



1H of FY2017 (Jan. to Jun.) Earnings Presentation (Overview)

KURARAY CO., LTD.

Overview of 1H FY2017 Results [1]

(Billion yen)

1H FY2017 1H FY2016 Difference

Net Sales

251.3

244.1

+ 7.2 (+3.0%)

Operating Income

37.5

34.6

+ 2.9 (+8.3%)

Ordinary Income

36.3

33.7

+ 2.6 (+7.7%)

Net Income Attributable
to Owners of the Parent

24.0

22.4

+ 1.6 (+7.2%)

Reference

JPY/USD

112

112

JPY/EUR

122

125

Domestic naphtha (JPY
1,000/kl)

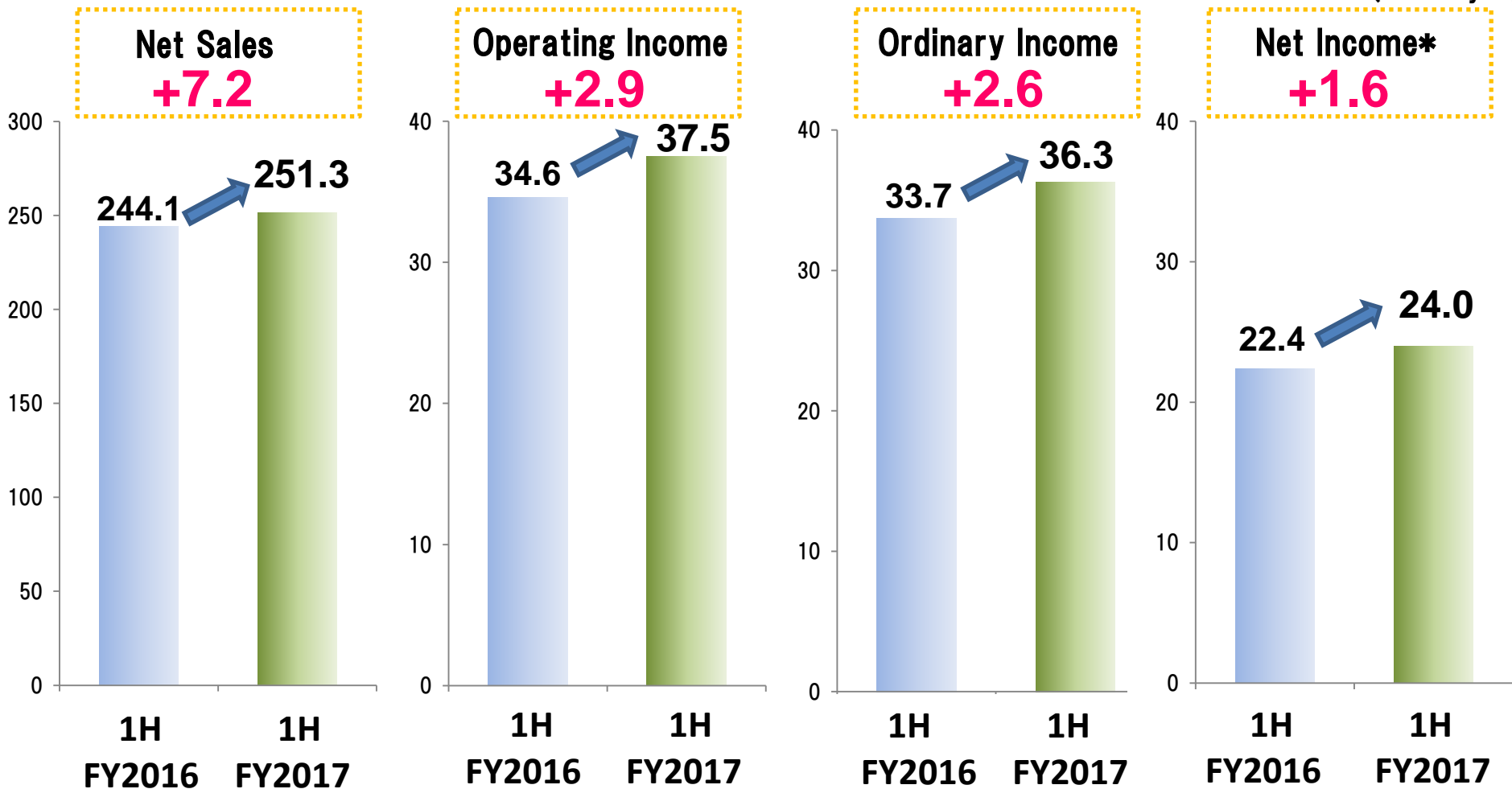
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33

Overview of 1H FY2017 Results [2]

Set record highs for the first half of fiscal year for operating income, ordinary income and net income*

(Billion yen)



*Net Income Attributable to Owners of the Parent

Outcomes of Main 1H FY2017 Initiatives

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

Deepening of Core Businesses

- ◆ Stabilized PVA resin production at North American plant and began study for optimizing production globally
- ◆ Started operation of optical-use PVA film facility (Saijo Plant) for an additional 20 million m²/year
- ◆ Decided to expand production capacity for water-soluble PVA film in the U.S.
→ Start of operation scheduled for the first half of 2018

Technical Innovation

- ◆ Heightened performance with development of resin raw materials for film products

Next-Generation Growth Model

- ◆ Working to enhance the business base for expansion of the carbon materials business

Optimum Allocation of Management Resources

- ◆ Introduction of global SAP system
→ Scheduled to start operation in 2017
- ◆ Global HR system
→ Started operation in January 2017

Forecast for FY2017

(Billion yen)

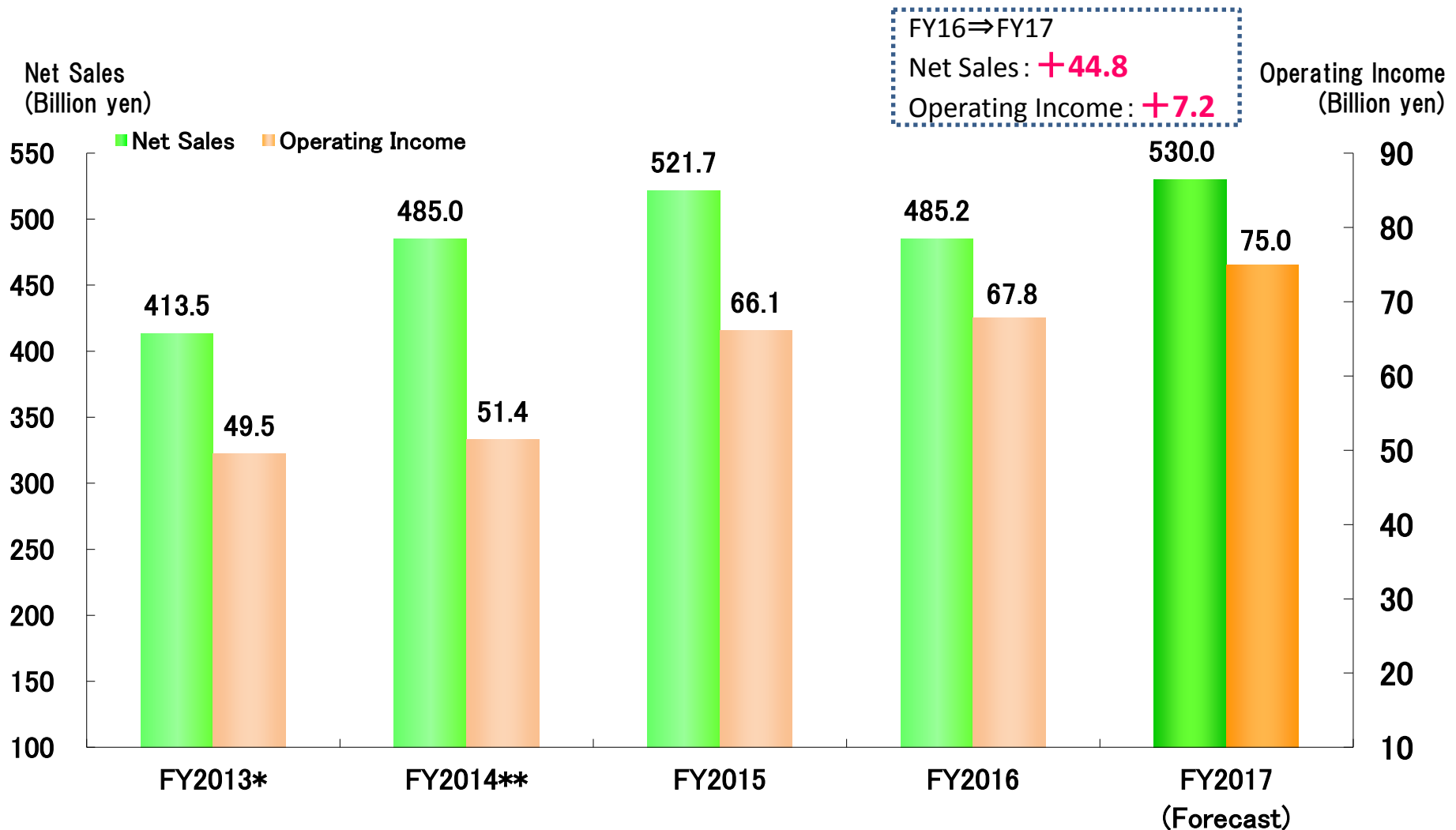
	Current Forecast	Previous Forecast (Announced on May 11)	Difference
Net Sales	530.0	530.0	-
Operating Income	75.0	70.0	5.0
Ordinary Income	73.0	68.0	5.0
Net Income Attributable to Owners of the Parent	46.0	42.0	4.0

Assumed Raw Material and Fuel Costs/Foreign Exchange

	Full-Year	3Q and After	Full-Year	3Q and After
Domestic naphtha (JPY 1,000/kl)	¥42	¥43	¥43	¥43
USD (average)	¥111	¥110	¥111	¥110
EUR (average)	¥121	¥120	¥121	¥120

Net Sales/Operating Income Trend

Set record highs for the fiscal year for Net Sales and operating income



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

FY2017 Dividends

■ Return profit during GS-STEP

Total return ratio: 35% or higher; and
Annual dividends: ¥36 per share or higher

Interim: ¥20

Previous forecast(Announced on February 8) : ¥20

■ Previous forecast(Announced on February 8)

¥42 per share scheduled

(Interim: ¥20, Year-end: ¥22)



1H FY2017 Results (Details)

KURARAY CO., LTD.

Sales and Operating Income by Segment

(Billion yen)

	1H FY2017		1H FY2016		Difference	
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income
Vinyl Acetate	128.5	31.3	128.6	29.4	(0.1)	1.9
Isoprene	28.0	4.1	26.0	4.0	2.0	0.1
Functional Materials	34.6	3.4	33.9	2.0	0.7	1.4
Fibers & Textiles	26.4	2.9	23.9	3.0	2.5	(0.1)
Trading	62.7	1.9	59.1	1.9	3.6	0
Other Business	23.7	1.4	22.2	0.6	1.5	0.8
Elimination & Corporate	(52.6)	(7.6)	(49.5)	(6.2)	(3.1)	(1.4)
Total	251.3	37.5	244.1	34.6	7.2	2.9

Overview of Main Businesses in 1H FY2017

PVA resin	Sales were favorable, with increased sales volume centered on the U.S.
PVA film	Sales volume of optical-use PVA film increased. Also, new facility in Saijo began operation in the first half of 2017. Sales of water-soluble PVA film were brisk, mainly for unit dose detergent applications.
PVB film	Expanded sales of high-value-added products.
<i>EVAL</i>	Sales volume expanded for both automotive gas tank and food packaging applications.
Isoprene	Sales of fine chemicals, <i>SEPTON</i> thermoplastic elastomer and liquid rubber were firm despite the impact of fluctuations in raw material and fuel prices.
<i>GENESTAR</i>	Sales were favorable, with growth in sales volume of automotive, connector and LED reflector applications.
Methacrylic resin	Sales were healthy mainly due to growth in sales volume of resin, as well as improvement in earnings backed by healthy market conditions.
Medical	Sales of new zirconia-based dental materials were favorable.
<i>CLARINO</i>	Sales of products made with both the conventional and the new production process were favorable.
Carbon materials	Sales were favorable with an increase in exports of value-added activated carbon products.
Fibers and textiles	<i>KURALON</i> increased in terms of sales volume, but was impacted by rising raw material and fuel prices. Sales of consumer goods and materials were firm.

Cash Flow for 1H FY2017

(Billion yen)

	1H FY2017	1H FY2016	Difference
Operating CF	39.8	39.8	0
Investing CF*	(29.9)	(25.4)	(4.5)
Free CF*	9.9	14.4	(4.5)
M&A	—	—	—
CAPEX (Acceptance Basis)	25.5	24.2	1.3
Depreciation & Amortization (incl. Amortization of Goodwill)	20.3	20.0	0.3
R&D Expenses	10.2	9.7	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, 2017	Dec. 31, 2016	Difference
Current Assets	334.2	325.0	9.2
Noncurrent Assets	403.7	400.5	3.2
Total Assets	737.9	725.4	12.5

Reference: Exchange rates at end of period

	Jun. 30, 2017	Dec. 31, 2016
JPY/USD	112	116
JPY/EUR	128	123

Balance Sheet [2]: Liabilities and Net Assets

(Billion yen)

	Jun. 30, 2017	Dec. 31, 2016	Difference
Current Liabilities	90.5	96.1	(5.6)
Noncurrent Liabilities	110.9	108.3	2.6
Total Liabilities	201.4	204.4	(3.0)
Net Assets	536.5	521.0	15.5
Total Liabilities and Net Assets	737.9	725.4	12.5

Reference: Exchange rates at end of period

	Jun. 30, 2017	Dec. 31, 2016
JPY/USD	112	116
JPY/EUR	128	123

Forecast for FY2017

(Billion yen)

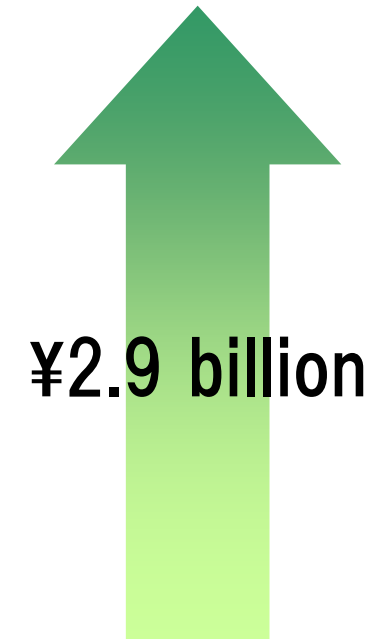
	FY2017 Full-Year Forecast	FY2016 Full-Year Results	Difference
Net Sales	530.0	485.2	44.8
Operating Income	75.0	67.8	7.2
Ordinary Income	73.0	66.2	6.8
Net Income	46.0	40.4	5.6
EPS	¥130.71	¥114.98	¥15.73
Dividends per Share	¥42	¥41	¥1
CAPEX (Decision Basis)	58.3	48.9	9.4
CAPEX (Acceptance Basis)	57.3	53.6	3.7
Depreciation and Amortization (incl. Amortization of Goodwill)	42.5	41.6	0.9
R&D Expenses	21.0	19.8	1.2

Factors Affecting the Change in Operating Income

1H FY2017

¥37.5 billion

Sales Volume	1.0
Utilization	4.5
Selling Price, Product Mix	1.5
Raw Materials and Fuel (excl. Effect of Foreign Exchange)	(3.0)
Foreign Exchange	0
Depreciation and Amortization (incl. Amortization of Goodwill)	(0.3)
Expenses and Others	(0.8)



1H FY2016

¥34.6 billion

		1H FY2016	1H FY2017
<u>Raw Materials and Fuel and Foreign Exchange</u>	Domestic naphtha (JPY1,000/kl)	¥33	¥40
	USD (average)	¥112	¥112
	EUR (average)	¥125	¥122

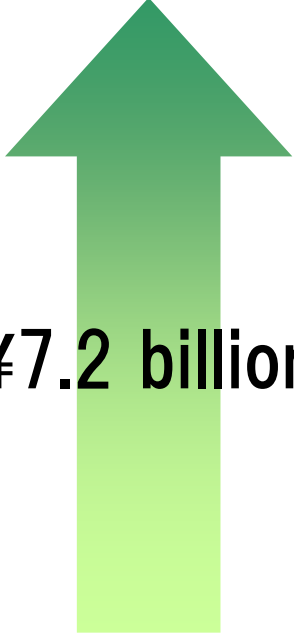
Factors Affecting the Change in Operating Income

FY2017 Forecast

¥75.0 billion

Sales Volume	2.5
Utilization	9.5
Foreign Exchange	0.5
Selling Price, Product Mix	4.5
Raw Materials and Fuel (excl. Effect of Foreign Exchange)	(7.0)
Depreciation and Amortization (incl. Amortization of Goodwill)	(0.9)
Expenses and Others	(1.9)

¥7.2 billion



FY2016

¥67.8 billion

		FY2016	FY2017
<u>Raw Materials and Fuel and Foreign Exchange</u>	Domestic naphtha (JPY1,000/kl)	¥33	¥42
	USD (average)	¥109	¥111
	EUR (average)	¥120	¥121

Net Sales and Operating Income by Segment

(Billion yen)

	FY2017 Full-Year Forecast		FY2016 Full-Year Results		Difference	
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income
Vinyl Acetate	272.0	63.5	253.2	58.5	18.8	5.0
Isoprene	57.0	8.5	51.1	6.9	5.9	1.6
Functional Materials	73.0	6.5	68.0	4.5	5.0	2.0
Fibers & Textiles	52.0	5.5	48.6	6.0	3.4	(0.5)
Trading	128.0	4.0	119.5	3.8	8.5	0.2
Other Business	54.0	2.5	46.3	1.4	7.7	1.1
Elimination & Corporate	(106.0)	(15.5)	(101.4)	(13.3)	(4.6)	(2.2)
Total	530.0	75.0	485.2	67.8	44.8	7.2

Topics: MonoSol, LLC's Water-Soluble PVA Film

Overwhelming No. 1 share for the growing unit dose liquid detergent applications

2014 - 2017
Global business integration
Integration with Kuraray's water-soluble film business

2018 production capacity expansion (scheduled)

2012
Acquisition of MonoSol, LLC

2013, 2014, 2016
production capacity expansion

Further investment of Kuraray group's management resources for growing globally

Strengthen water-soluble film business

Enhance competitiveness using the PVA resin supply chain
◆ Consistent R&D from resin raw materials

Expand demand
◆ Increase market penetration for laundry detergent and automatic dishwasher detergent applications, and broaden regional scope
◆ Develop new applications for industrial use and home care market



Topics: MonoSol, LLC's Water-Soluble PVA Film

Decision to expand production capacity in Indiana, U.S.A.

- To respond to global market expansion ; also considering strategic locations for the future. -

- ◆ Purpose: Respond to expanding demand for individual detergent packaging and new applications
- ◆ Location: Portage, Indiana, U.S.A.
- ◆ Future Plan: Consider building new plants in Europe and Asia for in-market production and supply



- **Applications:** Developing new applications for industrial use, home care products, etc.
- **Customers:** Increase market penetration for existing products and strengthen marketing in emerging countries through cooperation and joint development with main customers



【Ref.】

FY2017 1H Results/2H Forecast

(Billion yen)

	Net Sales			Operating Income		
	1H	2H	Full Year	1H	2H	Full Year
Vinyl Acetate	128.5	143.5	272.0	31.3	32.2	63.5
Isoprene	28.0	29.0	57.0	4.1	4.4	8.5
Functional Materials	34.6	38.4	73.0	3.4	3.1	6.5
Fibers & Textiles	26.4	25.6	52.0	2.9	2.6	5.5
Trading	62.7	65.3	128.0	1.9	2.1	4.0
Other Business	23.7	30.3	54.0	1.4	1.1	2.5
Eliminations & Corporate	(52.6)	(53.4)	(106.0)	(7.6)	(7.9)	(15.5)
Total	251.3	278.7	530.0	37.5	37.5	75.0

【Ref.】

Net Sales by Segment

(Billion yen)

	FY2017 Full-Year Forecast		FY2016 Full-Year Results		Difference	
	1H	2H	1H	2H	1H	2H
Vinyl Acetate	128.5	143.5	128.6	124.6	(0.1)	18.9
Isoprene	28.0	29.0	26.0	25.1	2.0	3.9
Functional Materials	34.6	38.4	33.9	34.1	0.7	4.3
Fibers & Textiles	26.4	25.6	23.9	24.7	2.5	0.9
Trading	62.7	65.3	59.1	60.4	3.6	4.9
Other Business	23.7	30.3	22.2	24.1	1.5	6.2
Elimination & Corporate	(52.6)	(53.4)	(49.5)	(51.9)	(3.1)	(1.5)
Total	251.3	278.7	244.1	241.1	7.2	37.6

【Ref.】

Operating Income by Segment

(Billion yen)

	FY2017 Full-Year Forecast		FY2016 Full-Year Results		Difference	
	1H	2H	1H	2H	1H	2H
Vinyl Acetate	31.3	32.2	29.4	29.1	1.9	3.1
Isoprene	4.1	4.4	4.0	2.9	0.1	1.5
Functional Materials	3.4	3.1	2.0	2.5	1.4	0.6
Fibers & Textiles	2.9	2.6	3.0	3.0	(0.1)	(0.4)
Trading	1.9	2.1	1.9	1.9	0	0.2
Other Business	1.4	1.1	0.6	0.8	0.8	0.3
Elimination & Corporate	(7.6)	(7.9)	(6.2)	(7.0)	(1.4)	(0.9)
Total	37.5	37.5	34.6	33.2	2.9	4.3

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All figures are rounded to the nearest hundred million yen.

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