1H of FY2013 (Apr. to Sep.) Earnings Presentation (Overview)

KURARAY CO., LTD.

Overview of 1H FY2013 Results

[Billion ¥, except for reference]

	1H FY2013	1H FY2012	Difference	1H FY2013 Forecast Announced Aug. 1, 2013
Net Sales	199.3	180.9	+18.4 (+10.2%)	205.0
Operating Income	24.7	23.9	+0.8 (+3.2%)	26.0
Ordinary Income	24.9	21.9	+3.0 (+13.8%)	25.5
Net Income	15.8	12.7	+3.1 (+23.7%)	16.0
Reference				
JPY/USD	99	79		99
JPY/EUR	130	101		130
Domestic naphtha/kl	¥65,000	¥55,000		¥65,000

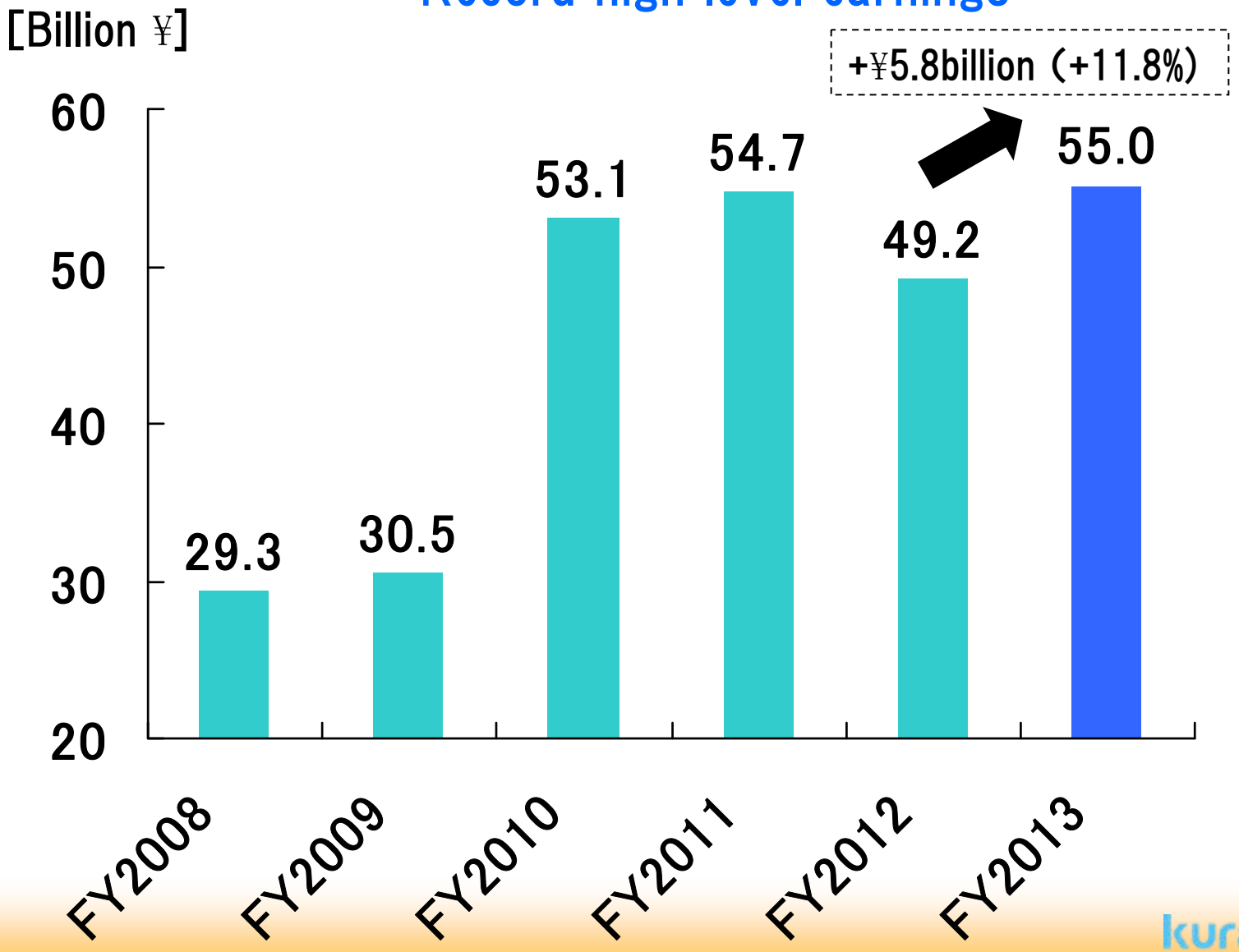
Forecast for FY2013

[Billion ¥]

	FY2013 Forecast	FY2012 Actual	Difference
Net Sales	420.0	369.4	50.6 (13.7%)
Operating Income	55.0	49.2	5.8 (11.8%)
Ordinary Income	53.5	48.6	4.9 (10.1%)
Net Income	32.0	28.8	3.2 (11.1%)

Operating Income Trend

Record-high level earnings



Key Growth Drivers

Gas barrier resin *EVAL*

- ◆Market in emerging countries is expanding in addition to developed countries and also we are developing new applications
- ◆Increased production capacity at our North American plant (+12,000 tons) and further increases in production capacity in progress

Water-soluble PVA film

- ◆Individual packaging for detergents is a rapidly growing application, and we are proceeding in global expansion
- ◆We are implementing timely production capacity increases

Heat-resistant polyamide resin *GENESTAR*

- ◆Demand is expanding as a material for electronic components and LED components (for backlighting and general lighting), and as a material for automotive components
- ◆We have invested to increase production capacity by 3,000 tons and are moving ahead with plans for a production base overseas

Initiatives for Additional Growth

Technological innovation

- Fully committed to commercializing *VECSTAR* for high-speed transmission circuits
- New liquid rubber (farnesene): Start sales
- Expand the aqua business through a JV with a local Chinese company
- *KURALON*: Proceed in development of technology for new production process

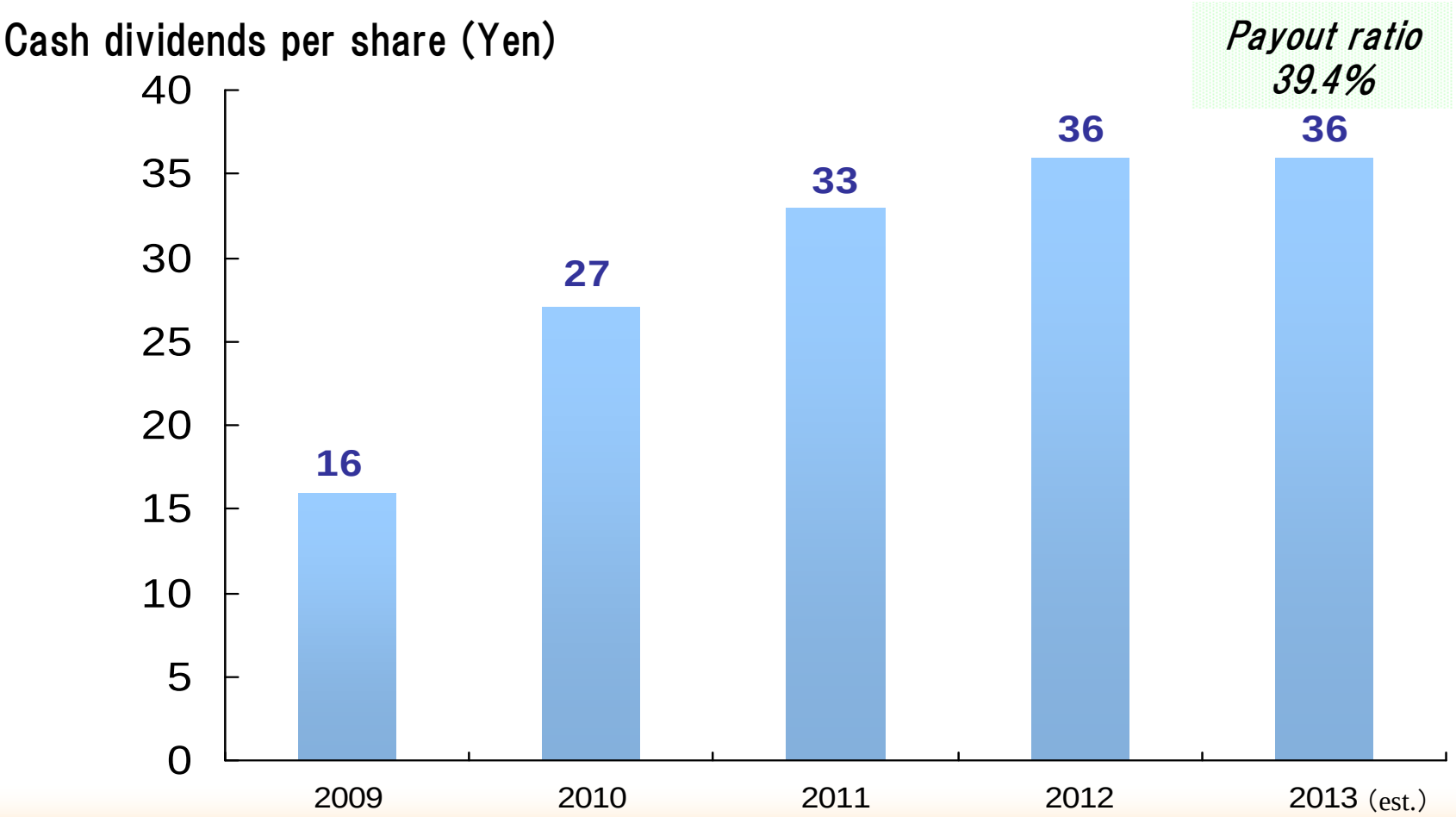
Utilization of external resources

- Dental materials: The integration of the dental materials business with Noritake is generating results
- Expansion of the lithium-ion battery anode materials business with Kureha
- Proceed in commercializing ultra-barrier films with strategic investment in U.S. company Vitriflex, Inc.
- Promotion of M&A

FY2013 Dividends

¥36 per share scheduled

(Interim: ¥18, Year-end: ¥18)



1H FY2013 Results (Details)

KURARAY CO., LTD.

Sales and Operating Income by Segment

[Billion ¥]

	1H FY2013		1H FY2012		Difference	
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income
Vinyl Acetate	90.1	24.5	75.1	24.4	14.9	0.1
Isoprene	25.4	2.1	22.4	1.0	3.0	1.0
Functional Materials	23.1	0.5	21.9	0.8	1.3	(0.4)
Fibers & Textiles	21.3	1.3	22.5	1.0	(1.2)	0.4
Trading	53.0	1.7	54.2	1.6	(1.2)	0.1
Others	30.5	1.4	31.7	2.2	(1.2)	(0.8)
Eliminations & corporate expenses	(44.1)	(6.9)	(46.9)	(7.1)	2.8	0.3
Total	199.3	24.7	180.9	23.9	18.4	0.8

1H FY2012 Results (Cash Flow, Etc.)

[Billion ¥]

	1H FY2013	1H FY2012	Difference
Operating CF	23.3	24.8	(1.5)
Investing CF*	(25.9)	(21.2)	(4.7)
Free CF*	(2.6)	3.6	(6.3)
M&A	-	(31.1)	31.1
EPS	¥45.04	¥36.57	¥8.47 (+23%)
Depreciation & Amortization	16.4	13.8	2.6
R&D Expenses	8.4	7.9	0.5

***Cash flows from investment activities and free cash flow exclude net cash used in deposit and short-term investment securities and M&A fees.**

Overview of Main Businesses

PVA resin	Challenging overall, particularly because of intensifying competition in Asia, although sales expanded in the United States and Europe.
PVA film	Sales volume of optical-use PVA film has grown slightly as demand for LCD TVs stagnated. Sales of water-soluble PVA film expanded steadily, backed by active demand.
EVAL	Sales expanded, mainly in the United States and Asia.
Isoprene	While demand for liquid rubber has weakened, demand for fine chemicals and *SEPTON* thermoplastic elastomer has rebounded.
GENESTAR	Sales progressed amid favorable demand for LED reflector applications and connector applications as well as automotive applications.
Methacrylic resin	The performance was affected by weak market conditions and increased costs for raw materials and fuel.
Medical	Sales of dental materials remained stable.
CLARINO	Demand remained sluggish as sales of products created using new processes were not as brisk as expected.
KURALON	Sales was steady for automotive brake hose applications and use as an asbestos substitute in fiber reinforced cement (FRC).

Summary of Consolidated Assets

[Billion ¥]

	Sep. 30, 2013	Mar. 31, 2013	Difference
Current Assets	277.1	257.2	19.9
Fixed Assets	339.9	330.0	9.9
Total Assets	617.0	587.3	29.8

Reference: Term-end exchange rates

	Japan		Overseas subsidiaries	
	Sep. 30, 2013	Mar. 31, 2013	Jun. 30, 2013	Dec. 31, 2012
JPY/USD	98	94	99	87
JPY/EUR	132	121	129	115

Summary of Consolidated Liabilities and Net Assets

[Billion ¥]

	Sep. 30, 2013	Mar. 31, 2013	Difference
Current Liabilities	102.0	111.4	(9.4)
Long-Term Liabilities	82.0	74.5	7.5
Total Liabilities	184.0	185.9	(1.9)
Net Assets	433.0	401.3	31.7
Total Liabilities and Net Assets	617.0	587.3	29.8

Reference: Term-end exchange rates

	Japan		Overseas subsidiaries	
	Sep. 30, 2013	Mar. 31, 2013	Jun. 30, 2013	Dec. 31, 2012
JPY/USD	98	94	99	87
JPY/EUR	132	121	129	115

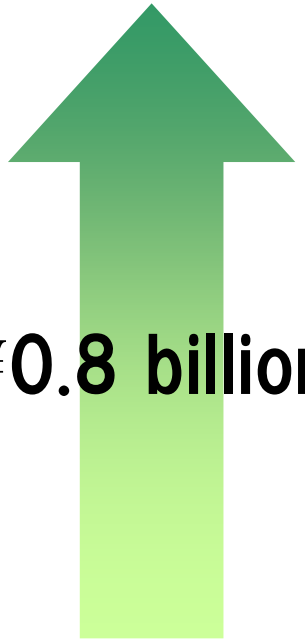
Forecast for FY2013

[Billion ¥]

	FY2013	FY2012	Difference
Net Sales	420.0	369.4	50.6
Operating Income	55.0	49.2	5.8
Ordinary Income	53.5	48.6	4.9
Net Income	32.0	28.8	3.2
EPS	¥91.35	¥82.62	¥8.73
Dividends per Share	¥36	¥36	-
CAPEX (decision basis)	42.5	61.9	(19.4)
CAPEX (acceptance basis)	60.0	45.5	14.5
Depreciation and Amortization	36.5	31.0	5.5
R&D Expenses	17.5	16.4	1.1

Factors Affecting the Change in OP Income

1H FY2013	¥24.7 billion
Sales volume	1.5
Utilization	1.0
Selling price, product mix	0.0
Raw material and fuel costs	(1.5)
Foreign exchange	2.5
Depreciation and amortization	(2.6)
Cost and expense reduction	(0.1)



¥0.8 billion

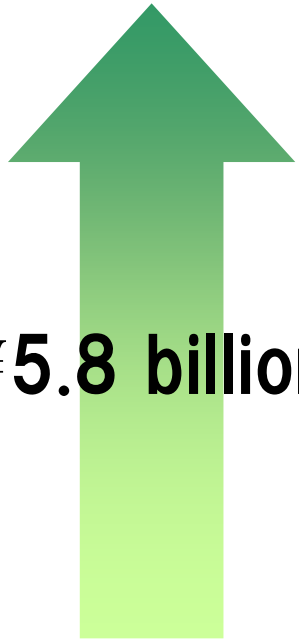
1H FY2012	¥23.9 billion

Raw Material and Fuel Costs and Foreign Exchange

	1H FY2012 (Actual)	1H FY2013 (Actual)
Domestic naphtha／kl	¥55,000	¥65,000
$US (average)	¥79	¥99
Euro (average)	¥101	¥130

Factors Affecting the Change in OP Income

FY2013	¥55.0 billion
Sales volume	4.0
Utilization	3.0
Selling price, product mix	1.0
Raw material and fuel costs	(2.0)
Foreign exchange	4.0
Depreciation and amortization	(5.5)
Cost and expense reduction	1.3



FY2012	¥49.2 billion

Raw Material and Fuel Costs and Foreign Exchange

	FY2012 (Actual)	FY2013 (Forecast)
Domestic naphtha／kl	¥57,000	¥65,000
$US (average)	¥83	¥100
Euro (average)	¥107	¥130

FY2013 Forecast by Segment

[Billion yen]

	Net Sales			Operating Income		
	1H	2H	Full Year	1H	2H	Full Year
Vinyl Acetate	90.1	96.9	187.0	24.5	25.5	50.0
Isoprene	25.4	27.6	53.0	2.1	3.9	6.0
Functional Materials	23.1	26.9	50.0	0.5	1.5	2.0
Fibers & Textiles	21.3	25.7	47.0	1.3	1.7	3.0
Trading	53.0	57.0	110.0	1.7	1.8	3.5
Others	30.5	36.5	67.0	1.4	1.6	3.0
Eliminations & corporate expenses	(44.1)	(49.9)	(94.0)	(6.9)	(5.6)	(12.5)
Total	199.3	220.7	420.0	24.7	30.3	55.0

(Reference)

Business Expansion of MonoSol, Water-soluble PVA film

- Acquired MonoSol, LLC, a U.S.-based poval film manufacturer, in June 2012.
- The company specializes in water-soluble film, with applications including individual packaging for detergents, agrochemicals and dyes as well as laundry bags and mold-release films for synthetic marble.

We decided to expand production facilities in June 2013, and plan to begin operation in July 2014.

Development of *GENESTAR* for Automobile Parts

- Development for automobile parts using the characteristics of heat resistance, low water absorbency, chemical resistance, gas barrier function, high abrasion resistance, etc.

  → Contribute to lighter vehicles as a replacement for metal parts

- Current expansion centered on fuel-, cooling- and abrasion-related parts

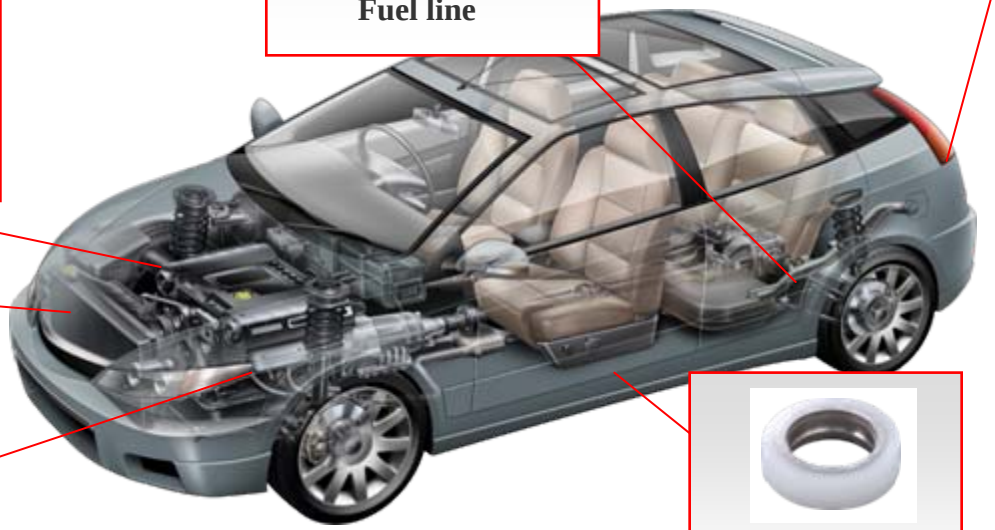

Thermostat


Intercooler tank


Wire harness protective tube


Fuel line


Wiper motor gear



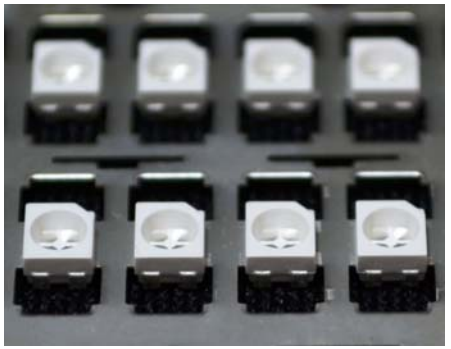

Roller for sliding door

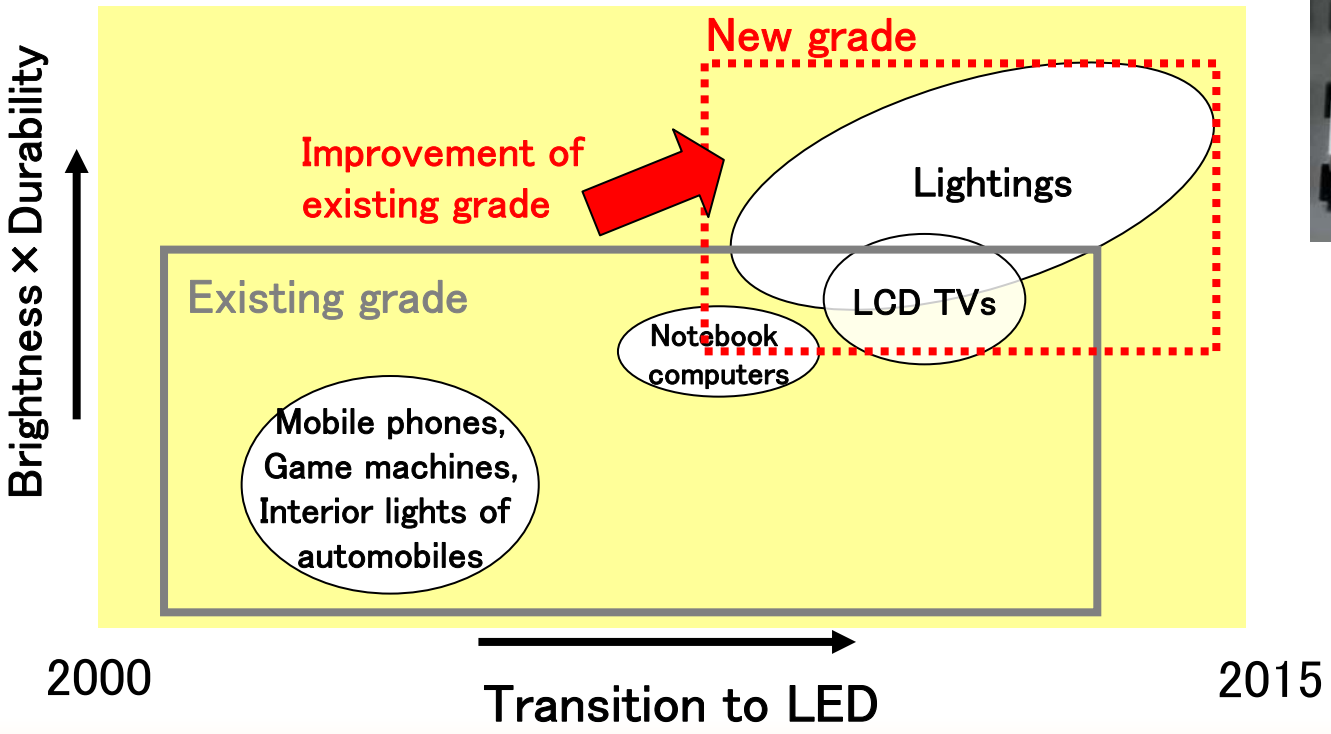
We increased production capacity in August 2013 (Kashima Plant).

(Reference)

New Grades of *GENESTAR* for LEDs

- Changed resin composition to improve light resistance
- Converted some existing equipment and started production (first half of FY2012)
- Launch products in succession during FY2013



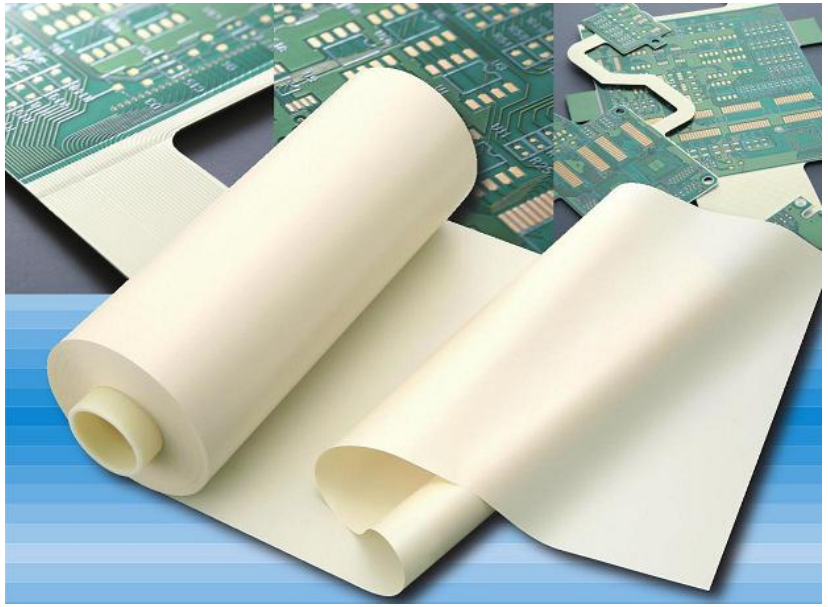


(Reference)

LCP Film *VECSTAR* for High-Speed Transmission Circuits

- Suited for both high transmission speeds and thinner products
- Expected applications in high-performance notebook PCs, tablet PCs and smartphones
- Large users are now evaluating circuit performance
- Now expanding supply chain, which centers on manufacturers of copper laminates and flexible circuit boards

Decision to increase production capacity:
Location: Saijo Plant
Current production capacity: 400,000m^2/year
After capacity increase: 1,000,000m^2/year
Facility investment: Approximately ¥500 million
Start of operation: Planned for April 2014



(Reference)

New Biomaterial (Farnesene) for Liquid Rubber (LFR)

- Expand liquid rubber business centered on tire applications
- Focus on biomaterials for a liquid rubber product lineup that uses new monomers to succeed isoprene (LIR) and butadiene (LBR)
- Begin development in the alliance with U.S. biomaterial venture Amyris, Inc.
- The main target is fuel-efficient tires.
- Adding LFR minimizes heat loss from friction between fillers, which raises fuel efficiency.
- Ten major tire manufacturers in Japan and overseas are now evaluating samples.
- Actual running test for automobiles which will be launched in 2015 and 2016 is in progress.
- Sales are expected to begin in the second half of FY2013.

(Reference)

Strategic Investment in a Start-Up Developing Ultra-barrier Films

- Kuraray has developed applications for barrier materials such as *EVAL* and *KURARISTER* in a wide range of areas such as food packaging and automobile fuel tanks.
- Currently, glass is used as a steam and oxygen barrier material in OLEDs and thin-film photovoltaic cells, but we expect need for replacement barrier materials will increase in the future.
- Vitriflex has developed ultra-barrier films that have the world's highest level of barrier performance. We expect strong synergy with our barrier materials, technology and expertise.
- We completed strategic investment in Vitriflex in August 2013, and took a seat on Vitriflex's board of directors.

This presentation contains various forward-looking statements that 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 future business circumstances. The factors that 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.