



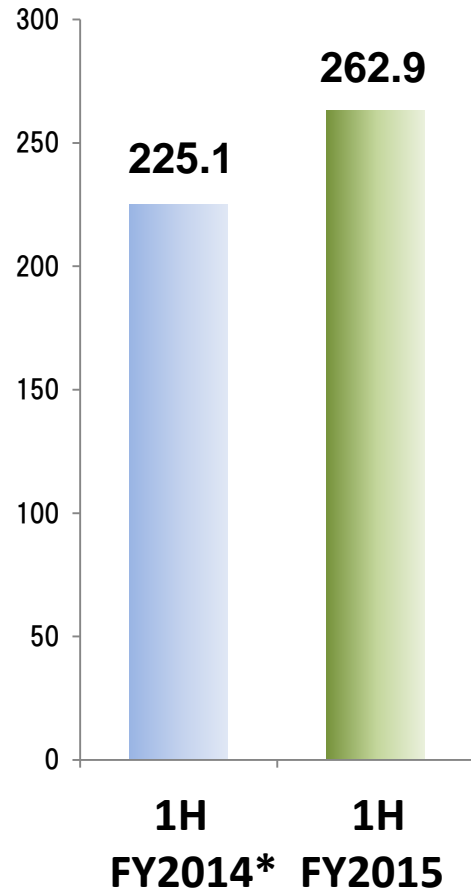
# 1H of FY2015 (Jan. to Jun.) Earnings Presentation (Overview)

KURARAY CO., LTD.

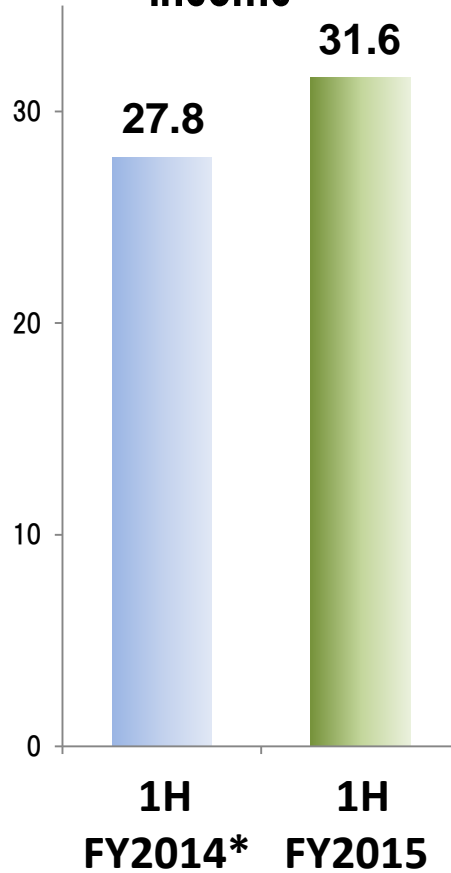
# Overview of 1H FY2015 Results [1]

(Billion yen)

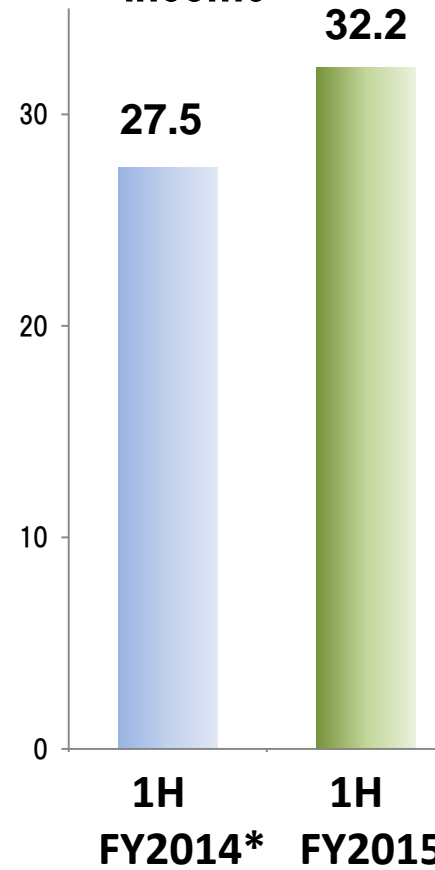
## Net Sales



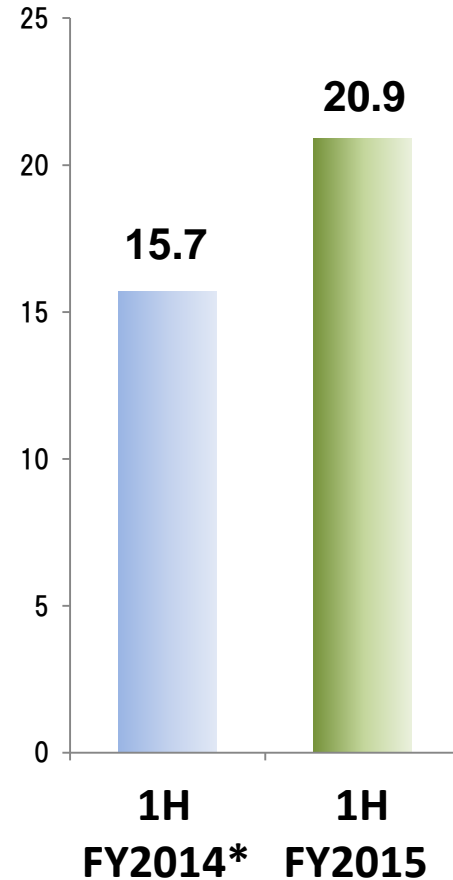
## Operating Income



## Ordinary Income



## Net Income



\* Adjusted to Jan.-Jun. 2014

# Overview of 1H FY2015 Results [2]

(Billion yen)

	1H FY2015	1H FY2014*	Difference
Net Sales	<b>262.9</b>	225.1	+ 37.8 (+16.8%)
Operating Income	<b>31.6</b>	27.8	+ 3.8 (+13.6%)
Ordinary Income	<b>32.2</b>	27.5	+ 4.7 (+17.1%)
Net Income	<b>20.9</b>	15.7	+ 5.2 (+33.1%)

## Reference

JPY/USD	<b>120</b>	103
JPY/EUR	<b>134</b>	140
Domestic naphtha (JPY 1,000/kl)	<b>52</b>	71

\* Adjusted to Jan.-Jun. 2014

# Forecast for FY2015

(Billion yen)

	Current Forecast	Previous Forecast (Announced on May 13)	Difference
Net Sales	540.0	540.0	-
Operating Income	66.0	64.0	2.0
Ordinary Income	66.0	64.5	1.5
Net Income	40.0	38.0	2.0

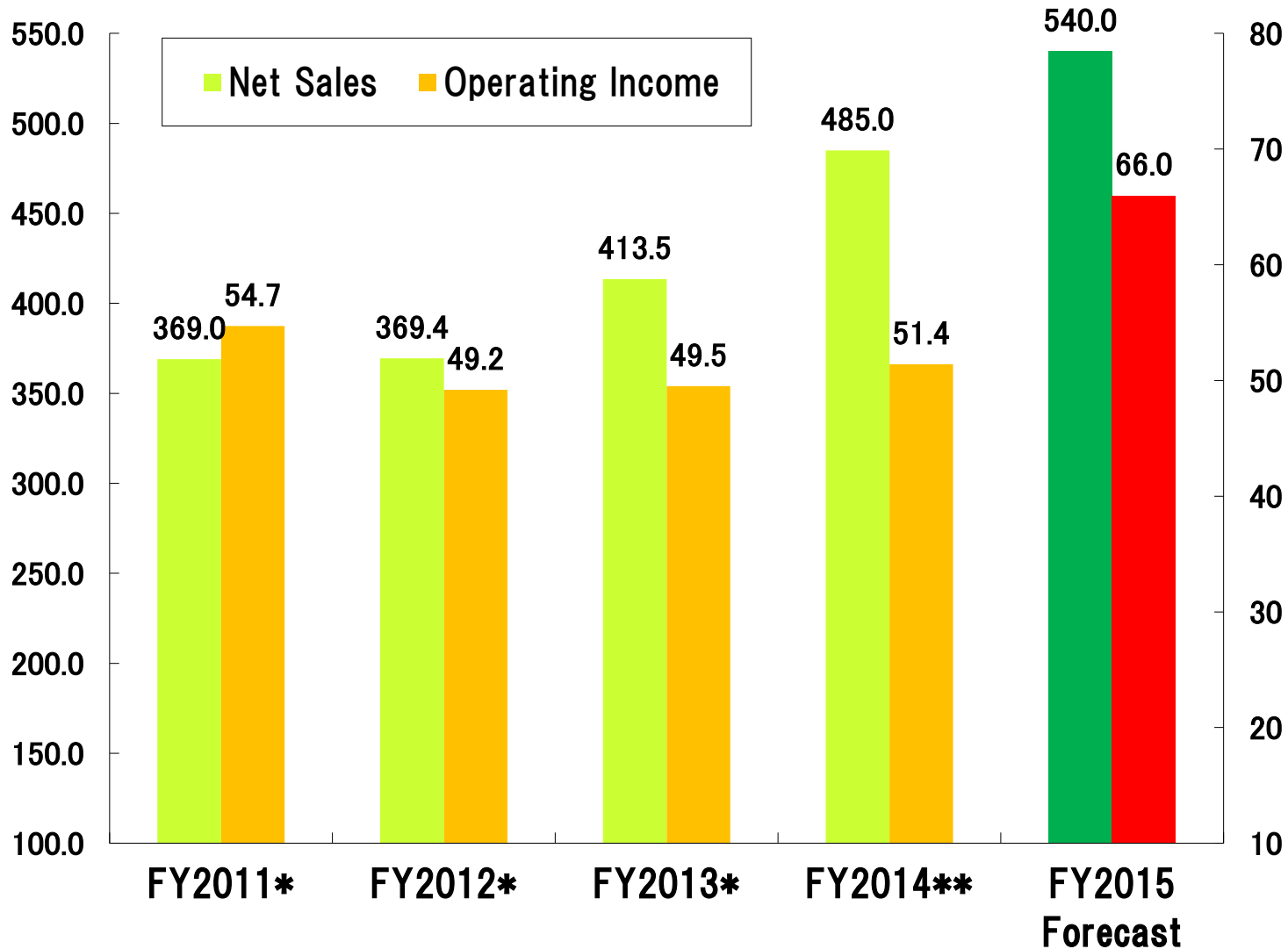
## Assumed Raw Material and Fuel Costs/Foreign Exchange

	Full-Year	3Q and After	Full-Year	3Q and After
Domestic naphtha (JPY 1,000/kl)	¥53	¥55	¥52	¥55
USD (average)	¥120	¥120	¥120	¥120
EUR (average)	¥132	¥130	¥130	¥130

# Net Sales/Operating Income Trend

Net Sales (Billion yen)

Operating Income  
(Billion yen)



\* FY2011 to FY2013 are from Apr. to Mar. of the following year. \*\*FY2014 is adjusted to Jan.-Dec.

# Outcomes of Main FY2015 Initiatives

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

## Deepening of Core Business

- ◆ Decided to expand production capacity for *EVAL* in Europe
  - Additional 11,000 tons; start of operation scheduled for end of 2016
- ◆ Strengthened marketing for *GENESTAR* for automotive applications

## Technological Innovation

- ◆ Started operation of pilot plant for new *KURALON* manufacturing process in April (Okayama Plant)

## Next-Generation Growth Model

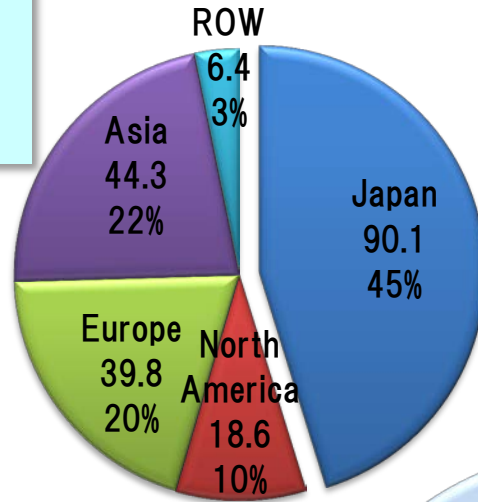
- ◆ Acquisition of Australia-based Plantic Technologies Limited
  - Aiming for full-scale expansion into bio-based barrier materials

## Optimum Allocation of Management Resources

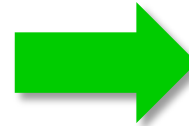
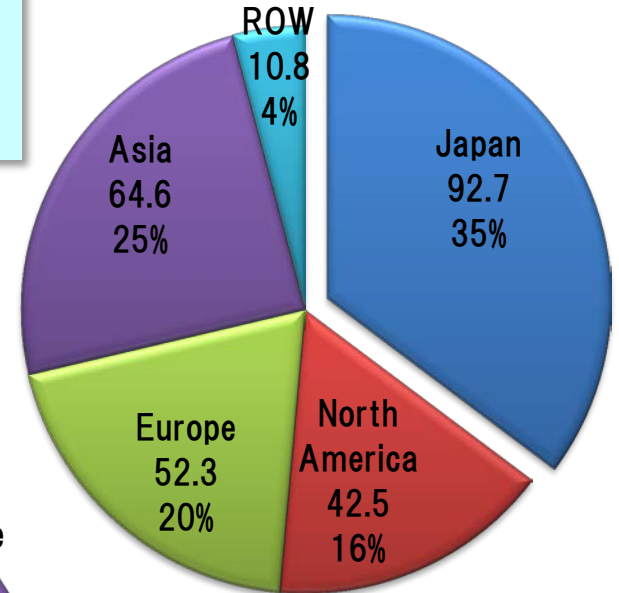
- ◆ Progress in integration of GLS business
  - GLS Division reorganized into other divisions as of July 1
    - VAM business and PVA business transferred to the Poval Resin Division
    - PVB business transferred to the PVB Division

# Net Sales by Region

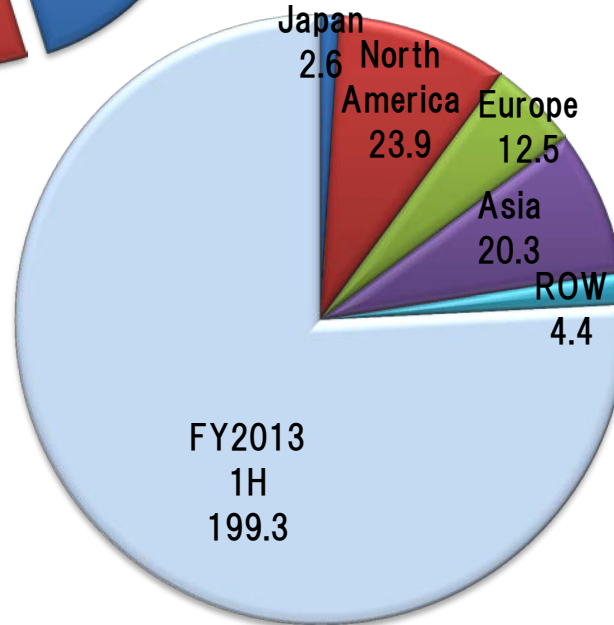
FY2013 1H  
 Net sales:  
 199.3 billion yen  
 Overseas ratio:  
 55%



FY2015 1H  
 Net sales:  
 262.9 billion yen  
 Overseas ratio:  
 65%



Regional breakdown  
 of FY2013 1H →  
 FY2015 1H increase  
 in net sales  
 (Total increase: +63.6  
 billion yen)



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

# FY2015 Dividends

***¥40 per share scheduled***

(Interim: ¥18, Year-end: ¥22)

¥2 increase since announcement of first quarter results (May 13)

**Profit allocation during GS-STEP**

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

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

**June 2015: Retirement of 28 million shares of treasury stock**





# 1H FY2015 Results (Details)

KURARAY CO., LTD.

# Sales and Operating Income by Segment

(Billion yen)

	1H FY2015		1H FY2014*		Difference	
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income
Vinyl Acetate	138.4	26.5	102.5	24.9	35.9	1.6
Isoprene	28.5	3.4	27.7	3.2	0.8	0.2
Functional Materials	28.3	2.5	25.9	0.9	2.4	1.6
Fibers & Textiles	23.8	2.1	24.8	1.7	(1.0)	0.4
Trading	60.2	2.0	57.3	1.8	2.9	0.2
Other Business	33.6	1.3	33.9	1.3	(0.3)	0.0
Elimination & Corporate	(49.9)	(6.2)	(47.0)	(6.0)	(2.9)	(0.2)
<b>Total</b>	<b>262.9</b>	<b>31.6</b>	<b>225.1</b>	<b>27.8</b>	<b>37.8</b>	<b>3.8</b>

\* Adjusted to Jan.-Jun. 2014

# Overview of Main Businesses in 1H FY2015

PVA resin	Sales were firm overall, but market cultivation in the United States did not proceed as assumed due in part to a delay in construction of a new plant there.
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 brisk.
PVB film	Sales were firm due to expansion of exports outside Europe.
<i>EVAL</i>	Sales were firm but affected by shut down maintenance in the U.S.
GLS	The business was unprofitable due to the impact of amortization of goodwill and others. Because business integration has proceeded favorably, the GLS business was reorganized and transferred to the Poval Resin Division and the PVB Division.
Isoprene	Sales of fine chemicals, <i>SEPTON</i> and liquid isoprene rubber were firm.
<i>GENESTAR</i>	Sales volume for automotive applications increased.
Methacrylic resin	Earnings expanded due to increased sales of resin.
Medical	Sales of dental materials were brisk.
<i>CLARINO</i>	Profit expanded due to the effects of the transfer of the conventional production process to China and other business structure improvements, and progress of sales promotion for products made with the new process.
Fibers and textiles	Profit increased due to a shift to high-value-added products.

# Topics: *EVAL*

Expand production capacity 30% during GS-STEP!

## Expansion of Existing Applications for *EVAL*

Ongoing market expansion centered on emerging countries

## Development and Expansion of New Applications for *EVAL*

Development of agricultural, industrial and other applications that utilize its high gas barrier performance, chemical resistance and other properties

## Global Business Rollout

### *EVAL* Production Capacity

Japan: 10,000 tons/year  
U.S.: 47,000 tons/year  
Belgium: 24,000 tons/year

(Decided on capacity expansion of 11,000 tons/year in Belgium)

1972

Commercialization of *EVAL*

## Development of Next-Generation Barrier Materials/Expansion of Business Domain

- Development of industrial and optical applications for *KURARISTER*
  - Water vapor barrier materials
- Alliance with Vitriflex, Inc.
  - Moisture ultra-barrier materials
- Acquisition of Plantic Technologies Limited
  - Bio-based barrier materials

**Barrier materials company**  
providing barrier materials solutions

# Topics: *EVAL*

## Acquisition of Plantic Technologies Limited: Full-Scale Expansion into Bio-Based Barrier Materials

- Acquired Australia-based Plantic Technologies, a global leader in the bio-based barrier film business, in April 2015
- Plantic developed *PLANTIC* barrier film, made with their specialized starch
- Use of *PLANTIC* film is expanding at major supermarkets and brand owners in Australia, North America and Europe in applications such as fresh and processed meats, fresh seafood and fresh pasta
- Approximately ¥3 billion in sales projected for FY2015, and aiming for ¥10 billion in three years



# GLS Business Results in 1H FY2015

(Billion yen)

	FY2014 Results (Jun.-Dec.)	FY2015			Ref. FY2015 Full-Year Forecast (Announced at start of year)
		1H Plan	1H Results	Difference	
Net Sales	34.9	33.0	30.0	(3.0)	67.0
Business Income	0.9	2.0	1.4	(0.6)	4.0
+ Synergy	0.0	0.0	0.0	—	1.0
- Amortization of Goodwill, etc.	4.7	2.4	2.4	—	3.8
Operating Income	(3.8)	(0.4)	(1.0)	(0.6)	1.2

# Cash Flow for 1H FY2015

(Billion yen)

	1H FY2015	1H FY2014*	Difference
<b>Operating CF</b>	<b>46.7</b>	—	—
<b>Investing CF**</b>	<b>(25.0)</b>	—	—
<b>Free CF**</b>	<b>21.7</b>	—	—
<b>M&amp;A</b>	<b>(4.5)</b>	—	—
<b>CAPEX (Acceptance Basis)</b>	<b>20.6</b>	<b>24.4</b>	<b>(3.8)</b>
<b>Depreciation &amp; Amortization (incl. Amortization of Goodwill)</b>	<b>21.6</b>	<b>18.9</b>	<b>2.7</b>
<b>R&amp;D Expenses</b>	<b>9.2</b>	<b>8.8</b>	<b>0.4</b>

\* Adjusted to Jan.-Jun. 2014

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

# Balance Sheet [1]: Assets

(Billion yen)

	Jun. 30, 2015	Dec. 31, 2014	Difference
<b>Current Assets</b>	<b>270.4</b>	<b>269.2</b>	<b>1.2</b>
<b>Noncurrent Assets</b>	<b>417.3</b>	<b>422.3</b>	<b>(5.0)</b>
<b>Total Assets</b>	<b>687.7</b>	<b>691.5</b>	<b>(3.8)</b>

Reference: Exchange rates at end of period

	Jun. 30, 2015	Dec. 31, 2014
<b>JPY/USD</b>	<b>122</b>	<b>121</b>
<b>JPY/EUR</b>	<b>137</b>	<b>147</b>



# Balance Sheet [2]: Liabilities and Net Assets

(Billion yen)

	Jun. 30, 2015	Dec. 31, 2014	Difference
<b>Current Liabilities</b>	<b>86.4</b>	<b>109.9</b>	<b>(23.5)</b>
<b>Noncurrent Liabilities</b>	<b>98.7</b>	<b>99.8</b>	<b>(1.1)</b>
<b>Total Liabilities</b>	<b>185.1</b>	<b>209.7</b>	<b>(24.6)</b>
<b>Net Assets</b>	<b>502.5</b>	<b>481.8</b>	<b>20.7</b>
<b>Total Liabilities and Net Assets</b>	<b>687.7</b>	<b>691.5</b>	<b>(3.8)</b>

Reference: Exchange rates at end of period

	Jun. 30, 2015	Dec. 31, 2014
<b>JPY/USD</b>	<b>122</b>	<b>121</b>
<b>JPY/EUR</b>	<b>137</b>	<b>147</b>

# Forecast for FY2015

(Billion yen)

	FY2015 Full-Year Forecast	FY2014 Adjusted Results*	Difference
Net Sales	540.0	485.0	55.0
Operating Income	66.0	51.4	14.6
Ordinary Income	66.0	51.0	15.0
Net Income	40.0	27.5	12.5
EPS	¥113.93	¥78.42	¥35.51
Dividends per Share	¥40	—	—
CAPEX (Decision Basis)	78.0	—	—
CAPEX (Acceptance Basis)	48.0	47.2	0.8
Depreciation and Amortization (incl. Amortization of Goodwill)	43.5	42.0	1.5
R&D Expenses	19.0	18.1	0.9

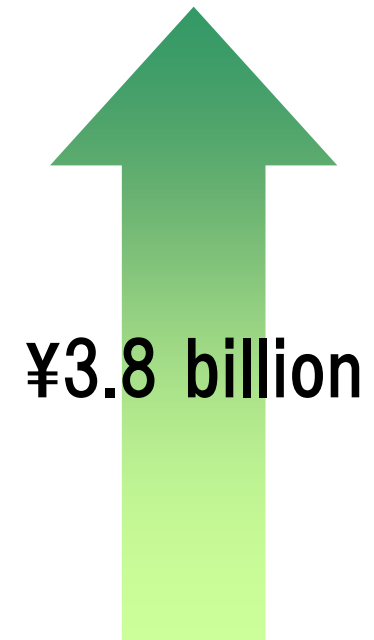
\* Adjusted to Jan.-Dec. 2014

# Factors Affecting the Change in Operating Income

**1H FY2015**

**¥31.6 billion**

Sales Volume	2.5
Utilization	0.5
Foreign Exchange	1.0
Raw Materials and Fuel (excl. Effect of Foreign Exchange)	7.5
Selling Price, Product Mix	(3.0)
Depreciation and Amortization (incl. Amortization of Goodwill)	(2.7)
Expenses and Others	(2.0)



**1H FY2014\***

**¥27.8 billion**

		1H FY2014	1H FY2015
<u>Raw Materials and Fuel and Foreign Exchange</u>	Domestic naphtha (JPY1,000/kl)	¥71	¥52
	USD (average)	¥103	¥120
	EUR (average)	¥140	¥134

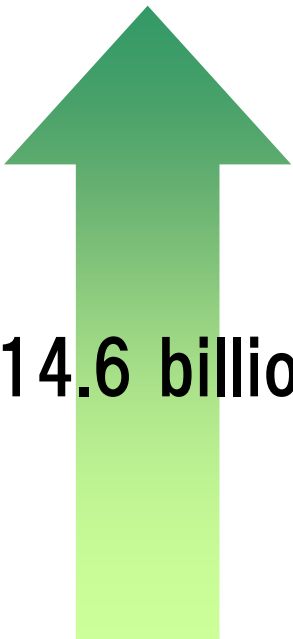
\* Adjusted to Jan.-Jun. 2014

# Factors Affecting the Change in Operating Income

## FY2015 Forecast

## ¥66.0 billion

Sales Volume	6.5
Utilization	4.5
Foreign Exchange	1.0
Raw Materials and Fuel (excl. Effect of Foreign Exchange)	13.0
Selling Price, Product Mix	(6.5)
Depreciation and Amortization (incl. Amortization of Goodwill)	(1.5)
Expenses and Others	(2.4)



¥14.6 billion

## FY2014\*

## ¥51.4 billion

		FY2014	FY2015
<u>Raw Materials and Fuel and Foreign Exchange</u>	Domestic naphtha (JPY1,000/kl)	¥69	¥53
	USD (average)	¥106	¥120
	EUR (average)	¥140	¥132

\* Adjusted to Jan.-Dec. 2014

# Net Sales and Operating Income by Segment

(Billion yen)

	FY2015 Full-Year Forecast		FY2014 Adjusted Results*		Difference	
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income
Vinyl Acetate	286.0	55.0	237.6	46.2	48.4	8.8
Isoprene	60.0	8.5	55.7	6.4	4.3	2.1
Functional Materials	58.0	5.0	53.8	2.0	4.2	3.0
Fibers & Textiles	48.0	4.0	47.7	2.9	0.3	1.1
Trading	120.0	4.0	119.2	3.8	0.8	0.2
Other Business	71.0	3.0	68.7	2.6	2.3	0.4
Elimination & Corporate	(103.0)	(13.5)	(97.8)	(12.5)	(5.2)	(1.0)
<b>Total</b>	<b>540.0</b>	<b>66.0</b>	<b>485.0</b>	<b>51.4</b>	<b>55.0</b>	<b>14.6</b>

\* Adjusted to Jan.-Dec. 2014

【Ref.】

# FY2015 1H Results/2H Forecast

(Billion yen)

	Net Sales			Operating Income		
	1H	2H	Full Year	1H	2H	Full Year
Vinyl Acetate	138.4	147.6	286.0	26.5	28.5	55.0
Isoprene	28.5	31.5	60.0	3.4	5.1	8.5
Functional Materials	28.3	29.7	58.0	2.5	2.5	5.0
Fibers & Textiles	23.8	24.2	48.0	2.1	1.9	4.0
Trading	60.2	59.8	120.0	2.0	2.0	4.0
Other Business	33.6	37.4	71.0	1.3	1.7	3.0
Elimination & Corporate	(49.9)	(53.1)	(103.0)	(6.2)	(7.3)	(13.5)
<b>Total</b>	<b>262.9</b>	<b>277.1</b>	<b>540.0</b>	<b>31.6</b>	<b>34.4</b>	<b>66.0</b>

【Ref.】

# Net Sales by Segment

(Billion yen)

	FY2015 Full-Year Forecast		FY2014 Adjusted Results*		Difference	
	1H	2H	1H	2H	1H	2H
Vinyl Acetate	138.4	147.6	102.5	135.1	35.9	12.5
Isoprene	28.5	31.5	27.7	28.0	0.8	3.5
Functional Materials	28.3	29.7	25.9	27.9	2.4	1.8
Fibers & Textiles	23.8	24.2	24.8	22.9	(1.0)	1.3
Trading	60.2	59.8	57.3	61.9	2.9	(2.1)
Other Business	33.6	37.4	33.9	34.8	(0.3)	2.6
Elimination & Corporate	(49.9)	(53.1)	(47.0)	(50.8)	(2.9)	(2.3)
<b>Total</b>	<b>262.9</b>	<b>277.1</b>	<b>225.1</b>	<b>259.9</b>	<b>37.8</b>	<b>17.2</b>

\* Adjusted to Jan.-Dec. 2014

【Ref.】

# Operating Income by Segment

(Billion yen)

	FY2015 Full-Year Forecast		FY2014 Adjusted Results*		Difference	
	1H	2H	1H	2H	1H	2H
Vinyl Acetate	26.5	28.5	24.9	21.3	1.6	7.2
Isoprene	3.4	5.1	3.2	3.2	0.2	1.9
Functional Materials	2.5	2.5	0.9	1.1	1.6	1.4
Fibers & Textiles	2.1	1.9	1.7	1.1	0.4	0.8
Trading	2.0	2.0	1.8	2.0	0.2	0.0
Other Business	1.3	1.7	1.3	1.3	0.0	0.4
Elimination & Corporate	(6.2)	(7.3)	(6.0)	(6.5)	(0.2)	(0.8)
<b>Total</b>	<b>31.6</b>	<b>34.4</b>	<b>27.8</b>	<b>23.6</b>	<b>3.8</b>	<b>10.8</b>

\* Adjusted to Jan.-Dec. 2014



# kuraray

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.