

December 24, 2014

Kuraray Co., Ltd.

～ Realization of a high-profit specialty chemical company with a global presence ～

New Medium-Term Management Plan GS-STEP

Kuraray Co., Ltd. (“Kuraray”) has established its new medium-term management plan GS-STEP (Growth Strategy with Synergy, Technology, Eco-friendliness and Profitability) for implementation over the three years from fiscal 2015 to fiscal 2017 to make the Kuraray Group a “high-profit specialty chemical company with a global presence.”

1. Achievements of GS-III, the previous medium-term management plan

Based on GS-III, the medium-term management plan it created in 2012, Kuraray has been working for “Geographic expansion of core businesses” and “Creation and expansion of new business” as its primary objectives from fiscal 2012 to fiscal 2014. Although expectations for global economic growth were high in economic projections at the time GS-III was formulated, the extent of subsequent real economic growth was not as initially assumed due to factors including weak growth in the economies of Europe and emerging countries including China.

Under these conditions, Kuraray will have difficulty achieving its operating income target for fiscal 2014, the final year of the plan. However, Kuraray expects to come close to its net sales target as a result of the steady execution of measures including acquisition of DuPont’s glass laminating solutions/vinyls business (GLS business) and MonoSol, LLC, and investment in production capacity expansion for optical-use PVA film and EVAL. Other measures that will lead to future growth included construction of a new plant for PVA resin in North America, investment in production capacity expansion of VECSTAR liquid crystalline polymer film for high-speed printed circuit boards and construction of a new plant for BIOCARBOTRON anode material for lithium-ion batteries. Kuraray believes that it has now established a foundation to aim for further business expansion and higher profit through these measures.

Performance Trend

(Billions of yen)

	FY2011 (Actual)	FY2012 (Actual)	FY2013 (Actual)	FY2014* (Forecast)	FY2014 (GS-III)
Net sales	369.0	369.4	413.5	515.0	550.0
Operating income	54.7	49.2	49.5	54.0	85.0

* Adjusted basis for April 2014-March 2015

2. Overview of the new medium-term management plan GS-STEP

In the current economic environment, solid expansion is continuing in the United States, but in Europe the financial crisis and emergence of geopolitical risk are factors depressing business conditions, and a full-scale rally is expected to require time. In emerging countries, the Chinese economy continues to trend toward a slowdown, with patchy conditions in other regions. Given these factors, the outlook for the overall global economy is considered unclear. As for energy resources, there is a high likelihood that the shale revolution will lead to substantial changes in the global state of affairs as it exerts a significant impact on worldwide conditions for raw materials and fuel, including natural gas and crude oil. In Japan, trends in cutbacks in ethylene crackers and withdrawal from some businesses require close attention.

In this environment, the Kuraray Group will achieve high profit by bringing the measures implemented during the period of GS-III to fruition and by steadily building a business foundation for further business expansion, and will steadily execute various strategies for further growth.

1) Main management strategies

Kuraray has a unique corporate culture of “contributing to the world and individual well-being through actions that others are unable to produce.” To steadfastly maintain this corporate culture and become “a high-profit specialty chemical company with a global presence,” Kuraray will promote the following five main management strategies under the new medium-term management plan GS-STEP.

(1) Deepening of core businesses

Increase competitive advantages by producing results from the effects of investments including business acquisitions and production capacity expansion for a more solid foundation in businesses where Kuraray products are number one in market share or the only ones of their kind. In addition, lay the groundwork for further growth.

(2) Technological innovation

Create new business by using highly distinctive, original Kuraray technologies and accelerating their rollout to new domains and technologies. In addition, establish new and improved processes to achieve overwhelming superiority in product quality and cost.

(3) Next-generation growth model

Work to expand into new business domains by making more effective use of external resources, including M&A and alliances. In addition, take on the challenge of establishing an innovative business model for corporate activities including research and development, technical services, manufacturing and sales, and indirect operations.

(4) Optimum allocation of management resources

Raise the quality of global management through the optimal allocation and proactive use of management resources such as the expanded bases and human resources resulting from the integration of GLS business and other initiatives.

(5) Contribution to the environment

Expand provision of products that contribute to the global environment. In addition, use production processes that reduce environmental load.



Performance Targets

(Billions of yen)

	FY2014* (Forecast)	FY2017 Plan (GS-STEP)
Net sales	515.0	650.0
Operating income	54.0	90.0
OP margin	10.5%	13.8%

[For reference]

Exchange rate: ¥108/\$ ¥120/\$

* Adjusted basis for April 2014-March 2015

2) Main business strategies

(1) Vinyl Acetate Segment

Generate synergy from business integration at an early stage to establish a firmer global business foundation as the world's number-one supplier and accelerate expansion of sales of high-value-added products, opening of markets in emerging countries and development of new products and applications.

(2) Isoprene Segment

Expand the scale of business globally while working to raise profitability by shifting to high-value-added products. After promoting further production process innovation, give serious consideration to new plants for stable procurement of raw materials and steady supply of products that are the only ones of their kind.

(3) Functional Materials Segment

As competition intensifies, work to establish a business foundation that is less affected by market conditions by thoroughly reducing costs, expanding sales of highly functional products, and developing new fields and new applications using original materials and technologies.

(4) Fibers and Textiles Segment

Improve profitability by pioneering new applications that utilize Kuraray's strengths and by reducing costs through the development of innovative production processes.

(5) New Business and Others

Work to accelerate new business development through methods including strategic partnerships, and deepen research and development by allocating resources to basic technologies.

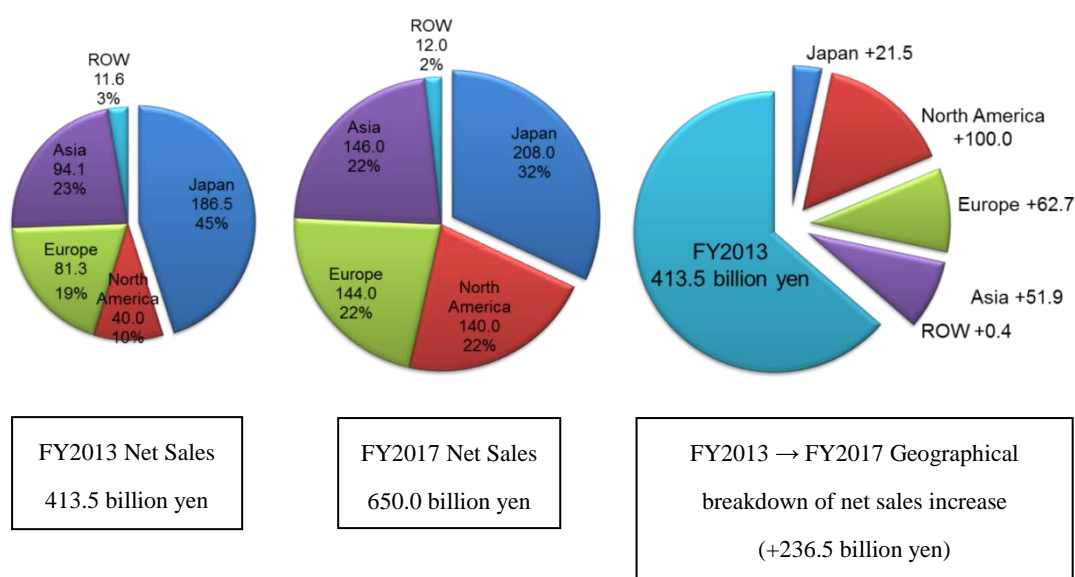
Sales and Operating Income by Business Segment

(Billions of yen)

Business segment	FY2014 Forecast Adjusted April 2014- March 2015 period		FY2017 Plan (GS-STEP)		Increase/Decrease	
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income
Vinyl Acetate	265.0	49.5	330.0	76.5	+65.0	+27.0
Isoprene	61.0	6.5	73.0	10.0	+12.0	+3.5
Functional Materials	58.0	2.0	65.0	6.5	+7.0	+4.5
Fibers and Textiles	48.0	3.0	56.0	4.0	+8.0	+1.0
Trading	113.0	3.5	130.0	5.0	+17.0	+1.5
Other Business	65.0	3.0	92.0	4.5	+27.0	+1.5
Corporate and Eliminations	(95.0)	(13.5)	(96.0)	(16.5)	(1.0)	(3.0)
Total	515.0	54.0	650.0	90.0	+135.0	+36.0

Breakdown of Net Sales by Geographic Region

The ratio of overseas sales to net sales will increase from 55% to 68%. Net sales will increase in all geographic regions, with a more balanced ratio due particularly to growth in North America, where sales so far have been comparatively small.



3) Resource allocation

(1) Capital expenditures

To carry out the abovementioned strategies, the plan calls for approximately 200 billion yen in capital expenditures (decision basis) over the three-year period, or an average of approximately 70 billion yen per year. About 60% is planned for expansion of production capacity.

Main capital expenditures

Vinyl acetate monomer: Production capacity expansion in North America

Optical-use PVA film: Expand facilities at Saijo Plant

PVB film: Expand facilities in North America, Europe and Asia

Water-soluble PVA film: Expand facilities

EVAL: Production capacity expansion in North America and Europe

Isoprene chemicals: Construction of new plant

SEPTON: Expand facilities in North America

Original methacrylic resin: Production capacity expansion at Niigata Plant

VECSTAR: Expand facilities at Saijo Plant

Expand facilities for *BIOCARBOTRON* anode material for lithium-ion batteries

Note: The above investments have not been officially decided at present and are matters for further deliberation.

(2) Financial strategy

- Kuraray expects to secure 220 billion yen in cash flow over the three-year period, and has scheduled capital expenditures of 170 billion yen on a payment basis.
- For large-scale strategic investments such as new projects and M&A, Kuraray will consider obtaining funds through loans or other means as necessary.
- Kuraray views shareholder returns as a priority management issue. The company has set a basic policy of steady, continuous dividends in line with the growth of its business performance, with a total payout ratio of 35% or higher and dividends per share of 36 yen or higher. In addition, Kuraray will retire 20 million or more shares of treasury stock during fiscal 2015.

(3) Environmental measures

Kuraray has adopted eco-efficiency (net sales/environmental load) as an environmental indicator and has formulated a Medium-Term Environmental Plan with targets set for fiscal 2020. However, due in part to factors including the integration of GLS business and environmental changes, Kuraray will revise the figures and implement them during the period covered by GS-STEP.