

**Consolidated Quarterly Earnings Report
for the Second Quarter of the Fiscal Year
Ending December 31, 2015 (Unaudited)**

August 6, 2015

Kuraray Co., Ltd.

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**Consolidated Quarterly Earnings Report for the Second Quarter of the Fiscal Year Ending
December 31, 2015**

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

Representative:

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(Millions of yen rounded down unless otherwise stated)

Preparation of supplementary documentation for the quarterly earnings report: Yes

Holding of quarterly earnings results briefing: Yes(For securities analysts and institutional investors)

1. Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending December 31, 2015 (January 1, 2015 to June 30, 2015)

(1) Consolidated Operating Results

(Percentages displayed for net sales, operating income, ordinary income and net income are comparisons with the corresponding period of the previous fiscal year.)

(Millions of yen)

	Net Sales		Operating Income		Ordinary Income		Net Income	
		(Change)		(Change)		(Change)		(Change)
Fiscal 2015 2Q	262,877	—	31,605	—	32,160	—	20,931	—
Fiscal 2014 2Q	222,613	11.7%	26,945	9.3%	27,048	8.7%	17,035	8.1%

Note: Comprehensive income: For the fiscal 2015 second quarter: ¥23,402 million —
For the fiscal 2014 second quarter: ¥10,847 million (70.7%)

	Net Income per Share (Yen)	Fully Diluted Net Income per Share (Yen)
Fiscal 2015 2Q	59.65	59.48
Fiscal 2014 2Q	48.62	48.52

From fiscal 2014, the Company has changed its fiscal year-end from March 31 to December 31. Because of this change, the second quarter of fiscal 2015 (January 1, 2015 to June 30, 2015), differs from what was designated the cumulative second quarter of fiscal 2014 (April 1, 2014 to September 30, 2014) and year-on-year fiscal year-based comparisons are not presented herein. (The cumulative second quarter consolidated reporting period for fiscal 2014 for the Company and those subsidiaries that previously maintained a fiscal year-end of March 31 was the six-month period from April 1, 2014 to September 30, 2014 and for those subsidiaries that had already maintained a fiscal year-end of December 31, the six-month period from January 1, 2014 to June 30, 2014.)

[Reference]

The below percent figures (or adjusted changes) represent comparisons of results for the second quarter of fiscal 2015 (January 1, 2015 to June 30, 2015) and results from the corresponding period of the previous calendar year (January 1, 2014 to June 30, 2014).

(Millions of yen)

Net Sales		Operating Income		Ordinary Income		Net Income	
262,877	16.8%	31,605	13.6%	32,160	17.1%	20,931	33.1%

(2) Consolidated Financial Position

(Millions of yen)

	Total Assets	Net Assets	Shareholders' Equity Ratio (%)
As of June 30, 2015	687,656	502,523	72,0%
As of December 31, 2014	691,538	481,826	68.7%

(Reference)

Shareholders' equity:	As of June 30, 2015:	¥495,331 million
	As of December 31, 2014:	¥474,760 million

2. Dividends

(Yen)

Record Date	Cash Dividends per Share				
	Mar. 31	Jun. 30	Sep. 30	Dec. 31	Annual
Fiscal 2014	—	—	18.00	9.00	27.00
Fiscal 2015	—	18.00			
Fiscal 2015 (Forecast)			—	22.00	40.00

Note: Revisions to cash dividend forecast during this period: Yes

3. Forecasts of Consolidated Financial Results for the Fiscal Year Ending December 31, 2015 (January 1, 2015 to December 31, 2015)

(Percentages displayed for net sales, operating income, ordinary income and net income are comparisons with the corresponding period of the previous fiscal year)

(Millions of yen)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share
Full Fiscal Year	540,000	—	66,000	—	66,000	—	40,000	—	113.93

Note: Revisions to forecasts of consolidated financial results during this period: Yes

From fiscal 2014, the Company has changed its fiscal year-end from March 31 to December 31. Because the reporting period for fiscal 2015 is the twelve-month period from January 1, 2015 to December 31, 2015 and the reporting period for fiscal 2014 was the nine-month period from April 1, 2014 to December 31, 2014 for the Company and those subsidiaries that previously maintained a fiscal year-end of March 31, year-on-year comparisons are not presented herein.

[Reference]

The below percent figures (or adjusted changes) represent comparisons of forecast results for fiscal 2015 (January 1, 2015 to December 31, 2015) and results from the previous calendar year (January 1, 2014 to December 31, 2014).

(Millions of yen)

	Net Sales		Operating Income		Ordinary Income		Net Income	
Full Fiscal Year	540,000	11.3%	66,000	28.4%	66,000	29.5%	40,000	45.7%

4. Other

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

No

(2) Adoption of Special Accounting Practices in the Preparation of Quarterly Consolidated Financial Statements

No

(3) 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: No
3. Changes of accounting estimates: No
4. Restatement: No

(4) 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 June 30, 2015	354,863,603 shares
As of December 31, 2014	382,863,603 shares
2. Number of treasury stock as of the period-end:

As of June 30, 2015	3,771,988 shares
As of December 31, 2014	32,283,465 shares
3. Average number of shares for the period (cumulative):

As of June 30, 2015	350,883,360 shares
As of September 30, 2014	350,385,175 shares

On June 30, 2015, the Company retired of 28,000,000 shares of treasury stock (common stock).

Indication of quarterly review procedure implementation status

This quarterly earnings report is exempt from the quarterly review procedure based upon the Financial Instruments and Exchange Act. Nevertheless, this report was undergoing the review procedure process at the time of this release.

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 “Basis for the Revision in Forecasts, Including Consolidated Operating Results Forecasts” on page 4 of the Attachment for the assumptions used.

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1. Qualitative Information and Financial Statements

(1) Qualitative Information and Overview of Consolidated Business Results

In the second quarter of fiscal 2015 (January 1, 2015–June 30, 2015), the Japanese economy saw a continued gradual recovery amid such positive signs as an uptick in capital investments and consumer spending. Overseas, while employment and consumer spending were stable and healthy in the United States, recovery appeared weak in Europe due in part to the Greek debt crisis. The slowing pace of growth in China's economy became more pronounced, and conditions were patchy in other emerging economies. The price of crude oil has continued to decline since the end of fiscal 2014, which has lowered raw material and fuel costs. This has forced adjustments in some product prices and, in turn, positively impacted the Company's results.

Under these circumstances, the Kuraray Group has been steadily implementing the business strategies outlined in GS-STEP, the medium-term management plan launched in the current fiscal year, as it aims to become a high profit specialty chemical company with a global presence.

Consequently, consolidated operating results for the second quarter of fiscal 2015 are as follows: net sales rose ¥37,804 million, or 16.8%, compared with the corresponding period of the previous fiscal year to ¥262,877 million; operating income grew ¥3,795 million, or 13.6%, to ¥31,605 million; ordinary income increased ¥4,687 million, or 17.1%, to ¥32,160 million; and net income rose ¥5,208 million, or 33.1%, to ¥20,931 million.

In addition, comparisons with the second quarter of the previous fiscal year use figures that have been adjusted to the same period as the fiscal year ended December 31, 2015.

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

	Fiscal 2014 2Q (Adjusted)	Fiscal 2015 2Q	Change	
			Amount	Percent
Net Sales	225.1	262.9	37.8	16.8%
Operating Income	27.8	31.6	3.8	13.6%
Ordinary Income	27.5	32.2	4.7	17.1%
Net Income	15.7	20.9	5.2	33.1%

Note: Figures for Fiscal 2014 2Q (Adjusted) are unaudited.

Results by Business Segment

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

	Net Sales			Operating Income		
	Fiscal 2014 2Q (Adjusted)	Fiscal 2015 2Q	Change	Fiscal 2014 2Q (Adjusted)	Fiscal 2015 2Q	Change
Vinyl Acetate	102.5	138.4	35.9	24.9	26.5	1.6
Isoprene	27.7	28.5	0.8	3.2	3.4	0.2
Functional Materials	25.9	28.3	2.4	0.9	2.5	1.6
Fibers and Textiles	24.8	23.8	(1.0)	1.7	2.1	0.4
Trading	57.3	60.2	2.9	1.8	2.0	0.2
Other Business	33.9	33.6	(0.3)	1.3	1.3	(0.0)
Elimination & Corporate	(47.0)	(49.9)	(2.9)	(6.0)	(6.2)	(0.2)
Total	225.1	262.9	37.8	27.8	31.6	3.8

Note: Figures for Fiscal 2014 2Q (Adjusted) are unaudited.

Results by Business Segment

Vinyl Acetate

Sales in this segment grew 35.0% year on year to ¥138,408 million, and segment income grew 6.5% year on year to ¥26,535 million.

- (1) The sales volume of optical-use poval film has increased due to growth in the number of LCD panels sold and the trend toward larger panels. Although sales of PVA resin were firm overall, market cultivation in the United States did not go as expected due in part to delays in new plant construction there. Sales of PVB film were also firm thanks to an increase in exports to regions outside Europe. Sales of water soluble PVA film were healthy on the back of brisk demand.
- (2) Sales of *EVVAL* ethylene vinyl alcohol copolymer (EVOH resin) were firm, despite the impact on productivity of shut down maintenance at the plant in the United States. In April 2015, with the aim of expanding further as a leading producer of barrier materials, the Company acquired Australia-based Plantic Technologies Limited, which operates a biomass-derived barrier film business.
- (3) The GLS business was unprofitable during the period under review due to goodwill and other amortization expenses. With the aim of quickly unlocking and maximizing synergies with the existing Vinyl Acetate Business, we have been steadily pursuing business integration, and on July 1, 2015 we were able to eliminate the GLS Division. The VAM and Poval-related businesses within the GLS Division were transferred to the Poval Resin Division and the PVB-related business was transferred to the PVB Division.

Isoprene

Sales in this segment grew 2.8% year on year to ¥28,472 million, and segment income rose 6.8% year on year to ¥3,375 million.

- (1) In isoprene chemicals, sales of fine chemicals, *SEPTON* thermoplastic elastomer and liquid rubber remained firm.
- (2) Sales of *GENESTAR* heat-resistant polyamide resin remained favorable due mainly to an increase in sales volume for automotive applications.

Functional Materials

Sales in this segment grew 9.3% year on year to ¥28,339 million, and segment income increased 199.3% year on year to ¥2,547 million.

- (1) Revenue from methacrylic resin operations expanded thanks to an increase in sales of resins.
- (2) In the medical business, sales of dental materials were brisk.
- (3) *CLARINO* man-made leather increased in profitability due to the continued expansion in sales of products made using new processes and the effect of the Company's initiatives aimed at achieving structural improvements, such as the transfer of the conventional production process to China.

Fibers and Textiles

Performance in this segment was favorable due to a shift toward high value-added products. As a result, sales in this segment declined 4.2% year on year to ¥23,751 million while segment income grew 21.4% year on year to ¥2,121 million.

Trading

Sales were favorable in both the fiber-related business and chemical-related businesses. As a result, segment sales increased 5.1% year on year to ¥60,207 million, and segment income rose 9.0% to ¥1,987 million.

Others

In other businesses, due in part to a year-on-year fall in the number of projects in the engineering business, segment sales declined 0.8% year on year to ¥33,573 million, and segment income declined 2.6% to ¥1,279 million.

(2)Basis for the Revision in Forecasts, Including Consolidated Operating Results Forecasts

Kuraray has revised its full-year consolidated operating results forecast and full-year cash dividend forecast for the fiscal year ending December 31, 2015 as shown below in the table to reflect overall favorable trends in the second quarter of fiscal 2015, including lower costs resulting from the drop in raw material and fuel prices.

The revised cumulative consolidated operating results forecast for the full fiscal year ending December 31, 2015 (January 1, 2015 to December 31, 2015) is as follows.

(Millions of yen)

	Net Sales	Operating Income	Ordinary Income	Net Income	Net Income Per Share
Previous Forecast (A) (Announced May 13, 2015)	540,000	64,000	64,500	38,000	¥108.30
Revised Forecast (B)	540,000	66,000	66,000	40,000	113.93
Amount Adjusted (B - A)	—	2,000	1,500	2,000	
Percent Adjusted	—	3.1	2.3	5.3	

For the third quarter of fiscal 2015 onward, we assume average exchange rates of ¥120 to the U.S. dollar and ¥130 to the euro, as well as a domestic naphtha price of ¥55,000 per kiloliter.

The revised cash dividend forecast for the full fiscal year ending December 31, 2015 (January 1, 2015 to December 31, 2015) is as follows.

(Yen)

Record Date	Cash Dividends per Share		
	2Q	Year End	Annual
Previous Fiscal 2015 Forecast (Announced May 13, 2015)	18.00	20.00	38.00
Revised Fiscal 2015 Forecast		22.00	40.00
Fiscal 2015 2Q Results	18.00		
Fiscal 2014 Results*	18.00	9.00	27.00

* From fiscal 2014, the Company has changed its fiscal year-end from March 31 to December 31.

Accordingly, the second quarter reporting period for fiscal 2014 was the six-month period from April 1, 2014 to September 30, 2014, and the full-year reporting period was the nine-month period from April 1, 2014 to December 31, 2014.

[Reference] Forecast Results by Segment for the Fiscal Year Ending December 31, 2015

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

	Net Sales		Operating Income	
	Fiscal 2015 2Q Results	Fiscal 2015	Fiscal 2015 2Q Results	Fiscal 2015
Vinyl Acetate	138.4	286.0	26.5	55.0
Isoprene	28.5	60.0	3.4	8.5
Functional Materials	28.3	58.0	2.5	5.0
Fibers and Textiles	23.8	48.0	2.1	4.0
Trading	60.2	120.0	2.0	4.0
Other Business	33.6	71.0	1.3	3.0
Elimination & Corporate	(49.9)	(103.0)	(6.2)	(13.5)
Total	262.9	540.0	31.6	66.0

Note: The above forecasts are based on the best information currently available. The actual operating results may vary significantly due to various factors.

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	December 31, 2014	June 30, 2015
ASSETS		
Current Assets		
Cash and cash deposits	33,939	26,749
Notes and accounts receivable—trade	104,988	105,551
Short-term investment securities	2,504	12,905
Merchandise and finished goods	74,201	73,442
Work in process	13,788	12,649
Raw materials and supplies	19,107	21,426
Deferred tax assets	4,694	5,547
Other	16,546	12,752
Allowance for doubtful accounts	(571)	(624)
Total current assets	269,200	270,401
Noncurrent Assets		
Tangible fixed assets		
Buildings and structures, net	52,729	52,922
Machinery, equipment and vehicles, net	120,298	124,259
Land	21,999	22,180
Construction in progress	62,590	59,948
Other, net	4,770	4,988
Total tangible fixed assets	262,388	264,298
Intangible fixed assets		
Goodwill	31,217	32,059
Customer relation assets	34,745	33,966
Other	22,877	23,457
Total intangible fixed assets	88,840	89,483
Investments and other assets		
Investment securities	54,342	49,520
Long-term loans receivable	302	302
Net defined benefit assets	816	979
Deferred tax assets	8,701	6,350
Others	6,993	6,370
Allowance for doubtful accounts	(48)	(48)
Total investments and other assets	71,108	63,473
Total noncurrent assets	422,338	417,255
Total assets	691,538	687,656

(Millions of yen)

	December 31, 2014	June 30, 2015
LIABILITIES		
Current Liabilities		
Notes and accounts payable–trade	43,027	34,715
Short-term loans payable	12,087	7,176
Commercial papers	10,000	—
Accrued expenses	7,957	10,230
Income taxes payable	2,575	10,871
Provision for bonuses	4,957	4,445
Other provision	19	10
Other	29,311	18,968
Total current liabilities	109,936	86,418
Long-term liabilities		
bonds payable	10,000	10,000
Long-term loans payable	42,326	42,341
Deferred tax liabilities	20,526	20,353
Provision for directors' retirement benefits	175	176
Provision for environmental measures	852	850
Net defined benefit liabilities	10,053	10,089
Asset retirement obligations	3,500	3,527
Other	12,341	11,376
Total noncurrent liabilities	99,775	98,714
Total liabilities	209,712	185,133
NET ASSETS		
Shareholders' equity		
Capital stock	88,955	88,955
Capital surplus	87,181	87,147
Retained earnings	285,561	270,384
Treasury stock	(38,110)	(4,452)
Total shareholders' equity	423,588	442,034
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,276	12,742
Deferred gain or losses on hedges	65	7
Foreign currency translation adjustments	46,899	45,449
Remeasurements of defined benefit plans	(5,069)	(4,903)
Total accumulated other comprehensive income	51,172	53,297
Subscription rights to shares	977	863
Minority interests	6,087	6,327
Total net assets	481,826	502,523
Total liabilities and net assets	691,538	687,656

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

(Millions of yen)

	Fiscal 2014 2Q (April 1, 2014 – September 30, 2014)	Fiscal 2015 2Q (January 1, 2015 – June 30, 2015)
Net sales	222,613	262,877
Cost of sales	153,246	181,544
Gross profit	69,366	81,333
Selling, general and administrative expenses		
Selling expenses	10,878	13,491
General and administrative expenses	31,543	36,237
Total selling, general and administrative expenses	42,421	49,728
Operating income	26,945	31,605
Non-operating income		
Interest income	142	129
Dividends income	1,371	2,347
Equity in earnings of affiliates	1	—
Other, net	573	560
Total non-operating income	2,089	3,037
Non-operating expenses		
Interest expenses	257	357
Equity in losses of affiliates	—	0
Other expenses	1,728	2,124
Total non-operating expenses	1,985	2,482
Ordinary income	27,048	32,160
Extraordinary income		
Gain on sales of tangible fixed assets	—	278
Total extraordinary income	—	278
Extraordinary loss		
Loss on valuation of investment securities	—	195
Loss on disposal of tangible fixed assets	143	154
Acquisition-related cost	1,863	—
Retirement benefit expenses	622	—
Impairment loss	204	—
Total extraordinary loss	2,834	349

(Millions of yen)

	Fiscal 2014 2Q	Fiscal 2015 2Q
	(April 1, 2014 – September 30, 2014)	(January 1, 2015 – June 30, 2015)
Income before income taxes and minority interests in net income of consolidated subsidiaries	24,214	32,088
Income taxes—current	8,703	10,848
Income taxes—deferred	(1,335)	(36)
Total income taxes	7,367	10,811
Income before minority interests in net income of consolidated subsidiaries	16,846	21,277
Minority interests in income (loss)	(188)	345
Net income	17,035	20,931

Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal 2014 2Q (April 1, 2014 – September 30, 2014)	Fiscal 2015 2Q (January 1, 2015 – June 30, 2015)
Income before minority interests in net income of consolidated subsidiaries	16,846	21,277
Other comprehensive income		
Valuation difference on available-for-sale securities	1,934	3,466
Deferred gain or losses on hedges	22	(57)
Foreign currency translation adjustments	(8,255)	(1,499)
Pension liability adjustments	298	165
Total other comprehensive income	(5,999)	2,125
Quarterly comprehensive income	10,847	23,402
Comprehensive income attributable to:		
Owners of the parent	11,035	23,056
Minority interests	(188)	346

(3) Quarterly Consolidated Statements of Cash Flows

	(Millions of yen)	
	Six-month period ended Sept. 30, 2014	Six-month period ended June. 30, 2015
	(April 1, 2014 – Sept. 30, 2014)	(January 1, 2015 – June. 30, 2015)
Cash Flows from Operating Activities		
Income before income taxes and minority interests in net income of consolidated subsidiaries	24,214	32,088
Depreciation and amortization	18,870	21,636
Loss (gain) on valuation of investment securities	—	195
Loss on abandonment of non-current assets	143	154
Loss (gain) on disposal of fixed assets	—	(278)
Impairment loss	204	—
Acquisition-related cost	1,863	—
Decrease (increase) in notes and accounts receivable - trade	(6,978)	(748)
Decrease (increase) in inventories	(4,077)	(213)
Increase (decrease) in notes and accounts payable—trade	4,244	(8,324)
Other, net	(2,298)	(896)
Subtotal	36,186	43,613
Income taxes paid	(8,650)	980
Other	1,508	2,137
Net Cash Provided by Operating Activities	29,043	46,731
Cash Flows from Investing Activities		
Net decrease in time deposits	1,033	(193)
Net decrease(increase) in short-term investment	5,000	—
Purchase of tangible fixed assets and intangible assets	(26,208)	(21,232)
Purchase of investment securities	(1,773)	(1,985)
Proceeds from sales and redemption of marketable securities	231	4,234
Purchase of investments in subsidiaries resulting in charge in scope of consolidation	—	(5,564)
Proceeds from sale of business	—	1,134

	(Millions of yen)	
	Six-month period ended Sept. 30, 2014	Six-month period ended June. 30,
	(April 1, 2014 – Sept. 30, 2014)	2015 (January 1, 2015 – June. 30, 2015)
Purchase of investment securities	(66,767)	(120)
Other, net	(1,800)	(1,762)
Net Cash Used in Investing Activities	(90,284)	(25,489)
Cash Flows from Financing Activities		
Net increase (decrease) in short-term loans payable	563	(4,950)
Net increase (decrease) in commercial papers	10,000	(10,000)
Proceed from long-term loans payable	233	—
Repayment of long-term loans payable	(5,962)	(69)
Cash dividends paid	(6,305)	(3,155)
Other, net	(174)	232
Net Cash Used in Financing Activities	(1,645)	(17,943)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	781	(285)
Net Increase(decrease) in Cash and Cash Equivalents	(62,104)	3,013
Cash and Cash Equivalents, Beginning of the Period	100,642	35,388
Increase in cash and cash equivalents from newly consolidated subsidiary	9	—
Cash and Cash Equivalents, End of the Period	38,546	38,401

(4) Notes Regarding Quarterly Consolidated Financial Statements

Notes Regarding Going Concern Assumptions

None

Material Changes in Shareholders' Equity

At the Board of Directors' Meeting held on June 24, 2015, Kuraray resolved to retire treasury stock and, on June 30, 2015, retired 28,000,000 shares of treasury stock. As a result, capital surplus declined ¥101 million, retained earnings declined ¥32,953 million and treasury stock declined ¥33,054 million during the second quarter of the consolidated fiscal year ending December 31, 2015.

Segment and Other Information

Segment Information

I. First Half of Fiscal 2014 (April 1, 2014 to September 30, 2014) (Cumulative)

1. Net sales, income and loss by reporting segment

(Millions of yen)

	Reporting Segment						Others ¹	Total	Elimination on Consolidation and Corporate ²	Consolidated Statements of Income ³
	Vinyl Acetate	Isoprene	Functional Materials	Fibers and Textiles	Trading	Total				
Net Sales										
Outside customers	91,054	15,410	17,396	16,611	57,611	198,084	24,529	222,613	—	222,613
Inter-segment sales and transfers	14,061	11,619	8,583	5,390	1,130	40,785	7,734	48,520	(48,520)	—
Total	105,115	27,029	25,980	22,002	58,741	238,870	32,264	271,134	(48,520)	222,613
Segment Income	24,812	2,815	356	1,678	1,769	31,432	1,322	32,754	(5,809)	26,945

Notes:

1. The "Other Business" category incorporates operations not included in business segments reported, including activated carbon, environmental business and engineering.
2. Elimination on Consolidation and Corporate is as follows: Included within negative segment income of ¥5,809 million is the elimination of intersegment transactions of ¥789 million and corporate expenses of ¥6,598 million. Corporate expenses mainly comprise headquarters' general and administrative expenses and the submitting company's basic research expenses not usually attributed to segments.
3. Segment income is adjusted to agree with operating income in the consolidated statements of income.

II. First Half of Fiscal 2015 (January 1, 2015 to June 30, 2015)

1. Net sales, income and loss by reporting segment

(Millions of yen)

	Reporting Segment						Others ¹	Total	Elimination on Consolidation and Corporate ²	Consolidated Statements of Income ³
	Vinyl Acetate	Isoprene	Functional Materials	Fibers and Textiles	Trading	Total				
Net Sales										
Outside customers	123,083	16,448	19,463	18,213	59,094	236,304	26,573	262,877	—	262,877
Inter-segment sales and transfers	15,325	12,023	8,875	5,537	1,112	42,874	7,000	49,874	(49,874)	—
Total	138,408	28,472	28,339	23,751	60,207	279,178	33,573	312,752	(49,874)	262,877
Segment Income	26,535	3,375	2,547	2,121	1,987	36,568	1,279	37,848	(6,243)	31,605

Notes:

1. The “Other Business” category incorporates operations not included in business segments reported, including activated carbon, environmental business and engineering.
2. Elimination on Consolidation and Corporate is as follows: Included within negative segment income of ¥6,243 million is the elimination of intersegment transactions of ¥554 million and corporate expenses of ¥6,797 million. Corporate expenses mainly comprise headquarters’ general and administrative expenses and the submitting company’s basic research expenses not usually attributed to segments.
3. Segment income is adjusted to agree with operating income in the consolidated statements of income.

Business Combinations, etc.

(Business Combination through Acquisition)

Kuraray decided to acquire Plantic Technologies Limited, which operates a biomass-derived barrier film business, and its six subsidiaries. The Company concluded a share acquisition agreement with Gordon Merchant No. 2 Pty Ltd., which owns all of the shares of Plantic Technologies Limited. In line with this agreement, Kuraray acquired all of the shares of Plantic Technologies Limited on April 2, 2015.

1. Summary of the business combination

(1) Company name and description of acquired business

Company name: Plantic Technologies Limited and its six wholly-owned subsidiaries

Description of acquired business: Business related to the manufacture and sale of *PLANTIC*, a biomass-derived barrier material

(2) Main reason for the business combination

This acquisition will enable Kuraray to provide barrier materials that meet expanding demand resulting from a growing global shift to biobased food packaging materials.

The acquisition is in line with the Company's mission of developing new fields of industry using unique technologies and helping to improve both the natural environment and living conditions.

Kuraray aims to further expand its business as a leading producer of barrier materials, including the representative brand *EVAL*.

(3) Closing date

April 2, 2015

(4) Legal form of business combination

Cash purchase of shares

(5) Name of acquired company after business combination

No change in the name

(6) Percentage of voting rights

100%

(7) Reason for decision of the acquiring company

Acquired shares with cash

2. Period of earnings of the acquired business included in the consolidated statement of income for the second quarter of the fiscal year ending December 31, 2015

From April 2, 2015 to June 30, 2015

3. Cost of acquisition for the acquired business and breakdown

Acquisition price 5,521 million yen

Direct expense of acquisition 83 million yen

Total cost of acquisition 5,604 million yen

4. Description of the conditions pertaining to payments for the acquisition set by the business combination agreement and the accounting treatment policy going forward

An earnout provision has been attached to the share acquisition agreement concluded with Gordon Merchant No. 2 Pty Ltd, whereby additional payments will be made in accordance with such conditions as the attainment of specified levels of performance by the acquired business. A maximum of USD 95 million may be paid out.

If additional payments are made, said payments will be treated as paid at the time of acquisition and revisions will be made to the amounts of acquisition cost, goodwill recognized and goodwill amortized.

5. Amount of goodwill, reason for its recognition, amortization method and amortization period

- (1) Amount of goodwill

3,231 million yen

Because the allocation of the acquisition cost has not yet been finalized, the figure calculated for goodwill recognized is only tentative.

- (2) Reason for its recognition

Expected future excess earning power

- (3) Amortization method and period

The straight-line method over 20 years