

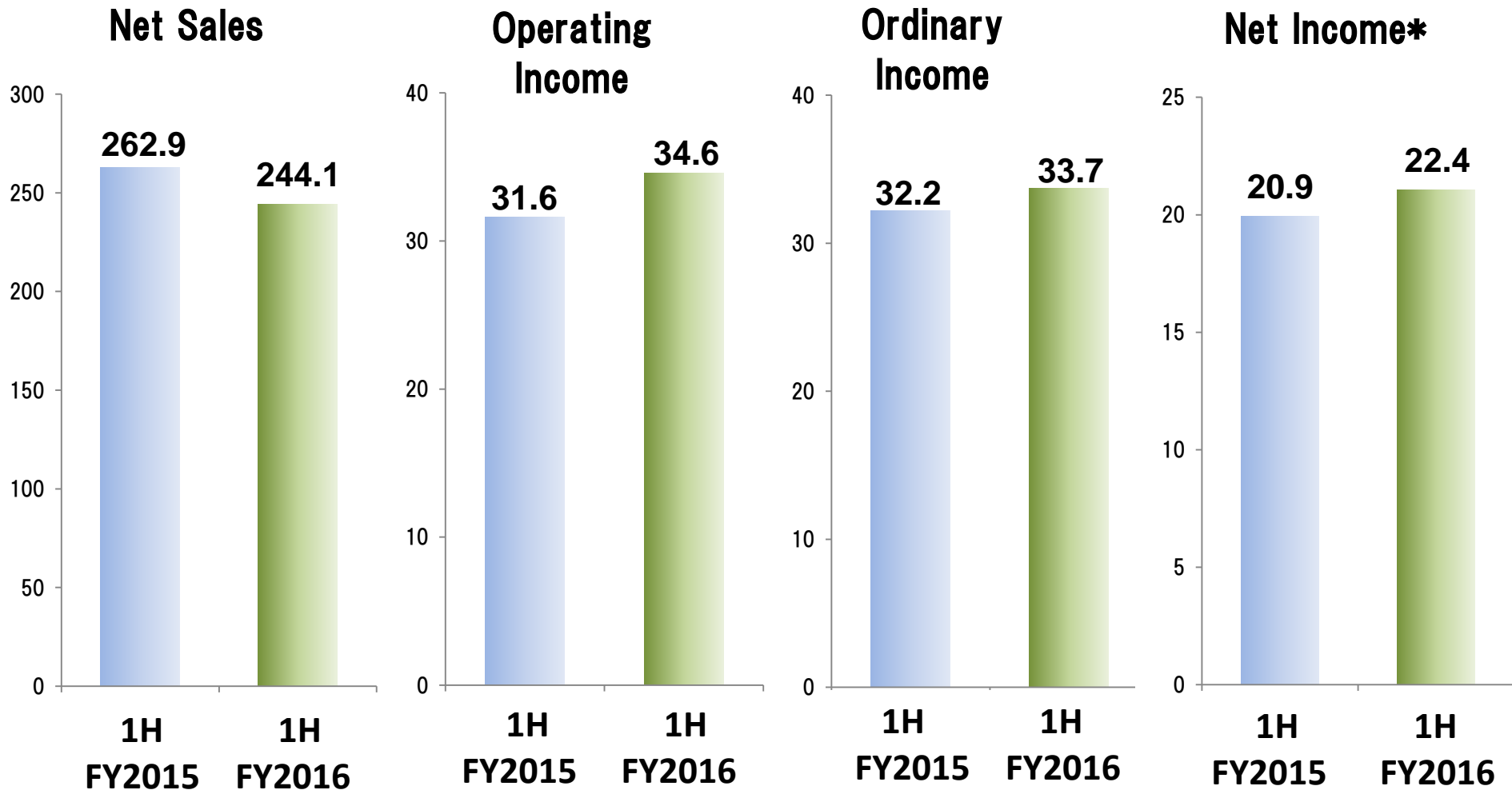


1H of FY2016 (Jan. to Jun.) Earnings Presentation (Overview)

KURARAY CO., LTD.

Overview of 1H FY2016 Results [1]

(Billion yen)



*Net Income Attributable to Owners of the Parent

Overview of 1H FY2016 Results [2]

(Billion yen)

1H FY2016 1H FY2015 Difference

Net Sales

244.1

262.9

- 18.8 (-7.1%)

Operating Income

34.6

31.6

+ 3.0 (+9.6%)

Ordinary Income

33.7

32.2

+ 1.5 (+4.7%)

Net Income Attributable
to Owners of the Parent

22.4

20.9

+ 1.4 (+6.9%)

Reference

JPY/USD

112

120

JPY/EUR

125

134

Domestic naphtha (JPY
1,000/kl)

33

52

Outcomes of Main 1H FY2016 Initiatives

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

Deepening of Core Business

- ◆ Started operation of a new PVA resin plant in the U.S. for an additional 40,000 tons/year
- ◆ Started operation of a new plant for water-soluble PVA film in the U.S.
- ◆ Decided to expand production capacity for *EVAL* in the U.S.
 - Additional 11,000 tons/year: start of operation scheduled for mid-2018

Technological Innovation

- ◆ Established a more efficient production process for *VECTRAN*

Next-Generation Growth Model

- ◆ Established a new organizational structure to expand energy materials business

Optimum Allocation of Management Resources

- ◆ Global IT system
 - Decided to invest in global SAP, promoted establishment of system

Forecast for FY2016

(Billion yen)

	Current Forecast	Previous Forecast (Announced on February 9)	Difference
Net Sales	500.0	540.0	(40.0)
Operating Income	70.0	70.0	-
Ordinary Income	68.0	68.0	-
Net Income Attributable to Owners of the Parent	40.0	40.0	-

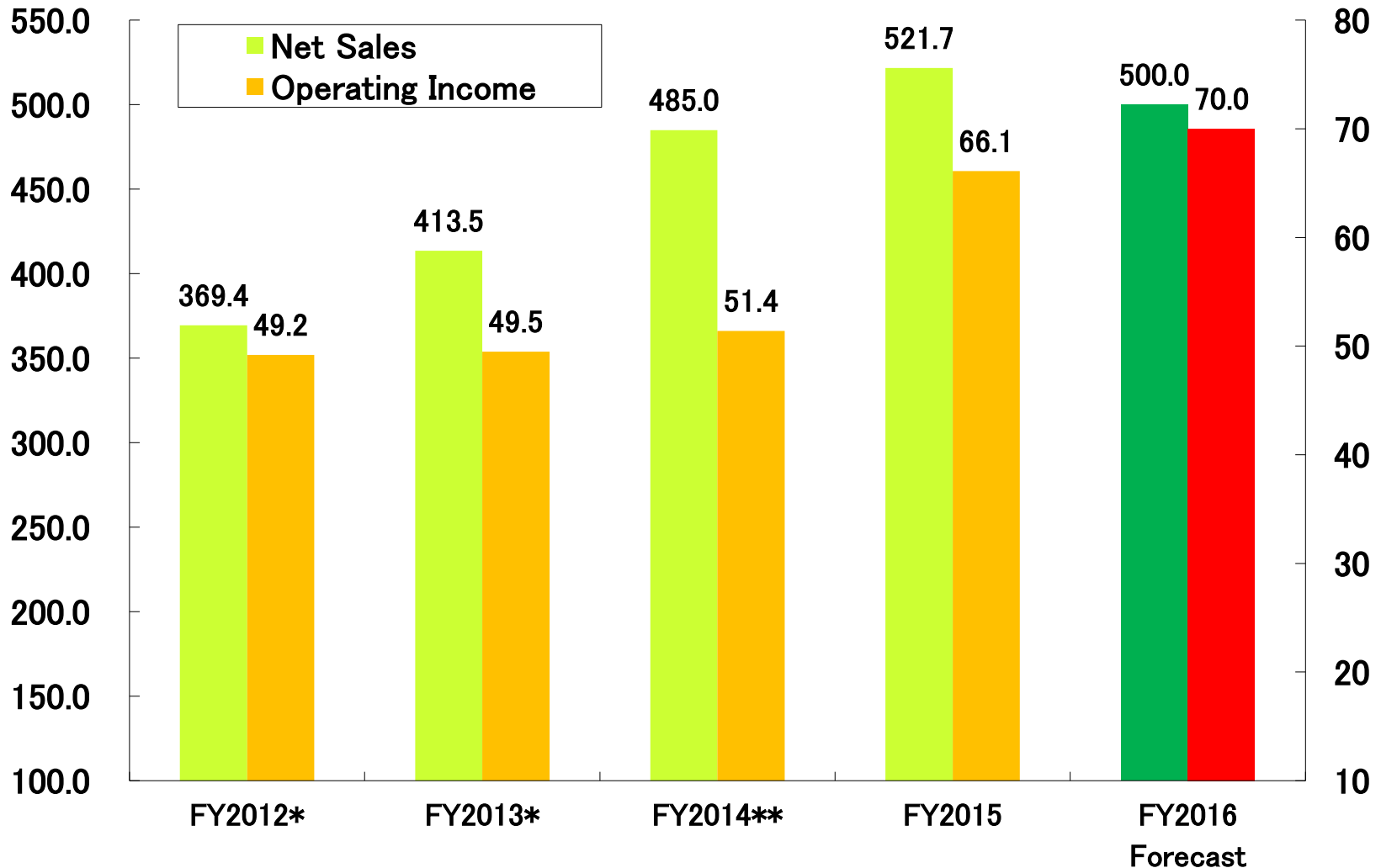
Assumed Raw Material and Fuel Costs/Foreign Exchange

	Full-Year	3Q and After	Full-Year	3Q and After
Domestic naphtha (JPY 1,000/kl)	¥33	¥33	¥39	¥39
USD (average)	¥108	¥105	¥120	¥120
EUR (average)	¥120	¥115	¥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.

FY2016 Dividends

¥40 per share scheduled

(interim: ¥20, year-end: ¥20, Payout ratio: 35.1%)

Profit allocation during GS-STEP

Total return ratio: 35% or higher; and

Annual dividends: ¥36 per share or higher



1H FY2016 Results (Details)

KURARAY CO., LTD.

Sales and Operating Income by Segment

(Billion yen)

	1H FY2016		1H FY2015		Difference	
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income
Vinyl Acetate	128.6	29.4	138.4	26.5	(9.8)	2.9
Isoprene	26.0	4.0	28.5	3.4	(2.5)	0.6
Functional Materials	26.1	2.0	28.3	2.5	(2.2)	(0.5)
Fibers & Textiles	23.9	3.0	23.8	2.1	0.1	0.9
Trading	59.1	1.9	60.2	2.0	(1.1)	(0.1)
Other Business	30.9	0.9	33.6	1.3	(2.7)	(0.4)
Elimination & Corporate	(50.4)	(6.6)	(49.9)	(6.2)	(0.5)	(0.4)
Total	244.1	34.6	262.9	31.6	(18.8)	3.0

Overview of Main Businesses in 1H FY2016

PVA resin	Unable to cover depreciation of new U.S. plant, which began operations.
PVA film	Sales volume of optical-use PVA film decreased from the impact of production adjustments for LCD panels. Sales of water-soluble PVA film were steady.
PVB film	Sales were brisk partly due to recovery of demand in China.
<i>EVAL</i>	Sales were healthy for both automotive gas tank and food packaging applications.
Isoprene	Sales of fine chemicals, <i>SEPTON</i> thermoplastic elastomer and liquid rubber were brisk, with signs of demand recovery for some applications in China in addition to a shift to high-value-added products.
<i>GENESTAR</i>	Sales continued to expand for automotive applications and showed signs of recovery for connector applications. Demand for LED reflector applications did not recover in China.
Methacrylic resin	Forced to lower prices of monomers and some resin applications due to worsening market conditions.
Medical	Sales were favorable due to greater sales synergy from business integration in addition to an increase in new dental material products.
<i>CLARINO</i>	Sales of products made with both the conventional and the new production process were firm.
Fibers and textiles	In addition to brisk sales of <i>KURALON</i> , sales of consumer goods and materials were steady.

Cash Flow for 1H FY2016

(Billion yen)

	1H FY2016	1H FY2015	Difference
Operating CF	39.8	46.7	(6.9)
Investing CF*	(25.4)	(25.0)	(0.4)
Free CF*	14.4	21.7	(7.3)
M&A	—	(4.5)	4.5
CAPEX (Acceptance Basis)	24.2	20.6	3.6
Depreciation & Amortization (incl. Amortization of Goodwill)	20.0	21.6	(1.6)
R&D Expenses	9.7	9.2	0.5

* 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, 2016	Dec. 31, 2015	Difference
Current Assets	286.4	296.5	(10.1)
Noncurrent Assets	373.8	405.3	(31.5)
Total Assets	660.2	701.8	(41.6)

Reference: Exchange rates at end of period

	Jun. 30, 2016	Dec. 31, 2015
JPY/USD	103	121
JPY/EUR	114	132

Balance Sheet [2]: Liabilities and Net Assets

(Billion yen)

	Jun. 30, 2016	Dec. 31, 2015	Difference
Current Liabilities	80.1	95.5	(15.4)
Noncurrent Liabilities	97.8	102.7	(4.9)
Total Liabilities	177.9	198.2	(20.3)
Net Assets	482.3	503.6	(21.3)
Total Liabilities and Net Assets	660.2	701.8	(41.6)

Reference: Exchange rates at end of period

	Jun. 30, 2016	Dec. 31, 2015
JPY/USD	103	121
JPY/EUR	114	132

Forecast for FY2016

(Billion yen)

	FY2016 Full-Year Forecast	FY2015 Full-Year Results	Difference
Net Sales	500.0	521.7	(21.7)
Operating Income	70.0	66.1	3.9
Ordinary Income	68.0	64.5	3.5
Net Income	40.0	35.7	4.3
EPS	¥113.84	¥101.84	¥12.00
Dividends per Share	¥40	¥40	—
CAPEX (Decision Basis)	57.0	58.0	(1.0)
CAPEX (Acceptance Basis)	54.5	45.0	9.5
Depreciation and Amortization (incl. Amortization of Goodwill)	41.5	44.1	(2.6)
R&D Expenses	20.5	19.1	1.4

Factors Affecting the Change in Operating Income

1H FY2016

¥34.6 billion

Sales Volume	0
Utilization	1.5
Depreciation and Amortization (incl. Amortization of Goodwill)	1.6
Raw Materials and Fuel (excl. Effect of Foreign Exchange)	7.5
Selling Price, Product Mix	(5.0)
Foreign Exchange	(2.0)
Expenses and Others	(0.6)

¥3.0 billion



1H FY2015

¥31.6 billion

		1H FY2015	1H FY2016
<u>Raw Materials and Fuel and Foreign Exchange</u>	Domestic naphtha (JPY1,000/kl)	¥52	¥33
	USD (average)	¥120	¥112
	EUR (average)	¥134	¥125

Factors Affecting the Change in Operating Income

FY2016 Forecast

¥70.0 billion

Sales Volume	1.0
Utilization	4.0
Depreciation and Amortization (incl. Amortization of Goodwill)	2.6
Raw Materials and Fuel (excl. Effect of Foreign Exchange)	13.0
Selling Price, Product Mix	(9.5)
Foreign Exchange	(5.5)
Expenses and Others	(1.7)

¥3.9 billion



FY2015

¥66.1 billion

		FY2015	FY2016
<u>Raw Materials and Fuel and Foreign Exchange</u>	Domestic naphtha (JPY1,000/kl)	¥49	¥33
	USD (average)	¥121	¥108
	EUR (average)	¥134	¥120

Net Sales and Operating Income by Segment

(Billion yen)

	FY2016 Full-Year Forecast		FY2015 Full-Year Results		Difference	
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income
Vinyl Acetate	260.0	61.0	274.7	55.7	(14.7)	5.3
Isoprene	52.0	7.5	55.0	6.9	(3.0)	0.6
Functional Materials	54.0	4.5	56.9	5.6	(2.9)	(1.1)
Fibers & Textiles	48.0	5.0	46.3	4.1	1.7	0.9
Trading	121.0	4.0	119.6	3.9	1.4	0.1
Other Business	66.0	2.0	69.6	2.8	(3.6)	(0.8)
Elimination & Corporate	(101.0)	(14.0)	(100.5)	(12.9)	(0.5)	(1.1)
Total	500.0	70.0	521.7	66.1	(21.7)	3.9

【Ref.】

FY2016 1H Results/2H Forecast

(Billion yen)

	Net Sales			Operating Income		
	1H	2H	Full Year	1H	2H	Full Year
Vinyl Acetate	128.6	131.4	260.0	29.4	31.6	61.0
Isoprene	26.0	26.0	52.0	4.0	3.5	7.5
Functional Materials	26.1	27.9	54.0	2.0	2.5	4.5
Fibers & Textiles	23.9	24.1	48.0	3.0	2.0	5.0
Trading	59.1	61.9	121.0	1.9	2.1	4.0
Other Business	30.9	35.1	66.0	0.9	1.1	2.0
Eliminations & Corporate	(50.4)	(50.6)	(101.0)	(6.6)	(7.4)	(14.0)
Total	244.1	255.9	500.0	34.6	35.4	70.0

【Ref.】

Net Sales by Segment

(Billion yen)

	FY2016 Full-Year Forecast		FY2015 Full-Year Results		Difference	
	1H	2H	1H	2H	1H	2H
Vinyl Acetate	128.6	131.4	138.4	136.3	(9.8)	(4.9)
Isoprene	26.0	26.0	28.5	26.5	(2.5)	(0.5)
Functional Materials	26.1	27.9	28.3	28.5	(2.2)	(0.6)
Fibers & Textiles	23.9	24.1	23.8	22.6	0.1	1.5
Trading	59.1	61.9	60.2	59.4	(1.1)	2.5
Other Business	30.9	35.1	33.6	36.0	(2.7)	(0.9)
Elimination & Corporate	(50.4)	(50.6)	(49.9)	(50.6)	(0.5)	0
Total	244.1	255.9	262.9	258.8	(18.8)	(2.9)

【Ref.】

Operating Income by Segment

(Billion yen)

	FY2016 Full-Year Forecast		FY2015 Full-Year Results		Difference	
	1H	2H	1H	2H	1H	2H
Vinyl Acetate	29.4	31.6	26.5	29.2	2.9	2.4
Isoprene	4.0	3.5	3.4	3.5	0.6	0
Functional Materials	2.0	2.5	2.5	3.1	(0.5)	(0.6)
Fibers & Textiles	3.0	2.0	2.1	2.0	0.9	0
Trading	1.9	2.1	2.0	1.9	(0.1)	0.2
Other Business	0.9	1.1	1.3	1.5	(0.4)	(0.4)
Elimination & Corporate	(6.6)	(7.4)	(6.2)	(6.7)	(0.4)	(0.7)
Total	34.6	35.4	31.6	34.5	3.0	0.9



All figures are rounded to the nearest hundred million yen.

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