

**Business Results for the Fiscal Year Ended
December 31, 2017 (Unaudited)**

February 14, 2018

Kuraray Co., Ltd.

February 14, 2018
Kuraray Co., Ltd.

Consolidated Earnings Report for the Fiscal Year Ended December 31, 2017

Name of listed company: Kuraray Co., Ltd.
Stock code: 3405
Stock exchange listing: Tokyo, first section
URL: <http://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 2017 (January 1, 2017 to December 31, 2017)

(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 corresponding period of 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 2017 | 518,442 | 6.9 | 75,117 | 10.7 | 72,998 | 10.3 | 53,601 | 32.7 |
| Fiscal 2016 | 485,192 | (7.0) | 67,827 | 2.6 | 66,181 | 2.5 | 40,400 | 13.0 |

Note: Comprehensive income: For fiscal 2017: ¥59,974 million (84.9%)
For fiscal 2016: ¥32,438 million (5.7%)

| | Net Income per Share (Yen) | Fully Diluted Net Income per Share (Yen) | Return on Equity (%) | Return on Total Assets (%) | Operating Income/Net Sales (%) |
|-------------|----------------------------|--|----------------------|----------------------------|--------------------------------|
| Fiscal 2017 | 152.41 | 152.01 | 10.0 | 9.7 | 14.5 |
| Fiscal 2016 | 114.98 | 114.75 | 8.0 | 9.3 | 14.0 |

[Reference]: Equity in earnings of affiliate : For fiscal 2017: ¥2 million For fiscal 2016: ¥1 million

(2) Consolidated Financial Position

(Millions of yen)

| | Total Assets | Net Assets | Equity Ratio (%) | Net Assets per Share (Yen) |
|-------------|--------------|------------|------------------|----------------------------|
| Fiscal 2017 | 775,735 | 564,487 | 71.7 | 1,584.78 |
| Fiscal 2016 | 725,433 | 520,978 | 70.7 | 1,459.34 |

[Reference] Equity attributable to owners of the parent: For fiscal 2017: ¥555,979 million
For fiscal 2016: ¥512,959 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 2017 | 84,606 | (79,896) | (17,176) | 70,234 |
| Fiscal 2016 | 93,923 | (49,300) | (14,701) | 83,389 |

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 2016 | — | 20.00 | — | 21.00 | 41.00 | 14,408 | 35.7 | 2.9 |
| Fiscal 2017 | — | 20.00 | — | 22.00 | 42.00 | 14,756 | 27.6 | 2.8 |
| Fiscal 2018 (Forecast) | — | 20.00 | — | 22.00 | 42.00 | | 30.1 | |

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

3. Forecasts of Consolidated Financial Results for the Fiscal Year Ending December 31, 2018 (January 1, 2018 to 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)

(Millions of yen)

| | Net Sales | | Operating Income | | Ordinary Income | | Net Income Attributable to Owners of the Parent | | Net Income per Share (Yen) |
|------------------|-----------|-----|------------------|-------|-----------------|-------|---|-------|----------------------------|
| | | (%) | | (%) | | (%) | | (%) | |
| Interim Period | 267,000 | 6.2 | 36,000 | (4.0) | 35,000 | (3.5) | 23,000 | (4.1) | 65.56 |
| Full Fiscal Year | 540,000 | 4.2 | 77,000 | 2.5 | 75,000 | 2.7 | 49,000 | (8.6) | 139.67 |

[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

- Changes following revision of accounting standards: No
- Changes besides 1. above: No
- Changes in accounting estimates: No
- Restatement: No

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

- Number of shares issued and outstanding (including treasury stock) as of the period-end:

| | |
|-------------------------|--------------------|
| As of December 31, 2017 | 354,863,603 shares |
| As of December 31, 2016 | 354,863,603 shares |
- Number of treasury stock as of the period-end:

| | |
|-------------------------|------------------|
| As of December 31, 2017 | 4,040,182 shares |
| As of December 31, 2016 | 3,363,405 shares |
- Average number of shares for the period (cumulative):

| | |
|-------------------------|--------------------|
| As of December 31, 2017 | 351,688,909 shares |
| As of December 31, 2016 | 351,351,301 shares |

[Reference]

Summary of Unconsolidated Results

1. Unconsolidated Results for Fiscal 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 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 2017 | 242,657 | 11.4 | 43,176 | 10.6 | 45,214 | 8.4 | 40,009 | 51.0 |
| Fiscal 2016 | 217,730 | (2.2) | 39,046 | (7.2) | 41,719 | (4.5) | 26,503 | 3.7 |

| | Net Income per Share (Yen) | Fully Diluted Net Income per Share (Yen) |
|-------------|----------------------------|--|
| Fiscal 2017 | 113.76 | 113.46 |
| Fiscal 2016 | 75.43 | 75.28 |

(2) Unconsolidated Financial Position

(Millions of yen)

| | Total Assets | Net Assets | Shareholders' Equity Ratio (%) | Net Assets per Share (Yen) |
|-------------|--------------|------------|--------------------------------|----------------------------|
| Fiscal 2017 | 556,225 | 386,044 | 69.3 | 1,098.86 |
| Fiscal 2016 | 512,457 | 361,089 | 70.3 | 1,025.23 |

[Reference] Shareholders' equity: For fiscal 2017: ¥385,505 million For fiscal 2016: ¥360,369 million

Note: This earnings report is not subject to auditing.

*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 2018" on page 5 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 14, 2018
Related documents and materials, including the video of the briefing, will be posted on the Company's website immediately after the briefing is closed.

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1. Overview of Consolidated Business Results

(1) Overview of Consolidated Business Results

In the fiscal year ended December 31, 2017 (“fiscal 2017”), concerns about the economic impact of political instability remained in the world economy. Consumption and investment continued to expand, and the world economy remained favorable overall. The Japanese economy gradually improved due to higher corporate profits backed by favorable exports as employment conditions improved. The U.S. and European economies continued to expand, underpinned by healthy corporate profits, personal consumption and employment conditions. In China, the economy continued to grow on the back of steady personal consumption despite the economic impact of the government’s tightening of monetary policy. Economies in emerging countries continued to gradually recover.

Under these circumstances, the Kuraray Group has successively implemented the business strategies outlined in GS-STEP, its medium-term management plan that ended in fiscal 2017, to realize “a high-profit specialty chemical company with a global presence.”

Consequently, cumulative consolidated operating results for fiscal 2017 are as follows: net sales rose ¥33,250 million, or 6.9%, compared with the previous fiscal year to ¥518,442 million; operating income grew ¥7,290 million, or 10.7%, to ¥75,117 million; ordinary income increased ¥6,817 million, or 10.3%, to ¥72,998 million; and net income attributable to owners of the parent rose ¥13,201 million, or 32.7%, to ¥53,601 million.

In the previous fiscal year, the activated carbon business and energy materials business were included in the Other Business segment. However, due to the absorption-type merger of Kuraray Chemical Co., Ltd. on January 1, 2017, the Company decided to merge these businesses into the Carbon Materials Business and move said business to the Functional Materials segment in fiscal 2017. Comparisons and analyses for fiscal 2017 are based on the segmentation following this change.

Results by Business Segment

Vinyl Acetate

Sales in this segment increased 5.4% year on year to ¥266,894 million, and segment income grew 4.8% year on year to ¥61,320 million.

- (1) Sales of PVA resin were favorable, increasing mainly in the North American market following the start of regular operations at the new U.S. plant. Sales of optical-use poval film rose. In addition, newly installed equipment at the Saijo Plant commenced operations from the second quarter. Sales of water-soluble PVA film were healthy due mainly to increase in demand for unit dose detergent applications. In PVB film, sales of high added-value products expanded.
- (2) Sales of *EVVAL* ethylene vinyl alcohol copolymer (EVOH resin) were favorable, growing for both automotive gas tank and food packaging applications.

Isoprene

Sales in this segment increased 10.3% year on year to ¥56,366 million, and segment income rose 20.4% year on year to ¥8,350 million.

- (1) In isoprene chemicals, the sales volume of fine chemicals, *SEPTON* thermoplastic elastomer and liquid rubber expanded and was favorable.
- (2) The sales volume of *GENESTAR* heat-resistant polyamide resin for automotive, connector and LED reflector applications expanded.

Functional Materials

Sales in this segment climbed 2.8% year on year to ¥69,910 million, and segment income jumped 67.4% year on year to ¥7,485 million.

- (1) In the methacrylic resin business, in addition to market conditions being health year round, sales of high-value-added products increased.
- (2) In the medical business, sales of new zirconia-based dental materials expanded.
- (3) For *CLARINO* man-made leather, sales of products made with both the conventional and the new production process remained favorable.
- (4) In the Carbon Materials business, sales remained favorable as the sales volume of high-value-added products increased.

Fibers and Textiles

Although sales of *KURALON* expanded, higher raw material and fuel costs affected some products. Sales of consumer goods and materials were favorable as sales of the high value-added product *KURAFLEX* continued to rise. As a result, sales in this segment rose 6.4% year on year to ¥51,658 million while segment income grew 0.9% year on year to ¥6,011 million.

Trading

In fiber-related businesses, clothing sales were firm for sportswear and uniforms, but exports of yarn and textiles struggled. The overseas sewn products business expanded due to the effects of increased investment in Vietnam. In addition, sales of materials were steady overall, and sales of resins and chemicals were favorable, particularly for exports. As a result, segment sales increased 7.8% year on year to ¥128,834 million, and segment income climbed 2.0% to ¥3,911 million.

Others

In other businesses, overall performance remained healthy. As a result, segment sales grew 17.2% year on year to ¥54,233 million, and segment income jumped 134.7% to ¥3,300 million.

(2) Overview of Financial Position

Total assets increased ¥50,301 million from the end of the previous fiscal year to ¥775,735 million mainly because of an increase in inventories and tangible fixed assets. Total liabilities increased ¥6,792 million to ¥211,247 million due to factors that included an increase in income taxes payable. Net assets rose ¥43,508 million to ¥564,487 million. Equity attributable to owners of the parent amounted to ¥555,979 million, for an equity ratio of 71.7%.

(3) Overview of Cash Flows

Cash Flows from Operating Activities:

Net cash provided by operating activities totaled ¥84,606 million. Cash provided included ¥68,141 million from income before income taxes and noncontrolling interests and ¥42,965 million from depreciation and amortization. Cash used included ¥13,601 million due to an increase in inventories, ¥7,294 million due to an increase in notes and accounts receivable – trade, and ¥17,675 million in income taxes paid. Net cash provided by operating activities decreased ¥9,316 million compared with the previous fiscal year.

Cash Flows from Investing Activities:

Net cash used in investing activities totaled ¥79,896 million. Proceeds from sales and redemption of investment securities provided cash of ¥1,561 million, while uses of cash included ¥55,419 million for the purchase of tangible fixed assets and intangible fixed assets.

Cash Flows from Financing Activities:

Net cash used in financing activities was ¥17,176 million. Cash used included cash dividends paid totaling ¥14,420 million and ¥2,892 for the purchase of treasury stock.

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 ¥13,155 million decrease in cash and cash equivalents at the end of the fiscal year to ¥70,234 million.

| | (Millions of yen) | |
|--|--|---|
| | Fiscal Year Ended December 31, 2016 | Fiscal Year .Ended December 31, 2017 |
| Net cash provided by operating activities | 93,923 | 84,606 |
| Net cash used in investing activities | (49,300) | (79,896) |
| Net cash used in financing activities | (14,701) | (17,176) |
| Effect of exchange rate changes on cash and cash equivalents | (1,514) | (882) |
| Net increase(decrease) in cash and cash equivalents | 28,407 | (13,349) |
| Cash and cash equivalents, beginning of the period | 54,750 | 83,389 |
| Increase in cash and cash equivalents from newly consolidated subsidiaries | 231 | 193 |
| Cash and cash equivalents, end of the period | 83,389 | 70,234 |

[Reference] Cash Flow Indicators for the Kuraray Group

| | 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 | Fiscal Year Ended December 31, 2017 |
|--|--|--|--|--|--|--|
| Equity ratio (%) | 67.2 | 70.3 | 68.7 | 70.7 | 70.7 | 71.7 |
| Equity ratio (%; market basis) | 83.3 | 65.2 | 69.8 | 73.7 | 85.1 | 96.1 |
| Ratio of cash flow to interest-bearing liabilities(year) | 1.0 | 1.1 | 1.8 | 0.6 | 0.6 | 0.7 |
| Interest coverage ratio (times) | 67.7 | 65.2 | 118.9 | 128.7 | 127.1 | 116.0 |

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. 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.

(4) Outlook for Fiscal 2018

The Company expects geopolitical risks to persist in each region but the global economy to continue to expand and remain favorable overall. However, the Japanese economy is expected to stall with just very gradual growth due to sluggish personal consumption despite exports and investments continuing to expand against the backdrop of the favorable global economy. In addition, raw material and fuel prices that had been consistently low since fiscal 2015 began rising in 2017, leading to worries about higher production costs hurting earnings.

In its medium-term management plan “PROUD2020,” which began in 2018, the Group outlines four key management strategies: Pursue competitive superiority, Expand new business fields, Enhance comprehensive strength of the Kuraray Group, and Contribute to the environment. From 2018, the first year of the plan, the Group will reflect on the results of the previous medium-term management plan GS-STEP and work to resolve any remaining issues while steadily implementing specific measures under the key management strategies of “PROUD2020.”

Based on these circumstances, the forecast of operating results for fiscal 2018 is as shown below.

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

| | Fiscal 2017 | Forecast for Fiscal 2018 | Change (Adjusted) |
|---|-------------|--------------------------|-------------------|
| Net sales | 518.4 | 540.0 | +4.2% |
| Operating Income | 75.1 | 77.0 | +2.5% |
| Ordinary Income | 73.0 | 75.0 | +2.7% |
| Net Income Attributable to Owners of the Parent | 53.6 | 49.0 | (8.6%) |

For the forecast of operating results for fiscal 2018, 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 2018

In fiscal 2017, the “*CLARINO* business” was classified in the Functional Materials segment. The Company has decided to reclassify this business into the Fibers and Textiles segment in the ensuing fiscal year.

The following compares the forecast for fiscal 2018 and restated results for fiscal 2017 after the change in classification.

Forecast of Results for the Fiscal Year Ending December 31, 2018 (Breakdown by Segment)

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

| | Net Sales | | Operating Income | |
|-------------------------|-------------|--------------------------|------------------|--------------------------|
| | Fiscal 2017 | Forecast for Fiscal 2018 | Fiscal 2017 | Forecast for Fiscal 2018 |
| Vinyl Acetate | 266.9 | 282.0 | 61.3 | 58.5 |
| Isoprene | 56.4 | 59.0 | 8.4 | 9.0 |
| Functional Materials | 55.2 | 59.0 | 6.3 | 6.5 |
| Fibers and Textiles | 66.4 | 68.0 | 7.2 | 7.5 |
| Trading | 128.8 | 135.0 | 3.9 | 4.5 |
| Other Business | 54.2 | 51.0 | 3.3 | 3.5 |
| Elimination & Corporate | (109.5) | (114.0) | (15.3) | (12.5) |
| Total | 518.4 | 540.0 | 75.1 | 77.0 |

2. Management Policies

(1) Fundamental Management Policies

Kuraray's mission is: "For people and the plant—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 and regions 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, providing products and services that help solve environmental and social problems, and providing a number of safe and secure products and services.

The Group will steadily carry out measures based on the management strategies outlined in the medium-term management plan "PROUD2020," which launched along with fiscal 2018, with the aim of achieving the following targets by its last year, fiscal 2020: net sales of ¥650.0 billion, operating income of ¥90.0 billion, and an operating profit margin of 14%. As the period of "PROUD2020" covers the first three years of Kuraray Vision 2026, the Company also intends to further expand its Vinyl Acetate businesses; accelerate the

strengthening of the Isoprene and Carbon Material businesses, which will form the second and third pillars of its business; and establish a future-oriented business portfolio. As its approaches the centennial of its founding, the Kuraray Group will continue to take on new challenges to achieve further growth 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, 2016 | December 31, 2017 |
|--|-------------------|-------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash deposits | 51,437 | 60,904 |
| Notes and accounts receivable—trade | 105,010 | 113,876 |
| Short-term investment securities | 39,064 | 38,296 |
| Merchandise and finished goods | 73,504 | 84,572 |
| Work in process | 12,260 | 14,699 |
| Raw materials and supplies | 25,504 | 28,235 |
| Deferred tax assets | 5,974 | 7,670 |
| Other | 12,669 | 11,652 |
| Allowance for doubtful accounts | (451) | (436) |
| Total current assets | 324,974 | 359,471 |
| Noncurrent Assets | | |
| Tangible fixed assets | | |
| Buildings and structures, net | 54,343 | 59,267 |
| Machinery, equipment and vehicles, net | 162,963 | 164,803 |
| Land | 19,526 | 19,671 |
| Construction in progress | 29,904 | 38,187 |
| Other, net | 5,090 | 5,266 |
| Total tangible fixed assets | 271,827 | 287,196 |
| Intangible fixed assets | | |
| Goodwill | 26,256 | 24,567 |
| Customer-related assets | 28,880 | 26,070 |
| Other | 24,401 | 26,387 |
| Total intangible fixed assets | 79,537 | 77,024 |
| Investments and other assets | | |
| Investment securities | 34,023 | 35,417 |
| Long-term loans receivable | 260 | 229 |
| Net defined benefit assets | 827 | 1,963 |
| Deferred tax assets | 7,097 | 6,739 |
| Others | 6,929 | 7,734 |
| Allowance for doubtful accounts | (43) | (42) |
| Total investments and other assets | 49,093 | 52,042 |
| Total noncurrent assets | 400,458 | 416,263 |
| Total assets | 725,433 | 775,735 |

(Millions of yen)

| | December 31, 2016 | December 31, 2017 |
|---|-------------------|-------------------|
| LIABILITIES | | |
| Current Liabilities | | |
| Notes and accounts payable—trade | 36,424 | 39,864 |
| Short-term loans payable | 7,626 | 7,864 |
| Accrued expenses | 10,719 | 13,090 |
| Income taxes payable | 7,635 | 13,594 |
| Provision for bonuses | 5,296 | 6,000 |
| Other provision | 4 | 8 |
| Other | 28,430 | 27,631 |
| Total current liabilities | 96,136 | 108,053 |
| Noncurrent liabilities | | |
| Bonds payable | 10,000 | 10,000 |
| Long-term loans payable | 42,172 | 42,099 |
| Deferred tax liabilities | 25,442 | 15,251 |
| Provision for directors' retirement benefits | 209 | 224 |
| Provision for environmental measures | 3,580 | 6,184 |
| Net defined benefit liabilities | 11,542 | 14,597 |
| Asset retirement obligations | 4,192 | 4,469 |
| Other | 11,178 | 10,367 |
| Total noncurrent liabilities | 108,318 | 103,193 |
| Total liabilities | 204,454 | 211,247 |
| NET ASSETS | | |
| Shareholders' equity | | |
| Capital stock | 88,955 | 88,955 |
| Capital surplus | 87,178 | 87,219 |
| Retained earnings | 304,277 | 343,666 |
| Treasury stock | (3,972) | (6,110) |
| Total shareholders' equity | 476,439 | 513,730 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 10,913 | 13,007 |
| Deferred gain or losses on hedges | (110) | (603) |
| Foreign currency translation adjustments | 30,054 | 33,681 |
| Remeasurements of defined benefit plans | (4,336) | (3,836) |
| Total accumulated other comprehensive income | 36,520 | 42,248 |
| Subscription rights to shares | 719 | 539 |
| Noncontrolling interests | 7,300 | 7,968 |
| Total net assets | 520,978 | 564,487 |
| Total liabilities and net assets | 725,433 | 775,735 |

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

Consolidated Statements of Income

(Millions of yen)

| | Fiscal 2016 (January 1, 2016 – December 31, 2016) | Fiscal 2017 (January 1, 2017 – December 31, 2017) |
|--|---|---|
| Net sales | 485,192 | 518,442 |
| Cost of sales | 317,748 | 339,836 |
| Gross profit | 167,444 | 178,606 |
| Selling, general and administrative expenses | | |
| Selling expenses | 27,238 | 28,236 |
| General and administrative expenses | 72,378 | 75,251 |
| Total selling, general and administrative expenses | 99,616 | 103,488 |
| Operating income | 67,827 | 75,117 |
| Non-operating income | | |
| Interest income | 223 | 266 |
| Dividend income | 2,695 | 1,541 |
| Equity in earnings of affiliates | 1 | 2 |
| Other | 1,999 | 1,409 |
| Total non-operating income | 4,919 | 3,219 |
| Non-operating expenses | | |
| Interest expenses | 739 | 729 |
| Foreign exchange loss | 774 | 1,369 |
| Personnel expenses for seconded employees | 666 | 625 |
| Loss on disposal of tangible fixed assets | 474 | 558 |
| Other | 3,909 | 2,055 |
| Total non-operating expenses | 6,565 | 5,338 |
| Ordinary income | 66,181 | 72,998 |
| Extraordinary income | | |
| Gain on transfer of know-how | — | 2,500 |
| Gain on sale of investment securities | — | 1,352 |
| Total extraordinary income | — | 3,852 |
| Extraordinary loss | | |
| Loss on provision for environmental measures | 3,293 | 3,146 |
| Impairment loss | 2,179 | 1,674 |
| Acquisition expenses | — | 1,465 |
| Loss on anti-monopoly act | — | 1,019 |
| Loss on valuation of investment securities | — | 556 |

(Millions of yen)

| | Fiscal 2016 (January 1, 2016 – December 31, 2016) | Fiscal 2017 (January 1, 2017 – December 31, 2017) |
|---|---|---|
| Disaster loss | — | 523 |
| Loss on disposal of tangible fixed assets | 196 | 323 |
| Total extraordinary loss | 5,669 | 8,709 |
| Income before income taxes and noncontrolling interests | 60,512 | 68,141 |
| Income taxes—current | 17,469 | 21,047 |
| Income taxes—deferred | 1,838 | (7,395) |
| Total income taxes | 19,308 | 13,652 |
| Net income | 41,204 | 54,488 |
| Net income attributable to noncontrolling interests | 804 | 886 |
| Net income attributable to owners of the parent | 40,400 | 53,601 |

Consolidated Statements of Comprehensive Income

(Millions of yen)

| | Fiscal 2016 (January 1, 2016 – December 31, 2016) | Fiscal 2017 (January 1, 2017 – December 31, 2017) |
|---|---|---|
| Net income | 41,204 | 54,488 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 105 | 2,094 |
| Deferred gains or losses on hedges | (114) | (484) |
| Foreign currency translation adjustment | (9,221) | 3,375 |
| Remeasurements of defined benefit plans | 464 | 500 |
| Total other comprehensive income | (8,765) | 5,485 |
| Quarterly comprehensive income | 32,438 | 59,974 |
| Comprehensive income attributable to: | | |
| Owners of the parent | 31,642 | 59,078 |
| Noncontrolling interests | 796 | 895 |

(3) Consolidated Statements of Changes in Net Assets

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

(Millions of yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|----------------|----------------------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' 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 | Remeasurement of defined benefit plans | Total accumulated other comprehensive 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 changes 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 |

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 |
| Changes of items during the period | | | | | |
| Cash dividends | | | (14,420) | | (14,420) |
| Net income attributable to owners of the parent | | | 53,601 | | 53,601 |
| 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 | 39,388 | (2,137) | 37,291 |
| Balance at December 31, 2017 | 88,955 | 87,219 | 343,666 | (6,110) | 513,730 |

| | 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 | Remeasurement 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 |
| Changes of items during the period | | | | | | | | |
| Cash dividends | | | | | — | | | (14,420) |
| Net income attributable to owners of the parent | | | | | — | | | 53,601 |
| 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) | 668 | 6,217 |
| Total changes of items during the period | 2,094 | (492) | 3,627 | 500 | 5,728 | (179) | 668 | 43,508 |
| Balance at December 31, 2017 | 13,007 | (603) | 33,681 | (3,836) | 42,248 | 539 | 7,968 | 564,487 |

(4) Consolidated Statements of Cash Flows

(Millions of yen)

| | Fiscal 2016 (January 1, 2016 – December 31, 2016) | Fiscal 2017 (January 1, 2017 – December 31, 2017) |
|--|---|---|
| Net cash provided by (used in) operating activities: | | |
| Income before income taxes and minority interests | 60,512 | 68,141 |
| Depreciation and amortization | 41,555 | 42,965 |
| Increase (decrease) in allowance for doubtful accounts | (160) | (17) |
| Loss on disposal of tangible fixed assets | 196 | 323 |
| Impairment loss | 2,179 | 1,674 |
| Loss on reserve of provision for environmental measures | 3,293 | 3,146 |
| Foreign exchange losses (gains) | 1,281 | 1,145 |
| Interest and dividends income | (2,919) | (1,807) |
| Interest expenses | 739 | 729 |
| Decrease (increase) in notes and accounts receivable – trade | (4,386) | (7,294) |
| Decrease (increase) in inventories | (1,645) | (13,601) |
| Increase (decrease) in notes and accounts payable – trade | (1,435) | 3,031 |
| Loss (gain) on valuation of investment securities | — | 556 |
| Loss (gain) on sale of investment securities | — | (1,352) |
| Increase (decrease) in provision for bonuses | 130 | 659 |
| Increase (decrease) in net defined benefit liabilities | 264 | 1,727 |
| Decrease (increase) in net defined benefit assets | (297) | (285) |
| Other, net | 16,854 | 1,475 |
| Subtotal | 116,162 | 101,217 |
| Interest and dividends received | 2,912 | 1,794 |
| Interest expenses paid | (739) | (729) |
| Income taxes (paid) refund | (24,412) | (17,675) |
| Net cash provided by (used in) operating activities | 93,923 | 84,606 |
| Net cash provided by (used in) investment activities: | | |
| Net decrease (increase) in time deposits | — | (4,459) |
| Net decrease (increase) in short-term investment securities | — | (17,456) |
| Purchase of investment securities | (489) | (1,036) |
| Proceeds from sales and redemption of investment securities | 3,551 | 1,561 |
| Purchase of tangible fixed assets and intangible fixed assets | (49,992) | (55,419) |
| Payments for disposal of tangible fixed assets and intangible fixed assets | (516) | (1,047) |
| Proceeds from sales of tangible fixed assets and intangible fixed assets | 52 | 59 |
| Other, net | (1,905) | (2,097) |
| Net cash provided by (used in) investment activities | (49,300) | (79,896) |
| Net cash provided by (used in) financing activities: | | |
| Net increase (decrease) in short-term loans payable | 495 | 232 |
| Repayment of long-term loans payable | (142) | (85) |
| Purchase of treasury stock | (5) | (2,892) |
| Proceeds from sales of treasury stock | 195 | 529 |
| Cash dividends paid | (14,753) | (14,420) |
| Cash dividends paid to noncontrolling interests | (191) | (227) |
| Other, net | (299) | (312) |
| Net cash provided by (used in) financing activities | (14,701) | (17,176) |
| Effect of exchange rate changes on cash and cash equivalents | (1,514) | (882) |
| Net increase (decrease) in cash and cash equivalents | 28,407 | (13,349) |
| Cash and cash equivalents, beginning of year | 54,750 | 83,389 |
| Increase in cash and cash equivalents from newly consolidated subsidiary | 231 | 193 |
| Cash and cash equivalents, end of year | 83,389 | 70,234 |

(5) Notes regarding Consolidated Financial Statements

Notes regarding Going Concern Assumptions

None

Additional Information

Application of the Guidance on Recoverability of Deferred Tax Assets

The Accounting Standards Board of Japan (ASBJ) issued ASBJ Guidance No. 26 “Guidance on Recoverability of Deferred Tax Assets” on March 28, 2016. This guidance is applied from fiscal 2017.

Provision for Environmental Measures

From fiscal 2017, Kuraray records within the provision for environmental measures the estimated costs associated with soil protection measure-related construction and the disposal of PCBs and other waste.

Furthermore, in fiscal 2017 Kuraray recorded an estimated ¥3,146 million for relevant construction as a loss on provision for environmental measures within extraordinary loss.

Business Combination through Acquisition

Kuraray and Calgon Carbon Corporation (Headquarters: Pennsylvania, USA; listed on NYSE) 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.

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 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'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

To implement the Purchase, it is necessary to gain approval at Calgon Carbon's general meeting of shareholders as well as the approval of the regulatory authorities. The Purchase is expected to be completed by the first quarter of 2018.

(4) Legal form of business combination

Cash purchase of shares

(5) Name of acquired company after business combination

Undecided

(6) Percentage of voting rights acquired

100%

(7) Structure of acquisition

A Kuraray-established merger subsidiary will acquire 100% of the voting rights through the acquisition of shares in exchange for cash payment.

2. Cost of acquisition for the acquired business and breakdown

Acquisition price (estimate): US\$1,107 million (¥121,755 million)

Note: The yen figure was calculated at a rate of ¥110 per U.S. dollar.

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.

On January 1, 2017, Kuraray absorbed its consolidated subsidiary Kuraray Chemical Co., Ltd. Following this, the Company revised the organization of its business segments in fiscal 2017. The activated carbon business and energy materials business, which had been included in Other Business, were merged into the Carbon Materials Business. This business is now listed under Functional Materials.

Segment information for fiscal 2016 has been restated to reflect the segmentation following the revision.

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, medical products and carbon materials. 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. Net sales, income and loss, net assets and other items by reporting segment
Fiscal 2016 (January 1, 2016 – December 31, 2016)

(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 | | | | | | | | | | |
| (1) Outside customers | 223,447 | 27,637 | 48,851 | 37,305 | 116,566 | 453,808 | 31,383 | 485,192 | — | 485,192 |
| (2) Inter-segment sales and transfers | 29,727 | 23,445 | 19,130 | 11,261 | 2,931 | 86,496 | 14,908 | 101,404 | (101,404) | — |
| Total | 253,175 | 51,083 | 67,981 | 48,566 | 119,498 | 540,304 | 46,292 | 586,597 | (101,404) | 485,192 |
| Segment income (loss) | 58,517 | 6,934 | 4,471 | 5,958 | 3,833 | 79,716 | 1,406 | 81,122 | (13,295) | 67,827 |
| Segment assets | 400,326 | 49,778 | 59,400 | 49,082 | 41,464 | 600,052 | 38,533 | 638,585 | 86,847 | 725,433 |
| Other items | | | | | | | | | | |
| Depreciation and amortization (other than goodwill) | 22,815 | 4,333 | 4,298 | 3,446 | 45 | 34,938 | 1,169 | 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 | 4,288 | 5,176 | 114 | 47,001 | 1,985 | 48,986 | 4,621 | 53,608 |

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 ¥13,295 million is the elimination of intersegment transactions of ¥1,435 million and corporate expenses of ¥14,731 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 ¥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.

Fiscal 2017 (January 1, 2017 – 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 | | | | | | | | | | |
| (1) Outside customers | 234,711 | 30,037 | 49,706 | 39,526 | 125,180 | 479,161 | 39,281 | 518,442 | — | 518,442 |
| (2) Inter-segment sales and transfers | 32,183 | 26,329 | 20,204 | 12,132 | 3,653 | 94,503 | 14,952 | 109,455 | (109,455) | — |
| Total | 266,894 | 56,366 | 69,910 | 51,658 | 128,834 | 573,664 | 54,233 | 627,898 | (109,455) | 518,442 |
| Segment income (loss) | 61,320 | 8,350 | 7,485 | 6,011 | 3,911 | 87,080 | 3,300 | 90,380 | (15,263) | 75,117 |
| Segment assets | 423,415 | 52,819 | 62,285 | 52,009 | 43,713 | 634,243 | 41,813 | 676,057 | 99,677 | 775,735 |
| Other items | | | | | | | | | | |
| Depreciation and amortization (other than goodwill) | 25,981 | 3,651 | 4,518 | 3,792 | 57 | 38,001 | 1,146 | 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 | 4,880 | 4,777 | 59 | 48,237 | 1,438 | 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 ¥15,263 million is the elimination of intersegment transactions of ¥1,188 million and corporate expenses of ¥16,451 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 ¥99,677 million is the elimination of intersegment transactions of ¥38,914 million and unallocated corporate assets of ¥138,591 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 2016 (January 1, 2016 – December 31, 2016) 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 | 254,383 | 47,808 | 70,753 | 71,188 | 41,058 | 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, carbon materials and others

Fibers and Textiles: *KURALON*, *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 2017 the Company merged the activated carbon business and energy materials business into the Carbon Materials Business and moved said business from Other Business to Functional Materials. Figures for fiscal 2016 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 |
|---------|---------------|--------|--------|--------|------------|---------|
| 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

| 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.

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 | 73,721 | 73,411 | 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, *CLARINO* man-made leather, medical products, carbon materials and others

Fibers and Textiles: *KURALON*, *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 |
|---------|---------------|--------|---------|--------|------------|---------|
| 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

(Millions of yen)

| Japan | United States | Germany | Other Area | Total |
|---------|---------------|---------|------------|---------|
| 127,213 | 97,392 | 27,756 | 34,833 | 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.

Noncurrent assets and impairment loss by reporting segment

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

Omitted because the same information is provided under segment information

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

Omitted because the same information is provided under segment information

Amortization of goodwill and unamortized balances by reporting segment

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

Omitted because the same information is provided under segment information

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

Omitted because the same information is provided under segment information

Negative goodwill by reporting segment

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

None

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

None

Per Share Information

| | Fiscal 2016 (January 1, 2016 – December 31, 2016) | Fiscal 2017 (January 1, 2017 – December 31, 2017) |
|------------------------------------|---|---|
| Net assets per share (yen) | 1,459.34 | 1,584.78 |
| Basic net income per share (yen) | 114.98 | 152.41 |
| Diluted net income per share (yen) | 114.75 | 152.01 |

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

| | Fiscal 2016 (January 1, 2016 – December 31, 2016) | Fiscal 2017 (January 1, 2017 – December 31, 2017) |
|---|---|---|
| Basic net income per share | | |
| Net income attributable to owners of the parent (millions of yen) | 40,400 | 53,601 |
| Amount unallocated to common stock (millions of yen) | — | — |
| Net income attributable to owners of the parent allocated to common stock (millions of yen) | 40,400 | 53,601 |
| Average number of common stock outstanding during the fiscal year (thousand shares) | 351,351 | 351,688 |
| Diluted net income per share | | |
| Adjustment made on net income (millions of yen) | — | — |
| Increase of common stocks (thousand shares) | 723 | 934 |
| [Subscription rights to shares included in above] | (723) | (934) |
| Outline of the residual securities which were not included in the calculation of the diluted net income | | |

Significant Subsequent Information

None

5. Reference Information

Appendix for Geographical Segment Information

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

(Millions of yen)

| | Japan | North America | Europe | Asia | Total | Elimination & Corporate | Consolidated |
|----------------------------------|---------|---------------|---------|--------|---------|-------------------------|--------------|
| Net sales | | | | | | | |
| Net sales to outside customers | 265,356 | 96,353 | 95,692 | 61,040 | 518,442 | — | 518,442 |
| Intersegment sales and transfers | 62,049 | 35,279 | 11,875 | 4,713 | 113,917 | (113,917) | — |
| Total | 327,405 | 131,633 | 107,567 | 65,754 | 632,360 | (113,917) | 518,442 |
| Segment income | 70,745 | 11,175 | 8,470 | 760 | 91,151 | (16,033) | 75,117 |

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 and Belgium
 - (3) Asia Singapore, Hong Kong and China