

FY2017 Earnings Presentation (Overview)

KURARAY CO., LTD.

Overview of FY2017 Results [1]

(Billion yen)

	FY2017	FY2016	Difference
Net Sales	518.4	485.2	33.3(6.9%)
Operating Income	75.1	67.8	7.3(10.7%)
Ordinary Income	73.0	66.2	6.8(10.3%)
Net Income*	53.6	40.4	13.2(32.7%)

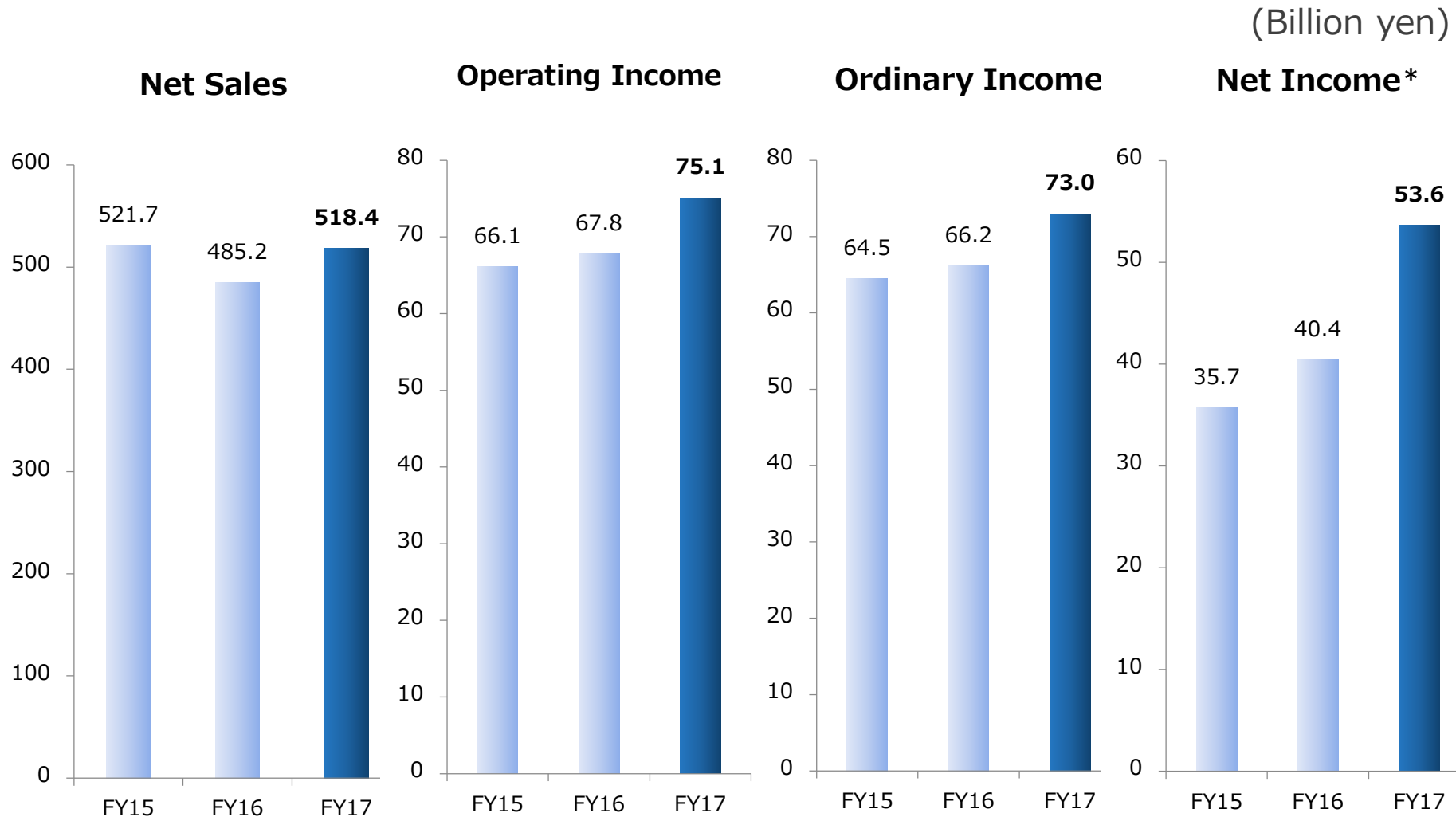
*Net Income Attributable to Owners of the Parent. FY2017 results: U.S. tax cut impact + ¥7.5 billion

Reference

JPY/USD	112	109
JPY/EUR	127	120
Domestic naptha (JPY 1,000/kl)	39	33

Overview of FY2017 Results [2]

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



*Net Income Attributable to Owners of the Parent

Outcomes of Main FY2017 Initiatives

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

Deeping of Core Businesses

- ◆ With regard to PVA resin, began regular operations at the North American plant and conducted feasibility studies on 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

Technological Innovation

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

Next-Generation Growth Model

- ◆ Strengthened the carbon materials business and decided to acquire Calgon Carbon Corporation

Optimum Allocation of Management Resources

- ◆ Introduced a global SAP system
→ Began running the system within the year at some overseas bases
- ◆ Introduced a global personnel system
→ Began running the system in January 2017

Forecast for FY2018

(Billion yen)

	FY2018	FY2017	Difference
Net Sales	540.0	518.4	21.6
Operating Income	77.0	75.1	1.9
Ordinary Income	75.0	73.0	2.0
Net Income*	49.0	53.6	(4.6)

Domestic naphtha
(JPY1,000/kl)

¥43

¥39

USD (average)

¥110

¥112

EUR (average)

¥130

¥127

*Net Income Attributable to Owners of the Parent

Key Initiatives for FY2018

Taking specific measures based on the key management initiatives of the medium-term management plan "PROUD2020"

Pursue competitive superiority

- ◆ Smoothly bring on line new facilities for EVAL, PVB film and water-soluble PVA film
- ◆ Quickly decide on investment for the new plant in Thailand and isoprene facilities
- ◆ Dig and expand demand in emerging markets
- ◆ Reinforce corporate marketing functions

Expand new business fields

- ◆ Create new businesses and promote rapid expansion
- ◆ Create businesses that bundle service offerings with products

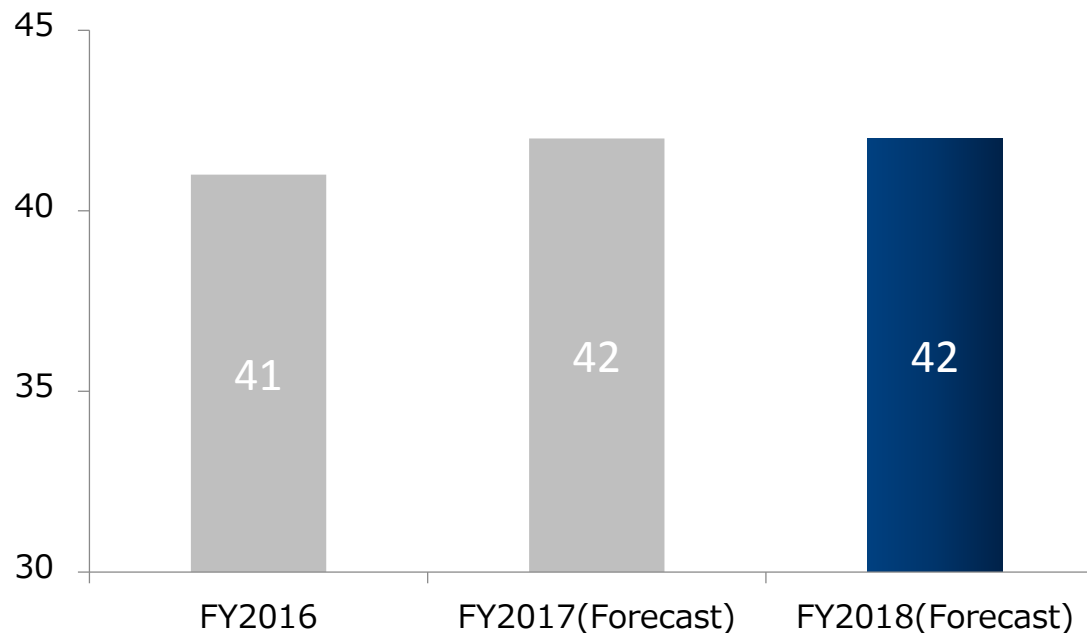
Enhance comprehensive strength of the Kuraray Group

- ◆ Promote smooth integration with Calgon Carbon Corporation
- ◆ Steadily roll out the global SAP system
- ◆ Reinforce initiatives to reform working styles

Dividends

**FY2017: ¥42 per share scheduled
(interim: ¥20, year-end: ¥22)**

**FY2018: ¥42 per share scheduled
(interim: ¥20, year-end: ¥22)**



■ Share Buyback

• Fiscal 2017 results (November 9, 2017 to December 5, 2017)

→ Total shares acquired: 1,300,000; Total value of shares acquired: ¥2,882,967,499

FY2017 Results (Details)

KURARAY CO., LTD.

Sales and Operating Income by Segment

(Billion yen)

	FY2017		FY2016		Difference	
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income
Vinyl Acetate	266.9	61.3	253.2	58.5	13.7	2.8
Isoprene	56.4	8.4	51.1	6.9	5.3	1.5
Functional Materials	69.9	7.5	68.0	4.5	1.9	3.0
Fibers & Textiles	51.7	6.0	48.6	6.0	3.1	0
Trading	128.8	3.9	119.5	3.8	9.3	0.1
Other Business	54.2	3.3	46.3	1.4	7.9	1.9
Elimination & Corporate	(109.5)	(15.3)	(101.4)	(13.3)	(8.1)	(2.0)
Total	518.4	75.1	485.2	67.8	33.3	7.3

Overview of Main Businesses in FY2017

PVA resin	Sales volume increased and sales remained favorable mainly in North America due to the start of regular operations at the new U.S. plant.
PVA film	The sales volume of optical-use poval film increased. In addition, new facilities started operation at the Saijo Plant from the first half of fiscal 2017. Sales of water-soluble PVA film remained healthy as demand for unit dose detergent applications expanded.
PVB film	Sales of high value added products continued to grow.
EVAL	Sales volume expanded automotive gas tank and food packaging applications.
Isoprene	The sales volume of fine chemicals, <i>SEPTON</i> and liquid rubber expanded and remained favorable.
GENESTAR	Sales were favorable, with growth in sales volume of automotive, connector and LED reflector applications.
Methacrylic Resin	The market remained strong throughout the year and sales volume of high value added products to grow.
Medical	Sales of dental zirconia materials expanded.
CLARINO	Sales of products for existing and new processes remained favorable.
Carbon Materials	The sales volume of high value added activated carbon products increased and sales remained favorable.
Fibers and Textiles	Although the sales volume of <i>KURALON</i> expanded, a rise in the prices of raw material and fuel negatively impacted some products. In consumer goods and materials, sales of high-value-added <i>KURAFLEX</i> products continued to expand and sales remained favorable.

Cash Flow for FY2017

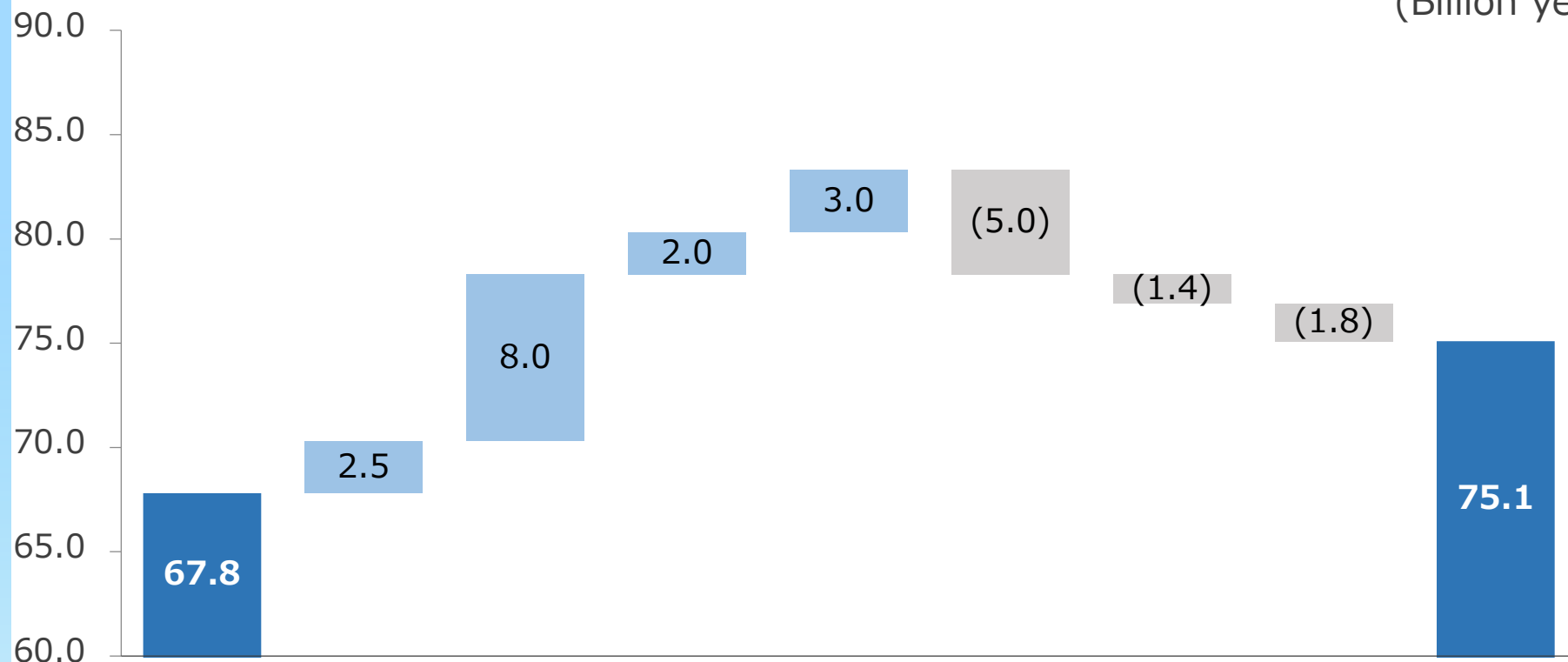
(Billion yen)

	FY2017	FY2016	Difference
Operating CF	84.6	93.9	(9.3)
Investing CF*	(58.0)	(52.3)	(5.7)
Free CF*	26.6	41.6	(15.0)
M&A	0	0	0
EPS	¥152.41	¥114.98	¥37.43 (32.6%)
BPS	¥1,584.78	¥1,459.34	¥125.44 (8.6%)
CAPEX(Decision basis)	54.7	48.9	5.8
CAPEX(Acceptance basis)	54.5	53.6	0.9
Depreciation and Amortization (incl. amortization of goodwill)	43.0	41.6	1.4
R&D Expenses	21.0	19.8	1.2

* 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

(Billion yen)



	FY2016	FY2017
Domestic naphtha(JPY1,000/kl)	¥33	¥39
USD (average)	¥109	¥112
EUR (average)	¥120	¥127

Balance Sheet [1]: Assets

(Billion yen)

	Dec. 31, 2017	Dec. 31, 2016	Difference
Current Assets	359.5	325.0	34.5
Noncurrent Assets	416.3	400.5	15.8
Total Assets	775.7	725.4	50.3

Reference: Exchange rates at end of period

	Dec. 31, 2017	Dec. 31, 2016
JPY/USD	113	116
JPY/EUR	135	123

Balance Sheet [2]: Liabilities and Net Assets

(Billion yen)

	Dec. 31, 2017	Dec. 31, 2016	Difference
Current Liabilities	108.1	96.1	12.0
Noncurrent Liabilities	103.2	108.3	(5.1)
Total Liabilities	211.2	204.5	6.7
Net Assets	564.5	521.0	43.5
Total Liabilities and Net Assets	775.7	725.4	50.3

Reference: Exchange rates at end of period

	Dec. 31, 2017	Dec. 31, 2016
JPY/USD	113	116
JPY/EUR	135	123

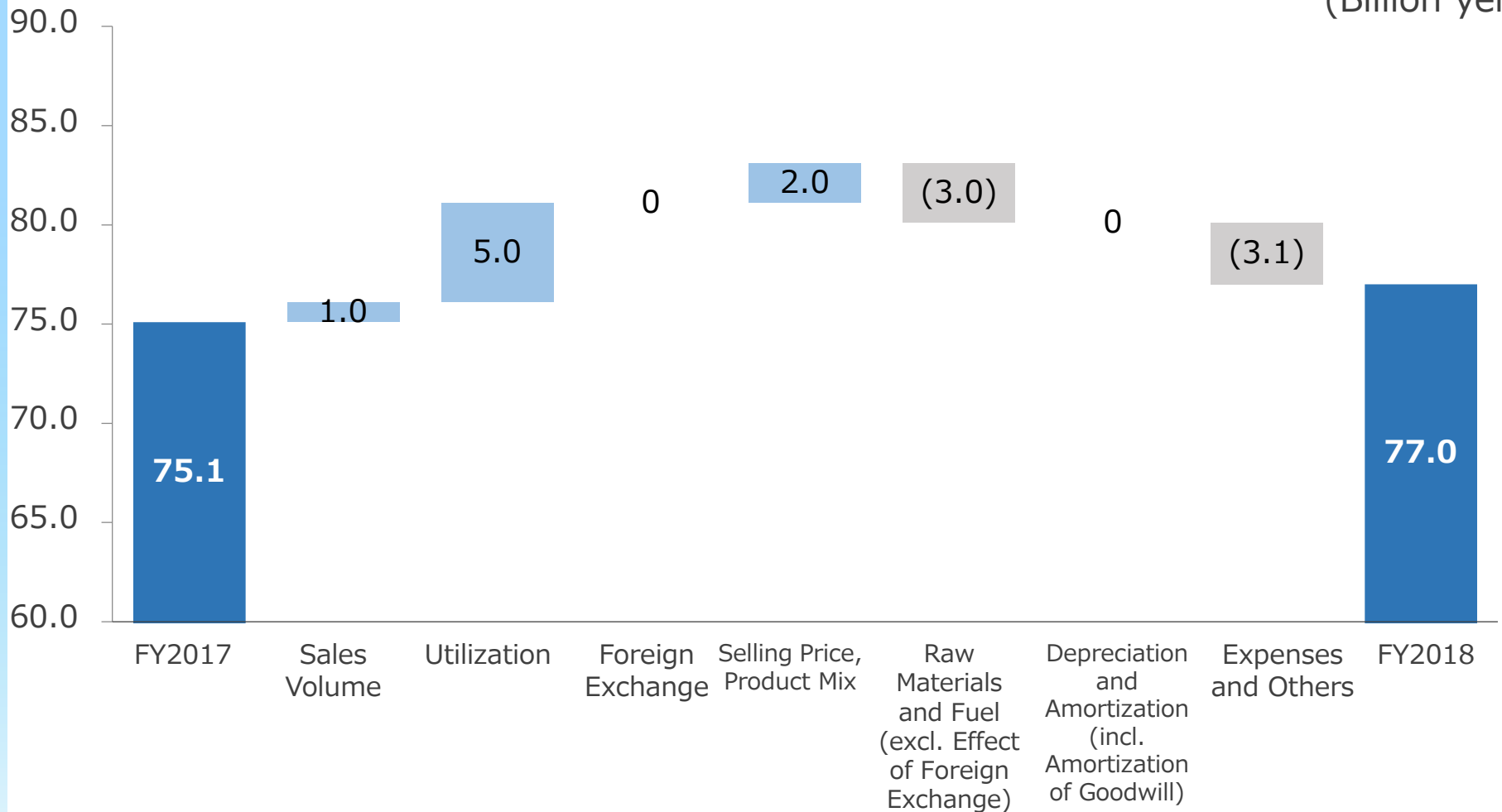
Forecast for FY2018

(Billion yen)

	FY2018 Full-Year Forecast	FY2017 Full-Year Results	Difference
Net Sales	540.0	518.4	21.6
Operating Income	77.0	75.1	1.9
Ordinary Income	75.0	73.0	2.0
Net Income	49.0	53.6	(4.6)
EPS	¥139.67	¥152.41	(¥12.74)
Dividends per share	¥42	¥42	¥0
CAPEX(Decision basis)	100.0	54.7	45.3
CAPEX(Acceptance basis)	50.0	54.5	(4.5)
Depreciation and Amortization (incl. amortization of goodwill)	43.1	43.0	0.1
R&D Expenses	22.5	21.0	1.5

Factors Affecting the Change in Operating Income

(Billion yen)



	FY2017	FY2018
Domestic naphtha(JPY1,000/kl)	¥39	¥43
USD (average)	¥112	¥110
EUR (average)	¥127	¥130

Change in Segments

Former Segments (to the fiscal year ended December 31, 2017)

Vinyl Acetate	Remain unchanged
Isoprene	Remain unchanged
Functional Materials	Methacrylate Medical CLARINO Carbon materials(including Energy Business)
Fibers and Textiles	Fibers and Industrial Materials Consumer Goods and Materials
Trading	Remain unchanged
Other Business	Remain unchanged



Former Segments (to the fiscal year ended December 31, 2018)

Vinyl Acetate	Remain unchanged
Isoprene	Remain unchanged
Functional Materials	Methacrylate Medical Carbon materials(including Energy Business)
Fibers and Textiles	CLARINO Fibers and Industrial Materials Consumer Goods and Materials
Trading	Remain unchanged
Other Business	Remain unchanged

Net Sales and Operating Income by Segment (Reclassified Segments)

(Billion yen)

	①FY2018		②FY2018 Impact*		③FY2017		Difference (① - ③)	
	Net Sales	Operating Income	Impact Amount	Pre-change Income	Net Sales	Operating Income	Net Sales	Operating Income
Vinyl Acetate	282.0	58.5	(6.5)	65.0	266.9	61.3	15.1	(2.8)
Isoprene	59.0	9.0	—	—	56.4	8.4	2.6	0.6
Functional Materials	59.0	6.5	—	—	55.2	6.3	3.8	0.2
Fibers & Textiles	68.0	7.5	—	—	66.4	7.2	1.6	0.3
Trading	135.0	4.5	—	—	128.8	3.9	6.2	0.6
Other Business	51.0	3.5	—	—	54.2	3.3	(3.2)	0.2
Elimination & Corporate	(114.0)	(12.5)	6.5	(19.0)	(109.5)	(15.3)	(4.5)	2.8
Total	540.0	77.0	—	—	518.4	75.1	21.6	1.9

* In fiscal 2018, the amortization method and inter-segment expense distribution method will change. The impact of this change is as stated above. In addition, this table compares the fiscal 2018 forecast and fiscal 2017 adjusted results after the CLARINO business moved to a different segment.

【Ref.】 Forecast for FY2018

(Billion yen)

	FY2018 Full-Year Forecast		FY2017 Full-Year Results		Difference	
	1H	2H	1H	2H	1H	2H
Net Sales	267.0	273.0	251.3	267.1	15.7	5.9
Operating Income	36.0	41.0	37.5	37.6	(1.5)	3.4
Ordinary Income	35.0	40.0	36.3	36.7	(1.3)	3.3
Net Income*	23.0	26.0	24.0	29.6	(1.0)	(3.6)

*Net Income Attributable to Owners of the Parent

【Ref.】 FY2018 Forecast by Segment (Reclassified Segments)

(Billion yen)

	Net Sales			Operating Income		
	1H	2H	Full Year	1H	2H	Full Year
Vinyl Acetate	139.0	143.0	282.0	28.5	30.0	58.5
Isoprene	29.0	30.0	59.0	3.5	5.5	9.0
Functional Materials	29.0	30.0	59.0	3.0	3.5	6.5
Fibers & Textiles	35.0	33.0	68.0	3.3	4.2	7.5
Trading	66.0	69.0	135.0	2.2	2.3	4.5
Other Business	24.0	27.0	51.0	1.7	1.8	3.5
Elimination & Corporate	(55.0)	(59.0)	(114.0)	(6.2)	(6.3)	(12.5)
Total	267.0	273.0	540.0	36.0	41.0	77.0

* This table shows the fiscal 2018 forecast after the CLARINO business moved to Fibers & Textiles segment.

[Ref.] Net Sales by Segment (Reclassified Segments)

(Billion yen)

	FY2018 Full-Year Forecast		FY2017 Full-Year Results		Difference	
	1H	2H	1H	2H	1H	2H
Vinyl Acetate	139.0	143.0	128.5	138.4	10.5	4.6
Isoprene	29.0	30.0	28.0	28.4	1.0	1.6
Functional Materials	29.0	30.0	27.1	28.1	1.9	1.9
Fibers & Textiles	35.0	33.0	33.9	32.5	1.1	0.5
Trading	66.0	69.0	62.7	66.2	3.3	2.8
Other Business	24.0	27.0	23.7	30.5	0.3	(3.5)
Elimination & Corporate	(55.0)	(59.0)	(52.6)	(56.9)	(2.4)	(2.1)
Total	267.0	273.0	251.3	267.1	15.7	5.9

* This table shows the fiscal 2018 forecast and fiscal 2017 results after the CLARINO business moved to Fibers & Textiles segment.

【Ref.】 Operating Income by Segment (Reclassified Segments)

(Billion yen)

	FY2018 Full-Year Forecast		FY2017 Full-Year Results		Difference	
	1H	2H	1H	2H	1H	2H
Vinyl Acetate	28.5	30.0	31.3	30.0	(2.8)	0
Isoprene	3.5	5.5	4.1	4.3	(0.6)	1.2
Functional Materials	3.0	3.5	2.8	3.5	0.2	0
Fibers & Textiles	3.3	4.2	3.6	3.7	(0.3)	0.5
Trading	2.2	2.3	1.9	2.0	0.3	0.3
Other Business	1.7	1.8	1.4	1.9	0.3	(0.1)
Elimination & Corporate	(6.2)	(6.3)	(7.6)	(7.7)	1.4	1.4
Total	36.0	41.0	37.5	37.6	(1.5)	3.4

* In fiscal 2018, the amortization method and inter-segment expense distribution method will change, and some income will be impacted as detailed on page 18 of this presentation. In addition, this table compares the fiscal 2018 forecast and fiscal 2017 adjusted results after the CLARINO business moved to a different segment.

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All figures are rounded to the nearest hundred million yen.

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