

FY2021 Earnings Presentation (Overview)

KURARAY CO., LTD.

Overview of FY2021 Results

(Billion yen)

	FY2021	FY2020	Difference
Net Sales	629.4	541.8	87.6 (16.2%)
Operating Income	72.3	44.3	27.9 (63.0%)
Ordinary Income	68.8	39.7	29.0 (73.0%)
Net Income*	37.3	2.6	34.7 (—)
Reference			
JPY/USD	110	107	
JPY/EUR	130	122	
Domestic naphtha (JPY 1,000/kl)	48	34	

Outcome of FY2021 Main Initiatives

- 1. Steady implementation of capital investment decided on for the previous medium-term management plan “PROUD 2020”**
 - We made steady progress on major projects, including Thai Isoprene base, Polish water-soluble PVA film production base, and Calgon Carbon new facility.
- 2. Expansion of the Environmental Solutions Business**
 - We deepened integrated operation after organizational change.
We steadily increased profit by meeting demand using our ability to deal with environmental regulations.
- 3. EVAL™ Production Capacity Increase**
 - We will make a decision in early stage of the next medium-term management plan period.
- 4. Promotion of digitalization in entire group**
 - We launched the Global Digital Transformation (GDX) Office since Jan 2022 to accelerate DX related initiatives that we have been promoting.
- 5. Initiatives to create innovation**
 - At Marketing Group, we promoted cross-divisional business creation initiatives from customers standpoint of view.
To strengthen these initiatives and to create innovation in a company-wide and global level, we newly established Innovation Networking Center since Jan 2022.

Net Sales and Operating Income by Segment

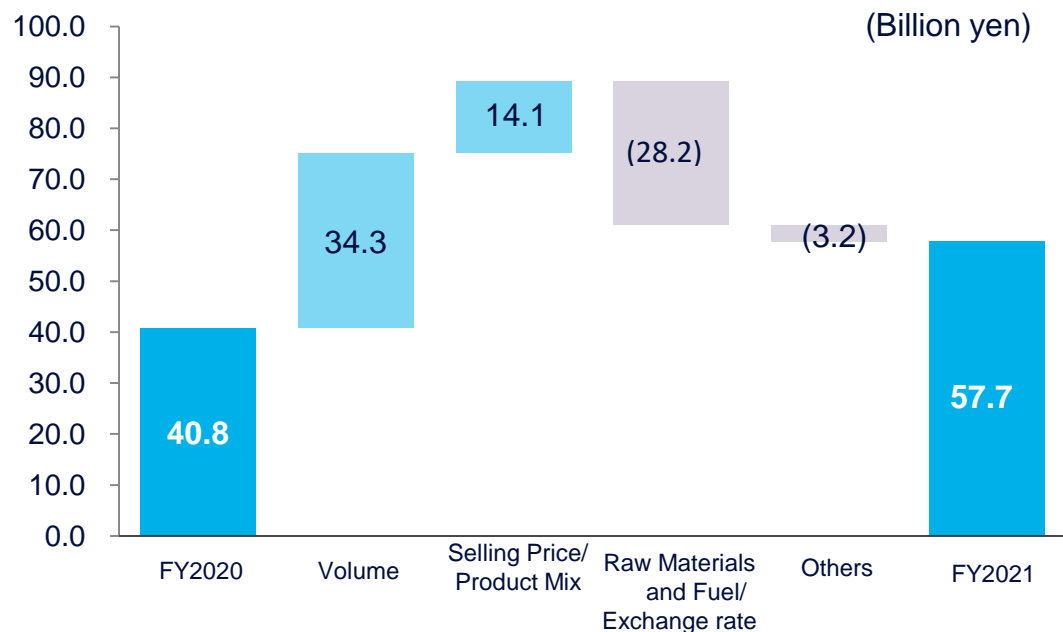
(Billion yen)

	FY2021 Result		FY2020 Result		Difference	
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income
Vinyl Acetate	304.7	57.7	257.1	40.8	47.6	16.9
Isoprene	61.9	5.7	50.4	3.8	11.6	1.9
Functional Materials	139.1	8.2	125.0	3.0	14.1	5.2
Fibers & Textiles	61.1	5.3	54.4	2.2	6.7	3.1
Trading	144.0	4.9	124.4	3.6	19.6	1.2
Others	47.6	0.9	41.7	0.2	5.9	0.7
Elimination & Corporate	(129.1)	(10.4)	(111.2)	(9.2)	(17.8)	(1.2)
Total	629.4	72.3	541.8	44.3	87.6	27.9

Factors Affecting the Change in Operating Income (Vinyl Acetate)

(Billion yen)

	FY2020	FY2021	Difference	<Reference> FY2021 Revised Forecast
Net Sales	257.1	304.7	47.6	299.0
Operating Income	40.8	57.7	16.9	55.5



PVA resin	Although performance was impacted by high raw material and fuel prices, sales increased for a wide range of applications as global demand has been recovering.
Optical-use poval film	Sales were brisk against a backdrop of robust demand for LCD panels continuing from the second half of the previous fiscal year.
Water-soluble PVA film<MonoSol>	Sales steadily expanded for use in unit dose detergent packets, including for laundry and dish detergents.
PVB film	Sales volume rose year on year but were affected by a decrease in the production of automobiles caused by a shortage of semiconductors from the third quarter.
EVAL™	Sales volume increased due to a recovery in demand for gas tank applications and continuing solid demand for food packaging applications but were affected by high raw material and fuel prices from the beginning of the year and a decrease in the production of automobiles from the third quarter.
Main reason of increase/decrease	The surge in raw material and fuel prices and the increase in logistic costs were offset by an increase in profit attributable to an increase in sales volume and price raise.

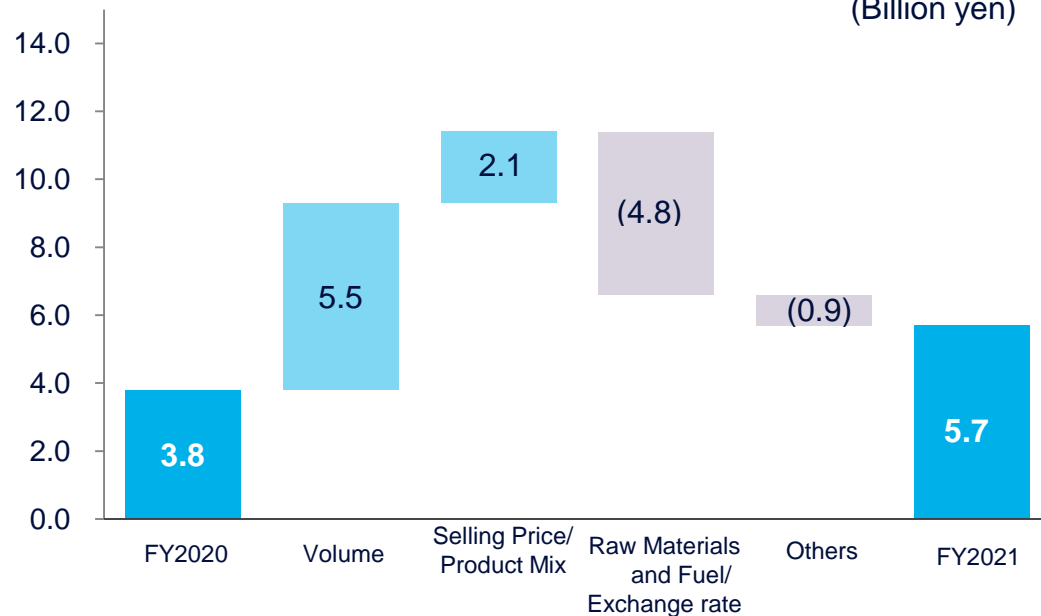
Factors Affecting the Change in Operating Income (Isoprene)

(Billion yen)

	FY2020	FY2021	Difference	<Reference> FY2021 Revised Forecast
Net Sales	50.4	61.9	11.6	62.0
Operating Income	3.8	5.7	1.9	7.0

Fine Chemicals and Elastomers	Sales volume increased due to a recovery in demand.
GENESTAR™	Sales expanded as demand for electric and electronic device applications and automotive applications increased, despite the impact of rising costs associated with raw materials, fuel and logistics.

(Billion yen)



Main reason of increase/decrease	The surge in raw material and fuel prices and the increase in logistic costs were offset by an increase in profit attributable to an increase in sales volume and price raise.
---	--

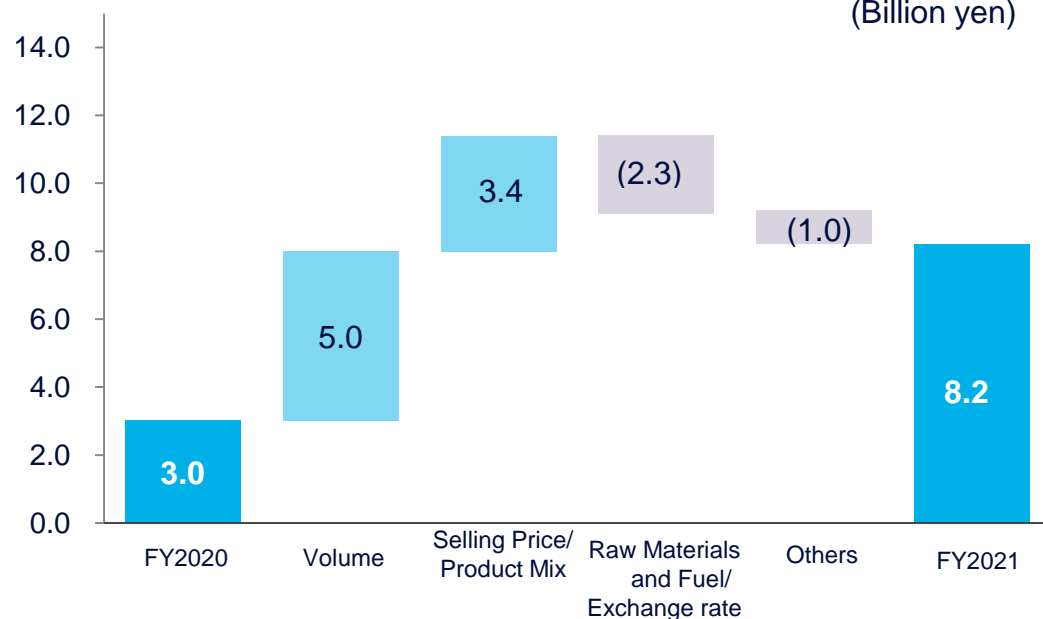
Factors Affecting the Change in Operating Income (Functional Materials)

(Billion yen)

	FY2020	FY2021	Difference	<Reference> FY2021 Revised Forecast
Net Sales	125.0	139.1	14.1	135.0
Operating Income	3.0	8.2	5.2	7.5

Methacrylate	Sales of spatter-blocking barrier panels and displays remained steady, and market conditions stayed strong.
Medical	Demand for new Kuraray products was strong in the dental materials business, especially in Europe and the United States, and sales expanded.
Environmental Solutions	Demand increased, especially for water treatment applications in Europe and the United States, and sales of activated carbon remained steady.

(Billion yen)



Main reason of increase/decrease	The surge in raw material and fuel prices and the increase in logistic costs were offset by an increase in profit attributable to an increase in sales volume, strong market conditions, and price raise.
---	---

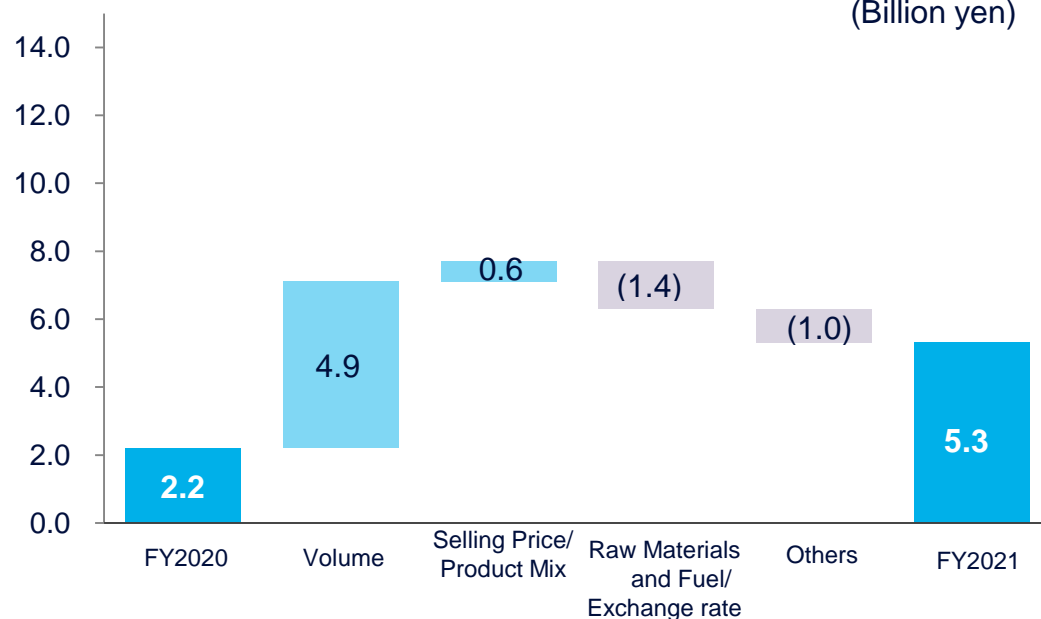
Factors Affecting the Change in Operating Income (Fibers and Textiles)

(Billion yen)

	FY2020	FY2021	Difference	<Reference> FY2021 Revised Forecast
Net Sales	54.4	61.1	6.7	62.0
Operating Income	2.2	5.3	3.1	5.0

CLARINO™	Sales remained steady, especially for use in shoes.
Fibers and Industrial Materials	Sales volume of KURALON™ and VECTRAN™ expanded.
Consumer Goods and Materials	Demand for KURAFLEX™ in the restaurant industry was weak.

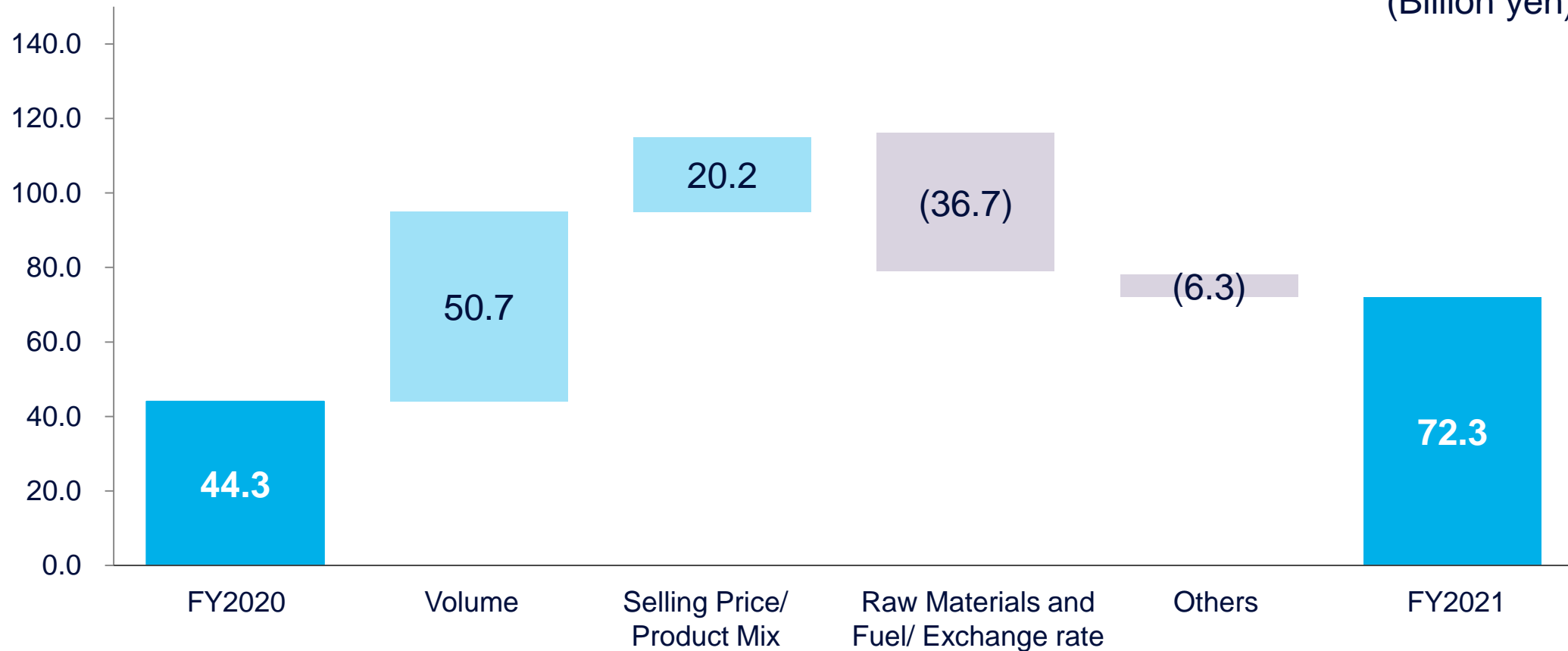
(Billion yen)



Main reason of increase/decrease	The surge in raw material and fuel prices and the increase in logistic costs were offset by an increase in profit attributable to an increase in sales volume and price raise.
---	--

Factors Affecting the Change in Operating Income

(Billion yen)



	FY2020	FY2021
Domestic naphtha (JPY1,000/kl)	¥34	¥48
USD (average)	¥107	¥110
EUR (average)	¥122	¥130

Cash Flow for FY2021 and Key Data

(Billion yen)

	FY2021	FY2020	Difference
Operating CF	78.2	79.9	(17)
Investing CF*	(71.4)	(83.3)	11.8
Free CF*	(6.8)	(3.4)	10.1
CAPEX(Acceptance basis)	65.9	76.7	(10.8)
Depreciation and Amortization (incl.amortization of goodwill)	59.0	62.5	(3.5)
R&D Expenses	20.8	20.6	0.2

*Cash flows from investing activities and free cash flow exclude net cash used in fund management and M&A.

Balance Sheet

(Billion yen)

	Dec. 31, 2021	Dec. 31, 2020	Difference
Current Assets	470.2	461.2	9.0
Noncurrent Assets	620.8	590.4	30.5
Total Assets	1,091.0	1,051.6	39.4
Total Liabilities	511.4	536.1	(24.7)
Net Assets	579.6	515.5	64.1
Total Liabilities and Net Assets	1,091.0	1,051.6	39.4
Equity Ratio	51.3%	47.4%	3.9%

Reference: Exchange rates at end of period

	Dec. 31, 2021	Dec. 31, 2020
JPY/USD	115	104
JPY/EUR	131	127

Forecast for FY2022

(Billion yen)

	FY2022 Forecast	FY2021 Results	Difference
Net Sales	650.0	629.4	20.6
Operating Income	73.0	72.3	0.7
Ordinary Income	69.0	68.8	0.2
Net Income*	43.0	37.3	5.7
CAPEX(Decision basis)	80.0	41.9	38.1
CAPEX(Acceptance basis)	83.0	65.9	17.0
Depreciation and Amortization (incl. amortization of goodwill)	58.0	59.0	(1.0)
R&D Expenses	22.0	20.8	1.2

Reference

JPY/USD	110	110
JPY/EUR	130	130
Domestic naphtha (JPY1,000/kl)	58	48

*Net Income Attributable to Owners of the Parent

Factors Affecting the Change in Operating Income

(Billion yen)



	FY2021	FY2022
Domestic naphtha (JPY1,000/kl)	¥48	¥58
USD (average)	¥110	¥110
EUR (average)	¥130	¥130

Net sales and Operating Income by Segment

(Billion yen)

	FY2022 Forecast (after adoption of “Accounting Standard for Revenue Recognition”)		FY2021 Results (after retroactive correction of segment change etc.)		Difference	
	Net sales	Operating Income	Net sales	Operating Income	Net sales	Operating Income
Vinyl Acetate	320.0	62.0	304.7	58.3	15.3	3.7
Isoprene	65.0	6.5	61.9	6.1	3.1	0.4
Functional Materials	145.0	9.0	142.4	8.7	2.6	0.3
Fibers & Textiles	60.0	3.0	61.1	5.6	(1.1)	(2.6)
Trading	58.0	5.0	144.0	4.8	(86.0)	0.2
Others	44.0	1.0	44.3	1.2	(0.3)	(0.2)
Elimination & Corporate	(42.0)	(13.5)	(129.1)	(12.4)	87.1	(1.1)
Total	650.0	73.0	629.4	72.3	20.6	0.7

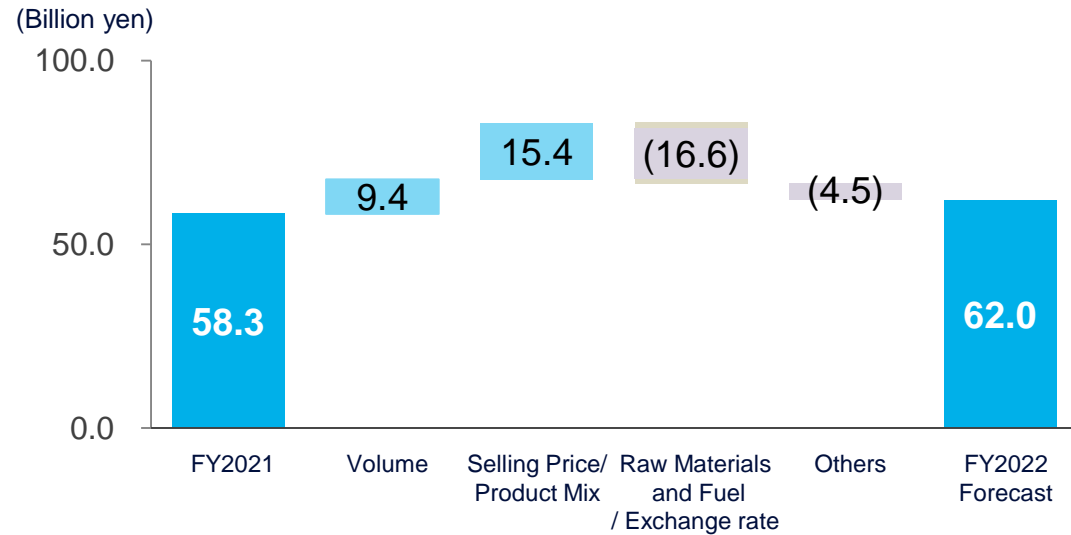
※ From FY2022, below listed items are applied.

- Adoption of the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29), only to FY2022.
- Change of the method of allocating eliminations of profits from some internal transactions among segments and within the corporate, for both FY2021 and FY2022.
- Change of the segment classification of the aqua business from “Other” to “Functional Materials, for both FY2021 and FY2022.

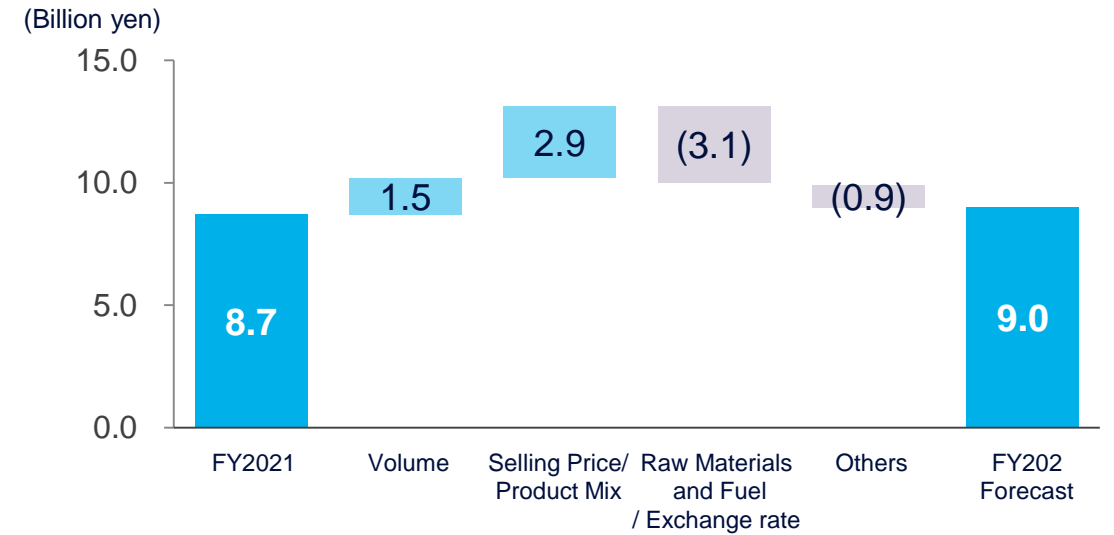
Figures for Trading segment net sales and elimination & corporate for FY2022 have significantly changed compared to FY2021, mainly due to changes in accounting methods for revenues attributable to agent transactions in the Trading segment as a result of the adoption of the Accounting Standard for Revenue Recognition and other factors. Because of these changes, revenues from such transactions, which have previously been recorded on the basis of total transactional value, are now recorded on a net basis.

Factors Affecting the Change in Operating Income by segment

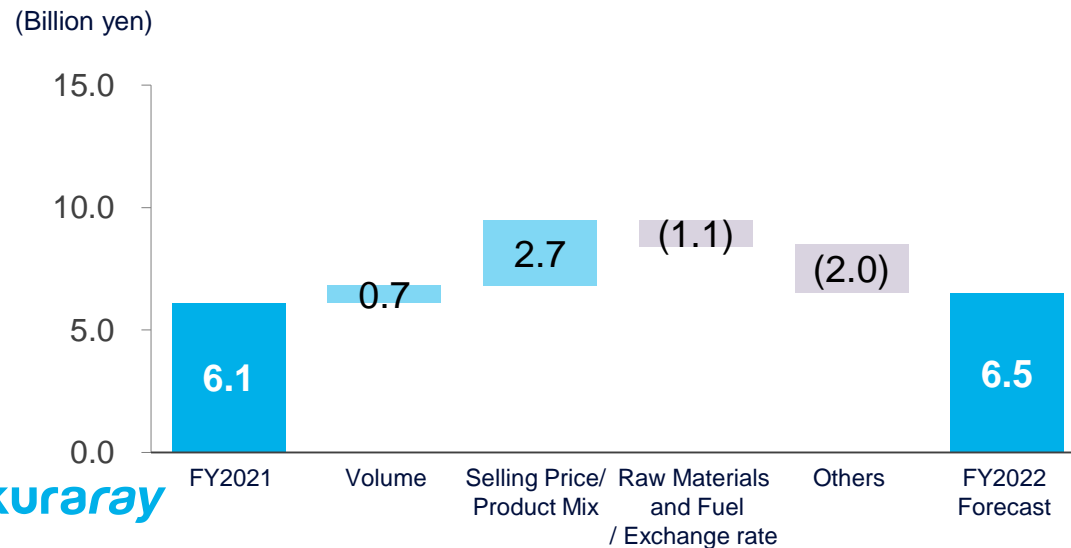
Vinyl Acetate



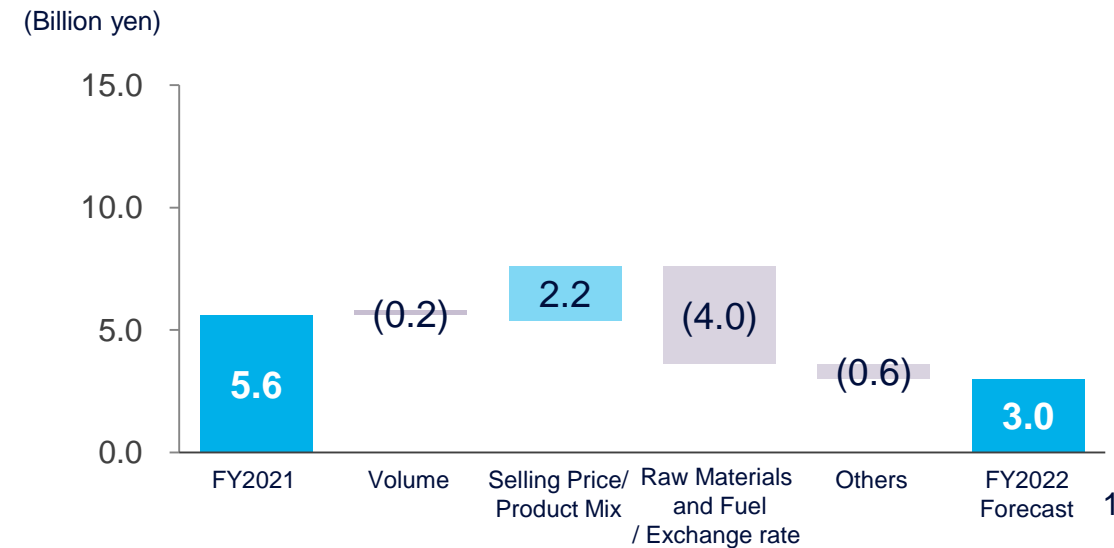
Functional Materials



Isoprene



Fibers & Textiles



FY2021 Shareholder Returns

■ FY2021 Year end dividends (forecast)

Year end : ¥20/share (forecast at beginning of year: ¥20/share)

* Full-year dividend forecast: ¥40/share (interim: ¥20; year-end: ¥20)

■ FY2022 dividends (forecast)

¥42/share (interim: ¥21/share, year-end: ¥21)

■ Share Buyback

**Buyback period Feb 10, 2022 to Jun 30, 2022,
Maximum amount Up to ¥10.0 billion,
Maximum number of shares Up to 11.0 million shares**

【Ref.】 FY2022 Full-Year Forecast

(Billion yen)

	FY2022 Forecast			FY2021 Results			Difference		
	1H	2H	Full-Year	1H	2H	Full-Year	1H	2H	Full-Year
Net Sales	320.0	330.0	650.0	302.3	327.1	629.4	17.7	2.9	20.6
Operating Income	33.0	40.0	73.0	30.4	41.9	72.3	2.6	(1.9)	0.7
Ordinary Income	31.0	38.0	69.0	28.5	40.3	68.8	2.5	(2.3)	0.2
Net Income*	20.0	23.0	43.0	11.7	25.6	37.3	8.3	(2.6)	5.7

*Net Income Attributable to Owners of the Parent

【Ref.】 Net Sales by Segment

(Billion yen)

FY2022 Forecast
(after adoption of “Accounting Standard for Revenue Recognition”)

FY2021 Results

Difference

	1H	2H	Full-Year	1H	2H	Full-Year	1H	2H	Full-Year
Vinyl Acetate	156.0	164.0	320.0	148.4	156.3	304.7	7.6	7.7	15.3
Isoprene	32.0	33.0	65.0	30.5	31.5	61.9	1.5	1.5	3.1
Functional Materials	72.0	73.0	145.0	66.1	76.2	142.4	5.9	(3.2)	2.6
Fibers & Textiles	29.0	31.0	60.0	29.9	31.2	61.1	(0.9)	(0.2)	(1.1)
Trading	28.0	30.0	58.0	69.1	74.9	144.0	(41.1)	(44.9)	(86.0)
Others	22.0	22.0	44.0	20.4	24.0	44.3	1.6	(2.0)	(0.3)
Elimination & Corporate	(19.0)	(23.0)	(42.0)	(62.1)	(67.0)	(129.1)	43.1	44.0	87.1
Total	320.0	330.0	650.0	302.3	327.1	629.4	17.7	2.9	20.6

※ From FY2022, below listed items are applied.

- Adoption of the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29), only to FY2022 figures.
- Change of the method of allocating eliminations of profits from some internal transactions among segments and within the corporate, for both FY2021 and FY2022.
- Change of the segment classification of the aqua business from “Other” to “Functional Materials, for both FY2021 and FY2022.

Figures for Trading segment net sales and elimination & corporate for FY2022 have significantly changed compared to FY2021, mainly due to changes in accounting methods for revenues attributable to agent transactions in the Trading segment as a result of the adoption of the Accounting Standard for Revenue Recognition and other factors. Because of these changes, revenues from such transactions, which have previously been recorded on the basis of total transactional value, are now recorded on a net basis.

【Ref.】 Operating Income by Segment

(Billion yen)

	FY2022 Forecast (after adoption of “Accounting Standard for Revenue Recognition”)			FY2021 Results			Difference		
	1H	2H	Full-Year	1H	2H	Full-Year	1H	2H	Full-Year
Vinyl Acetate	28.5	33.5	62.0	25.2	33.1	58.3	3.3	0.4	3.7
Isoprene	2.5	4.0	6.5	3.3	2.8	6.1	(0.8)	1.2	0.4
Functional Materials	4.0	5.0	9.0	2.9	5.7	8.7	1.1	(0.7)	0.3
Fibers & Textiles	1.5	1.5	3.0	2.2	3.4	5.6	(0.7)	(1.9)	(2.6)
Trading	2.4	2.6	5.0	2.3	2.5	4.8	0.1	0.1	0.2
Others	0.5	0.5	1.0	0.3	0.9	1.2	0.2	(0.4)	(0.2)
Elimination & Corporate	(6.4)	(7.1)	(13.5)	(5.8)	(6.6)	(12.4)	(0.6)	(0.5)	(1.1)
Total	33.0	40.0	73.0	30.4	41.9	72.3	2.6	(1.9)	0.7

※ From FY2022, below listed items are applied.

- Adoption of the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29), only to FY2022 figures.
- Change of the method of allocating eliminations of profits from some internal transactions among segments and within the corporate, for both FY2021 and FY2022.
- Change of the segment classification of the aqua business from “Other” to “Functional Materials, for both FY2021 and FY2022.

【Ref.】 Quarterly Net sales by segments

(Billion yen)

	FY2020					FY2021				
	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total
Vinyl Acetate	63.9	57.9	64.9	70.4	257.1	72.2	76.3	76.4	79.8	304.7
Isoprene	13.2	11.6	11.4	14.2	50.4	14.9	15.6	15.0	16.5	61.9
Functional Materials	30.8	28.4	31.5	34.3	125.0	30.3	34.4	35.0	39.4	139.1
Fibers & Textiles	14.5	13.8	11.8	14.4	54.4	13.7	16.2	14.9	16.3	61.1
Trading	29.8	30.3	29.3	35.1	124.4	33.0	36.2	36.2	38.7	144.0
Others	11.7	10.5	9.9	9.7	41.7	10.3	11.5	12.0	13.8	47.6
Elimination & Corporate	(26.8)	(27.3)	(27.1)	(30.0)	(111.2)	(29.9)	(32.2)	(32.7)	(34.3)	(129.1)
Total	136.9	125.1	131.8	148.0	541.8	144.4	157.9	156.9	170.2	629.4

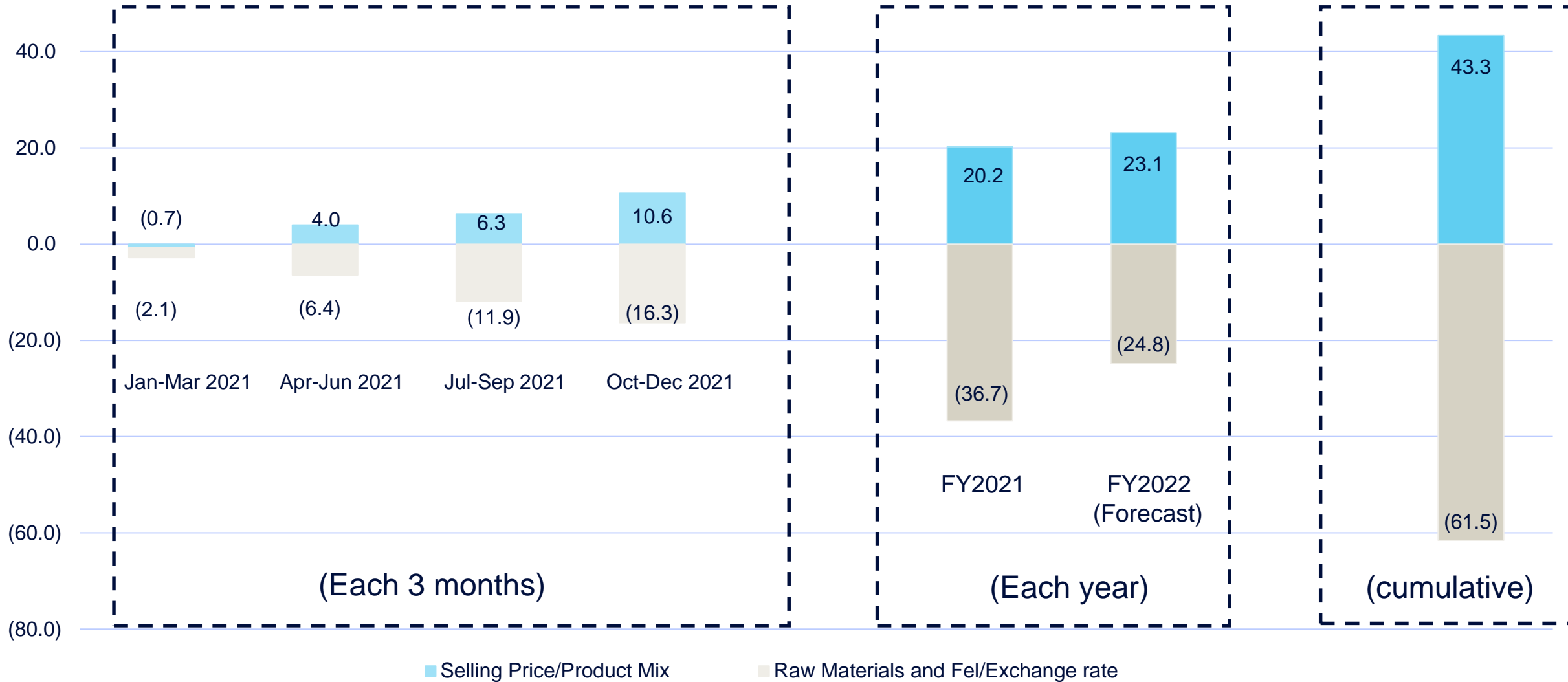
【Ref.】 Quarterly Operating Income by segments

(Billion yen)

	FY2020					FY2021				
	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total
Vinyl Acetate	8.4	8.5	11.1	12.8	40.8	13.4	11.2	18.3	14.8	57.7
Isoprene	3.1	(1.0)	0.0	1.7	3.8	3.0	0.2	1.5	0.9	5.7
Functional Materials	1.3	(0.2)	1.8	0.1	3.0	1.1	2.0	2.2	2.9	8.2
Fibers & Textiles	0.9	0.7	1.0	(0.5)	2.2	0.4	1.6	2.3	1.0	5.3
Trading	1.0	1.1	0.7	0.8	3.6	1.1	1.3	1.2	1.3	4.9
Others	0.0	0.2	0.1	(0.1)	0.2	(0.1)	0.2	0.6	0.3	0.9
Elimination & Corporate	(2.7)	(1.7)	(1.9)	(2.9)	(9.2)	(2.1)	(2.7)	(2.3)	(3.2)	(10.4)
Total	12.0	7.6	12.9	11.8	44.3	16.8	13.6	23.9	17.9	72.3

【Ref.】 Selling Price/Product Mix and Raw Materials and Fuel/Exchange rate in FY2021 and FY2022

(Billion yen)





All figures are rounded to the nearest hundred million yen.

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