Business Results for the Fiscal Year Ended December 31, 2018 (Unaudited)

February 13, 2019

Kuraray Co., Ltd.

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Consolidated Earnings Report for the Fiscal Year Ended December 31, 2018

Name of listed company: Kuraray Co., Ltd.
Stock code: 3405
Stock exchange listing: Tokyo, first section
URL: https://www.kuraray.com/

Representative:
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Preparation of supplementary documentation for the quarterly earnings report: Yes
Holding of quarterly earnings results briefing: Yes (for securities analysts and institutional investors)

(Millions of yen rounded down unless otherwise stated)

1. Consolidated Financial Results for Fiscal 2018 (January 1, 2018 to December 31, 2018)

(1) Consolidated Operating Results

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

(Millions of yen)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of the Parent	
		(%)		(%)		(%)		(%)
Fiscal 2018	602,996	16.3	65,794	(13.8)	61,167	(17.6)	33,560	(38.4)
Fiscal 2017	518,442	—	76,351	—	74,235	—	54,459	—

Note: Comprehensive income: For fiscal 2018: ¥16,285 million (−73.2%)
For fiscal 2017: ¥60,822 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 2018	96.05	95.86	6.0	7.1	10.9
Fiscal 2017	154.85	154.44	10.2	9.9	14.7

[Reference] Equity in earnings of affiliate: For fiscal 2018: ¥333 million
For fiscal 2017: ¥4 million

Note: Percentage change in comparison with the previous fiscal year is not stated because changes to accounting principles were applied retroactively.

(2) Consolidated Financial Position

(Millions of yen)

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (Yen)
Fiscal 2018	947,116	567,033	58.6	1,592.96
Fiscal 2017	776,735	565,487	71.7	1,587.60

[Reference] Equity attributable to owners of the parent: For fiscal 2018: ¥555,438 million
For fiscal 2017: ¥556,966 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 2018	75,171	(186,982)	114,088	71,345
Fiscal 2017	84,606	(79,896)	(17,176)	70,234

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 2017	—	20.00	—	22.00	42.00	14,756	27.1	2.8
Fiscal 2018	—	20.00	—	22.00	42.00	14,644	43.7	2.6
Fiscal 2019 (Forecast)	—	20.00	—	22.00	42.00		31.2	

Note: Revisions to cash dividend forecast during this period: No

3. Forecasts of Consolidated Financial Results for Fiscal 2019 (January 1, 2019 to December 31, 2019)

(Percentage changes 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		Net Income per Share (Yen)
		(%)		(%)		(%)		(%)	
Interim Period	312,000	3.5	38,500	0.8	36,500	0.0	23,000	(3.5)	65.96
Full Fiscal Year	630,000	4.5	79,000	20.1	75,000	22.6	47,000	40.0	134.79

[Reference]

(1) Changes in Important Subsidiaries during the Period (Changes in Special Subsidiaries Involving Changes in the Scope of Consolidation)

Added: No companies　　Excluded: No companies

(2) Changes in Accounting Principles, Procedures and Presentation Methods in Connection with the Preparation of Quarterly Consolidated Financial Statements

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

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

1. Number of shares issued and outstanding (including treasury stock) as of the period-end:
   - As of December 31, 2018　354,863,603 shares
   - As of December 31, 2017　354,863,603 shares

2. Number of treasury stock as of the period-end:
   - As of December 31, 2018　6,179,578 shares
   - As of December 31, 2017　4,040,182 shares

3. Average number of shares for the period (cumulative):
   - As of December 31, 2018　349,424,058 shares
   - As of December 31, 2017　351,688,909 shares

[Reference]
Summary of Unconsolidated Results

1. Unconsolidated Results for Fiscal 2018 (January 1, 2018 – December 31, 2018)

(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 2018	248,149	2.3	41,861	(5.6)	43,606	(6.0)	20,931	(48.7)
Fiscal 2017	242,657	—	44,358	—	46,396	—	40,828	—

	Net Income per Share (Yen)	Fully Diluted Net Income per Share (Yen)
Fiscal 2018	59.90	59.79
Fiscal 2017	116.09	115.79

Note: Percentage change in comparison with the previous fiscal year is not stated because changes to accounting principles were applied retroactively.

(2) Unconsolidated Financial Position

(Millions of yen)

	Total Assets	Net Assets	Shareholders' Equity Ratio (%)	Net Assets per Share (Yen)
Fiscal 2018	722,242	384,667	53.2	1,101.51
Fiscal 2017	556,631	386,451	69.3	1,100.02

[Reference] Shareholders' equity: For fiscal 2018: ¥384,080 million For fiscal 2017: ¥385,911 million

Note: It is not required that this type of earnings report be audited.

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 "1. Overview of Consolidated Business Results (4) Outlook for Fiscal 2019" on page 6 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 13, 2019
Related documents and materials, including the video of the briefing, will be posted on the Company's website immediately after the briefing is closed.

Index of the Attachment

1. Qualitative Information regarding Business Results

(1) Overview of Consolidated Business Results

In the fiscal year ended December 31, 2018 ("fiscal 2018"), the world economy entered a downward trend. This was largely attributable to intensifying tensions due to U.S. trade policies and credit insecurity arising from the outflow of capital from emerging economies countering stable growth mainly centered in the United States and Europe. In the chemicals industry, corporate profits were held down, reflecting, in part, increases in raw material and fuel costs throughout the year. Amid this situation, although Kuraray's performance went according to plan in the cumulative consolidated third quarter, results ultimately ended up lower than the previous fiscal year by the fourth quarter.

The Kuraray Group launched the medium-term management plan "PROUD 2020" from fiscal 2018. It aims to achieve its long-term vision of becoming a "Specialty Chemical Company, growing sustainably by incorporating new foundational platforms into its own technologies." We will steadily take specific measures related to the key management strategies underlined in the plan. We launched efforts to establish a new business portfolio from a medium- to long-term perspective.

Consequently, cumulative consolidated operating results for fiscal 2018 are as follows: net sales rose ¥84,553 million, or 16.3%, compared with the previous fiscal year to ¥602,996 million; operating income declined ¥10,557 million, or 13.8%, to ¥65,794 million; ordinary income decreased ¥13,067 million, or 17.6%, to ¥61,167 million; and net income attributable to owners of the parent fell ¥20,898 million, or 38.4%, to ¥33,560 million.

Furthermore, from fiscal 2018, we unified our method of evaluating products, raw materials, and work in process accounted for under inventories to the first-in, first-out method. Retroactively applying the new method, we have recalculated the previous year's results to facilitate comparisons with the previous year's business performance. In addition, from fiscal 2018, we changed the depreciation method and estimated useful lives used for tangible fixed assets as well as the method of allocating corporate costs to each segment.

In the previous fiscal year, the Clarino business was included in the Functional Materials segment. However, due to the organizational reforms carried out on January 1, 2018, the Company decided to move this business to the Fibers and Textiles segment. Comparisons and analyses for the third quarter of fiscal 2018 are based on the segmentation following this change.

In addition, the acquisition of Calgon Carbon Corporation was completed on March 9, 2018, and said company has been included in the scope of consolidation from fiscal 2018.

Results by Business Segment

Vinyl Acetate

Sales in this segment increased 4.7% year on year to ¥279,379 million, and segment income fell 11.2% year on year to ¥54,739 million. In addition, the aforementioned changes to the depreciation method and estimated useful lives used for tangible fixed assets as well as the method for allocating corporate costs negatively impacted segment income.

(1) As for PVA resin, results remained firm due to an increase in high-value added products, despite a decrease in sales volume. At the same time, sales of optical-use poval film rose due to a favorable expansion in demand. In addition, to respond to the growing display market and needs for larger panels, in the consolidated first quarter we decided to invest in new facilities at the Kurashiki Plant with operations expected to begin at the end of 2019. The sales volume of water-soluble PVA film and PVB film expanded but were impacted by the higher raw material and fuel prices.

(2) Sales of *EVAL* ethylene vinyl alcohol copolymer (EVOH resin) were affected by shutdown maintenance and a fire in May 2018 at the U.S. plant.

Isoprene

Sales in this segment increased 1.5% year on year to ¥57,207 million, and segment income fell 19.3% year on year to ¥7,272 million. In addition, Kuraray made an investment decision in the fourth quarter to construct a plant to produce butadiene derivatives in Thailand.

(1) Regarding isoprene chemicals and *SEPTON* thermoplastic elastomer, sales were affected by higher raw material and fuel costs throughout the year. In addition, deliveries declined from the latter half of the year, resulting in sales roughly equal to the previous year.

(2) The sales volume of *GENESTAR* heat-resistant polyamide resin expanded, especially for automotive and connector applications, but was impacted by higher raw material and fuel prices.

Functional Materials

Sales in this segment jumped 138.3% year on year to ¥131,533 million, and segment income fell 34.0% year on year to ¥4,396 million. From fiscal 2018 forward, Calgon Carbon Corporation results are included in consolidation.

(1) In the methacrylic resin business, sales were favorable due to an expansion in sales of high-value added products in addition to continuing healthy market conditions.

(2) In the medical business, sales were favorable, especially for cosmetic and restorative dentistry products.

(3) The performance of the Calgon Carbon business was affected by goodwill and other depreciation expenses, which were finalized in the fourth quarter. In the Carbon Materials business, the sales volume of general purpose applications decreased.

Fibers and Textiles

Sales of *CLARINO* man-made leather for use in sports shoes declined. In consumer goods and materials, sales of high-value-added *KURAFLEX* products expanded. However, sales of *KURALON* were negatively affected by lower exports and higher raw material and fuel costs. As a result, sales in this segment fell 2.5% year on year to ¥64,716 million while segment income decreased 16.8% year on year to ¥6,279 million.

Trading

In fiber-related businesses, clothing sales remained firm for sportswear and uniforms and sales of overseas sewn products also expanded. In addition, sales of resins and chemicals, particularly exports, were favorable. As a result, segment sales increased 5.4% year on year to ¥138,848 million, and segment income climbed 7.4% to ¥4,215 million.

Others

In other businesses, segment sales grew 12.9% year on year to ¥58,025 million, and segment income fell 61.0% to ¥1,178 million due to increased R&D and other costs.

(2) Overview of Financial Position

Total assets increased ¥170,381 million from the end of the previous fiscal year to ¥947,116 million mainly because of an increase in goodwill and tangible fixed assets. Total liabilities increased ¥168,835 million to ¥380,083 million due to factors that included an increase in bonds payable and long-term loans payable. Net assets rose ¥1,545 million to ¥567,033 million. Equity attributable to owners of the parent amounted to ¥555,438 million, for an equity ratio of 58.6%.

(3) Overview of Cash Flows

Cash Flows from Operating Activities:

Net cash provided by operating activities totaled ¥75,171 million. Cash provided included ¥50,041 million from income before income taxes and noncontrolling interests and ¥56,698 million from depreciation and amortization. Cash used included ¥9,096 million due to an increase in inventories and ¥21,804 million in income taxes paid.

Cash Flows from Investing Activities:

Net cash used in investing activities totaled ¥186,982 million. Uses of cash included ¥65,957 million for the purchase of tangible fixed assets and intangible fixed assets and ¥119,814 million for the purchase of investments in subsidiaries resulting in change in scope of consolidation.

Cash Flows from Financing Activities:

Net cash provided by financing activities was ¥114,088 million. Cash provided included ¥26,715 million from a net increase in short-term loans payable, ¥90,000 million from proceeds from long-term loans payable, and ¥40,000 million from proceeds from issuance of bonds. Cash used included cash dividends paid totaling ¥14,691 million and ¥25,860 for the repayment of long-term loans payable.

The above factors along with the effect of exchange rate changes on cash and cash equivalents resulted in a net decrease in cash and cash equivalents, which, along with an increase in cash and cash equivalents from newly consolidated subsidiary, led to a ¥1,110 million increase in cash and cash equivalents at the end of the fiscal year to ¥71,345 million.

(Millions of yen)

	Fiscal Year Ended December 31, 2017	Fiscal Year .Ended December 31, 2018
Net cash provided by operating activities	84,606	75,171
Net cash used in investing activities	(79,896)	(186,982)
Net cash used in financing activities	(17,176)	114,088
Effect of exchange rate changes on cash and cash equivalents	(882)	(1,210)
Net increase in cash and cash equivalents	(13,349)	1,065
Cash and cash equivalents, beginning of the period	83,389	70,234
Increase in cash and cash equivalents from newly consolidated subsidiaries	193	45
Cash and cash equivalents, end of the period	70,234	71,345

[Reference] Cash Flow Indicators for the Kuraray Group

	Fiscal Year Ended March 31, 2014	Fiscal Year Ended December 31, 2014	Fiscal Year Ended December 31, 2015	Fiscal Year Ended December 31, 2016	Fiscal Year Ended December 31, 2017	Fiscal Year Ended December 31, 2018
Equity ratio (%)	70.3	68.7	70.7	70.7	71.7	58.6
Equity ratio (%; market basis)	65.2	69.8	73.7	85.1	96.0	57.1
Ratio of cash flow to interest-bearing liabilities (%)	1.1	1.8	0.6	0.6	0.7	2.9
Interest coverage ratio (times)	65.2	118.9	128.7	127.1	116.0	62.7

Notes:

Equity ratio: Total net assets excluding both subscription rights to shares and noncontrolling interests/total liabilities and net assets

Equity ratio (market basis): Total market value of shares issued and outstanding/total net 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 the payment of interest.
5. In the fiscal year ended December 31, 2018, the Company changed its inventory evaluation method. As the changes to the corresponding method have been applied retroactively, the figures for the fiscal year ended December 31, 2017 have been retroactively adjusted.

(4) Outlook for Fiscal 2019

In the next year, the outlook for the global economy is expected to grow significantly unclear, due mainly to the persistence of the trade war between the United States and China, political and economic upheaval in Europe arising mainly from BREXIT, and instability in crude oil prices caused by rising geopolitical risks in the Middle East. However, the global economy is expected to continue gradually expanding, driven by ongoing consumer-led economic growth in the United States, and healthy employment figures around the world.

Based on these circumstances, the forecast of operating results for fiscal 2019 is as shown below.

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

	Fiscal 2018	Forecast for Fiscal 2019	Change (Adjusted)
Net sales	603.0	630.0	+4.5%
Operating income	65.8	79.0	+20.1%
Ordinary income	61.2	75.0	+22.6%
Net income attributable to owners of the parent	33.6	47.0	+40.0%

For the forecast of operating results for fiscal 2019, we assume average exchange rates of ¥110 to the U.S. dollar and ¥130 to the euro, as well as a domestic naphtha price of ¥43,000 per kiloliter.

[Reference] Forecast of Results by Segment for Fiscal 2019

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

	Net Sales		Operating Income	
	Fiscal 2018	Forecast for Fiscal 2019	Fiscal 2018	Forecast for Fiscal 2019
Vinyl Acetate	279.4	295.0	54.7	64.0
Isoprene	57.2	60.0	7.3	8.5
Functional Materials	131.5	138.0	4.4	6.0
Fibers and Textiles	64.7	68.0	6.3	7.0
Trading	138.8	145.0	4.2	4.5
Other Business	58.0	58.0	1.2	1.5
Elimination & Corporate	(126.7)	(134.0)	(12.3)	(12.5)
Total	603.0	630.0	65.8	79.0

2. Management Policies

(1) Fundamental Management Policies

Kuraray's mission is: "For people and the planet—to achieve what no one else can." Based on this, the Company has established the Kuraray Vision 2026 long-term vision, which we aim to realize by 2026, the centennial of the Company's founding. The vision for Kuraray is of being a: "Specialty Chemical Company growing sustainably by incorporating new foundational platforms into its own technologies." Kuraray will remain a company that provides the world with unmatched specialty products and services while creating value with society.

(2) Management Indicator Targets, Medium- to Long-Term Strategies and Issues to Be Addressed

To realize Kuraray Vision 2026, the Group will promote the four key management strategies listed below that are outlined in the medium-term management plan "PROUD2020," which began from fiscal 2018.

1) Pursue competitive superiority
   Kuraray will continue to enhance its competitiveness by developing high-value-added products and applications based on customer needs, strategically reinforcing initiatives with the understanding that burgeoning emerging countries offer new opportunities, and achieving innovation and improvement of production and operational processes through the use of IoT.
2) Expand new business fields
   We will expand new business fields through the creation of new businesses by improving on Kuraray's own technologies and incorporating external ones, the capture of new business areas by M&A and alliance, and the establishment of a new business model bundling technology and services.
3) Enhance comprehensive strength of the Kuraray Group
   Kuraray will establish global business foundations in line with its expanding businesses, create a workplace in which employees find their jobs rewarding to attract high-quality, diverse talent from around the world, and cultivate a strong culture of unity within to the Kuraray Group while reinforcing measures to ensure thorough compliance.
4) Contribute to the environment
   In the implementation of the three management strategies listed above, the Company will help improve the natural environment and daily living environment by lowering the environmental footprint of its business activities and providing products and services that help solve environmental and social problems.

In fiscal 2019, the second year of the medium-term management plan "PROUD 2020," we will steadily implement specific measures created for the main management strategies outlined in the plan. We will also focus on achieving tangible results from the integration of the Calgon Carbon business, which was acquired in fiscal 2018, and on successfully launching a butadiene derivative business in Thailand, for which investment has been decided. In addition, amid rising uncertainty in the global economy and financial markets, we will maintain a financial position where we can respond to unpredictable economic volatility while also continuing to invest in growth businesses with the aim of building a forward-looking, stable business portfolio.

As Kuraray heads toward the 100th anniversary of its founding, the Group will continue to give its all going forward to achieve astounding results as a sustainably growing specialty chemical company.

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 and Notes
(1) Consolidated Balance Sheets

(Millions of yen)

	December 31, 2017	December 31, 2018
ASSETS		
Current Assets		
Cash and cash deposits	60,904	67,022
Notes and accounts receivable—trade	113,876	128,107
Short-term investment securities	38,296	32,921
Merchandise and finished goods	86,041	101,081
Work in process	14,699	15,221
Raw materials and supplies	28,235	36,667
Deferred tax assets	7,198	3,794
Other	11,652	14,315
Allowance for doubtful accounts	(436)	(426)
Total current assets	360,468	398,705
Noncurrent Assets		
Tangible fixed assets		
Buildings and structures, net	59,267	74,182
Machinery, equipment and vehicles, net	164,803	204,215
Land	19,671	22,707
Construction in progress	38,187	49,468
Other, net	5,266	6,837
Total tangible fixed assets	287,196	357,411
Intangible fixed assets		
Goodwill	24,567	66,485
Customer-related assets	26,070	36,263
Other	26,387	41,400
Total intangible fixed assets	77,024	144,150
Investments and other assets		
Investment securities	35,420	29,509
Long-term loans receivable	229	218
Net defined benefit assets	1,963	1,101
Deferred tax assets	6,739	9,220
Others	7,734	6,840
Allowance for doubtful accounts	(42)	(40)
Total investments and other assets	52,045	46,849
Total noncurrent assets	416,266	548,411
Total Assets	776,735	947,116

(Millions of yen)

	December 31, 2017	December 31, 2018
LIABILITIES		
Current Liabilities		
Notes and accounts payable—trade	39,864	45,408
Short-term loans payable	7,864	46,540
Accrued expenses	13,090	12,201
Income taxes payable	13,594	8,474
Provision for bonuses	6,000	6,681
Other provision	8	266
Other	27,631	25,212
Total current liabilities	108,053	144,785
Noncurrent Liabilities		
Bonds payable	10,000	50,000
Long-term loans payable	42,099	120,049
Deferred tax liabilities	15,251	24,972
Provision for directors' retirement benefits	224	237
Provision for environmental measures	6,184	5,716
Net defined benefit liabilities	14,597	18,065
Asset retirement obligations	4,469	5,070
Other	10,367	11,185
Total noncurrent liabilities	103,193	235,297
Total Liabilities	211,247	380,083
NET ASSETS		
Shareholders' Equity		
Capital stock	88,955	88,955
Capital surplus	87,219	87,207
Retained earnings	344,653	364,841
Treasury stock	(6,110)	(9,746)
Total shareholders' equity	514,718	531,257
Accumulated Other Comprehensive Income		
Valuation difference on available-for-sale securities	13,007	7,822
Deferred gain or losses on hedges	(603)	1
Foreign currency translation adjustments	33,681	20,382
Remeasurements of defined benefit plans	(3,836)	(4,025)
Total accumulated other comprehensive income	42,248	24,181
Subscription Rights to Shares	539	587
Noncontrolling Interests	7,980	11,007
Total Net Assets	565,487	567,033
Total Liabilities and Net Assets	776,735	947,116

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

Consolidated Statements of Income

(Millions of yen)

	Fiscal 2017 (January 1, 2017 – December 31, 2017)	Fiscal 2018 (January 1, 2018 – December 31, 2018)
Net sales	518,442	602,996
Cost of sales	338,601	410,453
Gross profit	179,840	192,542
Selling, general and administrative expenses		
Selling expenses	28,236	34,150
General and administrative expenses	75,251	92,598
Total selling, general and administrative expenses	103,488	126,748
Operating income	76,351	65,794
Non-operating income		
Interest income	266	388
Dividend income	1,541	1,382
Equity in earnings of affiliates	4	333
Other	1,409	1,678
Total non-operating income	3,221	3,783
Non-operating expenses		
Interest expenses	729	1,280
Foreign exchange loss	1,369	2,139
Loss on disposal of tangible fixed assets	558	1,038
Other	2,680	3,951
Total non-operating expenses	5,338	8,409
Ordinary income	74,235	61,167
Extraordinary income		
Compensation income	—	336
Gain on transfer of know-how	2,500	—
Gain on sale of investment securities	1,352	—
Total extraordinary income	3,852	336
Extraordinary loss		
Impairment loss	1,674	6,662
Disaster loss	523	1,877
Costs related to the suspension of operations	—	1,224
Acquisition expenses	1,465	1,039
Loss on disposal of tangible fixed assets	323	657
Loss on provision for environmental measures	3,146	—
Loss on anti-monopoly act	1,019	—
Loss on valuation of investment securities	556	—

(Millions of yen)

	Fiscal 2017 (January 1, 2017 – December 31, 2017)	Fiscal 2018 (January 1, 2018 – December 31, 2018)
Total extraordinary loss	8,709	11,461
Income before income taxes and noncontrolling interests	69,377	50,041
Income taxes—current	21,047	19,361
Income taxes—deferred	(7,006)	(3,919)
Total income taxes	14,040	15,441
Net income	55,336	34,599
Net income attributable to noncontrolling interests	876	1,038
Net income attributable to owners of the parent	54,459	33,560

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal 2017 (January 1, 2017 – December 31, 2017)	Fiscal 2018 (January 1, 2018 – December 31, 2018)
Net income	55,336	34,599
Other comprehensive income (loss)		
Valuation difference on available-for-sale securities	2,094	(5,186)
Deferred gains or losses on hedges	(484)	604
Foreign currency translation adjustment	3,375	(13,544)
Remeasurements of defined benefit plans	500	(188)
Total other comprehensive income (loss)	5,485	(18,314)
Comprehensive income	60,822	16,285
Comprehensive income attributable to:		
Owners of the parent	59,936	15,247
Noncontrolling interests	885	1,037

(3) Consolidated Statements of Changes in Net Assets

Fiscal 2017 (January 1, 2017 – December 31, 2017)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at January 1, 2017	88,955	87,178	304,277	(3,972)	476,439
Cumulative effect of changes in accounting policies			129		129
Restated balance	88,955	87,178	304,407	(3,972)	476,568
Changes of items during the period					
Cash dividends			(14,420)		(14,420)
Net income attributable to owners of the parent			54,459		54,459
Changes resulting from additions to consolidation			172		172
Purchase of treasury stock				(2,892)	(2,892)
Disposal of treasury stock		64		754	819
Changes in equity due to transactions with noncontrolling interests		0			0
Other		(23)	33		10
Net changes of items other than shareholders' equity					—
Total changes of items during the period	—	41	40,246	(2,137)	38,149
Balance at December 31, 2017	88,955	87,219	344,653	(6,110)	514,718

	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 comprehensive income			
Balance at January 1, 2017	10,913	(110)	30,054	(4,336)	36,520	719	7,300	520,978
Cumulative effect of changes in accounting policies					—		22	152
Restated balance	10,913	(110)	30,054	(4,336)	36,520	719	7,322	521,130
Changes of items during the period								
Cash dividends					—			(14,420)
Net income attributable to owners of the parent					—			54,459
Changes resulting from additions to consolidation					—			172
Purchase of treasury stock					—			(2,892)
Disposal of treasury stock					—			819
Changes in equity due to transactions with noncontrolling interests								0
Other								10
Net changes of items other than shareholders' equity	2,094	(492)	3,627	500	5,728	(179)	658	6,207
Total changes of items during the period	2,094	(492)	3,627	500	5,728	(179)	658	44,356
Balance at December 31, 2017	13,007	(603)	33,681	(3,836)	42,248	539	7,980	565,487

Fiscal 2018 (January 1, 2018 – December 31, 2018)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at January 1, 2018	88,955	87,219	344,653	(6,110)	514,718
Changes of items during the period					
Cash dividends			(14,691)		(14,691)
Net income attributable to owners of the parent			33,560		33,560
Changes resulting from additions to consolidation			14		14
Changes in application of the equity method			1,303		1,303
Purchase of treasury stock				(3,735)	(3,735)
Disposal of treasury stock		(12)		98	86
Other		(0)			(0)
Net changes of items other than shareholders' equity					—
Total changes of items during the period	—	(12)	20,187	(3,636)	16,539
Balance at December 31, 2018	88,955	87,207	364,841	(9,746)	531,257

	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 comprehensive income			
Balance at January 1, 2018	13,007	(603)	33,681	(3,836)	42,248	539	7,980	565,487
Changes of items during the period								
Cash dividends					—			(14,691)
Net income attributable to owners of the parent					—			33,560
Changes resulting from additions to consolidation					—			14
Changes in application of the equity method								1,303
Purchase of treasury stock					—			(3,735)
Disposal of treasury stock					—			86
Other					—			(0)
Net changes of items other than shareholders' equity	(5,184)	604	(13,299)	(188)	(18,067)	47	3,026	(14,993)
Total changes of items during the period	(5,184)	604	(13,299)	(188)	(18,067)	47	3,026	1,545
Balance at December 31, 2018	7,822	1	20,382	(4,025)	24,181	587	11,007	567,033

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal 2017 (January 1, 2017 – December 31, 2017)	Fiscal 2018 (January 1, 2018 – December 31, 2018)
Net cash provided by (used in) operating activities		
Income before income taxes and noncontrolling interests	69,377	50,041
Depreciation and amortization	42,965	56,698
Increase (decrease) in allowance for doubtful accounts	(17)	(207)
Loss on disposal of tangible fixed assets	323	657
Impairment loss	1,674	6,662
Loss on provision for environmental measures	3,146	—
Foreign exchange losses (gains)	1,145	704
Interest and dividend income	(1,807)	(1,771)
Interest expenses	729	1,280
Decrease (increase) in notes and accounts receivable – trade	(7,294)	(1,001)
Decrease (increase) in inventories	(14,835)	(9,096)
Increase (decrease) in notes and accounts payable – trade	3,031	(2,082)
Loss (gain) on valuation of investment securities	556	—
Loss (gain) on redemption of investment securities	(1,352)	—
Increase (decrease) in provision for bonuses	659	181
Increase (decrease) in net defined benefit liabilities	1,727	(737)
Decrease (increase) in net defined benefit assets	(285)	(259)
Other, net	1,473	(4,831)
Subtotal	101,217	96,238
Interest and dividends received	1,794	1,936
Interest expenses paid	(729)	(1,199)
Income taxes (paid) refund	(17,675)	(21,804)
Net cash provided by (used in) operating activities	84,606	75,171
Net cash provided by (used in) investing activities		
Net decrease (increase) in time deposits	(4,459)	1,709
Net decrease (increase) in short-term investment securities	(17,456)	(1,345)
Purchase of investment securities	(1,036)	(150)
Proceeds from sale and redemption of investment securities	1,561	625
Purchase of tangible fixed assets and intangible fixed assets	(55,419)	(65,957)
Payments for disposal of tangible fixed assets and intangible fixed assets	(1,047)	(1,525)
Proceeds from sales of tangible fixed assets and intangible fixed assets	59	99

(Millions of yen)

	Fiscal 2017 (January 1, 2017 – December 31, 2017)	Fiscal 2018 (January 1, 2018 – December 31, 2018)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	—	(119,814)
Other, net	(2,097)	(624)
Net cash provided by (used in) investing activities	(79,896)	(186,982)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	232	26,715
Proceeds from long-term loans payable	—	90,000
Repayment of long-term loans payable	(85)	(25,860)
Proceeds from issuance of bonds	—	40,000
Purchase of treasury stock	(2,892)	(3,735)
Proceeds from sale of treasury stock	529	59
Cash dividends paid	(14,420)	(14,691)
Proceeds from stock issuance to minority interests	—	2,254
Cash dividends paid to noncontrolling interests	(227)	(265)
Other, net	(312)	(388)
Net cash provided by (used in) financing activities	(17,176)	114,088
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(882)	(1,210)
Net Increase (Decrease) in Cash and Cash Equivalents	(13,349)	1,065
Cash and Cash Equivalents, Beginning of the Period	83,389	70,234
Increase in Cash and Cash Equivalents from Newly Consolidated Subsidiaries	193	45
Cash and Cash Equivalents, End of the Period	70,234	71,345

(5) Notes regarding Consolidated Financial Statements

Notes regarding Going Concern Assumptions
None

Changes in Accounting Principles, etc.
1. Changes in Accounting Principles
● Changes in the Inventory Evaluation Method
Previously, Kuraray and some consolidated subsidiaries generally applied the total average method to evaluate products, raw materials and work in process within inventories. However, from fiscal 2018, this method was replaced for the most part with the first-in, first-out method. The change in the relevant accounting principle has been retroactively applied and the consolidated financial statements for the previous fiscal year have been restated accordingly.

Due to accelerating global business expansion, over the last few years Kuraray's overseas inventory and net sales ratios have been growing. Prompted by this trend, we reconsidered our inventory evaluation method, taking into account the need to ensure both proper evaluation procedures and Group-wide unity regarding accounting principles and income calculations. To facilitate the evaluation of inventories and more accurately calculate income, Kuraray and some of its consolidated subsidiaries therefore adopted the first-in, first-out method to better track the movement of inventory. We also determined that this method would more accurately reflect the Group's operating situation.

Because of this change, in the previous fiscal year, operating income increased ¥1,234 million and ordinary income and net income before income taxes increased ¥1,236 million compared to previous results calculated by applying the new method retroactively. In addition, due to the cumulative effect of changes to accounting principles on the book value of net assets at the beginning of the previous fiscal year, the balance of retained earnings at the beginning of the previous fiscal year after the retroactive application of these changes increased ¥129 million.

In the Consolidated Statements of Cash Flows in the previous fiscal year, under net cash provided by (used in) operating activities, income before income taxes and noncontrolling interests increased ¥1,236 million, decrease (increase) in inventories decreased ¥1,234 million, and other decreased ¥1 million.

Reflecting the retroactive application of the cumulative impact on net assets at the beginning of the previous fiscal year, retained earnings at the beginning of that fiscal year in the Consolidated Statements of Changes in Net Assets increased ¥129 million and noncontrolling interests increased ¥22 million.

In addition, the impact on per share information is detailed in the corresponding section.

2. Changes in Accounting Estimates and Changes in Accounting Principles That Are Difficult to Differentiate from Changes in Accounting Estimates

● Changes in the Depreciation Method and the Estimated Useful Lives of Tangible Fixed Assets

In principle, Kuraray and its domestic consolidated subsidiaries originally used the declining-balance method to depreciate tangible fixed assets, except for buildings, structures acquired after April 1, 2016, and leased assets. From fiscal 2018, however, the straight-line method is applied.

As a result of the accelerating global business expansion over the last few years, the ratio of production accounted for by overseas facilities has been growing. Prompted by this trend, we reconsidered the depreciation method used for tangible fixed assets, taking into account the need to both properly calculate income and unify the Group's accounting principles. Kuraray and its domestic consolidated subsidiaries therefore adopted the straight-line method for the depreciation of tangible fixed assets because said tangible fixed assets are stable, making the rate of depreciation also stable. We also determined that this method would more accurately reflect the Group's operating situation.

In addition, the Group has long depreciated machinery and equipment on the basis of estimated useful lives of between 4 and 20 years. However, from fiscal 2018, the Group switched to generally using 10 years.

This switch was prompted by the aforementioned changes in the operating environment, leading us to reconsider the estimated useful life of machinery and equipment in order to more accurately calculate income as well as unify the Group's accounting practices. The new estimate assumes an economically viable period for machinery and equipment that reflects actual usage based on the global supply structure. On this basis, a 10-year useful life is a logical period for depreciation when calculating income. We also determined that the change would more accurately reflect the Group's operating situation.

Because of the abovementioned changes, in the third quarter of the previous fiscal year, operating income, ordinary income, and net income before income taxes each increased ¥2,215 million compared with amounts calculated under the previous method.

Business Combination through Acquisition

Kuraray and Calgon Carbon Corporation (Headquarters: Pennsylvania, USA) signed an agreement on September 21, 2017, whereby Kuraray will acquire all the shares of Calgon Carbon ("the Purchase"), making it a wholly owned subsidiary.

In line with the agreement, Kuraray acquired all the shares of Calgon Carbon Corporation on March 9, 2018.

1. Summary of the business combination
   (1) Company name and description of acquired business
   Company name: Calgon Carbon Corporation

Description of acquired business: Manufacture and sale of activated carbon and water processing equipment

(2) Main reason for the business combination

Kuraray is developing its activated carbon business, focusing on high-performance activated carbon for such applications as energy, water resources, and air purification.

Calgon Carbon Corporation is a global leader in activated carbon with production bases in seven countries worldwide and sales bases in 16 countries, providing cutting-edge solutions for a wide variety of applications and industries.

After the Purchase, Kuraray will position the activated carbon business as one of its future core businesses and steadily implement a raft of strategic measures, including further expanding its business by leveraging Calgon Carbon Corporation's solid worldwide business base, accelerating the technological revolution by bringing together both companies' technical and developmental capabilities, and paring down costs by optimizing production systems. Through its supply of high-performance activated carbon materials, Kuraray will continue to contribute to people's health and comfort as well as the sustainability of the planet's environment and resources.

(3) Closing date

January 1, 2018 (Recognized date)

(4) Legal form of business combination

Cash purchase of shares

(5) Name of acquired company after business combination

No change

(6) Percentage of voting rights acquired

100%

(7) Structure of acquisition

Acquire 100% of the voting rights through the acquisition of shares in exchange for cash payment

2. Period of the acquired business's results included in the consolidated financial statements

January 1, 2018 to December 31, 2018

3. Cost of acquisition for the acquired business and breakdown

Acquisition price	Cash	¥123,497 million	(US$1,093 million)
Cost of acquisition		¥123,497 million	(US$1,093 million)

4. Main costs associated with the acquisition

Advisory costs: ¥1,387 million

5. Amount of goodwill, reason for goodwill, depreciation method and period

(1) Amount of goodwill

¥50,511 million (US$447 million)

(2) Reason for goodwill

Expectation of high future earnings

(3) Amortization method and period

Amortized equally over 20 years

6. Assets and liabilities accepted on the day of the business combination

Current assets	¥39,420 million	(US$348 million)
Noncurrent assets	¥96,850 million	(US$857 million)
Total assets	¥136,271 million	(US$1,205 million)
Current liabilities	¥17,045 million	(US$150 million)
Noncurrent liabilities	¥46,240 million	(US$409 million)
Total liabilities	¥63,285 million	(US$560 million)

Segment and Other Information

(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, medical products and carbon materials. The Fibers and Textiles segment manufactures and sells synthetic fibers and textiles, *CLARINO* man-made leather, 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.

Matters related to changes in reporting segments

From the first quarter of fiscal 2018, the Clarino business was reclassified into the Fibers and Textiles segment from its original place in the Functional Materials segment following organizational revisions. The segment information for the third quarter of the previous fiscal year has been restated to reflect the change in classification.

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 used in creating the consolidated financial statements. Profits from reported segments are operating income, and intersegment sales and transfers are based on the prevailing market prices.

Changes in the inventory evaluation method

As mentioned above in the Changes in Accounting Principles section, Kuraray and some of its consolidated subsidiaries originally applied the total average method to evaluate products, raw materials and works in process under inventories. However, from fiscal 2018, the Group switched to using the first-in, first-out method. A comparison with the results of the previous fiscal year after the retroactive application of the new method shows that segment income for vinyl acetate increased ¥298 million, segment income for isoprene increased ¥660 million, segment income for functional materials increased ¥378 million, segment income for fibers and textiles increased ¥341 million, and segment income for other decreased ¥265 million.

Changes in the depreciation method of tangible fixed assets

In principle, the declining-balance depreciation method has been applied to tangible fixed assets, except for buildings, structures acquired after April 1, 2016, and leased assets. However, from fiscal 2018, the Group has switched to the straight-line method. In addition, the Group previously depreciated its machinery and equipment using estimated useful lives of between 4 and 20 years. However, from fiscal 2018, the Group has generally switched to using 10 years instead.

As a result, in fiscal 2018, segment income for vinyl acetate decreased ¥2,508 million, segment income for isoprene increased ¥607 million, segment income for functional materials increased ¥1,181 million, segment income for fibers and textiles increased ¥1,833 million, and segment income for other increased ¥145 million.

Changes in the method of allocating the headquarters' main general and administrative expenses to each business

Beginning in fiscal 2018, the headquarters' main general and administrative expenses, which were included in segment loss, are now allocated to each reporting segment to make it easier to compare the financial performance of different businesses.

As a result, in fiscal 2018, segment income for vinyl acetate decreased ¥2,210 million, segment income for isoprene decreased ¥339 million, segment income for functional materials decreased ¥1,448 million, segment income for fibers and textiles decreased ¥947 million, and segment income for other decreased ¥168 million.

Furthermore, following the aforementioned changes, segment loss increased ¥5,114 million, which is the same amount by which each segment's income declined.

3. Net sales, income and loss, net assets and other items by reporting segment
Fiscal 2017 (January 1, 2017 to December 31, 2017)

(Millions of yen)

	Reporting Segment						Other Business[1]	Total	Adjustment[2]	Consolidated Statements of Income[3]
	Vinyl Acetate	Isoprene	Functional Materials	Fibers and Textiles	Trading	Total				
Net sales										
Outside customers	234,711	30,037	39,774	49,458	127,446	481,427	37,015	518,442	—	518,442
Inter-segment sales and transfers	32,183	26,329	15,425	16,910	4,288	95,138	14,383	109,521	(109,521)	—
Total	266,894	56,366	55,199	66,369	131,734	576,565	51,399	627,964	(109,521)	518,442
Segment income (loss)	61,619	9,010	6,665	7,551	3,924	88,770	3,022	91,793	(15,441)	76,351
Segment assets	424,414	52,834	51,684	63,255	44,773	636,963	40,815	677,779	98,956	776,735
Other items										
Depreciation and amortization (other than goodwill)	25,981	3,651	3,980	4,330	78	38,023	1,124	39,148	1,879	41,027
Impairment loss	224	1,256	—	—	—	1,480	193	1,674	—	1,674
Amortization of goodwill	1,800	—	135	—	—	1,935	2	1,937	—	1,937
Balance of goodwill at end of current period	23,548	—	1,015	—	—	24,564	2	24,567	—	24,567
Investments in equity method affiliates	—	—	—	111	—	111	—	111	—	111
Increase in tangible fixed assets and intangible fixed assets	35,865	2,654	4,047	5,610	131	48,309	1,366	49,675	4,838	54,514

Notes:

1. The “Other Business” category incorporates operations not included in business segment reporting, including the environmental business and engineering business.
2. Adjustment is as follows: Included within segment loss of ¥15,441 million is the elimination of intersegment transactions of ¥1,188 million and corporate expenses of ¥16,630 million. Corporate expenses mainly comprise headquarters’ general and administrative expenses and the submitting company’s basic research expenses.
3. Segment income is adjusted to agree with operating income in the consolidated statements of income.
4. Adjustment is as follows: Included with segment assets of ¥98,956 million is the elimination of intersegment transactions of ¥38,914 million and unallocated corporate assets of ¥137,870 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 2018 (January 1, 2018 to December 31, 2018)

(Millions of yen)

	Reporting Segment						Other Business[1]	Total	Adjustment[2]	Consolidated Statements of Income[3]
	Vinyl Acetate	Isoprene	Functional Materials	Fibers and Textiles	Trading	Total				
Net sales										
Outside customers	233,214	30,144	111,969	47,287	136,109	558,726	44,269	602,996	—	602,996
Inter-segment sales and transfers	46,164	27,062	19,563	17,429	2,739	112,959	13,755	126,714	(126,714)	—
Total	279,379	57,207	131,533	64,716	138,848	671,685	58,025	729,710	(126,714)	602,996
Segment income (loss)	54,739	7,272	4,396	6,279	4,215	76,904	1,178	78,082	(12,288)	65,794
Segment assets	416,191	62,682	226,542	67,035	46,282	818,733	42,664	861,397	85,718	947,116
Other items										
Depreciation and amortization (other than goodwill)	31,477	2,506	12,563	2,584	58	49,190	892	50,082	2,204	52,287
Impairment loss	6,311	—	189	—	—	6,500	161	6,662	—	6,662
Amortization of goodwill	1,804	—	2,603	—	—	4,408	2	4,410	—	4,410
Balance of goodwill at end of current period	18,468	—	48,016	—	—	66,485	0	66,485	—	66,485
Investments in equity method affiliates	—	—	—	2,290	—	2,290	—	2,290	—	2,290
Increase in tangible fixed assets and intangible fixed assets	38,034	4,038	7,341	7,633	53	57,102	2,890	59,993	6,832	66,825

Notes:

1. The "Other Business" category incorporates operations not included in business segment reporting, including the environmental business and engineering business.
2. Adjustment is as follows: Included within segment loss of ¥12,288 million is the elimination of intersegment transactions of ¥1,622 million and corporate expenses of ¥13,910 million. Corporate expenses mainly comprise headquarters' general and administrative expenses and the submitting company's basic research expenses.
3. Segment income is adjusted to agree with operating income in the consolidated statements of income.
4. Adjustment is as follows: Included with segment assets of ¥85,718 million is the elimination of intersegment transactions of ¥39,349 million and unallocated corporate assets of ¥125,068 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 2017 (January 1, 2017 – December 31, 2017) Information by Each Product and Service

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

	Vinyl Acetate	Isoprene	Functional Materials	Fibers & Textiles	Other Business	Total
Net sales to outside customers	268,961	52,717	57,100	90,033	49,629	518,442

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, medical products, carbon materials and others

Fibers and Textiles: *KURALON*, *CLARINO* man-made leather, *KURAFLEX* non-woven fabrics, *MAGIC TAPE* hook and loop fasteners, polyester and others

Other Business: Aqua business, engineering business and others

As stated in Segment Information, 1. Segment Overview, in fiscal 2018 the Clarino business was reclassified into the Fibers and Textiles segment from the Functional Materials segment following organizational revisions. Figures for fiscal 2017 have been restated to reflect the segmentation following the revision.

2. Information by Geographical Segment

(1) Net Sales (Millions of yen)

Japan	United States	China	Europe	Asia	Other Area	Total
184,674	67,610	62,767	106,979	73,157	23,253	518,442

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

(2) Tangible Fixed Assets

Japan	United States	Other Overseas	Total
127,213	97,392	62,590	287,196

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 2018 (January 1, 2018 – December 31, 2018) Information by Each Product and Service

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

	Vinyl Acetate	Isoprene	Functional Materials	Fibers & Textiles	Other Business	Total
Net sales to outside customers	273,307	53,255	130,951	88,930	56,551	602,996

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, medical products, carbon materials and others
Fibers and Textiles: *KURALON*, *CLARINO* man-made leather, *KURAFLEX* non-woven fabrics, *MAGIC TAPE* hook and loop fasteners, polyester and others
Other Business: 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
192,940	100,736	70,528	136,122	75,144	27,524	602,996

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

(2) Tangible Fixed Assets (Millions of yen)

Japan	United States	Other Overseas	Total
146,011	133,303	78,096	357,411

Change in Display Method
In fiscal 2018, the importance of the German market has decreased, so its figures are now included in the Other Overseas category. To reflect this change in display method, we are adjusting the notes of the previous fiscal year. As a result, in the previous fiscal year, the ¥27,756 million shown under the Germany category is now included in the Other Overseas category.

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.

Noncurrent assets and impairment loss by reporting segment
Fiscal 2017 (January 1, 2017 – December 31, 2017)
Omitted because the same information is provided under segment information
Fiscal 2018 (January 1, 2018 – December 31, 2018)
Omitted because the same information is provided under segment information
Amortization of goodwill and unamortized balances by reporting segment
Fiscal 2017 (January 1, 2017 – December 31, 2017)
Omitted because the same information is provided under segment information
Fiscal 2018 (January 1, 2018 – December 31, 2018)
Omitted because the same information is provided under segment information
Negative goodwill by reporting segment
Fiscal 2017 (January 1, 2017 – December 31, 2017)
None
Fiscal 2018 (January 1, 2018 – December 31, 2018)
None

Per Share Information

	Fiscal 2017 (January 1, 2017 – December 31, 2017)	Fiscal 2018 (January 1, 2018 – December 31, 2018)
Net assets per share (yen)	1,587.60	1,592.96
Basic net income per share (yen)	154.85	96.05
Diluted net income per share (yen)	154.44	95.86

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

	Fiscal 2017 (January 1, 2017 – December 31, 2017)	Fiscal 2018 (January 1, 2018 – December 31, 2018)
Basic net income per share		
Net income attributable to owners of the parent (millions of yen)	54,459	33,560
Amount unallocated to common stock (millions of yen)	—	—
Net income attributable to owners of the parent allocated to common stock (millions of yen)	54,459	33,560
Average number of common stock outstanding during the fiscal year (thousand shares)	351,688	349,424
Diluted net income per share		
Adjustment made on net income (millions of yen)	—	—
Increase of common stocks (thousand shares)	934	677
[Subscription rights to shares included in above]	(934)	(677)
Outline of the residual securities not included in the calculation of the diluted net income	—	—

Note: As mentioned above in the Changes in Accounting Principles section, the changes made in accounting principles in fiscal 2018 have been retroactively applied to that year's consolidated financial statements. A comparison with the results of the previous fiscal year after the retroactive application of the new principles shows that net assets per share, basic net income per share, and diluted net income per share increased ¥2.82, ¥2.44, and ¥2.43, respectively.

Significant Subsequent Information

Purchase of Treasury Stock

On February 13, 2019, Kuraray's Board of Directors resolved to purchase treasury stock as detailed below, pursuant to the provisions in Article 156 of the Companies Act, as applied mutatis mutandis to the provisions of Article 165, paragraph 3 of the Companies Act.

1. Reasons for the Purchase

Kuraray will purchase treasury stock to enable flexible capital strategies in the future, enhance shareholder returns, and improve capital efficiency.

2. Details of the Purchase

(1) Type of shares:	Common stock
(2) Maximum number of shares:	Up to 5 million shares (maximum)
(3) Maximum value of shares:	¥10,000 million (maximum) (1.43% of total shares issued and outstanding, excluding treasury stock)
(4) Purchase method:	Market purchase based on a trade contract for acquiring treasury stock
(5) Purchase period:	February 14, 2019 to December 26, 2019