



# 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	<b>251.3</b>	244.1	+ 7.2 (+3.0%)
Operating Income	<b>37.5</b>	34.6	+ 2.9 (+8.3%)
Ordinary Income	<b>36.3</b>	33.7	+ 2.6 (+7.7%)
Net Income Attributable to Owners of the Parent	<b>24.0</b>	22.4	+ 1.6 (+7.2%)

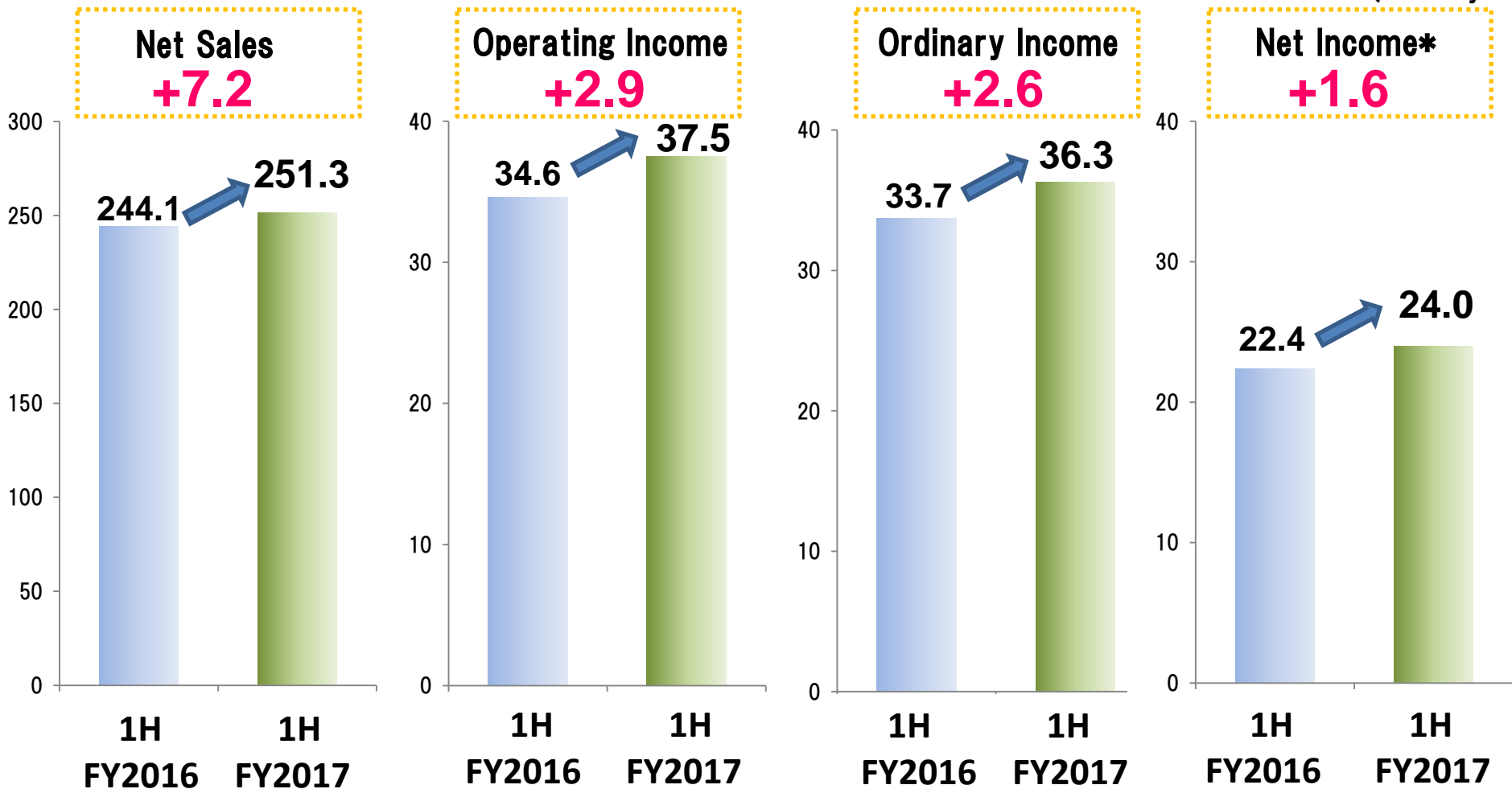
## Reference

JPY/USD	<b>112</b>	112
JPY/EUR	<b>122</b>	125
Domestic naphtha (JPY 1,000/kl)	<b>40</b>	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 m<sup>2</sup>/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)

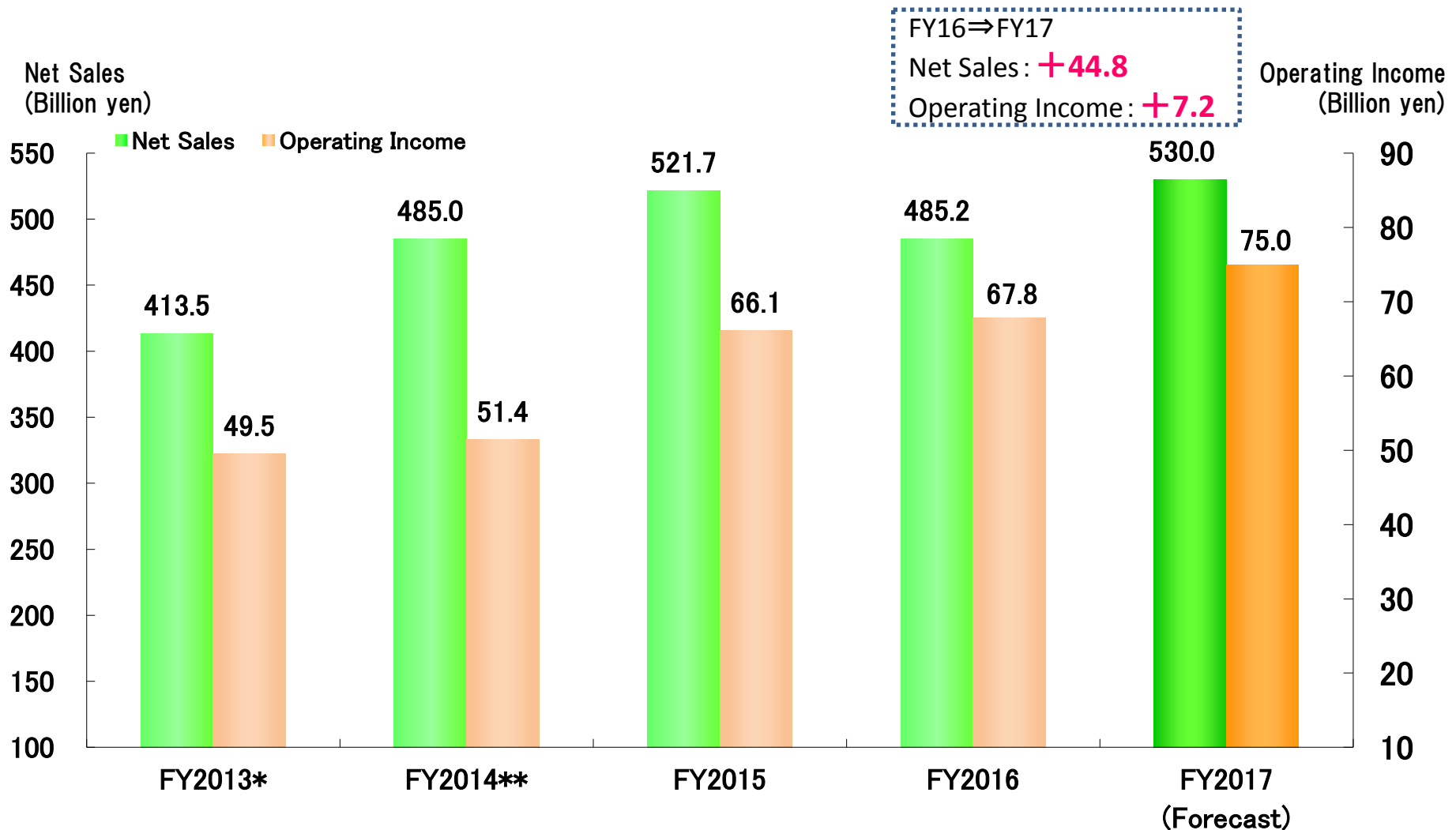
	Current Forecast	Previous Forecast (Announced on May 11 )	Difference
Net Sales	530.0	530.0	-
Operating Income	75.0	70.0	5.0
Ordinary Income	73.0	68.0	5.0
Net Income Attributable to Owners of the Parent	46.0	42.0	4.0

## 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)
<b>Total</b>	<b>251.3</b>	<b>37.5</b>	<b>244.1</b>	<b>34.6</b>	<b>7.2</b>	<b>2.9</b>

# 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
<b>Operating CF</b>	39.8	39.8	0
<b>Investing CF*</b>	(29.9)	(25.4)	(4.5)
<b>Free CF*</b>	9.9	14.4	(4.5)
<b>M&amp;A</b>	—	—	—
<b>CAPEX (Acceptance Basis)</b>	25.5	24.2	1.3
Depreciation & Amortization (incl. Amortization of Goodwill)	20.3	20.0	0.3
<b>R&amp;D Expenses</b>	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)

	<b>Jun. 30, 2017</b>	<b>Dec. 31, 2016</b>	<b>Difference</b>
<b>Current Assets</b>	<b>334.2</b>	<b>325.0</b>	<b>9.2</b>
<b>Noncurrent Assets</b>	<b>403.7</b>	<b>400.5</b>	<b>3.2</b>
<b>Total Assets</b>	<b>737.9</b>	<b>725.4</b>	<b>12.5</b>

Reference: Exchange rates at end of period

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

# Balance Sheet [2]: Liabilities and Net Assets

(Billion yen)

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

Reference: Exchange rates at end of period

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

# Forecast for FY2017

(Billion yen)

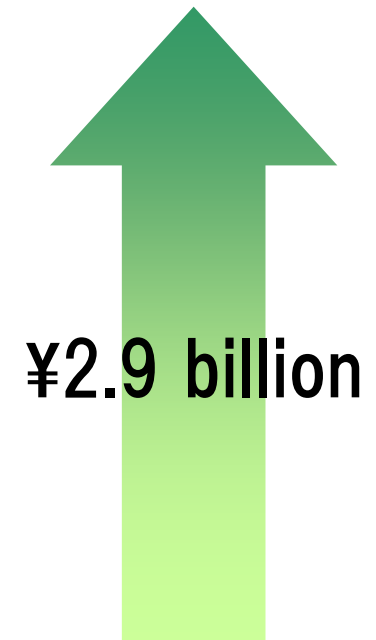
	FY2017 Full-Year Forecast	FY2016 Full-Year Results	Difference
Net Sales	530.0	485.2	44.8
Operating Income	75.0	67.8	7.2
Ordinary Income	73.0	66.2	6.8
Net Income	46.0	40.4	5.6
EPS	¥130.71	¥114.98	¥15.73
Dividends per Share	¥42	¥41	¥1
CAPEX (Decision Basis)	58.3	48.9	9.4
CAPEX (Acceptance Basis)	57.3	53.6	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



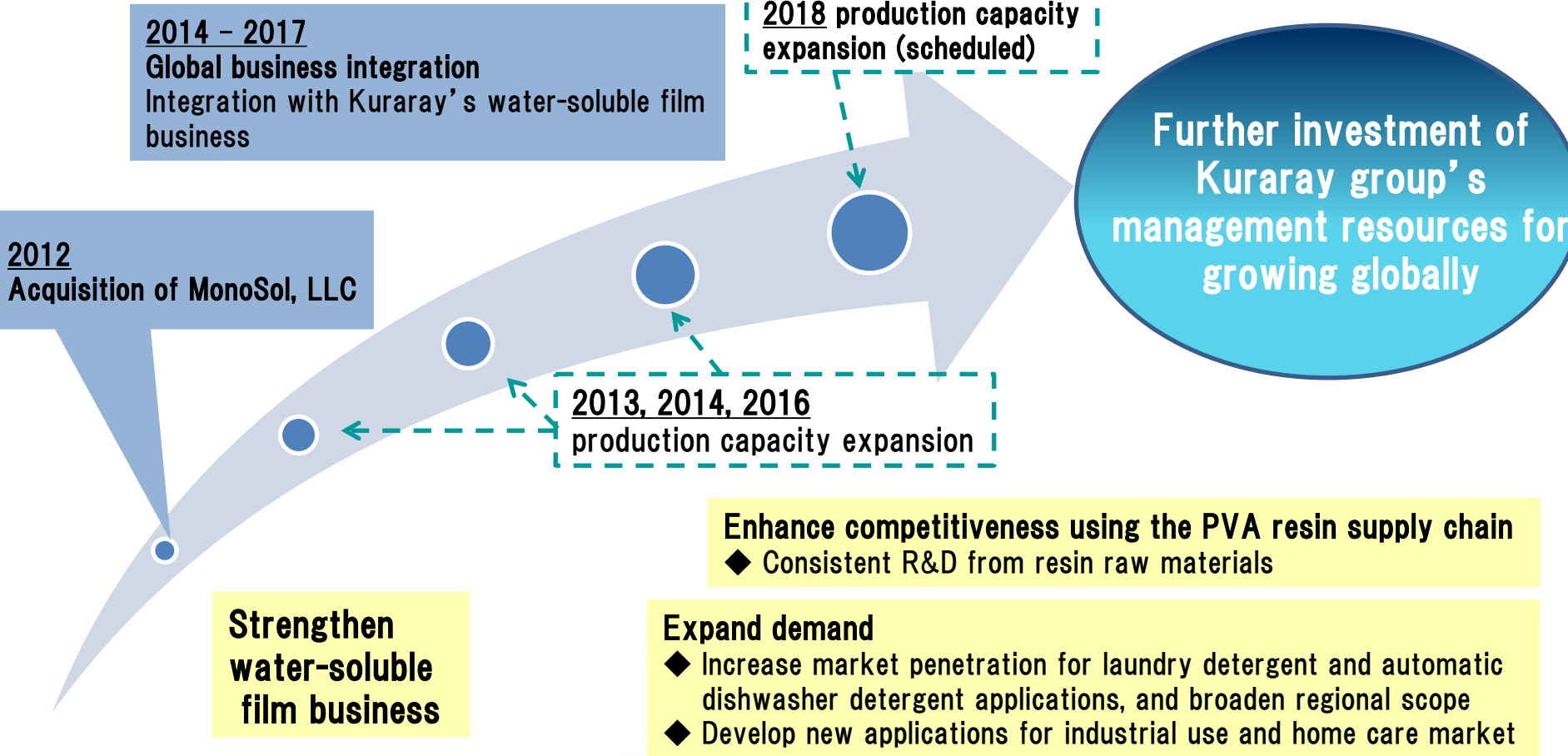
# Net Sales and Operating Income by Segment

(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)
<b>Total</b>	<b>530.0</b>	<b>75.0</b>	<b>485.2</b>	<b>67.8</b>	<b>44.8</b>	<b>7.2</b>

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

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



# 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)
<b>Total</b>	<b>251.3</b>	<b>278.7</b>	<b>530.0</b>	<b>37.5</b>	<b>37.5</b>	<b>75.0</b>

【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)
<b>Total</b>	<b>251.3</b>	<b>278.7</b>	<b>244.1</b>	<b>241.1</b>	<b>7.2</b>	<b>37.6</b>

【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)
<b>Total</b>	<b>37.5</b>	<b>37.5</b>	<b>34.6</b>	<b>33.2</b>	<b>2.9</b>	<b>4.3</b>

# kuraray

All figures are rounded to the nearest hundred million yen.

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