



# FY2014 Earnings Presentation (Overview)

KURARAY CO., LTD.

# FY2014 Results

(Billion yen)

	FY2014 (Apr. 2014 - Dec. 2014)	FY2013 Adjusted Results*	Difference
Net Sales	411.4	339.9	71.5
Operating Income (OP margin)	40.3 (9.8%)	38.3 (11.3%)	2.0 (-1.7 pt.)
Ordinary Income	40.1	38.4	1.7
Net Income	21.3	23.1	(1.8)
Average rate for the period			
JPY/USD	107	99	
JPY/EUR	140	131	
Domestic Naphtha/kl	¥69,000	¥65,000	
Dividends per Share	¥27	—	
Payout Ratio	44.4%	—	

\* Japan: Nine-month period from Apr. 2013 to Dec. 2013;  
Overseas: Twelve-month period from Jan. 2013 to Dec. 2013

# Outcomes of Main FY2014 Initiatives

## Expansion of Mainstay Core Businesses

- ◆ Completed acquisition of glass laminating solutions/vinyls business (GLS business) of DuPont of the U.S.
  - Completed divestiture of PVB production facility in Germany and R&D center in Belgium (January 31, 2015)
- ◆ 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 m<sup>2</sup>/year expansion of production facilities for optical-use PVA film (Saijo Plant)

## Creation/Expansion of New Businesses

- ◆ Started operation of 600,000 m<sup>2</sup>/year expansion of production facilities for *VECSTAR*
- ◆ Started operation of new production facility for *BIOCARBOTRON* anode material for lithium-ion batteries (1,000 tons/year)

## Technological Innovation

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

# Forecast for FY2015

(Billion yen)

	<b>FY2015</b>	For Reference <b>FY2014</b> (Adjusted to Jan.-Dec. 2014)	<b>Difference</b>
<b>Net Sales</b>	540.0	485.0	55.0
<b>Operating Income</b>	63.0	51.4	11.6
<b>Ordinary Income</b>	62.0	51.0	11.0
<b>Net Income</b>	36.0	27.5	8.5

Domestic naphtha/kl

¥52,000

¥69,000

USD (average)

¥120

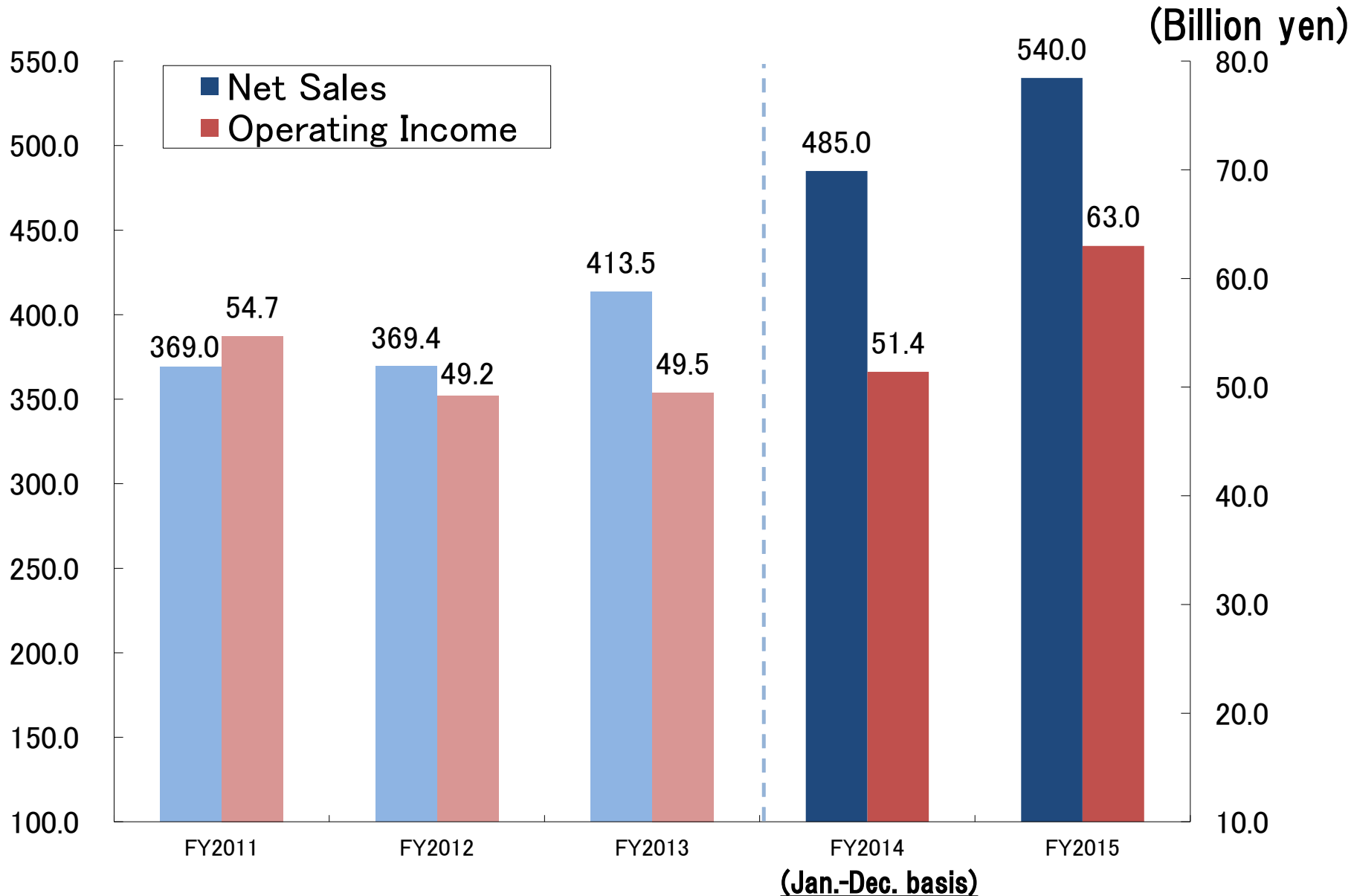
¥106

EUR (average)

¥130

¥140

# Net Sales/Operating Income Trend



# Key Initiatives for FY2015

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

### Deepening of core business

- Achieve early startup of North American PVA plant and establish a four-base global structure
- Expand automotive applications for PVB film
- Conduct timely capacity expansion to meet growing demand for *EVAL* and water-soluble PVA film
- Expand automotive applications for *GENESTAR* in Europe and North America

### Technological Innovation

- Increase profitability by raising the proportion of high-value-added and high-performance products (fine chemicals, methacrylic resin)
- Accelerate development and promote sales of new products (methacrylic resin, *CLARINO*)
- Establish technological development at VIP pilot plant

### Next-generation growth model

- Develop new products and new applications that meet customer needs (water-soluble PVA film, optical-use PVA film, thermoplastic elastomers, *VECSTAR*)
- Enhance marketing of *BIOCARBOTRON*

# FY2015 Dividends

**¥36 per share scheduled**

**(Interim: ¥18, Year-end: ¥18)**

## **Profit allocation during GS-STEP**

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

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

**Payout ratio for FY2015: 35.1%**



# FY2014 Results (Details)

KURARAY CO., LTD.



# Cash Flow for FY2014

(Billion yen)

	FY2014 (Apr. 2014 – Dec. 2014)
Operating CF	40.8
Investing CF*	(42.0)
Free CF*	(1.2)
M&A	(68.4)
EPS (Yen)	¥60.77
BPS (Yen)	¥1,354.21
CAPEX (Decision basis)	28.8
CAPEX (Acceptance basis)	39.5
Depreciation and Amortization (incl. amortization of goodwill)	35.7
R&D Expenses	14.2

\* 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

**FY2014**

**40.3 billion yen**

Sales volume	8.0
Utilization	2.0
Selling price, product mix	1.5
Foreign exchange	1.0
Raw materials and fuel (excl. effect of foreign exchange)	(1.5)
Depreciation and amortization (incl. amortization of goodwill)	(7.1)
Expenses and others	(1.9)

**2.0 billion yen**



**FY2013 (Apr.-Dec. 2013)**

**38.3 billion yen**

Raw Materials  
and Fuel and  
Foreign  
Exchange

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

**FY2013**  
(Apr.-Dec. 2013)

¥65,000  
¥99  
¥131

**FY2014**

¥69,000  
¥107  
¥140

# Net Sales and Operating Income by Segment

(Billion yen)

	FY2014 (Apr. 2014 - Dec. 2014)		FY2013 Adjusted Results*		Difference	
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income
Vinyl Acetate	219.0	35.7	160.7	36.2	58.3	(0.5)
Isoprene	44.7	4.9	42.0	3.9	2.7	1.0
Functional Materials	44.0	1.5	38.8	1.1	5.2	0.4
Fibers & Textiles	35.4	2.3	34.7	2.1	0.7	0.2
Trading	91.1	2.8	80.9	2.5	10.2	0.3
Other Business	51.6	2.0	50.2	1.7	1.4	0.3
Eliminations & Corporate	(74.4)	(8.9)	(67.3)	(9.3)	(7.1)	0.4
<b>Total</b>	<b>411.4</b>	<b>40.3</b>	<b>339.9</b>	<b>38.3</b>	<b>71.5</b>	<b>2.0</b>

\* Japan: Nine-month period from Apr. 2013 to Dec. 2013;  
Overseas: Twelve-month period from Jan. 2013 to Dec. 2013

# Overview of Main Businesses in FY2014

PVA resin	Stagnant demand in Europe and Asia.
PVA film	<p>Sales volume of optical-use PVA film increased due to growth in the number of LCD panels sold and the trend toward larger panels.</p> <p>Sales of water-soluble PVA film grew favorably on the back of brisk demand. In response, Kuraray decided to build a new plant in the U.S. (start-up scheduled for January 2016).</p>
<i>EVAL</i>	Sales expanded favorably, particularly in the U.S. and Asia.
GLS	The integration of both manufacturing and marketing was completed without problem, but the business was unprofitable due to factors including amortization expenses for goodwill.
Isoprene	<p>Sales of fine chemicals were favorable. Demand for liquid rubber rebounded.</p> <p>Sales of <i>SEPTON</i> thermoplastic elastomer were firm.</p>
<i>GENESTAR</i>	Sales for LED reflector, connector and automotive applications were favorable.
Methacrylic resin	Struggled in the first half due to the downturn in market conditions, but demand rebounded in some sectors in the second half.
Medical	Sales of dental materials were favorable.
<i>CLARINO</i>	Became profitable, showing the effect of the transfer of the conventional production process to China as part of structural improvements.
<i>KURALON</i>	Sales were brisk for use in automotive brake hose applications and as an asbestos substitute in fiber reinforced cement (FRC).

# Summary of Consolidated Assets

(Billion yen)

	Dec. 31, 2014	Mar. 31, 2014	Difference
Current Assets	269.2	302.4	(33.2)
Noncurrent Assets	422.3	331.8	90.5
Total Assets	691.5	634.3	57.2

Reference: Fiscal year-end exchange rates

	Dec. 31, 2014	Mar. 31, 2014
JPY/USD	121	105
JPY/EUR	147	145

# Summary of Consolidated Liabilities and Net Assets

(Billion yen)

	Dec. 31, 2014	Mar. 31, 2014	Difference
<b>Current Liabilities</b>	<b>109.9</b>	<b>89.1</b>	<b>20.8</b>
<b>Noncurrent Liabilities</b>	<b>99.8</b>	<b>92.6</b>	<b>7.2</b>
<b>Total Liabilities</b>	<b>209.7</b>	<b>181.8</b>	<b>27.9</b>
<b>Net Assets</b>	<b>481.8</b>	<b>452.5</b>	<b>29.3</b>
<b>Total Liabilities and Net Assets</b>	<b>691.5</b>	<b>634.3</b>	<b>57.2</b>

Reference: Fiscal year-end exchange rates

	Dec. 31, 2014	Mar. 31, 2014
<b>JPY/USD</b>	<b>121</b>	<b>105</b>
<b>JPY/EUR</b>	<b>147</b>	<b>145</b>

# Forecast for FY2015 [1]

(Billion yen)

	FY2015 Full-Year Forecast	FY2014 Adjusted Results*	Difference
Net Sales	540.0	485.0	55.0
Operating Income	63.0	51.4	11.6
Ordinary Income	62.0	51.0	11.0
Net Income	36.0	27.5	8.5
EPS	¥102.69	¥78.42	¥24.27
Dividends per Share	¥36	—	—
CAPEX (Decision basis)	55.0	—	—
CAPEX (Acceptance basis)	47.0	47.2	(0.2)
Depreciation and Amortization	43.0	42.0	1.0
R&D Expenses	19.0	18.1	0.9

\* FY2014 results adjusted to January to December 2014 both in Japan and overseas

# Forecast for FY2015 [2]

(Billion yen)

	FY2015 Full-Year Forecast		FY2014 Adjusted Results*		Difference	
	1H	2H	1H	2H	1H	2H
Net Sales	265.0	275.0	225.1	259.9	39.9	15.1
Operating Income	28.0	35.0	27.8	23.6	0.2	11.4
Ordinary Income	27.5	34.5	27.5	23.5	0.0	11.0
Net Income	17.0	19.0	15.7	11.8	1.3	7.2

\* FY2014 results adjusted to January to December 2014 both in Japan and overseas



# Factors Affecting the Change in Operating Income

***FY2015 Forecast***

***63.0 billion yen***

Sales volume	6.5
Utilization	4.5
Raw materials and fuel (excl. effect of foreign exchange)	13.5
Foreign exchange	0.5
Selling price, product mix	(10.0)
Depreciation and amortization	(1.0)
Expenses and others	(2.4)

**11.6 billion yen**



**FY2014 (Jan.-Dec. 2014)**

**51.4 billion yen**

Raw Materials  
and Fuel and  
Foreign  
Exchange

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

**FY2014**  
(Jan.-Dec. 2014)

¥69,000  
¥106  
¥140

**FY2015  
Assumption**

¥52,000  
¥120  
¥130

# 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	287.0	55.0	237.6	46.2	49.4	8.8
Isoprene	60.5	8.5	55.7	6.4	4.8	2.1
Functional Materials	57.0	4.0	53.8	2.0	3.2	2.0
Fibers & Textiles	48.0	3.5	47.7	2.9	0.3	0.6
Trading	120.0	4.0	119.2	3.8	0.8	0.2
Other Business	75.0	3.0	68.7	2.6	6.3	0.4
Eliminations & Corporate	(107.5)	(15.0)	(97.8)	(12.5)	(9.7)	(2.5)
<b>Total</b>	<b>540.0</b>	<b>63.0</b>	<b>485.0</b>	<b>51.4</b>	<b>55.0</b>	<b>11.6</b>

\* FY2014 results adjusted to January to December 2014 both in Japan and overseas

# 【Ref.】 FY2015 Forecast by Segment

(Billion yen)

	Net Sales			Operating Income		
	1H	2H	Full Year	1H	2H	Full Year
Vinyl Acetate	142.0	145.0	287.0	25.5	29.5	55.0
Isoprene	29.0	31.5	60.5	3.2	5.3	8.5
Functional Materials	28.0	29.0	57.0	1.8	2.2	4.0
Fibers & Textiles	23.5	24.5	48.0	1.7	1.8	3.5
Trading	59.0	61.0	120.0	1.9	2.1	4.0
Other Business	36.0	39.0	75.0	1.3	1.7	3.0
Eliminations & Corporate	(52.5)	(55.0)	(107.5)	(7.4)	(7.6)	(15.0)
Total	265.0	275.0	540.0	28.0	35.0	63.0

【Ref.】

# Net Sales by Segment

(Billion yen)

	FY2015 Full-Year Forecast		FY2014 Adjusted Results*		Difference	
	1H	2H	1H	2H	1H	2H
Vinyl Acetate	142.0	145.0	102.5	135.1	39.5	9.9
Isoprene	29.0	31.5	27.7	28.0	1.3	3.5
Functional Materials	28.0	29.0	25.9	27.9	2.1	1.1
Fibers & Textiles	23.5	24.5	24.8	22.9	(1.3)	1.6
Trading	59.0	61.0	57.3	61.9	1.7	(0.9)
Other Business	36.0	39.0	33.9	34.8	2.1	4.2
Eliminations & Corporate	(52.5)	(55.0)	(47.0)	(50.8)	(5.5)	(4.2)
Total	265.0	275.0	225.1	259.9	39.9	15.1

\* FY2014 results adjusted to January to December 2014 both in Japan and overseas

【Ref.】

# Operating Income by Segment (Billion yen)

	FY2015 Full-Year Forecast		FY2014 Adjusted Results*		Difference	
	1H	2H	1H	2H	1H	2H
Vinyl Acetate	25.5	29.5	24.9	21.3	0.6	8.2
Isoprene	3.2	5.3	3.2	3.2	0.0	2.1
Functional Materials	1.8	2.2	0.9	1.1	0.9	1.1
Fibers & Textiles	1.7	1.8	1.8	1.1	(0.1)	0.7
Trading	1.9	2.1	1.8	2.0	0.1	0.1
Other Business	1.3	1.7	1.3	1.3	0.0	0.4
Eliminations & Corporate	(7.4)	(7.6)	(6.0)	(6.5)	(1.4)	(1.1)
<b>Total</b>	<b>28.0</b>	<b>35.0</b>	<b>27.8</b>	<b>23.6</b>	<b>0.2</b>	<b>11.4</b>

\* FY2014 results adjusted to January to December 2014



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.