dividends per share (Yen)



Target payout ratio during the medium-term management plan GS-III (FY2012 ~ FY2014):  
At least 35%

# FY2011 Results (Details)

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# Summary of FY2011 Results 1

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(Billion yen)

	FY2011	FY2010	Difference	
<b>Net Sales</b>	369.0	363.2	5.8	(1.6%)
<b>Operating Income</b>	54.7	53.1	1.6	(3.1%)
<b>Ordinary Income</b>	53.9	51.1	2.9	(5.6%)
<b>Net Income</b>	31.5	28.7	2.7	(9.5%)
<b>ROE</b>	9.0%	8.5%	0.5%	
<b>ROA</b>	10.6%	10.5%	0.1%	
<b>Operating Margin</b>	14.8%	14.6%	0.2%	





# Summary of FY2011 Results 2

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(Billion yen)

	FY2011	FY2010	Difference	
<b>Operating CF</b>	42.6	69.6	(27.0)	
<b>Investing CF*</b>	(37.8)	(20.0)	(17.8)	
<b>Free CF*</b>	4.8	49.6	(44.8)	
<b>EPS</b>	¥90.35	¥82.55	¥7.80	(9.4%)
<b>BPS</b>	¥1,033.48	¥985.22	¥48.26	(4.9%)
<b>CAPEX (Acceptance basis)</b>	39.0	20.6	18.4	
<b>Depreciation and Amortization</b>	30.7	33.5	(2.8)	
<b>R&amp;D Expenses</b>	16.2	15.8	0.3	

\*Cash flows from investment activities and free cash flow exclude working capital.



# Factors Affecting the Change in OP Income

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FY2011

54.7 billion yen

Sales volume	1.2
Utilization	0.1
Selling price, product mix	10.3
Raw material and fuel cost	(11.6)
Foreign exchange (Including 3.0 raw material advantage)	(1.9)
Depreciation and amortization	2.8
Cost and expense reduction	0.7

1.6 billion yen



FY2010

53.1 billion yen

Raw Materials and  
Fuel and Foreign  
Exchange

Domestic naphtha/kl  
USD (average)  
EUR (average)

FY10 Actual

FY11 Actual

¥47,000

¥55,000

¥86

¥79

¥113

¥109

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# Segment Highlights

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(Billion yen)

	FY2011		FY2010		Difference	
	Net Sales	OP Income	Net Sales	OP Income	Net Sales	OP Income
<b>Resins</b>	148.9	49.9	147.4	50.8	1.5	(0.9)
<b>Chemicals</b>	74.9	9.1	75.7	8.7	(0.8)	0.4
<b>Fibers &amp; Textiles</b>	63.4	1.1	61.6	(0.2)	1.7	1.3
<b>Trading</b>	112.2	3.5	115.1	3.3	(2.9)	0.2
<b>Others</b>	66.4	5.7	58.9	4.9	7.5	0.8
<b>Elimination &amp; corporate expenses</b>	(96.8)	(14.5)	(95.6)	(14.4)	(1.2)	(0.1)
<b>Total</b>	<b>369.0</b>	<b>54.7</b>	<b>363.2</b>	<b>53.1</b>	<b>5.8</b>	<b>1.6</b>



# Overview of Main Businesses

Poval resin	Demand was weak in the second half against the background of a global economic slowdown.
Optical-use Poval film	Although sales volume was flat, profit growth was stagnant. Decided to build an additional production line at the Saijo Plant to respond to growing demand over the medium term (annual production volume: 3.2 million square meters; scheduled to begin operating June 2013).
PVB film	Sales were firm. Decided to increase production in Europe to respond to growing demand (scheduled to begin operating November 2013).
<i>EVAL</i>	Sales for food packaging and gas tank applications expanded year on year. Decided to increase U.S. production capacity to respond to growing demand (annual production volume: 12,000 tons; scheduled to begin operating January 2014).
Methacrylic resin	Steady in the first half, but second half sales were impacted by decreased demand for molding materials for LCD panels decreased and intensified competition.
Isoprene	<i>SEPTON</i> thermoplastic elastomer demand was firm in the first half, but dropped sharply in all regions in the second half. Fine chemical demand was firm throughout the fiscal year. Mass-production facilities for acrylic thermoplastic elastomer <i>KURARITY</i> were completed and began operating.
<i>GENESTAR</i>	Weak demand for LED reflector applications for LCD reduced sales, but earnings increased due to new automotive and other applications.
Medical	The addition of Noritake Dental Supply's dental materials business through an April 2011 business integration supported firm results. Also, new production facilities at the Niigata Plant are scheduled to begin operating in December 2012 following certification procedures.
<i>KURALON</i>	In the second half, a market downturn in Europe impacted demand for use in fiber reinforced cement (FRC) as an asbestos substitute, but sales for use in primary cell separators and automotive brake hoses was generally steady.
<i>CLARINO</i>	Demand for school bag applications was robust. Results are improving with progress in business restructuring centered on expanding applications for products made with new processes.

# Summary of Consolidated Assets

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(Billion yen)

	Mar. 31, 2012	Mar. 31, 2011	Difference
<b>Current Assets</b>	<b>269.1</b>	<b>310.6</b>	<b>(41.5)</b>
<b>Fixed Assets</b>	<b>254.2</b>	<b>196.7</b>	<b>57.4</b>
<b>Total Assets</b>	<b>523.2</b>	<b>507.3</b>	<b>15.9</b>

Fixed Assets	
CAPEX	39.0
Depreciation and Amortization	(30.7)
Foreign Currency Translation Adjustments	(2.9)
Others	2.2
<b>Sub Total</b>	<b>7.6</b>
Investments and Other Assets	
Increase in investment securities (shift from short-to long-term)	50.4
Others	(0.6)

Reference: Overseas subsidiaries year-end exchange rates

	Dec. 31, 2011	Dec. 31, 2010
JPY/USD	78	81
JPY/EUR	101	108



## Summary of Consolidated Liabilities and Net Assets

(Billion yen)	Mar. 31, 2012	Mar. 31, 2011	Difference
Current Liabilities	81.7	86.2	(4.5)
Long-Term Liabilities	75.2	74.3	0.9
Total Liabilities	156.9	160.5	(3.6)
Net Assets	366.3	346.8	19.5
Total Liabilities and Net Assets	523.2	507.3	15.9

**Reference: Overseas subsidiaries year-end exchange rates**

	Dec. 31, 2011	Dec. 31, 2010
JPY/USD	78	81
JPY/EUR	101	108

# Forecast for FY2012

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(Billion yen)

	1H	2H	Full Year
Net Sales	190.0	210.0	400.0
Operating Income	27.5	32.5	60.0
Ordinary Income	26.5	32.0	58.5
Net Income	16.0	19.0	35.0
EPS	-	-	¥100.47
Dividends per Share	¥18	¥18	¥36

Reference:	CAPEX (decision basis)	76.0
	CAPEX (acceptance basis)	44.0
	Depreciation and Amortization	33.0
	R&D Expenses	17.0

## Factors Affecting the Change in OP Income

**FY2012 (forecast)**

**60.0 billion yen**

Sales volume	7.1
Utilization	2.5
Selling price, product mix	2.3
Raw material and fuel cost	(3.1)
Foreign exchange (Including 1.0 raw material advantage)	0.8
Depreciation and amortization	(2.3)
Common expenses and others	(2.1)

**5.3 billion yen**



**FY2011**

**54.7 billion yen**

Raw Materials and  
Fuel and Foreign  
Exchange

	FY10 Actual	FY12 Assumption
Domestic naphtha/kl	¥55,000	¥58,500
USD (average)	¥79	¥83
EUR (average)	¥109	¥110



## Reference: Forecast by Segment

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(Billion yen)	Net Sales			Operating Income		
	1H	2H	Full Year	1H	2H	Full Year
Resins	81.5	85.5	167.0	27.0	28.0	55.0
Chemicals	41.0	49.0	90.0	3.0	6.5	9.5
Fibers & Textiles	29.0	34.5	63.5	1.0	1.0	2.0
Trading	57.0	63.0	120.0	1.5	2.5	4.0
Others	32.0	36.5	68.5	3.0	3.0	6.0
Elimination & corporate expenses	(50.5)	(58.5)	(109.0)	(8.0)	(8.5)	(16.5)
<b>Total</b>	<b>190.0</b>	<b>210.0</b>	<b>400.0</b>	<b>27.5</b>	<b>32.5</b>	<b>60.0</b>



**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.**