

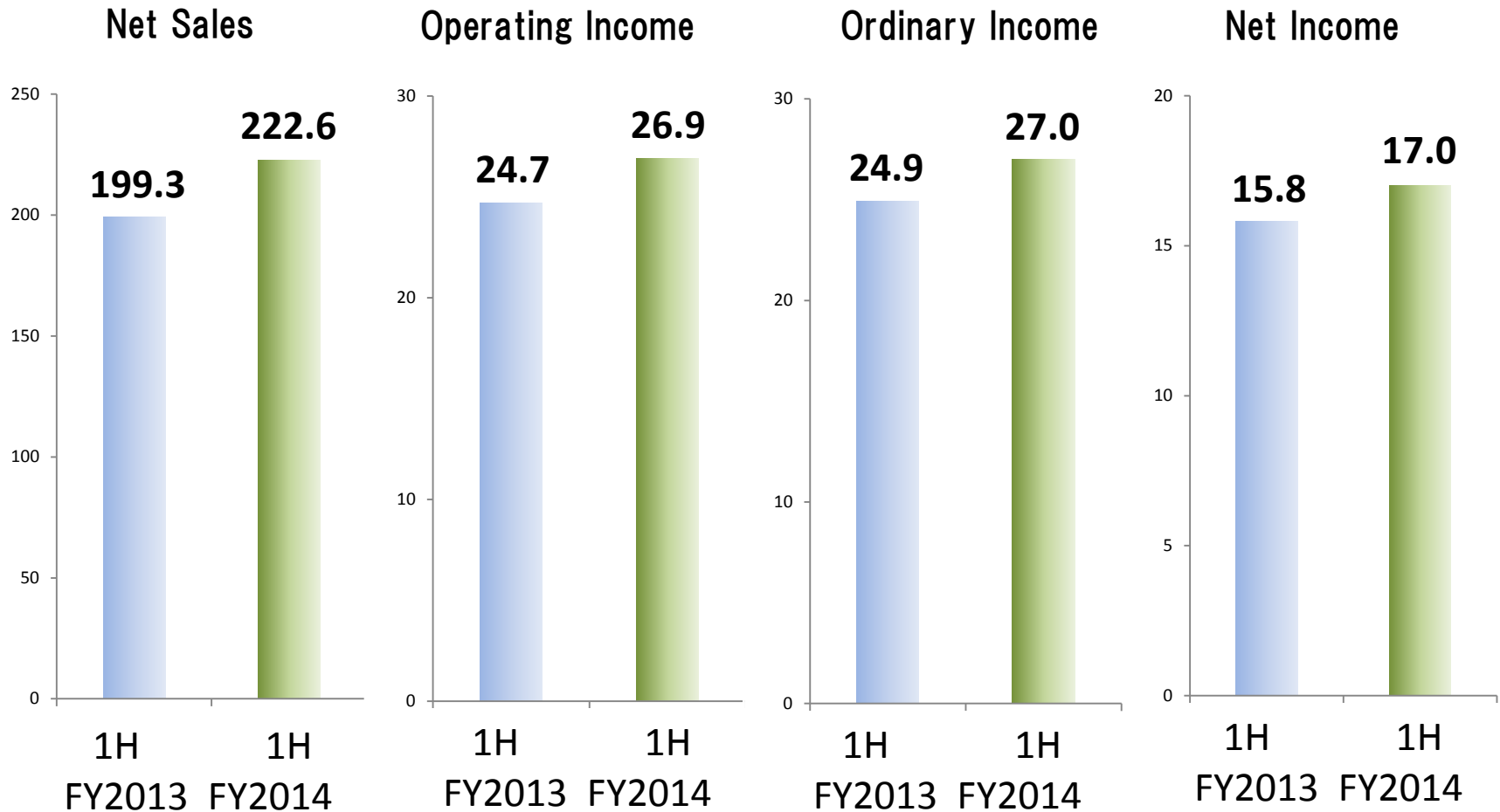


1H of FY2014 (Apr. to Sep.) Earnings Presentation (Overview)

KURARAY CO., LTD.

Overview of 1H FY2014 Results [1]

(Billion yen)



Overview of 1H FY2014 Results [2]

(Billion yen)

1H FY2014
Forecast
Announced
Apr. 25, 2014

	1H FY2014	1H FY2013	Difference	
Net Sales	222.6	199.3	+23.3 (+11.7%)	220.0
Operating Income	26.9	24.7	+2.3 (+9.3%)	26.0
Ordinary Income	27.0	24.9	+2.2 (+8.7%)	26.0
Net Income	17.0	15.8	+1.3 (+8.1%)	16.0

Average exchange rate for the period

JPY/USD	103	99		105
JPY/EUR	139	130		140
Domestic naphtha/kl	¥71,000	¥65,000		¥72,000

Forecast for FY2014

(Billion yen)

	Current Forecast (April-December 2014)	Initial Forecast (April-December 2014)	Difference
Net Sales	415.0	385.0	30.0
Operating Income	44.0	44.0	-
Ordinary Income	43.0	43.0	-
Net Income	26.0	26.0	-

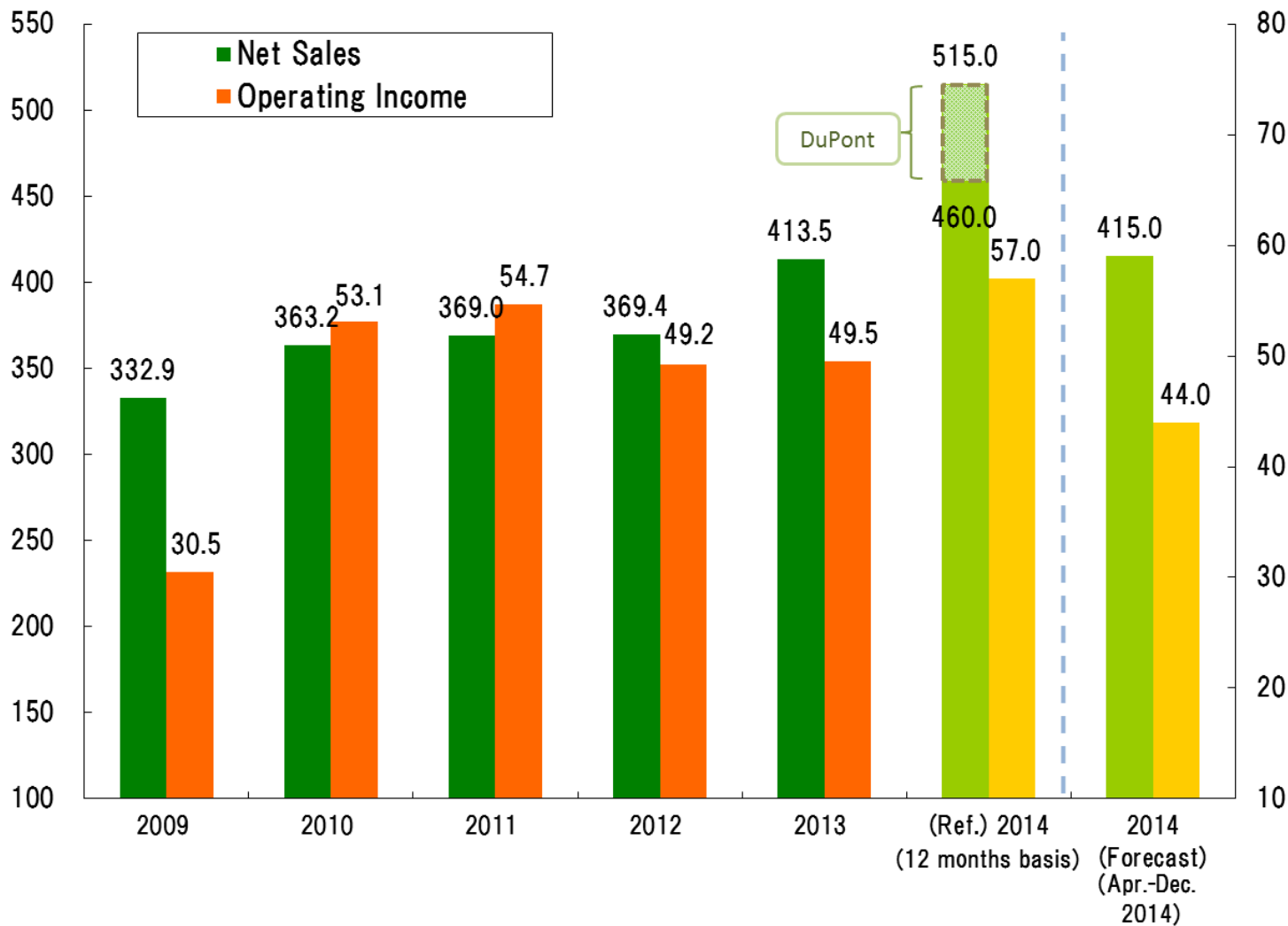
Net Sales/Operating Income Trend

(Billion yen)

Net Sales

(Billion yen)

Operating Income



Outcomes of Main FY2014 Initiatives

Expansion of Mainstay Core Businesses

- ◆ Completed acquisition of glass laminating solutions/vinyls business of DuPont of the U.S.
 - Reached agreement to sell German PVB production facility and R&D center
- ◆ Decided to build a new plant for water-soluble PVA film in the U.S.
 - Start of operation scheduled for January 2016
- ◆ Started operation of 32 million m² expansion of production facilities for optical-use PVA film (Saijo Plant)

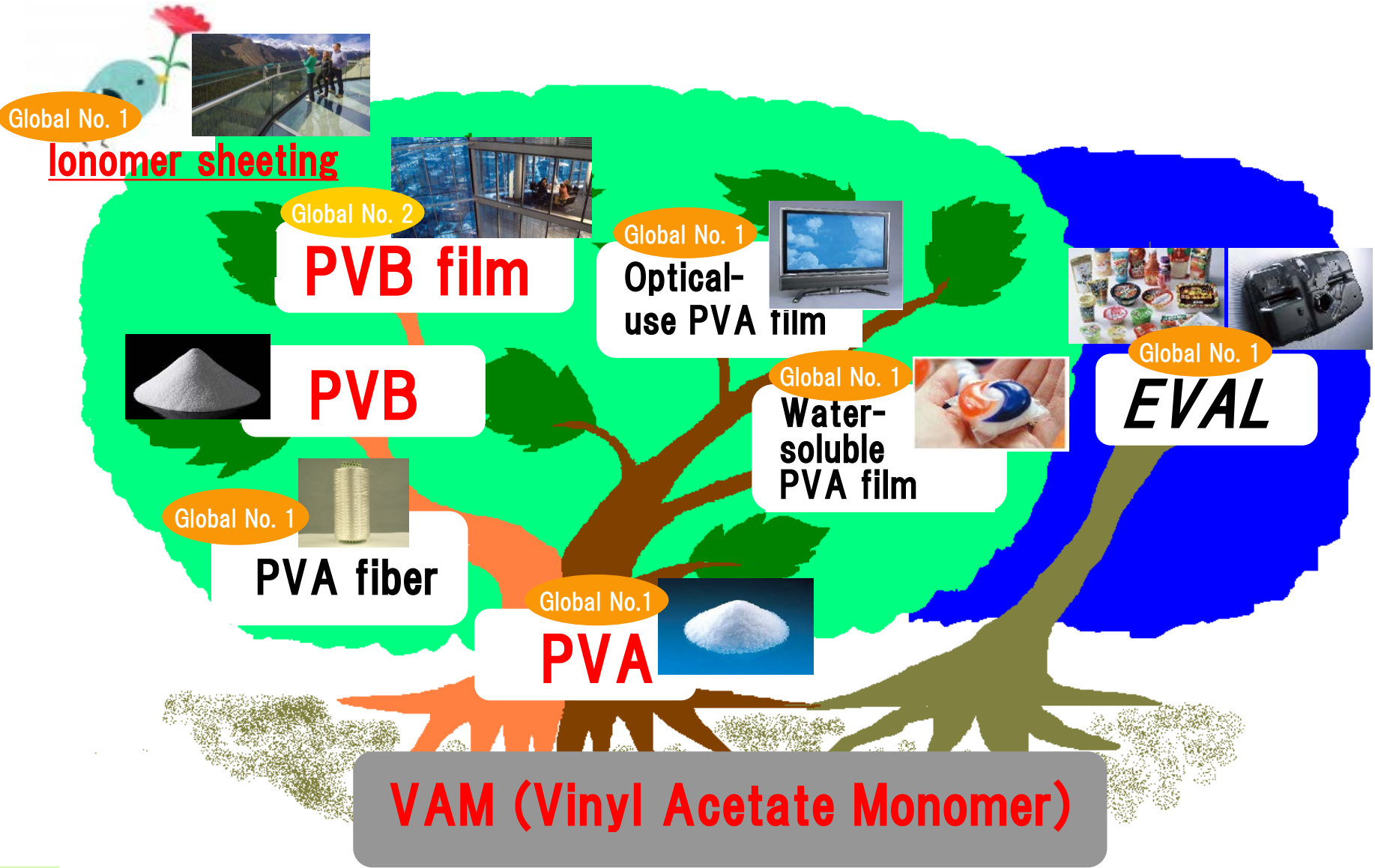
Creation/Expansion of New Businesses

- ◆ Started operation of 600 thousand m² expansion of production facilities for *VECSTAR*

Technological Innovation

- ◆ Decided to build new pilot facility for new *KURALON* manufacturing process

1. Post-Acquisition Vinyl Acetate Product Lineup

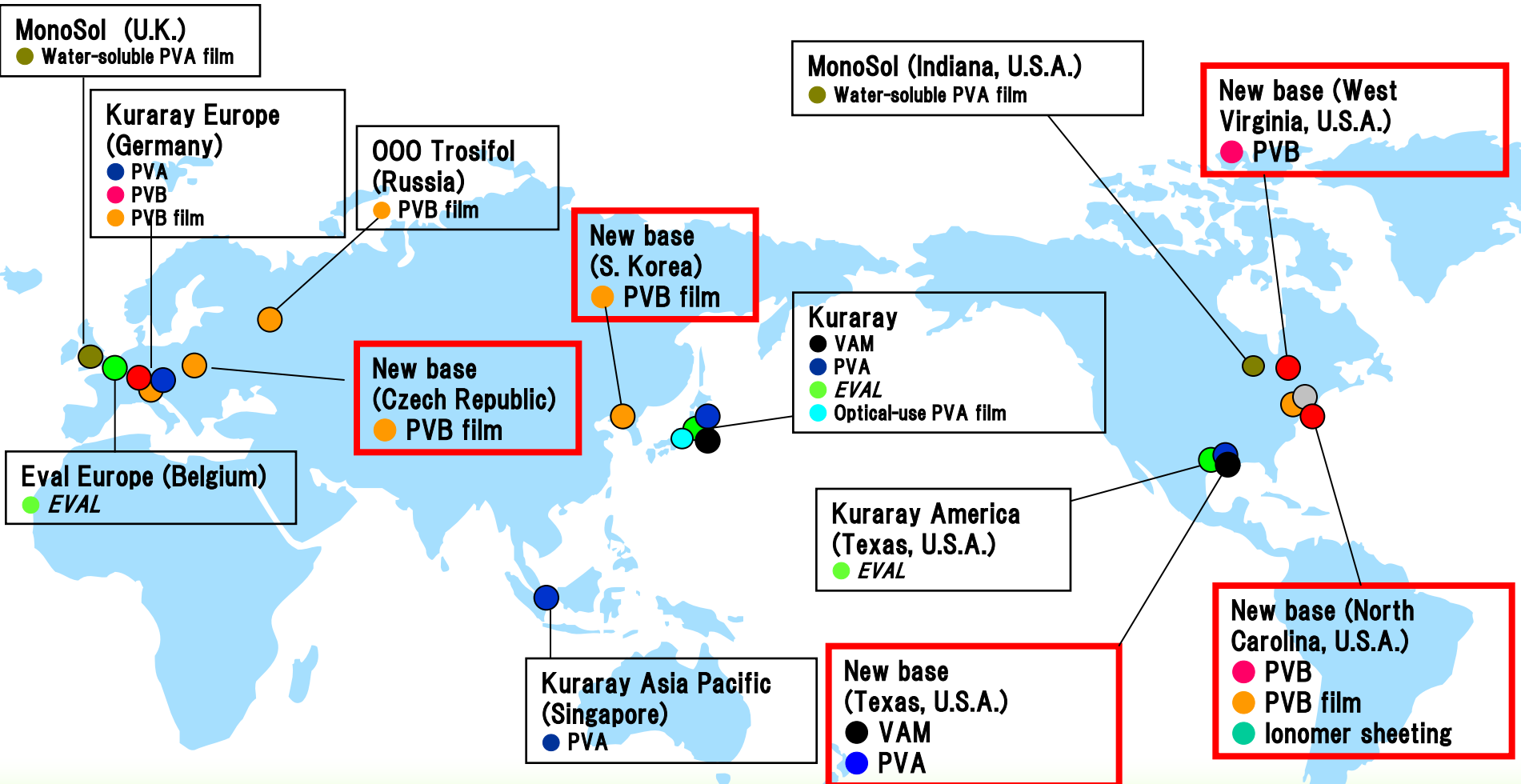


2. Objectives of the Acquisition

- **Strengthening of global business platform and expansion of vinyl acetate-related business**
 - Increase of in-house manufacturing of raw materials
 - Expansion of products and markets
 - Synergy effect
 - Optimization of manufacturing site
 - Sales and technical service
 - Technical know-how
 - Manufacturing and development
 - Procurement of raw materials

3. Vinyl Acetate Business Production Bases

● VAM ● PVA ● Optical-use PVA film ● Water-soluble PVA film ● PVB ● PVB film ● EVAL ● Ionomer sheets



4. Ionomer Sheet

- **What is ionomer sheet?**

A laminated glass interlayer encapsulant developed by DuPont

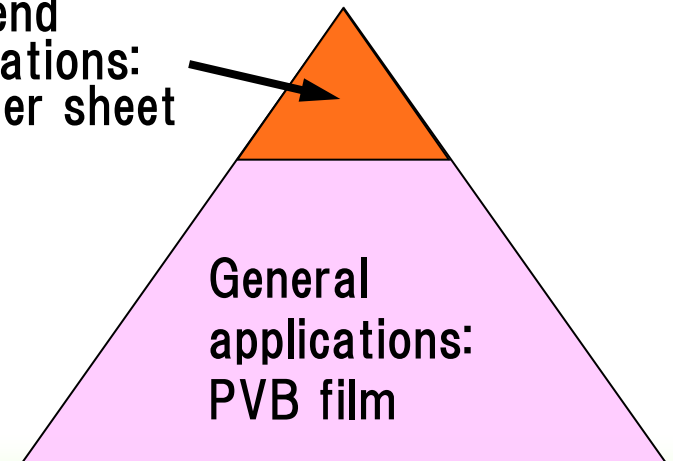
- **Application: Laminated glass for construction of innovative architectural designs requiring higher safety standards**

- **Features:**

- **Resilience:** 100 times stiffer and 5 times stronger than PVB
- **Safety:** Even if the glass breaks, shards do not scatter
- **Transparency:** Ultra high transparency that does not interfere with visibility
- **Durability:** Remains clear even after years of exposure

Architectural glass interlayer market

High-end applications:
Ionomer sheet



FY2014 Dividends

9-month period due to change in fiscal year end in FY2014

¥27 per share scheduled

(Interim: ¥18, Year-end: ¥9)

Cash dividends per share (Yen) and Payout ratio Trend

	Interim	Year-end	Full-year	Payout ratio
FY2014(9 months)	¥18	¥9	¥27	36.4%
FY2013	¥18	¥18	¥36	42.9%
FY2012	¥18	¥18	¥36	43.6%

▶ Target of profit distribution for FY2012-2014: At least 35% of payout ratio

See following pages for details.



1H FY2014 Results (Details)

KURARAY CO., LTD.

Sales and Operating Income by Segment

(Billion yen)

	1H FY2014		1H FY2013		Difference	
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income
Vinyl Acetate	105.1	24.8	90.1	24.5	15.0	0.3
Isoprene	27.0	2.8	25.4	2.1	1.6	0.7
Functional Materials	26.0	0.4	23.1	0.5	2.9	(0.1)
Fibers & Textiles	22.0	1.7	21.3	1.3	0.7	0.4
Trading	58.7	1.8	53.0	1.7	5.7	0.1
Others	32.3	1.3	30.5	1.4	1.8	(0.1)
Eliminations and corporate expenses	(48.5)	(5.8)	(44.1)	(6.9)	(4.4)	1.1
Total	222.6	26.9	199.3	24.7	23.3	2.3

Overview of Main Businesses in 1H FY2014

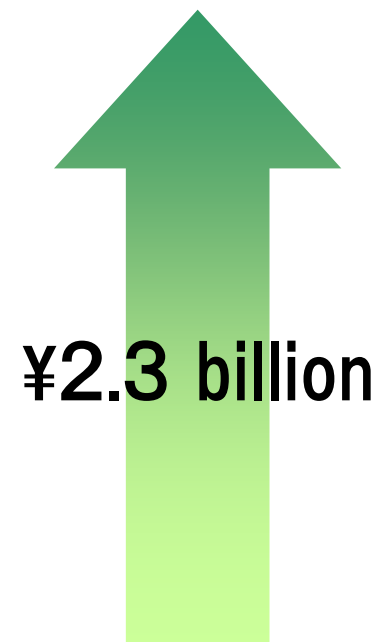
PVA Resin	Sales were firm due to the penetration of price increases.
PVA film	Sales volume of optical-use PVA film increased due to larger-scale LCD TVs. Sales of water-soluble PVA film expanded favorably, backed by brisk demand, and Kuraray decided to build a new plant in the U.S. in response (start of operation scheduled for January 2016).
<i>EVAL</i>	Favorable growth, mainly in the U.S. and Asia.
Isoprene	Favorable performance by fine chemicals. Demand for liquid isoprene rubber recovered. Sales of <i>SEPTON</i> thermoplastic elastomer were firm.
<i>GENESTAR</i>	Sales were favorable for applications in LED reflectors, connectors and automobiles.
Methacrylic resin	Conditions were tough due to a market downturn.
Medical	Sales of dental materials were favorable.
<i>CLARINO</i>	The transfer of general-purpose product manufacturing to China as part of business restructuring and other measures showed an effect. The business was profitable in the second quarter (July-September) and aims to be profitable for the fiscal year.
<i>KURALON</i>	Sales were strong for applications in automotive brake hoses and as an asbestos substitute in fiber reinforced cement (FRC).

Factors Affecting the Change in Operating Income

1H FY2014

¥26.9 billion

Sales volume	4.0
Utilization	2.5
Selling price, product mix	1.0
Foreign exchange	0.5
Raw material and fuel costs (excl. effect of foreign exchange)	(1.5)
Depreciation and amortization	(2.5)
Expenses and others	(1.7)



1H FY2013

¥24.7 billion

	1H FY2013	1H FY2014
<u>Raw Materials and Fuel Costs and Foreign Exchange</u>		
Domestic naphtha/kl	¥65,000	¥71,000
USD(average)	¥99	¥103
EUR (average)	¥130	¥139

1H FY2014 Results (Cash Flow, etc.)

(Billion yen)

	1H FY2014	1H FY2013	Difference
Operating CF	29.0	23.3	5.7
Investing CF*	(28.0)	(25.9)	(2.1)
Free CF*	1.0	(2.6)	3.6
M&A	(66.8)	-	(66.8)
EPS	¥48.62	¥45.04	¥3.58 (7.9%)
Depreciation & Amortization	18.9	16.4	2.5
R&D Expenses	8.7	8.4	0.3

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

Summary of Consolidated Assets

(Billion yen)

	Sep. 30, 2014	Mar. 31, 2014	Difference
Current Assets	255.0	302.4	(47.4)
Noncurrent Assets	389.2	331.8	57.3
Total Assets	644.2	634.3	10.0

Reference: Year-end exchange rates

	Japan		Overseas subsidiaries	
	Sep. 30, 2014	Mar. 31, 2014	Jun. 30, 2014	Dec. 31, 2013
JPY/USD	109	103	101	105
JPY/EUR	139	142	138	145

Summary of Consolidated Liabilities and Net Assets

(Billion yen)

	Sep. 30, 2014	Mar. 31, 2014	Difference
Current Liabilities	98.9	89.1	9.8
Noncurrent Liabilities	90.9	92.6	(1.7)
Total Liabilities	189.9	181.8	8.1
Net Assets	454.3	452.5	1.9
Total Liabilities and Net Assets	644.2	634.3	10.0

Reference: Year-end exchange rates

	Japan		Overseas subsidiaries	
	Sep. 30, 2014	Mar. 31, 2014	Jun. 30, 2014	Dec. 31, 2013
JPY/USD	109	103	101	105
JPY/EUR	139	142	138	145

【Ref.】

Balance of Net Cash

(Billion yen)

	Sep. 30, 2014	Mar. 31, 2014	Difference
Operating capital	53.3	121.3	(68.0)
Interest-bearing debt	(70.2)	(65.3)	(4.9)
Net cash	(16.9)	56.0	(72.9)

Forecast for FY2014

(Billion yen)

Nine-month period from April to December in Japan, twelve-month period from January to December overseas for both FY2013 and FY2014

	FY2014 Full-Year Forecast	FY2013 Full-Year Results (Adjusted)	Difference
Net Sales	415.0	339.9	75.1
Operating Income	44.0	38.3	5.7
Ordinary Income	43.0	38.4	4.6
Net Income	26.0	23.1	2.9
EPS	¥74.19	¥66.05	¥8.14
Dividends per Share	¥27	—	—
CAPEX (decision basis)	45.0	—	—
CAPEX(acceptance basis)	44.0	51.9	(7.9)
Depreciation and Amortization	33.0*	28.6	4.4
R&D Expenses	14.0	13.2	0.8

* Including ¥1.3 billion of tentative goodwill amortization for the business acquired from DuPont.

FY2014 Forecast by Segment

(Billion yen)

	Net Sales			Operating Income		
	FY2014	FY2013 (Adjusted)	Difference	FY2014	FY2013 (Adjusted)	Difference
Vinyl Acetate	219.0	160.7	58.3	39.5	36.2	3.3
Isoprene	47.0	42.0	5.0	5.0	3.9	1.1
Functional Materials	45.5	38.8	6.7	1.0	1.1	(0.1)
Fibers & Textiles	36.0	34.7	1.3	2.3	2.1	0.2
Trading	88.0	80.9	7.1	2.7	2.5	0.2
Others	51.5	50.2	1.3	2.0	1.7	0.3
Eliminations & corporate expenses	(72.0)	(67.3)	(4.7)	(8.5)	(9.3)	0.8
Total	415.0	339.9	75.1	44.0	38.3	5.7

【Ref.】 FY2014 Forecast

(Billion yen)

	Net Sales			Operating Income		
	1H	2H	Full Year	1H	2H	Full Year
Vinyl Acetate	105.1	113.9	219.0	24.8	14.7	39.5
Isoprene	27.0	20.0	47.0	2.8	2.2	5.0
Functional Materials	26.0	19.5	45.5	0.4	0.6	1.0
Fibers & Textiles	22.0	14.0	36.0	1.7	0.6	2.3
Trading	58.7	29.3	88.0	1.8	0.9	2.7
Others	32.3	19.2	51.5	1.3	0.7	2.0
Eliminations & corporate expenses	(48.5)	(23.5)	(72.0)	(5.8)	(2.7)	(8.5)
Total	222.6	192.4	415.0	26.9	17.1	44.0

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