

# FY2012 Earnings Presentation

April 25, 2013

KURARAY CO., LTD.

# FY2012 Results

(Billion yen)

	FY2012	FY2011	FY2012 (Announced in the earnings report of 3Q)
<b>Net Sales</b>	369.4	369.0	380.0
<b>Operating Income</b>	49.2	54.7	50.0
<b>Ordinary Income</b>	48.6	53.9	48.5
<b>Net Income</b>	28.8	31.5	29.5
Average rate for the period			
<b>JPY / USD</b>	83	79	80
<b>JPY / EUR</b>	107	109	102
<b>Domestic naphtha / kl</b>	¥57,000	¥55,000	¥56,000

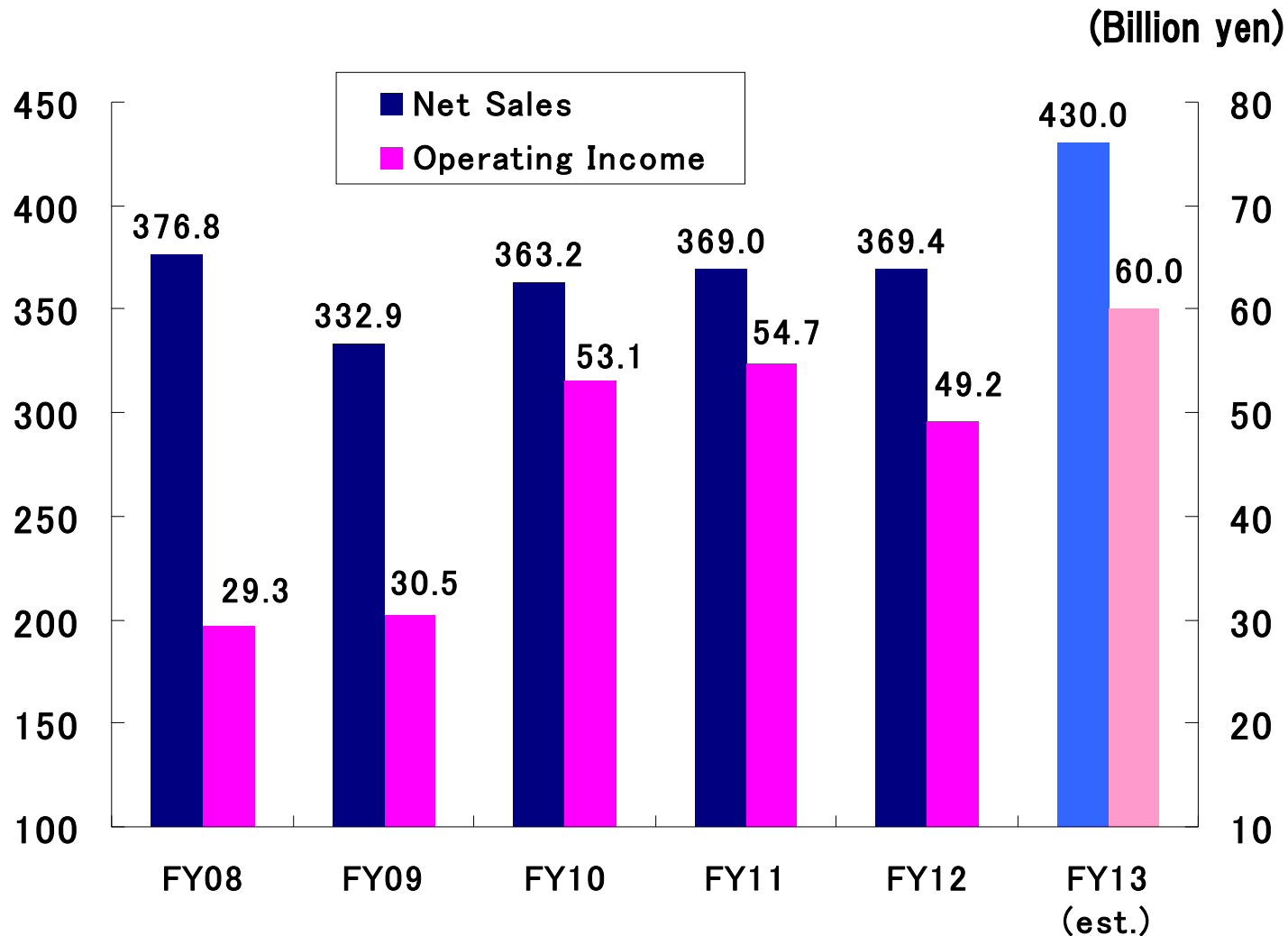
# Forecast for FY2013

<b>Net Sales</b>	<b>¥430.0 billion</b>
<b>Operating Income</b>	<b>¥60.0 billion</b>
<b>Ordinary Income</b>	<b>¥58.5 billion</b>
<b>Net Income</b>	<b>¥35.0 billion</b>

We are aiming for record sales and earnings supported by recovery in the economy and in demand, growth in sales of high-value-added products, and Companywide cost reduction efforts.

# Operating Income Trend

Working to return to a growth trend planned under GS-III



# Outcomes of Main FY2012 Initiatives

- Differentiation of optical-use poval film (thinner, wider, etc.)
- Acquisition of MonoSol, LLC. (decision to expand production facilities)
  - expansion of poval film business
- *GENESTAR*: Expansion of automotive applications and development of general lighting applications
- Dental materials: Start-up of new production base in Niigata Plant

- New poval resin facility in North America (decided)
- Market expansion of *EVAL* in Asia: Establishment of local subsidiary in Thailand
- Decision to expand liquid rubber production facilities
- Full-scale start of sales of ballast water management system (final approval received from Ministry of Land, Infrastructure, Transport and Tourism)

- Progress in development of liquid rubber that uses biomaterials (farnesene)

# Key Initiatives for FY2013

Ongoing execution of concrete initiatives based on the core management strategies of GS-III

## Technological innovation

- ◆ Optical poval film: Establish stable production and expand sales of differentiated products
- ◆ *GENESTAR*: Expand sales of new applications
- ◆ New materials for rapid transmission circuit boards *VECSTAR*: Enhance capabilities and expand sales
- ◆ New liquid rubber (farnesene): Start sales
- ◆ *KURALON*: Proceed in development of technology for new production process

## Geographical expansion

- ◆ Poval resin: Expand markets in North America
- ◆ *EVAL*: Expand markets in developing countries
- ◆ Global expansion of water soluble poval film

## Utilization of external resources

- ◆ Dental materials: Expand the synergy of business integration with Noritake, etc.
- ◆ Collaborate with Amyris, USA (farnesene):
- ◆ Expand the Aqua business through a JV with a local Chinese company
- ◆ Negative electrode materials: Expand business with Kureha

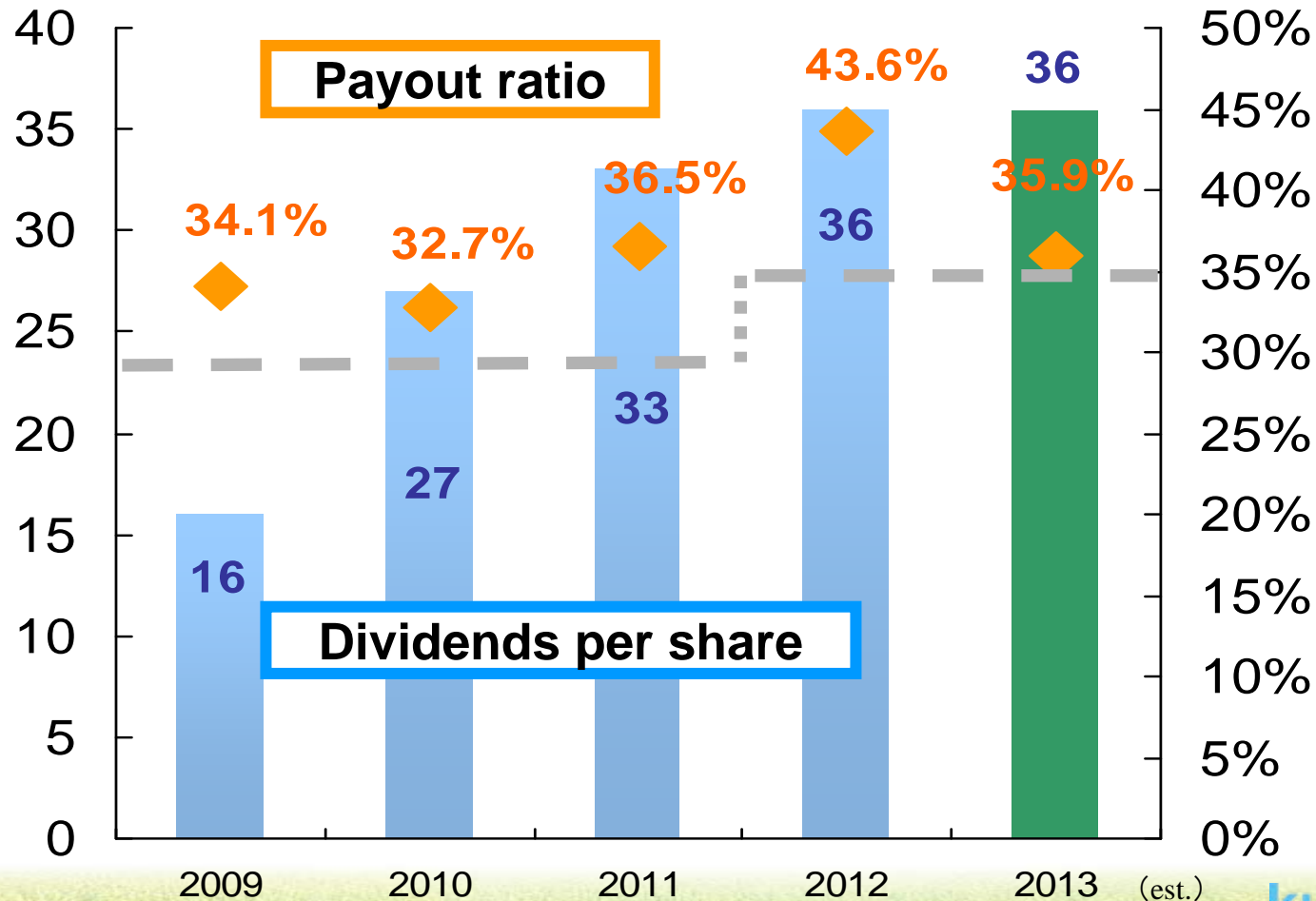
# FY2013 Dividends

## ¥36 per share scheduled

(Interim: ¥18, Year-end: ¥18)

Cash dividends per share (Yen)

(Payout ratio)



# FY2012 Results (Details)

April 25, 2013

KURARAY CO., LTD.



# Summary of FY2012 [1]

(Billion yen)

	FY2012	FY2011	Difference	
Net Sales	369.4	369.0	0.5	(1.0%)
Operating Income	49.2	54.7	▲5.5	(▲10.1%)
Ordinary Income	48.6	53.9	▲5.4	(▲9.9%)
Net Income	28.8	31.5	▲2.7	(▲8.5%)
ROE	7.6%	9.0%	▲1.4%	
ROA	8.9%	10.6%	▲1.7%	
Operating Margin	13.3%	14.8%	▲1.5%	

# Summary of FY2012 [2]

(Billion yen)

	FY2012	FY2011	Difference	
Operating CF	66.9	42.6	24.3	
Investing CF*	(45.2)	(37.9)	(7.3)	
Free CF*	21.7	4.7	17.0	
M&A	(31.2)		(31.2)	
EPS	¥82.62	¥90.35	¥(7.73)	(-8.6%)
BPS	¥1,132.07	¥1,033.48	¥98.59	(9.5%)
CAPEX (Decision basis)	61.9	46.2	15.7	
CAPEX (Acceptance basis)	45.5	39.0	6.5	
Depreciation and Amortization	31.0	30.7	0.3	
R&D Expenses	16.4	16.2	0.2	

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

# Factors Affecting the Change in OP

**FY2012**

**49.2 billion yen**

Sales volume	3.0
Utilization	(1.5)
Selling price, product mix	(2.0)
Raw material and fuel cost	0.6
Foreign exchange	(0.5)
Depreciation and amortization	(0.3)
Cost and expense reduction	(4.8)

**(5.5 billion yen)**



**FY2011**

**54.7 billion yen**

Raw Materials  
and Fuel and  
Foreign  
Exchange

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

**FY2011**

¥55,000  
¥79  
¥109

**FY2012**

¥57,000  
¥83  
¥107

# Segment Highlights

(Billion yen)

	FY2012		FY2011		Difference	
	Net Sales	OP Income	Net Sales	OP Income	Net Sales	OP Income
Resins	155.2	48.9	148.9	49.9	6.3	(1.0)
Chemicals	79.0	6.4	74.9	9.1	4.1	(2.7)
Fibers & Textiles	57.2	1.2	63.4	1.1	(6.2)	0.1
Trading	108.8	3.4	112.2	3.5	(3.4)	(0.1)
Others	64.4	4.0	66.4	5.7	(2.0)	(1.7)
Elimination & Corporate expense	(95.1)	(14.6)	(96.8)	(14.5)	1.7	(0.1)
<b>Total</b>	<b>369.4</b>	<b>49.2</b>	<b>369.0</b>	<b>54.7</b>	<b>0.4</b>	<b>(5.5)</b>

# Overview of Main Businesses

Poval resin	Demand weakened against the backdrop of the global economic slowdown.
Poval film	Sales volume for optical-use poval film expanded because demand recovered in the second half. Sales of water soluble poval film were also favorable.
<i>EVAL</i>	Sales were firm, especially for automotive applications.
Methacrylic resin	Market weakness carried over from the second half of FY2011 and fuel and raw material costs increased, which impacted performance.
Isoprene	Sales of liquid rubber expanded, but sales of <i>SEPTON</i> thermoplastic elastomer and fine chemicals were impacted by weaker demand in Europe and Asia and increased competition.
<i>GENESTAR</i>	LED reflector and connector application sales were firm, and sales for automotive applications expanded.
Medical	Sales of dental materials were firm.
<i>KURALON</i>	Demand weakened against a backdrop of stagnant markets for use as an asbestos substitute in fiber-reinforced concrete applications and for automotive brake hose applications in European and Asian markets.
<i>CLARINO</i>	Sales were firm for school bag applications, but demand for shoe applications was weak. Restructuring in this business includes consolidating around new environment-friendly processes and shifting existing processes to China.

# Summary of Consolidated Assets

	Mar.31, 2012	Mar.31, 2011	(Billion yen) Difference
Current Assets	257.2	269.1	(11.9)
Fixed Assets	330.0	254.2	75.8
Total Assets	587.2	523.2	63.9

**Reference: Year-end exchange rates**

	Japan		Overseas subsidiaries	
	Mar.31, 2013	Mar.31, 2012	Dec. 31, 2012	Dec. 31, 2011
JPY/USD	94	82	87	78
JPY/EUR	121	110	115	101

# Summary of Consolidated Liabilities and Net Assets

(Billion yen)

	Mar. 31, 2012	Mar.31, 2011	Difference
Current Liabilities	111.4	81.7	29.8
Long-Term Liabilities	74.3	75.2	(1.0)
Total Liabilities	185.7	156.9	28.8
Net Assets	401.5	366.3	35.1
Total Liabilities and Net Assets	587.2	523.2	63.9

Reference: Year-end exchange rates

	Japan		Overseas subsidiaries	
	Mar.31, 2013	Mar.31, 2012	Dec. 31, 2012	Dec. 31, 2011
<b>JPY/USD</b>	<b>94</b>	<b>82</b>	<b>87</b>	<b>78</b>
<b>JPY/EUR</b>	<b>121</b>	<b>110</b>	<b>115</b>	<b>101</b>

# Forecast for FY2013

(Billion yen)

	1H	2H	Full Year
Net Sales	205.0	225.0	430.0
Operating Income	27.0	33.0	60.0
Ordinary Income	36.5	32.0	58.5
Net Income	16.0	19.0	35.0
EPS	—	—	¥100.33
Dividends per Share	¥18	¥18	¥36

Reference:	CAPEX (decision basis)	45.0
	CAPEX (acceptance basis)	61.5
	Depreciation and Amortization	37.0
	R&D Expenses	17.5



# Factors Affecting the Change in OP Income

**FY2013**

**60.0 billion yen**

Sales volume	10.0
Utilization	4.0
Selling price, product mix	1.0
Raw material and fuel cost	(2.0)
Foreign exchange	3.5
Depreciation and amortization	(6.0)
Cost and expense reduction	0.3

**10.8 billion yen**



**FY2012**

**49.2 billion yen**

Raw Materials  
and Fuel and  
Foreign  
Exchange

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

**FY12 Actual**

**FY13 Assumption**

¥57,000

¥61,000

¥83

¥95

¥107

¥125

# Change in Segments

## Former segments (through FY2012)

<b>Resins</b>	*Poval products <i>EVAL</i>
<b>Chemicals</b>	<b>Methacrylic resin</b> Isoprene chemical <i>SEPTON</i> <i>GENESTAR</i> <b>Medical</b>
<b>Fibers &amp; Textiles</b>	<i>KURALON</i> <b>CLARINO</b> <i>KURAFLEX</i> Fastening
<b>Trading</b>	Polyester filament Trading business
<b>Others</b>	Activated carbon Aqua business Engineering Others



## New segments (from FY2013)

<b>Vinyl Acetate</b>	*Poval products <i>EVAL</i>
<b>Isoprene</b>	Isoprene chemical <i>SEPTON</i> <i>GENESTAR</i>
<b>Functional Materials</b>	<b>Methacrylic resin</b> <b>Medical</b> <i>CLARINO</i>
<b>Fibers &amp; Textiles</b>	<i>KURALON</i> <i>KURAFLEX</i> Fastening
<b>Trading</b>	Polyester filament Trading business
<b>Others</b>	Activated carbon Aqua business Engineering Others

\*Poval products: Poval resin, poval film, PVB resin and film

【Ref.】

# Forecast by Segment

(billion yen)

	Net Sales			Operating Income		
	1H	2H	Full Year	1H	2H	Full Year
Vinyl Acetate	94.0	97.0	191.0	26.0	28.0	54.0
Isoprene	25.5	29.0	54.5	2.5	5.0	7.5
Functional Materials	26.0	28.5	54.5	1.0	2.0	3.0
Fibers & Textiles	21.5	24.5	46.0	1.0	1.0	2.0
Trading	54.0	59.0	113.0	1.5	2.0	3.5
Others	31.0	35.0	66.0	2.0	2.0	4.0
Eliminations & corporate expenses	(47.0)	(48.0)	(95.0)	(7.0)	(7.0)	(14.0)
<b>Total</b>	<b>205.0</b>	<b>225.0</b>	<b>430.0</b>	<b>27.0</b>	<b>33.0</b>	<b>60.0</b>

# 【Ref.】 FY2012 Results by New Segment

(Billion yen)

	Net Sales	Operating Income
Vinyl Acetate	155.2	48.9
Isoprene	44.8	3.9
Functional Materials	45.1	1.9
Fibers & Textiles	46.2	1.8
Trading	108.8	3.4
Others	64.4	4.0
Eliminations & corporate expenses	(95.1)	(14.6)
<b>Total</b>	<b>369.4</b>	<b>49.2</b>

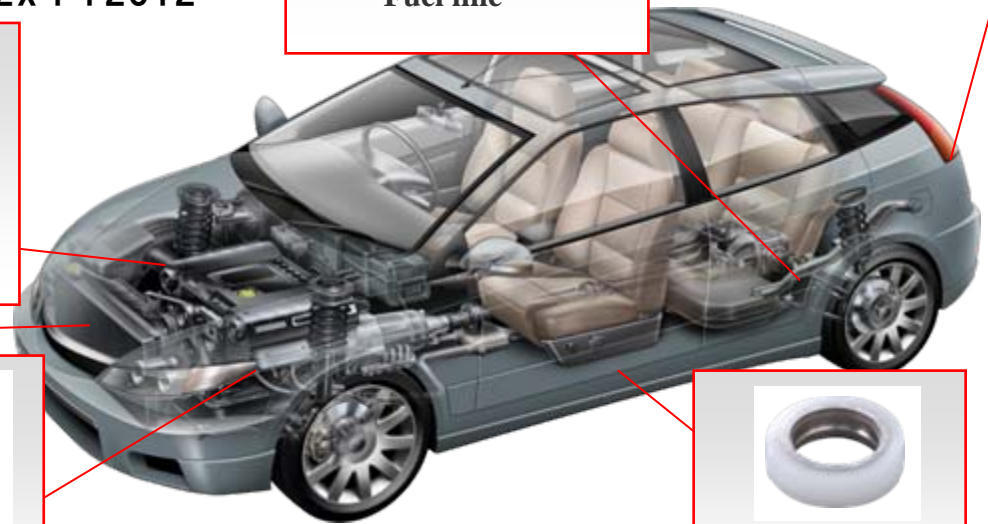
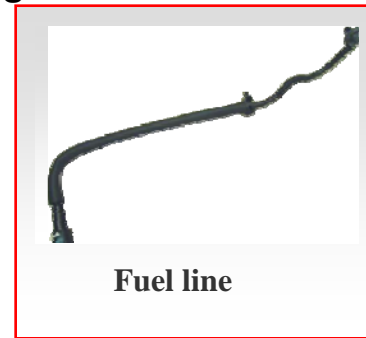
## MonoSol Acquisition, Business Expansion

- 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. We plan to enhance capabilities.



## 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. 2x FY2012



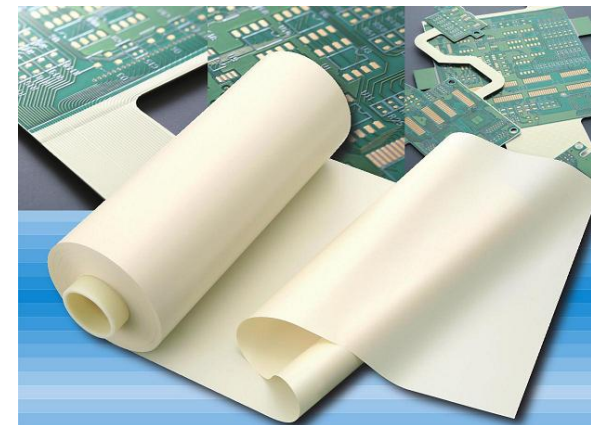
## New grades of *GENESTAR* for LEDs

- Changed resin composition to improve light resistance
- Converted some existing equipment and started production (second half of 2011)
- Launch products in succession during FY2013
- We expect FY2014 sales volume of new and existing *GENESTAR* grades to be 1.5x FY2012



## 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 FY2013 to develop production technologies and increase production capacity





## 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.
  - Ten major tire manufacturers in Japan and overseas are now evaluating samples.
- Sales are expected to begin in the second half of 2013 (targeted sales of about 10 billion yen in 2018)



# kuraray

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