

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

**May 13, 2015**

**Kuraray Co., Ltd.**

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**Consolidated Earnings Report for the First 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:

Title: Representative Director and President  
Name: Masaaki Ito

Contact:

Title: Manager, Corporate Management Planning Office,  
Corporate Communications Department  
Name: Akiko Ide  
Tel: +81-3-6701-1070

(Millions of yen rounded down unless otherwise stated)

Preparation of supplementary documentation for the quarterly earnings report: No

Holding of quarterly earnings results briefing: No

## 1. Consolidated Financial Results for the First Quarter of the Fiscal Year Ending December 31, 2015 (January 1, 2015 to March 31, 2015)

### (1) Consolidated Operating Results (Cumulative)

(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 1Q	131,194	—	15,934	—	17,611	—	11,544	—
Fiscal 2014 1Q	105,197	12.9%	13,921	33.7%	13,237	28.0%	7,285	11.1%

Note: Comprehensive income: For the fiscal 2015 first quarter: ¥6,160 million —  
For the fiscal 2014 first quarter: ¥3,586 million (80.1%)

	Net Income per Share (Yen)	Fully Diluted Net Income per Share (Yen)
Fiscal 2015 1Q	32.92	32.82
Fiscal 2014 1Q	20.79	20.76

From fiscal 2014, the Company has changed its fiscal year-end from March 31 to December 31. Because the reporting periods for the first quarter of fiscal 2015 (January 1, 2015 to March 31, 2015) and the first quarter of fiscal 2014 (April 1, 2014 to June 30, 2014) are different, year-on-year comparisons are not presented herein. (The first 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 three-month period from April 1, 2014 to June 30, 2014 and for those subsidiaries that had already maintained a fiscal year-end of December 31, the three-month period from January 1, 2014 to March 31, 2014.)

[Reference]

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

(Millions of yen)

Net Sales		Operating Income		Ordinary Income		Net Income	
131,194	13.8%	15,934	8.8%	17,611	19.9%	11,544	29.8%

## (2) Consolidated Financial Position

(Millions of yen)

	Total Assets	Net Assets	Shareholders' Equity Ratio (%)
As of March 31, 2015	675,488	485,060	70.8%
As of December 31, 2014	691,538	481,826	68.7%

(Reference)

Shareholders' equity:	As of March 31, 2015:	¥477,942 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	—				
Fiscal 2015 (Forecast)		18.00	—	20.00	38.00

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
Interim Period	265,000	—	29,000	—	30,000	—	19,000	—	54.15
Full Fiscal Year	540,000	—	64,000	—	64,500	—	38,000	—	108.30

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	
Interim Period	265,000	19.0%	29,000	7.6%	30,000	10.9%	19,000	11.5%
Full Fiscal Year	540,000	11.3%	64,000	24.6%	64,500	26.6%	38,000	38.4%

#### 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 March 31, 2015	382,863,603 shares
As of December 31, 2014	382,863,603 shares
2. Number of treasury stock as of the period-end:

As of March 31, 2015	31,980,305 shares
As of December 31, 2014	32,283,465 shares
3. Average number of shares for the period (cumulative):

As of March 31, 2015	350,711,358 shares
As of June 30, 2014	350,337,024 shares

*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. Furthermore, 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 first quarter of fiscal 2015 (January 1, 2015–March 31, 2015), in the Japanese economy, the additional increase in the consumption tax rate was delayed and signs of economic recovery emerged. Overseas, while favorable conditions continued in the United States, recovery remained stalled in Europe. Growth in China's economy slowed further, and conditions were patchy in other emerging countries. The plunge in the price of crude oil toward the end of fiscal 2014 helped lower raw material costs, forcing adjustments in some product prices and, in turn, positively impacting the Company's results.

Under these circumstances, the Kuraray Group has been steadily implementing the business strategies outlined in GS-STEP, a new 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, cumulative consolidated operating results for the first quarter of fiscal 2015 are as follows: net sales rose ¥15,873 million, or 13.8%, compared with the corresponding period of the previous fiscal year to ¥131,194 million; operating income grew ¥1,289 million, or 8.8%, to ¥15,934 million; ordinary income increased ¥2,916 million, or 19.9%, to ¥17,611 million; and net income rose ¥2,648 million, or 29.8%, to ¥11,544 million.

In addition, comparisons with the first 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 1Q (Adjusted)	Fiscal 2015 1Q	Change	
			Amount	Percent
Net Sales	115.3	131.2	15.9	13.8%
Operating Income	14.6	15.9	1.3	8.8%
Ordinary Income	14.7	17.6	2.9	19.9%
Net Income	8.9	11.5	2.6	29.8%

Note: Figures for Fiscal 2014 1Q (Adjusted) are unaudited.

## Results by Business Segment

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

	Net Sales			Operating Income		
	Fiscal 2014 1Q (Adjusted)	Fiscal 2015 1Q	Change	Fiscal 2014 1Q (Adjusted)	Fiscal 2015 1Q	Change
Vinyl Acetate	48.3	68.3	20	12.9	12.4	(0.6)
Isoprene	14.4	14.1	(0.3)	1.7	3.0	1.4
Functional Materials	13.8	14.3	0.4	0.8	1.7	0.9
Fibers and Textiles	14.0	12.6	(1.4)	0.9	0.8	(0.0)
Trading	29.2	30.2	1.0	1.1	1.0	(0.1)
Other Business	19.0	16.7	(2.3)	0.8	0.2	(0.5)
Elimination & Corporate	(23.5)	(24.9)	(1.4)	(3.5)	(3.2)	0.3
Total	115.3	131.2	15.9	14.6	15.9	1.3

Note: Figures for Fiscal 2014 1Q (Adjusted) are unaudited.

### **Results by Business Segment**

#### **Vinyl Acetate**

Sales in this segment grew 41.3% year on year to ¥68,298 million, and segment income fell 4.5% year on year to ¥12,356 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. Sales of PVA resin were firm due in part to the introduction of new product lines in Europe. Sales of PVB film were also firm thanks to an increase in exports to regions outside Europe. Sales of water soluble PVA film grew favorably 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.
- (3) The GLS business was unprofitable due to goodwill and other amortization expenses.

#### **Isoprene**

Sales in this segment fell 2.4% year on year to ¥14,068 million, and segment income jumped 81.3% year on year to ¥3,047 million.

- (1) In isoprene chemicals, sales of fine chemicals, *SEPTON* thermoplastic elastomer and liquid rubber were all healthy.
- (2) Sales of *GENESTAR* heat-resistant polyamide resin for LED reflector, connector and automotive applications remained healthy.

#### **Functional Materials**

Sales in this segment grew 3.2% year on year to ¥14,257 million, and segment income increased 110.3% year on year to ¥1,656 million.

- (1) Sales of methacrylic resin were healthy thanks to robust growth in demand for resins.
- (2) In the medical business, sales of dental materials were favorable.
- (3) *CLARINO* man-made leather attained steady profitability due to the effect of the Company's initiatives aimed at achieving structural improvements, such as expanded sales of products made using new processes and the transfer of the conventional production process to China.

### **Fibers and Textiles**

The performance of *KURALON* was firm for use in automotive brake hose applications and as an asbestos substitute in fiber reinforced cement (FRC). However, sales for consumer goods and materials and others stagnated, and sales in this segment declined 10.0% year on year to ¥12,622 million, and segment income fell 2.4% year on year to ¥846 million.

### **Trading**

Sales were firm in chemical-related businesses. Overseas processing costs rose in the fiber-related business due to the weaker yen. As a result, segment sales increased 3.3% year on year to ¥30,196 million, and segment income decreased 11.5% to ¥1,000 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 12.1% year on year to ¥16,684 million, and segment income dropped 72.0% to ¥212 million.

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

Kuraray has revised its consolidated operating results forecast for the first half of the fiscal year ending December 31, 2015 as shown below in the table to reflect overall positive trends in the first quarter of fiscal 2015, including lower raw material and fuel prices. As for the third-quarter (and full-year) operating results forecasts, due to lingering uncertainties the Company has not changed forecasts announced at the beginning of the year; however the Company will revise said forecast when the operating results of the first half of fiscal 2015 are confirmed.

The revised cumulative consolidated operating results forecast for the first half of the fiscal year ending December 31, 2015 (January 1, 2015 to June 30, 2015) is as follows.

(Millions of yen)

	Net Sales	Operating Income	Ordinary Income	Net Income	Net Income Per Share
Original Forecast (A) (Announced February 16, 2015)	265,000	28,000	27,500	17,000	¥48.49
Revised Forecast (B)	265,000	29,000	30,000	19,000	¥54.15
Amount Adjusted (B - A)	—	1,000	2,500	2,000	
Percent Adjusted	—	3.6	9.1	11.8	

The revised cumulative consolidated operating results forecast for the fiscal year ending December 31, 2015 (January 1, 2015 to December 30, 2015) is as follows.

(Millions of yen)

	Net Sales	Operating Income	Ordinary Income	Net Income	Net Income Per Share
Original Forecast (A) (Announced February 16, 2015)	540,000	63,000	62,000	36,000	¥102.69
Revised Forecast (B)	540,000	64,000	64,500	38,000	¥108.30
Amount Adjusted (B - A)	—	1,000	2,500	2,000	
Percent Adjusted	—	1.6	4.0	5.6	

For the first half of fiscal 2015, 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 ¥52,000 per kiloliter.

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	March 31, 2015
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash deposits	33,939	29,164
Notes and accounts receivable–trade	104,988	106,399
Short-term investment securities	2,504	2,804
Merchandise and finished goods	74,201	73,101
Work in process	13,788	14,063
Raw materials and supplies	19,107	20,276
Deferred tax assets	4,694	6,237
Other	16,546	16,835
Allowance for doubtful accounts	(571)	(561)
Total current assets	<u>269,200</u>	<u>268,321</u>
<b>Noncurrent Assets</b>		
Tangible fixed assets		
Buildings and structures, net	52,729	52,147
Machinery, equipment and vehicles, net	120,298	124,630
Land	21,999	21,833
Construction in progress	62,590	55,483
Other, net	4,770	5,061
Total tangible fixed assets	<u>262,388</u>	<u>259,155</u>
Intangible fixed assets		
Goodwill	31,217	28,998
Customer relation assets	34,745	33,853
Other	22,877	22,897
Total intangible fixed assets	<u>88,840</u>	<u>85,750</u>
Investments and other assets		
Investment securities	54,342	47,532
Long-term loans receivable	302	311
Net defined benefit assets	816	896
Deferred tax assets	8,701	7,089
Others	6,993	6,478
Allowance for doubtful accounts	(48)	(47)
Total investments and other assets	<u>71,108</u>	<u>62,261</u>
Total noncurrent assets	<u>422,338</u>	<u>407,166</u>
Total assets	<u>691,538</u>	<u>675,488</u>

(Millions of yen)

	December 31, 2014	March 31, 2015
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Notes and accounts payable–trade	43,027	44,248
Short-term loans payable	12,087	7,131
Commercial papers	10,000	—
Accrued expenses	7,957	8,487
Income taxes payable	2,575	7,017
Provision for bonuses	4,957	7,034
Other provision	19	6
Other	29,311	17,961
Total current liabilities	109,936	91,886
<b>Long-term liabilities</b>		
bonds payable	10,000	10,000
Long-term loans payable	42,326	42,286
Deferred tax liabilities	20,526	20,288
Provision for directors' retirement benefits	175	156
Provision for environmental measures	852	852
Net defined benefit liabilities	10,053	9,432
Asset retirement obligations	3,500	3,463
Other	12,341	12,062
Total noncurrent liabilities	99,775	98,542
Total liabilities	209,712	190,428
<b>NET ASSETS</b>		
Shareholders' equity		
Capital stock	88,955	88,955
Capital surplus	87,181	87,218
Retained earnings	285,561	293,951
Treasury stock	(38,110)	(37,752)
Total shareholders' equity	423,588	432,372
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,276	11,458
Deferred gain or losses on hedges	65	10
Foreign currency translation adjustments	46,899	39,030
Remeasurements of defined benefit plans	(5,069)	(4,930)
Total accumulated other comprehensive income	51,172	45,569
Subscription rights to shares	977	917
Minority interests	6,087	6,200
Total net assets	481,826	485,060
Total liabilities and net assets	691,538	675,488

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

(Millions of yen)

	Fiscal 2014 1Q (April 1, 2014 – June 30, 2014)	Fiscal 2015 1Q (January 1, 2015 – March 31, 2015)
Net sales	105,197	131,194
Cost of sales	71,483	91,058
Gross profit	33,713	40,135
Selling, general and administrative expenses		
Selling expenses	4,742	6,330
General and administrative expenses	15,049	17,871
Total selling, general and administrative expenses	19,792	24,201
Operating income	13,921	15,934
Non-operating income		
Interest income	84	57
Dividends income	226	1,974
Equity in earnings of affiliates	8	1
Other, net	143	680
Total non-operating income	462	2,714
Non-operating expenses		
Interest expenses	148	180
Other expenses	998	856
Total non-operating expenses	1,146	1,037
Ordinary income	13,237	17,611
Extraordinary income		
Gain on sales of tangible fixed assets	—	277
Total extraordinary income	—	277
Extraordinary loss		
Acquisition-related cost	1,650	—
Retirement benefit expenses	622	—
Impairment loss	205	—
Total extraordinary loss	2,478	—
Income before income taxes and minority interests in net income of consolidated subsidiaries	10,759	17,889
Income taxes — current	3,370	6,711
Income taxes — deferred	74	(586)

(Millions of yen)

	<b>Fiscal 2014 1Q</b>	<b>Fiscal 2015 1Q</b>
	<b>(April 1, 2014 –</b>	<b>(January 1, 2015 –</b>
	<b>June 30, 2014)</b>	<b>March 31, 2015)</b>
Total income taxes	3,445	6,125
Income before minority interests in net income of consolidated subsidiaries	7,314	11,763
Minority interests	28	219
Net income	7,285	11,544

## Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal 2014 1Q (April 1, 2014 – June 30, 2014)	Fiscal 2015 1Q (January 1, 2015 – March 31, 2015)
Income before minority interests in net income of consolidated subsidiaries	7,314	11,763
Other comprehensive income		
Valuation difference on available-for-sale securities	845	2,182
Deferred gain or losses on hedges	(2)	(55)
Foreign currency translation adjustments	(4,775)	(7,868)
Pension liability adjustments	205	138
Total other comprehensive income	(3,727)	(5,602)
Quarterly comprehensive income	3,586	6,160
Comprehensive income attributable to:		
Owners of the parent	3,557	5,941
Minority interests	29	219

### (3) Notes Regarding Quarterly Consolidated Financial Statements

#### Notes Regarding Going Concern Assumptions

None

#### Material Changes in Shareholders' Equity

None

#### Segment and Other Information

Segment Information

I. First Quarter of Fiscal 2014 (April 1, 2014 to June 30, 2014)

1. Net sales, income and loss by reporting segment

(Millions of yen)

	Reporting Segment						Others <sup>1</sup>	Total	Elimination on Consolidation and Corporate <sup>2</sup>	Consolidated Statements of Income <sup>3</sup>
	Vinyl Acetate	Isoprene	Functional Materials	Fibers and Textiles	Trading	Total				
Net Sales										
Outside customers	42,508	7,731	8,470	8,215	27,513	94,438	10,758	105,197	—	105,197
Inter-segment sales and transfers	6,765	5,687	3,906	2,588	544	19,492	3,899	23,392	(23,392)	—
Total	49,273	13,418	12,376	10,804	28,058	113,931	14,658	128,590	(23,392)	105,197
Segment Income	13,051	1,334	164	1,087	693	16,331	528	16,859	(2,937)	13,921

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 ¥2,937 million is the elimination of intersegment transactions of ¥286 million and corporate expenses of ¥3,224 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 Quarter of Fiscal 2015 (January 1, 2015 to March 31, 2015)

1. Net sales, income and loss by reporting segment

(Millions of yen)

	Reporting Segment						Others <sup>1</sup>	Total	Elimination on Consolidation and Corporate <sup>2</sup>	Consolidated Statements of Income <sup>3</sup>
	Vinyl Acetate	Isoprene	Functional Materials	Fibers and Textiles	Trading	Total				
Net Sales										
Outside customers	60,351	8,156	9,879	9,831	29,627	117,846	13,347	131,194	—	131,194
Inter-segment sales and transfers	7,946	5,911	4,378	2,791	569	21,596	3,336	24,932	(24,932)	—
Total	68,298	14,068	14,257	12,622	30,196	139,443	16,684	156,127	(24,932)	131,194
Segment Income	12,356	3,047	1,656	846	1,000	18,907	212	19,119	(3,184)	15,934

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 ¥3,184 million is the elimination of intersegment transactions of ¥209 million and corporate expenses of ¥3,394 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.