Business Results for the Fiscal Year Ended December 31, 2016 (Unaudited)

February 8, 2017
Kuraray Co., Ltd.

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Consolidated Earnings Report for the Fiscal Year Ended December 31, 2016

Name of listed company:	Kuraray Co., Ltd.
Stock code:	3405
Stock exchange listing:	Tokyo, first section
URL:	http://www.kuraray.co.jp/en

Representative:

Title:	Representative Director and President
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Preparation of supplementary materials for financial results: Yes
Holding of earning results briefing: Yes (for securities analysts and institutional investors)

(Millions of yen rounded down unless otherwise stated)

1. Consolidated Financial Results for Fiscal 2016 (January 1, 2016 - December 31, 2016)

(1) Consolidated Operating Results

(Percentages displayed for net sales, operating income, ordinary income and net income attributable to owners of the parent are comparisons with the previous fiscal year.)

(Millions of yen)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of the Parent	
		(Change)		(Change)		(Change)		(Change)
Fiscal 2016	485,192	(7.0)	67,827	2.6	66,181	2.5	40,400	13.0
Fiscal 2015	521,721	—	66,077	—	64,535	—	35,749	—

Note: Comprehensive income: For fiscal 2016: ¥32,438 million (5.7%)
For fiscal 2015: ¥30,675 million (—%)

	Net Income per Share (Yen)	Fully Diluted Net Income per Share (Yen)	Return on Equity (%)	Return on Total Assets (%)	Operating Income/Net Sales (%)
Fiscal 2016	114.98	114.75	8.0	9.3	14.0
Fiscal 2015	101.84	101.57	7.4	9.3	12.7

[Reference] Equity in earnings: For fiscal 2016: ¥1 million For fiscal 2015: ¥0 million

(2) Consolidated Financial Position

(Millions of yen)

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (Yen)
Fiscal 2016	725,433	520,978	70.7	1,459.34
Fiscal 2015	701,770	503,589	70.7	1,412.46

[Reference] Equity attributable to owners of the parent: For fiscal 2016: ¥512,959 million,
For fiscal 2015: ¥496,062 million

(3) Consolidated Cash Flows

(Millions of yen)

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at End of Period
Fiscal 2016	93,923	(49,300)	(14,701)	83,389
Fiscal 2015	93,228	(48,553)	(24,353)	54,750

2. Dividends

(Yen)

Record Date	Cash Dividends per Share					Total Dividends Paid (full year) (¥ million)	Payout Ratio (consolidated) (%)	Dividends/Net Assets (consolidated) (%)
	Mar. 31	Jun. 30	Sep. 30	Dec. 31	Annual			
Fiscal 2015	—	18.00	—	22.00	40.00	14,046	39.3	2.9
Fiscal 2016	—	20.00	—	21.00	41.00	14,408	35.7	2.9
Fiscal 2017 (Forecast)	—	20.00	—	22.00	42.00		35.2	

3. Forecasts of Consolidated Financial Results for the Fiscal Year Ending December 31, 2017 (January 1, 2017 - December 31, 2017)

(Percentages displayed for net sales, operating income, ordinary income and net income attributable to owners of the parent are comparisons with the corresponding interim period or fiscal year, as applicable)

(Millions of yen)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of the Parent		Net Income per Share (Yen)
		(%)		(%)		(%)		(%)	
Interim Period	250,000	2.4	32,000	(7.6)	31,000	(8.0)	20,000	(10.6)	56.90
Full Fiscal Year	530,000	9.2	70,000	3.2	68,000	2.7	42,000	4.0	119.49

[Reference]

(1) Changes in Important Subsidiaries during the Year (Changes in Special Subsidiaries Involving Changes in the Scope of Consolidation): No

Added: No companies Excluded: No companies

(2) Changes in Accounting Policies, Accounting Estimates and Restatement in Connection with the Preparation of Year-End Consolidated Financial Statements

1. Changes following revision of accounting standards: Yes
2. Changes besides 1. above: No
3. Changes of accounting estimates: Yes
4. Restatement: No

Note: For details, refer to page 16 of the Attached Materials under the heading, "Items Regarding Summary Data (and Notes): Changes in Accounting Policies, Accounting Estimates and Restatement."

(3) Number of Shares Issued and Outstanding (Common Shares)

1. Number of shares issued and outstanding (including treasury stock) as of the year-end:
   As of December 31, 2016 354,863,603 shares
   As of December 31, 2015 354,863,603 shares

2. Number of treasury stock as of the year-end:
   As of December 31, 2016 3,363,405 shares
   As of December 31, 2015 3,658,647 shares

3. Average number of shares for the year:
   As of December 31, 2016 351,351,301 shares
   As of December 31, 2015 351,015,881 shares

[Reference]

Summary of Unconsolidated Results

1. Unconsolidated Results for Fiscal 2016 (January 1, 2016 – December 31, 2016)

(Percentages displayed for net sales, operating income, ordinary income and net income attributable to owners of the parent are comparisons with the previous fiscal year.)

(1) Unconsolidated Operating Results

(Millions of yen)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of the Parent	
		(Change)		(Change)		(Change)		(Change)
Fiscal 2016	217,730	(2.2)	39,046	(7.2)	41,719	(4.5)	26,503	3.7
Fiscal 2015	222,557	—	42,083	—	43,666	—	25,545	—

	Net Income per Share (Yen)	Fully Diluted Net Income per Share (Yen)
Fiscal 2016	75.43	75.28
Fiscal 2015	72.78	72.58

(2) Unconsolidated Financial Position

(Millions of yen)

	Total Assets	Net Assets	Shareholders' Equity Ratio (%)	Net Assets per Share (Yen)
Fiscal 2016	512,457	361,089	70.3	1,025.23
Fiscal 2015	511,784	349,194	68.1	991.91

[Reference] Shareholders' equity: For fiscal 2016: ¥360,369 million For fiscal 2015: ¥348,362 million

Indication of audit procedure implementation status

This summary of consolidated results is exempt from the audit procedures based upon the Financial Instruments and Exchange Act. Audit procedures for the financial statements based on the Financial Instruments and Exchange Act had not been completed at the time of disclosure of this summary of consolidated results.

Cautionary Statement with Respect to Forecasts of Consolidated Business Results
(Cautionary note regarding forward-looking statements)

The results forecasts presented in this document are based upon currently available information and assumptions deemed rational. A variety of factors could cause actual results to differ materially from forecasts. Please refer to "Outlook for Fiscal 2017" on page 3 of the Attachment for the assumptions used.

Access to Documents and Other Materials Relating to the Year-End Results Briefing to Be Held on February 8, 2017

Related documents and materials, including the video of the briefing, will be posted on the Company's website immediately after the briefing is closed.

Table of Contents of Attached Materials

1. Analysis of Results of Operations and Financial Position

(1) Analysis of Results of Operations

In the fiscal year ended December 31, 2016 ("fiscal 2016"), signs of economic recovery were apparent in Japan due to the depreciation of the yen at the end of the period. In the global economy, business conditions in the United States were brisk, backed by positive employment conditions in addition to personal consumption. In Europe, the economy continued to gradually improve. Although the United Kingdom's decision to leave the European Union cast a shadow on Europe's outlook, there has currently been no major impact. Meanwhile, the deceleration of China's economy was halted by the government's successful measures to stimulate consumption. An economic slowdown continued in emerging countries.

Under these circumstances, the Kuraray Group has been successively implementing the business strategies outlined in GS-STEP, its medium-term management plan that started in fiscal 2015, to realize "a high-profit specialty chemical company with a global presence."

Regarding results of operations for fiscal 2016, net sales decreased ¥36,529 million, or 7.0%, compared with the previous fiscal year to ¥485,192 million; operating income increased ¥1,749 million, or 2.6%, to ¥67,827 million; ordinary income increased ¥1,645 million, or 2.5%, to ¥66,181 million; and net income attributable to owners of the parent increased ¥4,650 million, or 13.0%, to ¥40,400 million.

Results by Business Segment

Vinyl Acetate

Sales in this segment decreased 7.9% year on year to ¥253,175 million, and segment income rose 5.0% year on year to ¥58,517 million.

1) Sales of PVA resin were not able to absorb the depreciation and other costs of the new U.S. plant because it did not achieve stable production. Sales volume of optical-use PVA film recovered as LCD panels reached the end of a stage of production adjustments. Sales of water-soluble PVA film were firm. Sales of PVB film were favorable.

2) Sales of *EVAL* ethylene vinyl alcohol copolymer (EVOH resin) grew favorably for both food packaging and automotive gas tank applications.

Isoprene

Sales in this segment decreased 7.1% year on year to ¥51,083 million, and segment income increased 0.2% year on year to ¥6,934 million.

1) In isoprene chemicals, sales of fine chemicals, *SEPTON* thermoplastic elastomer and liquid rubber were all firm.

2) Sales of *GENESTAR* heat-resistant polyamide resin continued to expand for automotive applications and rebounded for connector applications. On the other hand, sales for LED reflector applications continued to struggle.

Functional Materials

Sales in this segment decreased 8.1% year on year to ¥52,246 million, and segment income decreased 16.8% year on year to ¥4,631 million.

1) For methacrylic resins, a severe environment continued, but sales volume recovered at the end of the period.

2) In the medical business, sales of dental materials were favorable due to an expanded range of new product offerings and greater synergies through business integration on the sales front.

3) For *CLARINO* man-made leather, sales were unable to absorb the impact of the stronger yen in currency translation.

Fibers and Textiles

Sales of *KURALON* for high-value-added applications were brisk. In addition, sales of consumer goods and materials, especially *KURAFLEX*, were favorable. As a result, sales in this segment increased 4.8% year on year to ¥48,566 million, and segment income increased 45.1% year on year to ¥5,958 million.

Trading

Results from chemical-related businesses were firm, while sales in fiber-related businesses bore the brunt of weak domestic demand, except for certain applications. As a result, segment sales decreased 0.1% year on year to ¥119,498 million, and segment income decreased 1.3% to ¥3,833 million.

Other Business
In other businesses, development costs rose due to the addition of the energy materials business in the first quarter. As a result, segment sales decreased 8.3% year on year to ¥63,838 million, and segment income decreased 27.2% to ¥2,017 million.

Outlook for Fiscal 2017
Regarding the operating environment in fiscal 2017, the outlook for the global economy is increasingly unclear, with factors such as the policies of the new U.S. president, the issue of the United Kingdom's withdrawal from the European Union and national elections scheduled in major European countries. Amid these conditions, moderate economic recovery is anticipated in Japan. Business conditions in the United States are forecast to remain generally brisk, and in Europe, a moderate recovery is expected to continue. In China, a continuation of the temporary calm is envisaged with the halt of the recession. In emerging countries, there are concerns about a continued slowdown in growth.

Until now, the Company's results benefited from cost reductions resulting from declines in raw material and fuel prices up to 2016. However, in fiscal 2017 prices of raw materials and fuel are expected to rise, with an accompanying increase in manufacturing costs. On the other hand, because a time lag arises in adjusting selling prices of products, there are concerns about continuing decreases in selling prices of some products in fiscal 2017.

Under the two years to date of GS-STEP (FY2015-FY2017), its medium-term management plan, the Company has been steadily implementing concrete measures for the five main management strategies put forth in the plan (deepening of core businesses, technological innovation, next-generation growth model, optimum allocation of management resources, and contribution to the environment). In fiscal 2017, which is the final year of GS-STEP, the Company will implement the remaining measures and to revise its strategies for businesses that are late in displaying results from the measures and businesses that require reconsideration due to changes in the market environment, which will lead to its next medium-term management plan that will begin in 2018.

Based on these circumstances, the forecast of operating results for fiscal 2017 is as shown below.

(Billions of yen, rounded to the nearest hundred million)

	Fiscal 2016	Forecast for Fiscal 2017	Change (Adjusted)
Net Sales	485.2	530.0	+9.2%
Operating Income	67.8	70.0	+3.2%
Ordinary Income	66.2	68.0	+2.7%
Net Income Attributable to Owners of the Parent	40.4	42.0	+4.0%

For the forecast of operating results for fiscal 2017, we assume average exchange rates of ¥110 to the U.S. dollar and ¥120 to the euro, as well as a domestic naphtha price of ¥36,000 per kiloliter.

[Reference] Forecast of Results by Segment for Fiscal 2017
In fiscal 2016, the "activated carbon business" and "energy materials business" were classified in the Other Business Segment. In connection with the merger by absorption of Kuraray Chemical Co., Ltd. on January 1, 2017, the Company has decided to integrate these businesses into the "carbon materials business" and reclassify it into the Functional Materials segment in the ensuing fiscal year.

The following compares the forecast for fiscal 2017 and restated results for fiscal 2016 after the change in classification.

Forecast of Results for the Fiscal Year Ending December 31, 2017 (Breakdown by Segment)

(Billions of yen, rounded to the nearest hundred million)

	Net Sales		Operating Income	
	Fiscal 2016	Forecast for Fiscal 2017	Fiscal 2016	Forecast for Fiscal 2017
Vinyl Acetate	253.2	269.0	58.5	60.5
Isoprene	51.1	57.5	6.9	7.5
Functional Materials	68.0	73.5	4.5	5.5
Fibers and Textiles	48.6	52.0	6.0	5.5
Trading	119.5	125.0	3.8	4.0
Other Business	46.3	54.5	1.4	2.0
Elimination & Corporate	(101.4)	(101.5)	(13.3)	(15.0)
Total	485.2	530.0	67.8	70.0

(2) Analysis of Financial Position

1) Assets, Liabilities and Net Assets

Total assets increased ¥23,663 million from the end of the previous fiscal year to ¥725,433 million, mainly because of an increase in short-term investment securities. Total liabilities increased ¥6,274 million to ¥204,454 million due to factors including an increase in provision for environmental measures. Net assets rose ¥17,389 million to ¥520,978 million. Equity attributable to owners of the parent amounted to ¥512,959 million, for an equity ratio of 70.7%.

2) Cash Flows

Cash Flows from Operating Activities:

Net cash provided by operating activities totaled ¥93,923 million. Cash provided included ¥60,512 million from income before income taxes and noncontrolling interests and ¥41,555 million from depreciation and amortization. Cash used included ¥3,080 million due to an increase in inventories and a decrease in notes and accounts payable – trade, and ¥24,412 million in income taxes paid. Net cash provided by operating activities increased ¥695 million compared with the previous fiscal year.

Cash Flows from Investing Activities:

Net cash used in investing activities totaled ¥49,300 million. Proceeds from sale and redemption of investment securities provided cash of ¥3,551 million, while uses of cash included ¥49,992 million for purchase of tangible fixed assets and intangible fixed assets.

Cash Flows from Financing Activities:

Net cash used in financing activities was ¥14,701 million. Cash provided included ¥691 million from a net increase in loans and sale of treasury stock while uses of cash included cash dividends paid totaling ¥14,753 million.

In addition to the above factors, due to the effect of exchange rate changes on cash and cash equivalents, cash and cash equivalents at the end of the fiscal year increased ¥28,639 million from the end of the previous fiscal year to ¥83,389 million.

(Millions of yen)

	Fiscal Year Ended December 31, 2015	Fiscal Year Ended December 31, 2016
Net cash provided by operating activities	93,228	93,923
Net cash used in investing activities	(48,553)	(49,300)
Net cash used in financing activities	(24,353)	(14,701)
Effect of exchange rate changes on cash and cash equivalents	(958)	(1,514)
Net increase in cash and cash equivalents	19,362	28,407
Cash and cash equivalents, beginning of the period	35,388	54,750
Increase in cash and cash equivalents from newly consolidated subsidiaries	—	231
Cash and cash equivalents, end of the period	54,750	83,389

[Reference] Cash Flow Indicators for the Kuraray Group

	Fiscal Year Ended March 31, 2012	Fiscal Year Ended March 31, 2013	Fiscal Year Ended March 31, 2014	Fiscal Year Ended December 31, 2014	Fiscal Year Ended December 31, 2015	Fiscal Year Ended December 31, 2016
Equity ratio (%)	68.8	67.2	70.3	68.7	70.7	70.7
Equity ratio (%; market basis)	78.0	83.3	65.2	69.8	73.7	85.1
Cash flow to interest-bearing debt ratio (%)	1.5	1.0	1.1	1.8	0.6	0.6
Interest coverage ratio (times)	39.7	67.7	65.2	118.9	128.7	127.1

Notes:
Equity ratio: Net assets excluding both subscription rights to shares and minority interests/total assets
Equity ratio (market basis): Total market value of shares issued and outstanding/total assets
Ratio of cash flow to interest-bearing liabilities: Interest-bearing liabilities/net cash provided by (used in) operating activities
Interest coverage ratio: Net cash provided by (used in) operating activities/interest expenses

1. All indicators are calculated using the consolidated financial statements.
2. The total market value of shares issued and outstanding was calculated by multiplying the closing price at the end of the fiscal year by the total number of shares issued and outstanding (after subtracting treasury stock) at the end of the fiscal year.
3. The calculations use net cash provided by (used in) operating activities as reported in the consolidated statements of cash flows.
4. Interest-bearing liabilities are all liabilities reported in the consolidated balance sheets that require payment of interest.
5. From the fiscal year ended March 31, 2014, for some foreign subsidiaries, the Company applies "Employee Benefits" (International Accounting Standards Board, International Accounting Standard No. 19, June 16, 2011). As the changes to the corresponding accounting policies have been applied retroactively, the equity ratio for the fiscal year ended March 31, 2013 has been retroactively adjusted.

(3) Kuraray's Fundamental Dividend Policy and Dividends for Fiscal 2016 and Fiscal 2017

The distribution of profits to shareholders is one of the Company's top management issues, and it has a basic policy of increasing distribution of profits through continuous improvement in business results. During GS-STEP, the medium-term management plan for fiscal 2015 through fiscal 2017, the Company has set a total return ratio of 35% or more relative to net income attributable to owners of the parent and annual dividends per share of ¥36 or higher.

Pursuant to this dividend policy, a year-end dividend of ¥21 per share is planned for fiscal 2016, an increase of ¥1 per share from the initial forecast. The total of this year-end dividend and the interim dividend will be ¥41 per share for fiscal 2016, and the dividend payout ratio will be 35.7%.

For fiscal 2017, the Company plans annual dividends of ¥42 per share (payout ratio of 35.2%), consisting of an interim dividend of ¥20 per share and a year-end dividend of ¥22 per share, assuming a forecast for net income attributable to owners of the parent of ¥42.0 billion.

(4) Risk Management

Risks that could have a significant impact on the Kuraray Group's performance (results of operations and financial position) are discussed below. Forward-looking statements in the following text represent the Kuraray Group's best judgment as of December 31, 2016.

1) Risks associated with the changes in business environment

The Kuraray Group has a diversified business portfolio and its products are geared to global markets with a variety of uses and applications. Many of our products are original specialty chemical materials that are less susceptible to the fluctuations in the commodity markets compared with those in other industries, but in recent years more and more of our products are geared to the growing business areas including electric and electronic materials, automotive and environmental applications on which our overall business performance is increasingly dependent. In these areas, market environment can undergo drastic changes as a result of a reverse in industry de facto standards for final products, shorter product cycles and worldwide competition in product development. Therefore, we may also face drastic changes in market environment and competitive conditions for our products.

Meanwhile, we manufacture products such as chemical products, synthetic resins, synthetic fibers and textiles out of raw materials such as ethylene and other petrochemical products that are susceptible to the fluctuations in the markets of crude oil and natural gas. As a result, market fluctuations exceeding expectations could affect the Kuraray Group's business results.

The Kuraray Group is exposed to the risk that it will be forced to downsize or close down certain areas of its main businesses as a consequence of the changes in its business environment as described above.

2) Risks associated with accidents and disasters

The Kuraray Group has manufacturing facilities in Japan, Europe, North America, Asia and Australia. Many of these are large-scale chemical plants. We work to prevent accidents and disasters such as explosions, fires and leaks of toxic substances and to minimize injuries when they occur, and conduct risk management for important production plants by geographically spreading their locations and arranging property and casualty insurance on them. However, in the event of serious security incidents, release of pollutants or natural disasters, there are risks that could cause personal injury or property damage to employees or third parties, or damage to the assets of the Kuraray Group, or halt of manufacturing operations for long periods.

In the event of accidents or disasters at suppliers who discharge such functions as providing important raw materials, facilities, maintenance parts and services, there are risks that could affect our product supply.

3) Risks associated with litigation and violation of laws and regulations

The Kuraray Group operates numerous businesses based on its proprietary technologies, posing the risks of serious infringement of its intellectual properties, or litigation involving its rights in the future.

Meanwhile, we are supplying many products that play significant roles in assuring the quality of the final products in areas such as automotive products, electric and electronic materials, medical products and food packaging. We have introduced a product quality management system at each major production base of the Kuraray Group and work to improve product quality, but in the event of a large-scale product recall caused by defective quality, there are risks of major financial losses including liability losses that cannot be fully covered by existing product liability insurance.

Also, despite our construction of a compliance system and our utmost efforts to comply with laws and regulations at each of our operating facilities, there are risks that our business activities could be interrupted in the event of a major breach of legal compliance, changes in current laws and regulations or the addition of new laws and regulations.

4) Risks associated with changes in exchange rates

The Kuraray Group is expanding its manufacturing and sales operations in Japan and in various overseas regions, including Europe, North America, Asia and Australia. Export prices of the Kuraray Group's domestically manufactured products are affected by changes in exchange rates. In sales of products manufactured at our overseas bases, procurement and sales prices in different currency blocks and the value of foreign-currency-denominated assets and liabilities are affected by changes in exchange rates. It is possible that the Kuraray Group will be affected negatively by exchange rate fluctuations if they exceed the scope of our assumption.

5) Other risks

With the global development of our businesses, there are risks that fortuitous external events such as war, riot, terrorism or an epidemic could disrupt our business activities.

2. Management Policies

(1) Fundamental Management Policies

The Company continues to move toward the realization of its "Long-Term Corporate Vision," which indicates the long-term direction the Kuraray Group will pursue.

The economic environment over the coming years is expected to undergo a long-term structural transformation as global environment and resource conservation issues deepen and economies that remain centered on mass production and massive energy consumption stall. Other key issues that need to be addressed include the imbalance in the global economy, lower rates of economic growth, increasing international competition, spreading protectionism in certain regions and rising geopolitical risk. As individual values evolve, issues also arise concerning diversifying market needs, higher levels of sophistication and the rapid shift in demand trends. Furthermore, growing risks associated with Japan's fundamental structure such as its fiscal deficit, aging society and declining birthrate pose additional problems. In these circumstances, it is increasingly imperative for chemical companies to shift their management focus from quantity to quality. Against this backdrop, the Kuraray Group aims to be a high-profit specialty chemical company with a global presence, based on its mission of "Contributing to the world and individual well-being through actions that others are unable to produce."

(2) Management Indicator Targets and Medium- to Long-Term Strategies

To achieve its Long-Term Corporate Vision, the Kuraray Group has set net sales of ¥650.0 billion, operating income of ¥90.0 billion, an operating income margin of 13.8% and net income per share of ¥163 as performance targets for fiscal 2017, the final year of GS-STEP (fiscal 2015 to fiscal 2017), the medium-term management plan it started in fiscal 2015. The Kuraray Group will promote the following five main management strategies under 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 product are number one in market share or the only ones of their kind. In addition, lay the groundwork for future growth.

2) Technological innovation
Create new businesses 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 the glass laminating solutions/vinyls business (the "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.

(3) Issues to Be Addressed

The theme of the medium-term management plan GS-STEP is to achieve high profit by steadily executing various measures based on its management strategies.

In the first two years of GS-STEP, the yen fluctuated from depreciation to appreciation in currency translation, but the Kuraray Group set consecutive new record highs for income, backed by lower raw material and fuel costs associated with a drop in crude oil prices. As for specific measures conducted to date, the Kuraray Group has established a supply system for growing demand by conducting capital investments, primarily in vinyl acetate-related business such as *EVAL* in Belgium and the United States, optical-use PVA film in Saijo and PVB film in South Korea. In addition, as part of its measures to strengthen core businesses, the Kuraray Group began consideration of commercialization in the isoprene business at a new plant in Thailand. It also promoted technological innovation in working to develop a new production process for *KURALON* and to improve productivity for *VECTRAN*.

On the other hand, there have been delays, such as the construction and startup of a new PVA resin plant in the United States. In addition, there were businesses that were slow to grow due to changes in the market environment and businesses that were forced to revise their strategies. Consequently, conditions are difficult for achieving net sales of ¥650.0 billion and operating income of ¥90.0 billion in fiscal 2017 as set forth in GS-STEP.

In fiscal 2017, the outlook for the global economy is increasingly unclear, with factors such as the policies of the new U.S. president, the issue of the United Kingdom's withdrawal from the European Union and national elections scheduled in major European countries, and it will be necessary to ascertain market trends and other changes more rapidly than before. In such an environment, the Kuraray Group aims to accelerate the generation of synergy with the businesses it has acquired and innovate its technologies and conduct development that meets customer needs. Moreover, in all its businesses, the Kuraray Group will raise quality and cost competitiveness while strengthening its operating base in ways including global utilization of IT and human resources. In addition, as part of its growth strategy for the future, as of January 1, 2017 the Company will merge by absorption its wholly owned subsidiary Kuraray Chemical Co., Ltd. to promote technological innovation generated by the combination of both companies' accumulated technologies and knowledge and fully leverage the Kuraray Group's overseas network and other management resources in order to accelerate the enhancement and expansion of its carbon materials business.

The Kuraray Group believes that implementing these measures without delay to increase profitability will lead to the realization of a high-profit specialty chemical company with a global presence, which it aims to become, as stated in its Long-Term Corporate Vision.

In March 2016, the Japan Fair Trade Commission began an investigation of the Company on suspicion of bid rigging in relation to certain textile products for the Ministry of Defense of Japan. Taking this fact very seriously, the Company will fully cooperate with such investigation. The Company will make continuous efforts to reinforce its compliance program by sending a message from the president to officers and employees on strict compliance with laws and regulations, implementation of training sessions for officers and employees on antitrust laws, and revision of its guidelines for compliance with the antitrust laws.

3. Basic Approach to Selection of Accounting Standards

The Kuraray Group applies Japanese generally accepted accounting principles ("GAAP"). The Kuraray Group is considering the adoption of International Financial Reporting Standards ("IFRS") and other matters while taking into account various circumstances in Japan and overseas.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	December 31, 2015	December 31, 2016
ASSETS		
Current assets:		
Cash and cash deposits	36,996	51,437
Notes and accounts receivable – trade	102,079	105,010
Short-term investment securities	18,805	39,064
Merchandise and finished goods	77,582	73,504
Work in process	11,293	12,260
Raw materials and supplies	23,310	25,504
Deferred tax assets	7,598	5,974
Other	19,430	12,669
Allowance for doubtful accounts	(611)	(451)
Total current assets	296,486	324,974
Noncurrent assets:		
Tangible fixed assets:		
Buildings and structures, net	53,959	54,343
Machinery, equipment and vehicles, net	127,962	162,963
Land	18,508	19,526
Construction in progress	56,609	29,904
Other (net)	4,978	5,090
Total tangible fixed assets	262,019	271,827
Intangible fixed assets:		
Goodwill	28,564	26,256
Customer-related assets	32,244	28,880
Other	23,167	24,401
Total intangible fixed assets	83,976	79,537
Investments and other assets:		
Investment securities	46,057	34,023
Long-term loans receivable	239	260
Net defined benefit assets	791	827
Deferred tax assets	6,361	7,097
Other	5,887	6,929
Allowance for doubtful accounts	(50)	(43)
Total investments and other assets	59,287	49,093
Total noncurrent assets	405,284	400,458
Total assets	701,770	725,433

(Millions of yen)

	December 31, 2015	December 31, 2016
LIABILITIES		
Current liabilities:		
Notes and accounts payable – trade	38,331	36,424
Short-term loans payable	7,187	7,626
Accrued expenses	10,468	10,719
Income taxes payable	14,692	7,635
Provision for bonuses	5,259	5,296
Other provision	31	4
Other	19,480	28,430
Total current liabilities	95,450	96,136
Noncurrent liabilities:		
Bonds payable	10,000	10,000
Long-term loans payable	42,257	42,172
Deferred tax liabilities	24,102	25,442
Provision for directors' retirement benefits	185	209
Provision for environmental measures	353	3,580
Net defined benefit liabilities	11,247	11,542
Asset retirement obligations	3,615	4,192
Other	10,966	11,178
Total noncurrent liabilities	102,729	108,318
Total liabilities	198,180	204,454
NET ASSETS		
Shareholders' equity:		
Capital stock	88,955	88,955
Capital surplus	87,147	87,178
Retained earnings	278,899	304,277
Treasury stock	(4,319)	(3,972)
Total shareholders' equity	450,682	476,439
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	10,808	10,913
Deferred gains or losses on hedges	(4)	(110)
Foreign currency translation adjustment	39,377	30,054
Remeasurements of defined benefit plans	(4,801)	(4,336)
Total accumulated other comprehensive income	45,380	36,520
Subscription rights to shares	831	719
Noncontrolling interests	6,695	7,300
Total net assets	503,589	520,978
Total liabilities and net assets	701,770	725,433

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	Fiscal 2015 (January 1, 2015 – December 31, 2015)	Fiscal 2016 (January 1, 2016 – December 31, 2016)
Net sales	521,721	485,192
Cost of sales	355,137	317,748
Gross profit	166,583	167,444
Selling, general and administrative expenses:		
Selling expenses	27,249	27,238
General and administrative expenses	73,257	72,378
Total selling, general and administrative expenses	100,506	99,616
Operating income	66,077	67,827
Non-operating income:		
Interest income	239	223
Dividends income	2,741	2,695
Equity in earnings of affiliates	0	1
Other	936	1,999
Total non-operating income	3,918	4,919
Non-operating expenses:		
Interest expenses	724	739
Foreign exchange loss	435	774
Personnel expenses for seconded employees	687	666
Other	3,612	4,384
Total non-operating expenses	5,459	6,565
Ordinary income	64,535	66,181
Extraordinary income:		
Gain on reversal of asset retirement obligations	461	—
Gain on reversal of provision for environmental measures	342	—
Gain on sales of tangible fixed assets	278	—
Total extraordinary income	1,082	—
Extraordinary loss:		
Loss on reserve of provision for environmental measures	—	3,293
Impairment loss	4,847	2,179
Loss on disposal of tangible fixed assets	425	196
Expenses for suspension of operation	964	—
Loss on valuation of investment securities	866	—
Total extraordinary loss	7,104	5,669
Income before income taxes and noncontrolling interests	58,514	60,512
Income taxes – current	18,297	17,469
Income taxes for prior periods	1,497	—
Income taxes – deferred	2,252	1,838
Total income taxes	22,046	19,308
Net income	36,467	41,204
Net income attributable to noncontrolling interests	718	804
Net income attributable to owners of the parent	35,749	40,400

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal 2015 (January 1, 2015 – December 31, 2015)	Fiscal 2016 (January 1, 2016 – December 31, 2016)
Net income	36,467	41,204
Other comprehensive income:		
Valuation difference on available-for-sale securities	1,531	105
Deferred gains or losses on hedges	(69)	(114)
Foreign currency translation adjustment	(7,521)	(9,221)
Remeasurements of defined benefit plans	267	464
Total other comprehensive income	(5,792)	(8,765)
Comprehensive income	30,675	32,438
Comprehensive income attributable to		
Owners of the parent	29,956	31,642
Noncontrolling interests	718	796

(3) Consolidated Statements of Changes in Net Assets

Fiscal 2015 (January 1, 2015 – December 31, 2015)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total share-holders' equity
Balance at January 1, 2015	88,955	87,181	285,561	(38,110)	423,588
Changes of items during the period					
Cash dividends			(9,474)		(9,474)
Net income attributable to owners of the parent			35,749		35,749
Purchase of treasury stock				(10)	(10)
Disposal of treasury stock		84		745	830
Retirement of treasury stock		(33,054)		33,054	–
Transfer to capital surplus from retained earnings		32,936	(32,936)		–
Net changes of items other than shareholders' equity					–
Total changes of items during the period	–	(33)	(6,662)	33,790	27,094
Balance at December 31, 2015	88,955	87,147	278,899	(4,319)	450,682

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasure-ment of defined benefit plans	Total accumulated other compre-hensive income			
Balance at January 1, 2015	9,276	65	46,899	(5,069)	51,172	977	6,087	481,826
Changes of items during the period								
Cash dividends					–			(9,474)
Net income attributable to owners of the parent					–			35,749
Purchase of treasury stock					–			(10)
Disposal of treasury stock					–			830
Retirement of treasury stock					–			–
Transfer to capital surplus from retained earnings					–			–
Net changes of items other than shareholders' equity	1,531	(69)	(7,521)	267	(5,792)	(145)	607	(5,331)
Total change of items during the period	1,531	(69)	(7,521)	267	(5,792)	(145)	607	21,763
Balance at December 31, 2015	10,808	(4)	39,377	(4,801)	45,380	831	6,695	503,589

Fiscal 2016 (January 1, 2016 – December 31, 2016)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total share-holders' equity
Balance at January 1, 2016	88,955	87,147	278,899	(4,319)	450,682
Changes of items during the period					
Cash dividends			(14,753)		(14,753)
Net income attributable to owners of the parent			40,400		40,400
Changes resulting from additions to consolidation			(267)		(267)
Purchase of treasury stock				(5)	(5)
Disposal of treasury stock		30		353	383
Net changes of items other than shareholders' equity					–
Total changes of items during the period	–	30	25,378	347	25,756
Balance at December 31, 2016	88,955	87,178	304,277	(3,972)	476,439

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasure-ment of defined benefit plans	Total accumulated other compre-hensive income			
Balance at January 1, 2016	10,808	(4)	39,377	(4,801)	45,380	831	6,695	503,589
Changes of items during the period								
Cash dividends					–			(14,753)
Net income attributable to owners of the parent					–			40,400
Changes resulting from additions to consolidation					–			(267)
Purchase of treasury stock					–			(5)
Disposal of treasury stock					–			383
Net changes of items other than shareholders' equity	104	(105)	(9,323)	464	(8,859)	(112)	604	(8,367)
Total change of items during the period	104	(105)	(9,323)	464	(8,859)	(112)	604	17,389
Balance at December 31, 2016	10,913	(110)	30,054	(4,336)	36,520	719	7,300	520,978

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal 2015 (January 1, 2015 – December 31, 2015)	Fiscal 2016 (January 1, 2016 – December 31, 2016)
Net cash provided by (used in) operating activities:		
Income before income taxes and minority interests	58,514	60,512
Depreciation and amortization	44,102	41,555
Increase (decrease) in allowance for doubtful accounts	46	(160)
Gain on reversal of asset retirement obligations	(461)	—
Gain on reversal of provision for environmental measures	(342)	—
Loss on disposal of tangible fixed assets	425	196
Impairment loss	4,847	2,179
Loss on reserve of provision for environmental measures	—	3,293
Foreign exchange losses (gains)	664	1,281
Interest and dividends income	(2,981)	(2,919)
Interest expenses	724	739
Decrease (increase) in notes and accounts receivable – trade	1,526	(4,386)
Decrease (increase) in inventories	(6,617)	(1,645)
Increase (decrease) in notes and accounts payable – trade	(4,241)	(1,435)
Loss (gain) on valuation of investment securities	866	—
Increase (decrease) in provision for bonuses	325	130
Increase (decrease) in net defined benefit liabilities	885	264
Decrease (increase) in net defined benefit assets	(325)	(297)
Other, net	320	16,854
Subtotal	98,001	116,162
Interest and dividends received	2,974	2,912
Interest expenses paid	(724)	(739)
Income taxes (paid) refund	(7,023)	(24,412)
Net cash provided by (used in) operating activities	93,228	93,923
Net cash provided by (used in) investment activities:		
Purchase of investment securities	(2,196)	(489)
Proceeds from sales and redemption of investment securities	4,385	3,551
Purchase of tangible fixed assets and intangible fixed assets	(43,099)	(49,992)
Payments for disposal of tangible fixed assets and intangible fixed assets	(971)	(516)
Proceeds from sales of tangible fixed assets and intangible fixed assets	558	52
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(5,564)	—
Proceeds from sale of business	1,259	—
Payments for acquisition of business	(120)	—
Other, net	(2,804)	(1,905)
Net cash provided by (used in) investment activities	(48,553)	(49,300)
Net cash provided by (used in) financing activities:		
Net increase (decrease) in short-term loans payable	(4,940)	495
Net increase (decrease) in commercial papers	(10,000)	—
Repayment of long-term loans payable	(144)	(142)
Purchase of treasury stock	(10)	(5)
Proceeds from sales of treasury stock	611	195
Cash dividends paid	(9,474)	(14,753)
Cash dividends paid to minority shareholders	(100)	(191)
Other, net	(294)	(299)
Net cash provided by (used in) financing activities	(24,353)	(14,701)
Effect of exchange rate changes on cash and cash equivalents	(958)	(1,514)
Net increase (decrease) in cash and cash equivalents	19,362	28,407
Cash and cash equivalents, beginning of year	35,388	54,750
Increase in cash and cash equivalents from newly consolidated subsidiary	—	231
Cash and cash equivalents, end of year	54,750	83,389

(5) Notes Regarding the Consolidated Financial Statements

Notes Regarding Going Concern Assumptions
None

Significant Matters That Form the Basis for Preparation of Consolidated Financial Statements
Except for "Changes in Accounting Policies" and "Changes in Accounting Estimates" below, there are no material differences from the most recent Securities Report (*Yuka Shoken Hokokusho)* filed on March 29, 2016, where details are available.

Changes in Accounting Policies
1. Adoption of Accounting Standard for Business Combinations
On September 13, 2013. the Accounting Standards Board of Japan (ASBJ) issued ASBJ Statement No. 21 "Revised Accounting Standard for Business Combinations," ASBJ Statement No. 22 "Revised Accounting Standard for Consolidated Financial Statements," and ASBJ Statement No. 7 "Revised Accounting Standard for Business Divestitures." These revised accounting standards are applied from the fiscal year ended December 31, 2016. Accordingly, differences resulting from changes in ownership interest in a subsidiary when control over the subsidiary is retained are recorded under capital surplus, and costs related to acquisition of increased ownership interest are recognized in the period in which they arise. Also, transitional accounting is applied to business combinations performed on or after the beginning of the fiscal year ended December 31, 2016, with revision of purchase price allocation applied to the consolidated financial statements during the fiscal year in which the date of the business combination occurs. The presentation method of net income was amended, and "minority interests" were changed to "noncontrolling interests." For comparison purposes, information for the fiscal year ended December 31, 2015 is shown in accordance with the new standards in the accompanying consolidated financial statements.

Transitional accounting in accordance with Article 58, Paragraph 2, Item 4, of ASBJ Statement No. 21, Article 44, Paragraph 5, Item 4, of ASBJ Statement No. 22, and Article 57, Paragraph 4, Item 4, of ASBJ Statement No. 7 is applied from the beginning of the fiscal year ended December 31, 2016.

The consolidated statements of cash flows for the fiscal year ended December 31, 2016 have been changed to a method in which cash flows related to the acquisition or sale of stock of subsidiaries not associated with a change in the scope of consolidation is presented under "Net cash provided by (used in) financing activities" and cash flows related to expenses for acquisition of stock of subsidiaries associated with a change in the scope of consolidation or expenses incurred in connection with the acquisition or sale of stock of subsidiaries not associated with a change in the scope of consolidation is presented under "Net cash provided by (used in) operating activities."

Transitional accounting in accordance with Article 58, Paragraph 2, Item 4, of ASBJ Statement No. 21, Article 44, Paragraph 5, Item 4, of ASBJ Statement No. 22, and Article 57, Paragraph 4, Item 4, of ASBJ Statement No. 7 is applied from the beginning of the fiscal year ending December 31, 2016.

These changes have no effect on the consolidated financial statements or per share information for the fiscal year ended December 31, 2016.

2. Change in Depreciation Method due to Tax Reforms
The ASBJ issued PITF No. 32 "Practical Solution on a change in depreciation method due to Tax Reform 2016" on June 17, 2016. This revised accounting standard is applied from the fiscal year ended December 31, 2016. The Company has switched the method of depreciation for buildings purchased on or after April 1, 2016, from the declining-balance method to the straight-line method.

This effect of this change on operating income, ordinary income and net income before taxes for the fiscal year ended December 31, 2016 is immaterial.

Changes in Accounting Estimates
Provision for environmental measures

In the fiscal year ended December 31, 2016, in addition to expenses for disposal of PCB wastes that were formerly recorded, it became possible to rationally estimate expenses for disposal of other PCB wastes, and such expenses are recorded under extraordinary loss as reversal of provision for environmental measures.

As a result of this change, net income before income taxes and noncontrolling interests decreased by ¥3,293 million in the fiscal year ended December 31, 2016.

Additional Information

Fiscal 2016 (January 1, 2016 – December 31, 2016)
Kuraray's Belgian subsidiary, which had received preferential taxation under the Belgian tax code in the previous fiscal year, was ordered by the Belgian government to pay taxes for the amount that had been previously exempted when, in January 2016, the European Commission determined that Belgium's tax system constituted illegal state aid. In response, the Belgian government has already filed a lawsuit to invalidate the European Commission's decision, and the Belgian subsidiary also filed a lawsuit to invalidate the decision in July 2016. In fiscal 2015, Kuraray's Belgian subsidiary estimated its taxes at ¥2,994 million and recorded this amount in its statements, taking into consideration its final tax burden risk rate, but changed this estimate in accordance with a decision by the Belgian government in December 2016 on an additional tax levy. The effect of this change in the fiscal year ended December 31, 2016 is immaterial.

Segment Information, etc.
(Segment Information)

1. Segment Overview

The business segments reported by Kuraray are the business units for which the Company is able to obtain respective financial information separately in order for the Board of Directors to conduct periodic investigations to determine distribution of management resources and evaluate their business results.

Kuraray adopts an in-house company system where each in-house company conducts business activities and establishes its own comprehensive strategy, both for Japan and for overseas markets, for the products it handles. In addition, among Kuraray subsidiaries, Kuraray Trading Co., Ltd. independently conducts propriety planning and sales activities, including the processing and sale of Kuraray Group products as well as other companies' products.

Consequently, Kuraray has created five business segments for reporting – "Vinyl Acetate," "Isoprene," "Functional Materials," "Fibers and Textiles" and "Trading" – categorized by product group based on the respective in-house companies and the Trading segment.

The Vinyl Acetate segment manufactures and markets functional resins and film, including PVA, PVB and *EVAL*. The Isoprene segment manufactures and markets *SEPTON* and *KURARITY* thermoplastic elastomers, isoprene-related products and *GENESTAR*. The Functional Materials segment manufactures and markets methacrylic resin, man-made leather and medical products. The Fibers and Textiles segment manufactures and sells synthetic fibers and textiles, non-woven fabrics and others. The Trading segment mainly processes and sells synthetic fibers and man-made leather, and conducts planning and marketing for other products produced by the Kuraray Group and other companies.

2. Methods for Calculating Reporting Segment Net Sales, Income and Loss, Assets and Other Items

The accounting method applied to reported business segments is the same as that stated in "Significant Matters That Form the Basis for Preparation of Consolidated Financial Statements." Profits from reported segments are operating income, and intersegment sales and transfers are based on the prevailing market prices.

3. Information Related to Net Sales, Income and Loss, Net Assets and Other Items by Reporting Segment
Fiscal 2015 (January 1, 2015 – December 31, 2015)

(Millions of yen)

	Reporting Segments						Other Business	Total	Adjustment	Consolidated Financial Statements
	Vinyl Acetate	Isoprene	Functional Materials	Fibers and Textiles	Trading	Total				
Net sales										
(1) Outside customers	243,154	31,447	38,923	35,398	117,384	466,309	55,412	521,721	—	521,721
(2) Inter-segment sales and transfers	31,591	23,537	17,955	10,945	2,255	86,286	14,189	100,475	(100,475)	—
Total	274,746	54,985	56,879	46,344	119,640	552,595	69,601	622,197	(100,475)	521,721
Segment income (loss)	55,740	6,922	5,564	4,108	3,882	76,219	2,773	78,993	(12,915)	66,077
Segment assets	398,050	54,076	44,210	46,542	39,470	582,350	53,965	636,316	65,454	701,770
Other items										
Depreciation and amortization (other than goodwill)	25,004	4,802	3,334	3,485	43	36,670	2,079	38,750	1,489	40,239
Impairment loss	544	—	—	—	—	544	4,302	4,847	—	4,847
Amortization of goodwill	3,761	—	98	—	—	3,859	2	3,862	—	3,862
Balance of goodwill at end of current period	27,543	—	1,014	—	—	28,557	7	28,564	—	28,564
Negative goodwill	—	—	—	—	—	—	2	2	—	2
Investments in equity method affiliates	—	—	—	108	—	108	—	108	—	108
Increase in tangible fixed assets and intangible fixed assets	30,221	2,398	3,239	4,073	27	39,960	2,083	42,044	2,969	45,014

Notes:

1. The "Other Business" category incorporates operations not included in business segment reporting, including the activated carbon business, aqua business and engineering business.
2. Adjustment is as follows: Included within segment loss of ¥12,915 million is the elimination of intersegment transactions of ¥1,712 million and corporate expenses of ¥14,628 million. Corporate expenses mainly comprise headquarters' general and administrative expenses and the submitting company's basic research expenses.
3. Segment income is adjusted with operating income under consolidated statements of income.
4. Adjustment is as follows: Included with segment assets of ¥65,454 million is the elimination of intersegment transactions of ¥32,178 million and unallocated corporate assets of ¥97,632 million. Corporate assets mainly comprise the submitting company's surplus funds, long-term investments and assets related to basic research and administrative divisions at headquarters.

Fiscal 2016 (January 1, 2016 – December 31, 2016)

(Millions of yen)

	Reporting Segments						Other Business	Total	Adjustment	Consolidated Financial Statements
	Vinyl Acetate	Isoprene	Functional Materials	Fibers and Textiles	Trading	Total				
Net sales										
(3) Outside customers	223,447	27,637	34,151	37,305	116,566	439,108	46,083	485,192	—	485,192
(4) Inter-segment sales and transfers	29,727	23,445	18,094	11,261	2,931	85,460	17,754	103,214	(103,214)	—
Total	253,175	51,083	52,246	48,566	119,498	524,568	63,838	588,407	(103,214)	485,192
Segment income (loss)	58,517	6,934	4,631	5,958	3,833	79,876	2,017	81,894	(14,067)	67,827
Segment assets	400,326	49,778	44,851	49,082	41,464	585,503	53,082	638,585	86,847	725,433
Other items										
Depreciation and amortization (other than goodwill)	22,815	4,333	3,352	3,446	45	33,993	2,114	36,107	1,767	37,874
Impairment loss	489	83	25	—	—	599	1,580	2,179	—	2,179
Amortization of goodwill	3,543	—	135	—	—	3,678	2	3,680	—	3,680
Balance of goodwill at end of current period	25,100	—	1,151	—	—	26,251	4	26,256	—	26,256
Investments in equity method affiliates	—	—	—	109	—	109	—	109	—	109
Increase in tangible fixed assets and intangible fixed assets	35,350	2,070	3,726	5,176	114	46,438	2,548	48,986	4,621	53,608

Notes:

1. The “Other Business” category incorporates operations not included in business segment reporting, including the activated carbon business, aqua business and engineering business.
2. Adjustment is as follows: Included within segment loss of ¥14,067 million is the elimination of intersegment transactions of ¥1,435 million and corporate expenses of ¥15,502 million. Corporate expenses mainly comprise headquarters’ general and administrative expenses and the submitting company’s basic research expenses.
3. Segment income is adjusted with operating income under consolidated statements of income.
4. Adjustment is as follows: Included with segment assets of ¥86,847 million is the elimination of intersegment transactions of ¥35,872 million and unallocated corporate assets of ¥122,720 million. Corporate assets mainly comprise the submitting company’s surplus funds, long-term investments and assets related to basic research and administrative divisions at headquarters.

Related Information

Fiscal 2015 (January 1, 2015 - December 31, 2015) Information of Each Product and Service

1. Information for Each Product and Service (Millions of yen)

	Vinyl Acetate	Isoprene	Functional Materials	Fibers and Textiles	Other Business	Total
Net sales to outside customers	274,164	51,544	60,313	69,908	65,791	521,721

Notes:
Principal products of each segment are as follows:
Vinyl Acetate: PVA resin and film, *EVAL* resin and others
Isoprene: *SEPTON* and *KURARITY* thermoplastic elastomers, isoprene chemicals, *GENESTAR* heat-resistant polyamide resin and others
Functional Materials: Methacrylic resin, *CLARINO* man-made leather, medical products and others
Fibers and Textiles: *KURALON*, *KURAFLEX* non-woven fabrics, *MAGIC TAPE* hook and loop fasteners, polyester and others
Other Business: Activated carbon, aqua business, engineering business and others

2. Information by Geographical Segment

(1) Net Sales (Millions of yen)

Japan	United States	China	Europe	Asia	Other Area	Total
184,324	82,266	49,409	103,030	78,833	23,856	521,721

Note: Net sales are classified by country or area based on customer location.

(2) Tangible Fixed Assets (Millions of yen)

Japan	United States	Germany	Other Overseas	Total
122,921	97,865	25,633	15,599	262,019

3. Major Customers

No information is available as there is no single outside customer accounting for 10% or more of the Company's total net sales.

Fiscal 2016 (January 1, 2016 - December 31, 2016) Information of Each Product and Service

1. Information for Each Product and Service (Millions of yen)

	Vinyl Acetate	Isoprene	Functional Materials	Fibers and Textiles	Other Business	Total
Net sales to outside customers	254,383	47,808	55,045	71,188	56,766	485,192

Notes:
Principal products of each segment are as follows:
Vinyl Acetate: PVA resin and film, *EVAL* resin and others
Isoprene: *SEPTON* and *KURARITY* thermoplastic elastomers, isoprene chemicals, *GENESTAR* heat-resistant polyamide resin and others
Functional Materials: Methacrylic resin, *CLARINO* man-made leather, medical products and others
Fibers and Textiles: *KURALON*, *KURAFLEX* non-woven fabrics, *MAGIC TAPE* hook and loop fasteners, polyester and others
Other Business: Activated carbon, aqua business, engineering business and others

2. Information by Geographical Segment

(1) Net Sales (Millions of yen)

Japan	United States	China	Europe	Asia	Other Area	Total
180,101	62,837	49,302	97,165	73,952	21,832	485,192

Note: Net sales are classified by country or area based on customer location.

(2) Tangible Fixed Assets (Millions of yen)

Japan	United States	Germany	Other Overseas	Total
126,819	94,340	24,989	25,678	271,827

3. Major Customers

No information is available as there is no single outside customer accounting for 10% or more of the Company's total net sales.

Per Share Information

	Fiscal 2015 (January 1, 2015 – December 31, 2015)	Fiscal 2016 (January 1, 2016 – December 31, 2016)
Net assets per share (yen)	1,412.46	1,459.34
Basic net income per share (yen)	101.84	114.98
Diluted net income per share (yen)	101.57	114.75

Note: The basis for computation of basic and diluted income per share is as follows:

	Fiscal 2015 (January 1, 2015 – December 31, 2015)	Fiscal 2016 (January 1, 2016 – December 31, 2016)
Basic net income per share		
Net income attributable to owners of the parent (millions of yen)	35,749	40,400
Amount unallocated to common stock (millions of yen)	—	—
Net income attributable to owners of the parent allocated to common stock (millions of yen)	35,749	40,400
Average number of common stock outstanding during the fiscal year (thousand shares)	351,015	351,351
Diluted net income per share		
Adjustment made on net income (millions of yen)	—	—
Increase of common stocks (thousand shares)	948	723
[Subscription rights to shares included in above]	[948]	[723]
Outline of the residual securities which were not included in the calculation of the diluted net income	—	

Significant Subsequent Information

None applicable

Omission of Disclosure

Disclosure of Unapplied Accounting Standard, Unconsolidated Financial Statements and the notes related to the following items are omitted, as they are considered unnecessary for disclosing such items for earnings report.

- Notes to consolidated balance sheets, consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in net assets, and consolidated statements of cash flows.
- Notes to lease transactions
- Notes to financial instruments
- Notes to investment securities
- Notes to derivatives transaction
- Notes to retirement benefits
- Notes to stock options
- Notes to tax effect accounting
- Notes to asset retirement obligation

5. Reference Information

Appendix for Geographical Segment Information

Fiscal 2016 (January 1, 2016 to December 31, 2016) (Millions of yen)

	Japan	North America	Europe	Asia	Total	Elimination & Corporate	Consolidated
Net sales							
Net sales to outside customers	255,235	87,552	86,602	55,801	485,192	—	485,192
Intersegment sales and transfers	54,727	34,377	9,208	5,956	104,270	(104,270)	—
Total	309,963	121,930	95,810	61,758	589,463	(104,270)	485,192
Segment income	64,675	10,517	7,299	623	83,116	(15,289)	67,827

Notes:

1. The segmentation of country or region is based on the geographical proximity.
2. Major countries and regions included in each category are as follows:

(1) North America…..United States
(2) Europe…………...Germany, Belgium
(3) Asia………………Singapore, Hong Kong and China