

Business Results for the Year Ended March 31, 2013
(Unaudited)

Kuraray Co., Ltd.

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1. Analysis of Results of Operations and Financial Position

(1) Analysis of Results of Operations

In the fiscal year ended March 31, 2013, the Japanese economy weakened amid reconstruction after the Great East Japan Earthquake and unresolved nuclear power plant and energy issues. The yen weakened late in the fiscal year, but remained strong overall during the fiscal year. Overseas, the protracted recession in Europe resulting from financial uncertainty and the lack of improvement in fiscal soundness and unemployment in the United States precluded full-scale economic recovery. Regarding the economies of emerging countries, economic growth in the ASEAN nations was strong, while growth slowed temporarily in China and was down in India, Brazil and Russia as well.

Under these circumstances, based on the core management strategies of the GS-III medium-term management plan implemented at the start of the fiscal year ended March 31, 2013 to achieve sustained growth, the Kuraray Group made large-scale investments and conducted mergers and acquisitions (M&A) to accelerate its global strategies for core businesses and aggressively developed next-generation businesses in the areas of water and the environment, energy, and optics and electronics.

The Kuraray Group's consolidated net sales for the fiscal year ended March 31, 2013 increased 0.1% compared with the previous fiscal year to ¥369,431 million. Operating income decreased 10.1%, to ¥49,197 million; ordinary income dropped 9.9% to ¥48,590 million; and net income decreased 8.5% to ¥28,798 million.

Results by Business Segment

Resins

Segment sales rose 4.2% year on year to ¥155,163 million, while segment income decreased 2.0% to ¥48,882 million.

1) Demand for poval resin was sluggish because of the global economic slowdown, but sales of polyvinyl butyral (PVB) film for construction applications were firm. Optical-use poval film sales volume expanded because demand recovered in the second half. Water-soluble poval film performed steadily. The Kuraray Group decided on the following large-scale investments and conducted M&A as part of its business expansion strategy.

i) The Kuraray Group decided to construct a new plant in the U.S. state of Texas (annual production capacity: 40,000 tons; construction to be completed in September 2014) to respond to expanding global demand for poval resin.

ii) The Kuraray Group acquired MonoSol, LLC, a leading U.S. manufacturer of water-solvent type poval film such as packaging films for laundry and dishwashing detergents. The Group consolidated MonoSol's sales and earnings from the third quarter of the fiscal year ended March 31, 2013.

2) Sales of the EVOH resin *EVAl* were solid, with notable growth coming from automotive applications.

Chemicals

Segment sales increased 5.5% year on year to ¥78,986 million, while segment income decreased 29.7% to ¥6,373 million.

1) Sales of methacrylic resin were impacted by weak market conditions that carried over from the second half of the previous fiscal year and by rising raw material and fuel prices.

2) In isoprene chemicals, sales of liquid rubber products expanded, but competition intensified amid lower demand for *SEPTON* thermoplastic elastomer and fine chemicals in Europe and Asia. The Kuraray Group has decided to construct a new liquid rubber production line at the Kashima Plant (annual production capacity: 7,000 tons; construction slated for completion in July 2014) to respond to booming demand for applications including high-performance tires.

3) Sales of *GENESTAR* heat-resistant polyamide resin were firm for LED reflector and connector applications, and sales for automotive applications expanded.

4) In the medical business, the performance of dental materials remained stable.

Fibers and Textiles

Segment sales decreased 9.8% year on year to ¥57,192 million, while segment income increased 8.2% to ¥1,193 million.

1) Demand for *KURALON* weakened against a backdrop of stagnant markets for use as an asbestos substitute for fiber-reinforced concrete applications and for automotive brake hose applications in Europe and Asia. The development of applications for the high-strength fiber *VECTRAN* proceeded steadily.

2) Sales of *CLARINO* man-made leather were firm for school bag applications, but demand for shoe applications was weak. This business is restructuring in ways such as consolidating around new environment-friendly processes and shifting existing processes to China.

Trading

Polyester and other fiber-related businesses were flat year on year, while export sales of resins and chemical products were lower. As a result, segment sales decreased 3.1% year on year to ¥108,760 million, and segment income decreased 4.8% to ¥3,358 million.

Other Business

Sales of activated carbon were firm, supported by energy-related applications. Generally, conditions in businesses besides activated carbon deteriorated. As a result, segment sales fell 2.9% to ¥64,442 million, and segment income dropped 29.3% to ¥4,001 million.

In the hard carbon for use in lithium-ion secondary cells business, the Kuraray Group invested in Kureha Battery Materials Japan Co., Ltd. and established a joint venture with this company that began constructing a plant to manufacture plant-based hard carbon.

Outlook for the Fiscal Year Ending March 31, 2014

Our forecast for our operating environment includes concerns about the ongoing recession in the European economy. However, we also expect economic recovery in the United States and in emerging countries including the ASEAN nations. In Japan, we expect that government policies to correct the strong yen and end deflation will be effective. In fiscal 2012, the Company started the new medium-term management plan GS-III (fiscal years 2012 to 2014). This management plan aims to achieve sustainable growth by accelerating the development of new products and applications through technological innovations and expanding businesses in markets and business areas with growth potential in Japan and overseas. We will also make additional cost reductions to further enhance competitiveness. Taking these circumstances into account, our forecasts for the year ending March 31, 2014 are net sales of ¥430.0 billion, operating income of ¥60.0 billion, ordinary income of ¥58.5 billion and net income of ¥35.0 billion. We assume average exchange rates of ¥95 to the U.S. dollar and ¥125 to the euro, as well as a domestic naphtha price of ¥61.5 thousand per kiloliter.

(2) Analysis of Financial Position

1) Assets, Liabilities and Net Assets

Total assets increased ¥63,937 million from the end of the previous fiscal year to ¥587,184 million, mainly because of increases in tangible and intangible fixed assets. Total liabilities increased ¥28,796 million to ¥185,729 million due to factors including increases in notes and accounts payable – trade and deferred tax liabilities. Net assets rose ¥35,141 million to ¥401,455 million. Shareholders' equity amounted to ¥394,903 million, for an equity ratio of 67.3%.

2) Cash Flows

Cash Flows from Operating Activities:

Net cash provided by operating activities totaled ¥66,911 million for the fiscal year ended March 31, 2013, an increase of ¥24,325 million compared with the previous fiscal year. Income before income taxes provided cash of ¥44,901 million. Depreciation and amortization totaled ¥30,952 million. Uses of cash included increase in inventories of ¥4,789 million, and income taxes paid of ¥17,354 million.

Cash Flows from Investing Activities:

Net cash used in investing activities totaled ¥63,622 million. Major sources of cash included reducing deposit of ¥12,767 million. Major uses of cash included the purchase of tangible fixed assets and intangible fixed assets of ¥43,200 million and the purchase of subsidiary's shares of ¥31,233 million.

Cash Flows from Financing Activities:

Net cash used in financing activities was ¥10,239 million. Major components included a net decrease in interest-bearing liabilities of ¥1,930 million and cash dividends paid of ¥12,195 million.

As a result of the above factors coupled with the effect of exchange rate changes of ¥2,024 million on cash and cash equivalents, cash and cash equivalents at the end of the fiscal year decreased ¥4,926 million from the end of the previous fiscal year to ¥29,885 million.

(Millions of yen)

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013
Net cash provided by operating activities	42,586	66,911
Net cash used in investing activities	(25,023)	(63,622)
Net cash used in financing activities	(11,628)	(10,239)
Effect of exchange rate changes on cash and cash equivalents	(550)	2,024
Net increase (decrease) in cash and cash equivalents	5,382	(4,926)
Cash and cash equivalents, beginning of the period	29,423	34,811
Increase in cash and cash equivalents from newly consolidated subsidiaries	4	—
Cash and cash equivalents, end of the period	34,811	29,885

(Reference) Cash flow indicators for the Kuraray Group

	Fiscal year ended March 31, 2009	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013
Equity ratio (%)	68.2	66.5	67.6	68.8	67.3
Equity ratio (%; market basis)	61.6	87.1	73.6	78.0	83.3
Ratio of cash flow to interest-bearing liabilities (times)	1.5	0.9	0.9	1.5	1.0
Interest coverage ratio (times)	39.1	60.8	60.6	39.7	67.7

Notes:

Equity ratio: Net assets excluding both subscription rights to shares and minority interests/total assets

Equity ratio (market basis): Total market value of shares issued and outstanding/total assets

Ratio of cash flow to interest-bearing liabilities: Interest-bearing liabilities/net cash provided by (used in) operating activities

Interest coverage ratio: Net cash provided by (used in) operating activities/interest expenses

- All indicators are calculated using the consolidated financial statements.
- 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.
- The calculations use net cash provided by (used in) operating activities as reported in the consolidated statements of cash flows.
- Interest-bearing liabilities are all liabilities reported in the consolidated balance sheets that require payment of interest. The amount of interest expenses is equal to the amount of interest paid as stated in the Company's consolidated statements of cash flows.

(3) Kuraray's Fundamental Dividend Policy and Dividends for Fiscal Years 2012 and 2013

The distribution of profits to shareholders is one of the Company's top management issues. During medium-term plan GS-III (fiscal years 2012 to 2014), the Company is targeting a dividend payout ratio of 35% or more relative to consolidated net income.

As announced at the beginning of fiscal year 2012, a year-end dividend of ¥18 per share is planned for the year ended March 31, 2013. The total of this year-end dividend and the interim dividend will be ¥36 per share for the year ended March 31, 2013, and the dividend payout ratio will be 43.6%.

Assuming consolidated net income for the year ending March 31, 2014 of ¥35.0 billion, an annual dividend of ¥36 per share is planned for the year, and the dividend payout ratio will be 35.9%.

(4) Risk Management

Risks that could have a significant impact on the Kuraray Group's performance (results of operations and financial position) are discussed below. Forward-looking statements in the following sentences represent the Kuraray Group's best judgment as of March 31, 2013.

1) Risks associated with the changes in business environment

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

Meanwhile, we manufacture products such as chemical products, synthetic resins, synthetic fibers and textiles out of the raw materials such as ethylene and other petrochemical products that are susceptible to the fluctuations in the markets of crude oil and natural gas. Violent fluctuations in these raw material markets could significantly impact our production costs.

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

2) Risks associated with accidents and disasters

The Kuraray Group has manufacturing facilities in Japan, Europe, North America and Asia. Many of these are large-scale chemical plants. Although risk management is in place by geographically spreading the locations of important production plants and arranging property and casualty insurance on them, in the event of serious security incidents, release of pollutants or natural disasters, there are risks that could cause personal injury or property damage to employees or third parties, or damage to the assets of the Kuraray Group, or halt of manufacturing operations for long periods.

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

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

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

Meanwhile, we are supplying many products that play significant roles in assuring the quality of the final products in areas such as automotive products, electric and electronic materials, medical products and food packaging. As such, in the event of a large-scale product recall caused by defective quality, there are risks of major financial losses including liability losses that cannot be fully covered by existing product liability insurance.

Also, despite our utmost efforts to comply with laws and regulations at each of our operating facilities, there are risks that a major breach of legal compliance could interrupt our business activities.

4) Risks associated with changes in exchange rates

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

5) Other risks

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

2. Management Policies

(1) Fundamental Management Policies

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

The economic environment over the coming years is expected to undergo a long-term structural transformation as concerns grow regarding the global environment, resource conservation and the stalling of economies that remain centered on mass production and massive energy consumption. Other key issues that need to be addressed include the imbalance in the global economy, lower rates of economic growth and increasing competition. As individual values evolve, issues also arise concerning diversifying market needs, higher levels of sophistication and the rapid shift in demand trends. Furthermore, growing risks associated with Japan’s fundamental structure such as its fiscal deficit, aging society and declining birthrate pose additional problems. In these circumstances, it is increasingly imperative for chemical companies to shift their management focus from quantity to quality. Against this backdrop, the Kuraray Group will exploit its longstanding corporate culture, which stresses “Contributing to the world and individual well-being through actions that others are unable to produce,” and aim to become a sustainably growing specialty chemical manufacturer as its Long-Term Corporate Vision.

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

To achieve the abovementioned Long-Term Corporate Vision, the Kuraray Group is addressing diverse action plans for a major leap forward in its next growth stage in compliance with the five major management policies described below during the period of three-year medium-term management plan GS-III (fiscal years 2012 to 2014).

1) Technological innovation

According to the Long-Term Corporate Vision to “contribute to the solution of issues threatening our planet and livings with pioneering technology,” the Company will expand its operations by developing new products and new applications through technological innovations that will lead to future growth. In addition, the Company will ensure its competitiveness in both construction costs and production costs through process innovations, as well as contribute to the environment through energy conservation.

2) Geographical expansion

The Company will increase, for its business, its bases in markets where there is room for growth – regardless of whether in Japan or abroad, or in developed countries or emerging ones – to promote multi-polarity and to accelerate business expansion.

3) Utilization of external resources

The Company has created many superior original materials through in-house development. While firmly maintaining this tradition, the Company will seek fusion with and effective utilization of external resources through M&A and alliances in the areas which complement and develop the Company’s technologies.

4) Strengthening of the global business foundation

In order to support its business that is becoming geographically more spread and complicated with its growth in and outside of Japan, Kuraray will strengthen its back-office functions that cover each business site, such as global HR management, CSR management, risk management, and global financial and accounting strategies.

5) Environmental measures

Recognizing that our mission is to provide, at low environmental load, materials and intermediate materials that are essential for products and systems contributing to the environment, we aim to improve the “eco-efficiency” (net sales per environmental load) of our products.

In fiscal 2014, the last year of the management plan, we aim to achieve net sales of ¥550.0 billion and operating income of ¥85.0 billion on a consolidated basis by carrying out various measures based on these strategies.

(3) Issues to Be Addressed

The Long-Term Corporate Vision presents a clear image for growth with the goal of achieving ¥1 trillion in net sales as a cornerstone for establishing Kuraray’s global presence as a chemical company. We envision carrying out various measures set forth in the GS-III medium-term management plan, which started in fiscal 2012, to link the results effectively with the sustainable growth set forth in the Long-Term Corporate Vision.

Kuraray believes its technological innovations can provide unique and effective contributions for resolving issues

threatening our planet and living environment, including global warming, limited natural resources, insufficient water and food supplies, and environmental pollution. The Company also works to achieve harmony with all of its corporate activities and the environment and society. We believe that these perspectives on our role and the contributions we can make to society will enable Kuraray to achieve long-term sustainable growth. Each of the new fields in which the Company is concentrating – the new energy-related business, the aqua business and the environmentally friendly materials business – is related to the above global issues. We plan to maximize our growth capabilities by leveraging our cultivated technical and market knowledge and harness the value creation potential of the entire Group as we seek to achieve our net sales target of ¥1 trillion and operating income target of ¥150.0 billion in or around 2018.

3. Consolidated Financial Statements

(1) CONSOLIDATED BALANCE SHEETS

(Unaudited)

Kuraray Co., Ltd. and its Consolidated Subsidiaries

March 31, 2012 and 2013	Millions of yen			Thousands of U.S. dollars
	Fiscal 2011	Fiscal 2012	Increase (decrease)	Fiscal 2012
ASSETS				
I Current assets:				
1 Cash and deposits	¥31,464	¥46,151	¥14,687	\$490,968
2 Notes and accounts receivable - trade	80,627	83,843	3,216	891,946
3 Short-term investment securities	71,995	31,696	(40,298)	337,191
4 Merchandise and finished goods	50,361	57,823	7,461	615,138
5 Work-in-process	9,528	10,332	803	109,914
6 Raw materials and supplies	14,542	15,138	595	161,042
7 Deferred tax assets	5,560	5,732	171	60,978
8 Other	5,783	7,237	1,453	76,989
9 Allowance for doubtful accounts	(781)	(742)	38	(7,893)
Total current assets	269,083	257,212	(11,870)	2,736,297
II Noncurrent assets:				
1 Tangible fixed assets:				
(1) Buildings and structures (net)	34,536	41,938	7,401	446,148
(2) Machinery, equipment and vehicles (net)	71,578	82,298	10,720	875,510
(3) Land	19,971	20,425	453	217,287
(4) Construction in progress	23,060	32,326	9,266	343,893
(5) Other (net)	3,730	4,285	555	45,585
Total tangible fixed assets	152,877	181,274	28,397	1,928,446
2 Intangible fixed assets:				
(1) Goodwill	11,538	24,659	13,120	262,329
(2) Other	2,465	26,664	24,198	283,659
Total intangible fixed assets	14,004	51,324	37,319	546,000
3 Investments and other assets:				
(1) Investment securities	70,029	83,543	13,514	888,755
(2) Long-term loans receivable	572	679	107	7,223
(3) Deferred tax assets	4,688	2,674	(2,014)	28,446
(4) Prepaid pension cost	5,822	5,437	(385)	57,840
(5) Other	6,262	5,114	(1,148)	54,404
(6) Allowance for doubtful accounts	(93)	(76)	16	(808)
Total investments and other assets	87,282	97,373	10,090	1,035,882
Total noncurrent assets	254,163	329,971	75,807	3,510,329
TOTAL ASSETS	¥523,247	¥587,184	¥63,937	\$6,246,638

(1) CONSOLIDATED BALANCE SHEETS

(Unaudited)

March 31, 2012 and 2013	Millions of yen			Thousands of U.S. dollars
	Fiscal 2011	Fiscal 2012	Increase (decrease)	Fiscal 2012
LIABILITIES				
I Current liabilities:				
1 Notes and accounts payable-trade	¥32,945	¥37,048	¥4,102	\$394,127
2 Short-term loans payable	13,781	30,918	17,137	328,914
4 Accrued expenses	5,265	8,650	3,384	92,021
5 Income taxes payable	9,075	7,687	(1,388)	81,776
6 Provision for bonuses	6,657	6,590	(67)	70,106
7 Provision for disaster loss	68	-	(68)	-
8 Other provision	59	21	(37)	223
9 Other	13,829	20,531	6,701	218,414
Total current liabilities	81,684	111,449	29,764	1,185,627
II Noncurrent liabilities:				
1 Bonds payable	10,000	10,000	-	106,382
2 Long-term loans payable	41,981	28,171	(13,809)	299,691
3 Deferred tax liabilities	4,531	14,872	10,341	158,212
4 Provision for retirement benefits	5,617	6,447	829	68,585
5 Provision for directors' retirement benefits	194	178	(15)	1,893
6 Provision for environmental measures	1,106	1,051	(54)	11,180
7 Asset retirement obligations	2,224	2,336	112	24,851
8 Other	9,593	11,221	1,627	119,372
Total noncurrent liabilities	75,248	74,279	(968)	790,202
TOTAL LIABILITIES	156,933	185,729	28,796	1,975,840
NET ASSETS				
I Shareholders' equity:				
1 Capital stock	88,955	88,955	-	946,329
2 Capital surplus	87,147	87,147	-	927,095
3 Retained earnings	246,733	263,262	16,528	2,800,659
4 Treasury stock	(40,732)	(40,169)	563	(427,329)
Total shareholders' equity	382,103	399,195	17,092	4,246,755
II Accumulated other comprehensive income:				
1 Valuation difference on available-for-sale securities	2,763	6,076	3,312	64,638
2 Deferred gains or losses on hedges	(32)	(17)	14	(180)
3 Foreign currency translation adjustment	(24,419)	(9,877)	14,542	(105,074)
4 Pension liability adjustment	(396)	(473)	(77)	(5,031)
Total accumulated other comprehensive income	(22,084)	(4,292)	17,792	(45,659)
III Subscription rights to shares	1,151	1,221	69	12,989
IV Minority interests	5,143	5,330	187	56,702
TOTAL NET ASSETS	366,314	401,455	35,141	4,270,797
TOTAL LIABILITIES AND NET ASSETS	¥523,247	¥587,184	¥63,937	\$6,246,638

**(2) Consolidated Statements of Income
and Consolidated Statements of Comprehensive Income**
CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

Kuraray Co., Ltd. and its Consolidated Subsidiaries

Years ended March 31, 2012 and 2013	Millions of yen			Thousands of U.S. dollars
	Fiscal 2011	Fiscal 2012	Increase (decrease)	Fiscal 2012
I Net sales	¥368,975	¥369,431	¥455	\$3,930,117
II Cost of sales	246,538	249,485	2,946	2,654,095
Gross profit	122,437	119,946	(2,490)	1,276,021
III Selling, general and administrative expenses:				
1 Selling expenses	18,553	18,841	287	200,436
2 General and administrative expenses	49,149	51,906	2,757	552,191
Total Selling, general and administrative expenses	67,703	70,748	3,044	752,638
Operating income	54,733	49,197	(5,535)	523,372
IV Non-operating income:				
1 Interest income	415	449	34	4,776
2 Dividends income	2,055	2,475	419	26,329
3 Equity in earnings of affiliates	5	2	(3)	21
4 Other	1,201	1,234	32	13,127
Total non-operating income	3,677	4,161	483	44,265
V Non-operating expenses:				
1 Interest expenses	1,072	966	(105)	10,276
2 Loss on disposal of tangible fixed assets	427	560	132	5,957
3 Personnel expenses for seconded employees	673	719	46	7,648
4 Cost for idle operation	-	608	608	6,468
5 Other	2,297	1,914	(382)	20,361
Total non-operating expenses	4,470	4,769	298	50,734
Ordinary income	53,940	48,590	(5,350)	516,914
VI Extraordinary income:				
1 Gain on change in equity	845	-	(845)	-
Total extraordinary income	845	-	(845)	-
VII Extraordinary loss:				
1 Purchasing related expenses	-	743	743	7904
2 Loss on valuation of investment securities	222	613	390	6,521
3 Loss on disposal of tangible fixed assets	293	613	319	6,521
4 Business structure improvement losses	-	597	597	6,351
5 Impairment loss	2,473	534	(1,938)	5,680
6 Amortization of goodwill	-	451	451	4,797
7 Environmental expenses	-	136	136	1,446
8 Disaster loss	997	-	(997)	-
9 Provision for disaster loss	69	-	(69)	-
Total extraordinary loss	4,056	3,689	(367)	39,244
Income before income taxes and minority interests	50,729	44,901	(5,827)	477,670
Income taxes - current	18,205	15,882	(2,322)	168,957
Income taxes - deferred	504	6	(497)	63
Total income taxes	18,710	15,889	(2,820)	169,031
Income before minority interests	32,019	29,011	(3,007)	308,627
Minority interests	549	213	335	2,265
Net income	¥31,469	¥28,798	¥(2,671)	\$306,361

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

Kuraray Co., Ltd. and its Consolidated Subsidiaries

Years ended March 31, 2012 and 2013	Millions of yen			<i>Thousands of U.S. dollars</i>
	Fiscal 2011	Fiscal 2012	Increase (decrease)	<i>Fiscal 2012</i>
I Income before minority interests	¥32,019	¥29,011	(3,007)	<i>\$308,627</i>
II Other comprehensive income:				
1 Valuation difference on available-for-sale securities	484	3,313	2,828	<i>35,244</i>
2 Deferred gains or losses on hedges	(17)	14	32	<i>148</i>
3 Foreign currency translation adjustment	(4,502)	14,542	19,045	<i>154,702</i>
4 Pension liability adjustment	(163)	(77)	86	<i>(819)</i>
5 Shares of other comprehensive income of associates accounted for	(1)	-	1	<i>-</i>
Total other comprehensive income	(4,200)	17,792	21,993	<i>189,276</i>
III Comprehensive income	27,818	46,804	18,986	<i>497,914</i>
 Comprehensive income attributable to				
1 Owners of the parent	27,269	46,590	19,321	<i>495,638</i>
2 Minority interests	549	213	(335)	<i>2,265</i>

(3) CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(Unaudited)

Kuraray Co., Ltd. and its Consolidated Subsidiaries

	Millions of yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total Shareholders' equity
Fiscal 2011 (As of March 31, 2012)					
Balance at April 1, 2011	¥88,955	¥87,147	¥225,743	¥(40,856)	¥360,989
Changes of items during the period					
Cash dividends			(10,448)		(10,448)
Net income			31,469		31,469
Purchase of treasury stock				(6)	(6)
Disposal of treasury stock		(31)		130	98
Transfer to capital surplus from retained earnings		31	(31)		-
Net changes of items other than shareholders' equity					-
Total changes of items during the period	-	-	20,989	123	21,113
Balance at March 31, 2012	¥88,955	¥87,147	¥246,733	¥(40,732)	¥382,103

	Millions of yen							
	Accumulated other comprehensive income					Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Pension liability adjustment	Total Accumulated Other comprehensive income			
Balance at April 1, 2011	¥2,280	¥(14)	¥(19,916)	¥(233)	¥(17,884)			
Changes of items during the period								
Cash dividends								(10,448)
Net income								31,469
Purchase of treasury stock								(6)
Disposal of treasury stock								98
Transfer to capital surplus from retained earnings								-
Net changes of items other than shareholders' equity	483	(17)	(4,502)	(163)	(4,200)	591	1,983	(1,625)
Total changes of items during the period	483	(17)	(4,502)	(163)	(4,200)	591	1,983	19,488
Balance at March 31, 2012	¥2,763	¥(32)	¥(24,419)	¥(396)	¥(22,084)	¥1,151	¥5,143	¥366,314

(3) CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(Unaudited)

Kuraray Co., Ltd. and its Consolidated Subsidiaries

	Millions of yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total Shareholders' equity
Fiscal 2012 (As of March 31, 2013)					
Balance at April 1, 2012	¥88,955	¥87,147	¥246,733	¥(40,732)	¥382,103
Changes of items during the period					
Cash dividends			(12,195)		(12,195)
Net income			28,798		28,798
Purchase of treasury stock				(5)	(5)
Disposal of treasury stock		(73)		569	495
Transfer to capital surplus from retained earnings		73	(73)		-
Net changes of items other than shareholders' equity					-
Total changes of items during the period	-	-	16,528	563	17,092
Balance at March 31, 2013	¥88,955	¥87,147	¥263,262	¥(40,169)	¥399,195

	Millions of yen							
	Accumulated other comprehensive income					Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Pension liability adjustment	Total Accumulated Other comprehensive income			
Balance at April 1, 2012	¥2,763	¥(32)	¥(24,419)	¥(396)	¥(22,084)			
Changes of items during the period								
Cash dividends						-		(12,195)
Net income						-		28,798
Purchase of treasury stock						-		(5)
Disposal of treasury stock						-		495
Transfer to capital surplus from retained earnings						-		-
Net changes of items other than shareholders' equity	3,312	14	14,542	(77)	17,792	69	187	18,049
Total changes of items during the period	3,312	14	14,542	(77)	17,792	69	187	35,141
Balance at March 31, 2013	¥6,076	¥(17)	¥(9,877)	¥(473)	¥(4,292)	¥1,221	¥5,330	¥401,455

	Thousands of U.S. dollars				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total Shareholders' equity
Balance at April 1, 2012	\$946,329	\$927,095	\$2,624,819	\$(433,319)	\$4,064,925
Changes of items during the period					
Cash dividends			(129,734)		(129,734)
Net income			306,361		306,361
Purchase of treasury stock				(53)	(53)
Disposal of treasury stock		(776)		6,053	5,265
Transfer to capital surplus from retained earnings		776	(776)		-
Net changes of items other than shareholders' equity					-
Total changes of items during the period	-	-	175,829	5,989	181,829
Balance at March 31, 2013	\$946,329	\$927,095	\$2,800,659	\$(427,329)	\$4,246,755

	Thousands of U.S. dollars							
	Accumulated other comprehensive income					Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Pension liability adjustment	Total Accumulated Other comprehensive income			
Balance at April 1, 2012	\$29,393	\$(340)	\$(259,776)	\$(4,212)	\$(234,936)			
Changes of items during the period								
Cash dividends						-		(129,734)
Net income						-		306,361
Purchase of treasury stock						-		(53)
Disposal of treasury stock						-		5,265
Transfer to capital surplus from retained earnings						-		-
Net changes of items other than shareholders' equity	35,234	148	154,702	(819)	189,276	734	1,989	192,010
Total changes of items during the period	35,234	148	154,702	(819)	189,276	734	1,989	373,840
Balance at March 31, 2013	\$64,638	\$(180)	\$(105,074)	\$(5,031)	\$(45,659)	\$12,989	\$56,702	\$4,270,797

(4) CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

Kuraray Co., Ltd. and its Consolidated Subsidiaries

Years ended March 31, 2012 and 2013	Millions of yen		Thousands of U.S. dollars
	Fiscal 2011	Fiscal 2012	Fiscal 2012
I Net cash provided by (used in) operating activities:			
1 Income before taxes and minority interests	¥50,729	¥44,901	\$477,670
2 Depreciation and amortization	30,737	30,952	329,276
3 Increase (decrease) in allowance for doubtful accounts	(110)	(67)	(712)
4 Increase (decrease) in provision for retirement benefits	641	532	5,659
5 Purchasing related expenses	-	743	7,904
6 Loss on valuation of investment securities	222	613	6,521
7 Loss on disposal of tangible fixed assets	293	613	6,521
8 Impairment loss	2,473	534	5,680
9 Amortization of goodwill	-	451	4,797
10 Environmental expenses	-	136	1,446
11 Provision for loss on disaster	69	-	-
12 Loss (gain) on change in equity	(845)	-	-
13 Interest and dividends income	(2,470)	(2,925)	(31,117)
14 Interest expenses	1,072	966	10,276
15 Decrease (increase) in notes and accounts receivable - trade	(4,773)	140	1,489
16 Decrease (increase) in inventories	(14,389)	(4,789)	(50,946)
17 Increase (decrease) in notes and accounts payable - trade	2,944	2,359	25,095
18 Contribution to employee's retirement benefits trust	(10,000)	-	-
19 Decrease (increase) in prepaid pension cost	420	385	4,095
20 Other, net	3,495	6,885	73,244
Sub-total	60,510	82,432	876,936
21 Interest and dividends income received	2,526	2,822	30,021
22 Interest expenses paid	(1,073)	(988)	(10,510)
23 Income taxes (paid) refund	(19,376)	(17,354)	(184,617)
Net cash provided by (used in) operating activities	42,586	66,911	711,819
II Net cash provided by (used in) investment activities:			
1 Net decrease (increase) in time deposits	3,145	(21,314)	(226,744)
2 Net decrease (increase) in short-term investment securities	32,985	41,991	446,712
3 Purchase of investment securities	(50,374)	(9,276)	(98,680)
4 Proceeds from sales and redemption of investment securities	27,109	1,366	14,531
5 Purchase of tangible fixed assets and intangible fixed assets	(36,817)	(43,200)	(459,574)
6 Payments for disposal of tangible fixed assets and intangible fixed assets	(1,391)	(1,360)	(14,468)
7 Proceeds from sales of tangible fixed assets and intangible fixed assets	120	53	563
8 Payments for purchase of stock of subsidiaries with change of scope of consolidation	(104)	(31,233)	(332,265)
9 Other, net	302	(648)	(6,893)
Net cash provided by (used in) investment activities	(25,023)	(63,622)	(676,829)
III Net cash provided by (used in) financing activities:			
1 Net increase (decrease) in short-term loans payable	1,417	(4,642)	(49,382)
2 Proceeds from issuance of bonds	10,000	-	-
3 Redemption of bonds	(10,000)	-	-
4 Proceeds from long term loans payable	-	10,230	-
5 Repayment of long-term loans payable	(2,279)	(3,657)	(38,904)
6 Purchase of treasury stock	(6)	(5)	(53)
7 Proceeds from sales of treasury stock	85	368	3,914
8 Cash dividends paid	(10,448)	(12,195)	(129,734)
9 Cash dividends paid to minority shareholders	(24)	(24)	(255)
10 Other, net	(373)	(313)	(3,329)
Net cash provided by (used in) financing activities	(11,628)	(10,239)	(108,925)
IV Effect of exchange rate changes on cash and cash equivalents	(550)	2,024	21,531
V Net increase (decrease) in cash and cash equivalents	5,382	(4,926)	(52,404)
VI Cash and cash equivalents, beginning of year	29,423	34,811	370,329
VII Increase in cash and cash equivalents from newly consolidated subsidiaries	4	-	-
VIII Increase in cash and cash equivalents resulting from merger	0	-	-
IX Cash and cash equivalents, end of year	¥34,811	¥29,885	\$317,925

(5) Notes regarding Going Concern Assumptions

None

(6) Basis of Presentation for Consolidated Financial Statements

Except for (7) Changes in Accounting Policies and (8) Changes in Presentation Methods, there are no material differences with the description in the Annual Report for the year ended March 31, 2012, where details of significant accounting policies are available.

(7) Changes in Accounting Policies

(Changes in Accounting Policies, which is difficult to distinguish from Changes in Accounting Estimates)

Pursuant to the revision of the Corporation Tax Act, effective the fiscal year ended March 31, 2013, Kuraray and its consolidated subsidiaries in Japan have adopted the method of calculating depreciation expenses set out in the revised Corporation Tax Act for tangible fixed assets acquired on and after April 1, 2012.

The effect of this change on operating income, ordinary income, and income before income taxes and minority interests in the consolidated statements is minor.

(8) Changes in Presentation Method

(Consolidated Statements of Income)

For the fiscal year ended March 31, 2013, "Loss on disposal of tangible fixed assets," which was included in "Other" under "Non-operating expenses" in the previous fiscal year, is separately presented because its amount exceeded 10/100 of total non-operating expenses.

In addition, for the fiscal year ended March 31, 2013, "Special retirement expenses," which was presented separately in the previous fiscal year, is included in "Other" under "Non-operating expenses" because its amount was less than 10/100 of total non-operating expenses.

The consolidated financial statements for the previous fiscal year were reclassified to reflect these changes in presentation method.

As a result, ¥2,725 million included in "Other" under "Non-operating expenses" was reclassified as "Loss on disposal of tangible fixed assets" of ¥427 million and "Other" of ¥2,297 million.

(9) Notes to Consolidated Financial Statements

(Business Combinations)

(Transactions under Common Control)

1. Outline of business combination

The integration of Kuraray Noritake Dental Holdings Inc. (hereinafter "Holdings"), Kuraray Medical Inc. (hereinafter "Kuraray Medical") and Noritake Dental Supply Co., Limited (hereinafter "Noritake Dental") took place on April 1, 2012 in accordance with the basic agreement concluded on January 28, 2011 to integrate the dental materials businesses and the merger agreement concluded on January 31, 2012.

(1) Names of the companies involved in the merger and description of business

Name of company	Description of business
Holdings	Business administration of subsidiaries and associated operations
Kuraray Medical	Development, manufacturing and sales of dental materials
Noritake Dental	Development, manufacturing and sales of ceramics for crowns, dental plaster and CAD/CAM devices

(2) Date of business combination

April 1, 2012

(3) Legal form of business combination

Absorption-type merger with Kuraray Medical as the surviving company and Holdings and Noritake Dental as the absorbed companies

(4) Name of the company after the combination

Kuraray Noritake Dental Inc.

2. Summary of accounting method implemented

The absorption-type merger was treated as transactions under common control; all were eliminated completely as intra-company transactions. Therefore, the accounting treatment had no impact on the consolidated financial statements.

(Business combination through acquisition)

Kuraray Holdings U.S.A., Inc. (hereinafter “KHU”), a consolidated subsidiary of Kuraray, decided to purchase a U.S.-based polyvinyl alcohol (“poval”) film manufacturing and sales company MONOSOL HOLDINGS, INC. and its three wholly owned subsidiaries (“MonoSol”). KHU concluded a share purchase agreement with MonoSol Holdco, LLC, the parent company of MONOSOL HOLDINGS, INC. on May 12, 2012, and acquired the shares under this contract on June 26, 2012. MonoSol is a leading company of poval films for various industrial applications such as packaging films for unit dose detergent products as well as agrochemicals and dyes, mold-release films for artificial marble and other applications.

The acquisition extends the Kuraray Group’s global leadership in poval film beyond optical use including polarizing film, which is an indispensable component of liquid crystal displays, to a wider range of industrial applications. An additional objective of the acquisition is to accelerate the expansion and reinforcement of “Vinyl acetate and poval-related business” in global markets through the collaboration among business bases in Japan, U.S., Europe and Asia.

1. Name and business of acquired company, date of business combination, legal form of business combination, name of acquired company after business combination, percentage of voting rights acquired and reason for decision on the acquiring company.

(1) Name and business of acquired company

Name of acquired companies: MONOSOL HOLDINGS, INC. and three wholly owned subsidiaries

Business: manufacturing and sales of industrial-use poval film for applications including artificial packaged detergents, agricultural chemicals and dyes; and marble mold release sheets

(2) Date of business combination

June 26, 2012

(3) Legal form of business combination

Cash purchase of shares

(4) Name of acquired companies after business combination

MONOSOL HOLDINGS, INC.

MONOSOL, LLC

MONOSOL AF, LTD.

AQUAFILM LIMITED

(5) Percentage of voting rights acquired

100%

(6) Reason for decision on the acquiring company

KHU proposed to acquire MonoSol’s shares with cash.

2. Period of results of the acquired company included in the Consolidated Financial Statements

July 1, 2012 to December 31, 2012

3. Acquisition cost of the acquired company

Acquisition price USD 395,825,000

Acquisition cost USD 395,825,000

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

(1) Amount of goodwill

USD 170,515,000

(2) Reason for its recognition

The goodwill resulted from a reasonable estimate of future excess earnings.

(3) Amortization method and amortization period

The straight-line method over 20 years

5. The amounts and breakdown of allocated assets and assumed liabilities on the date of business combination

	USD thousand
Current assets	44,762
Property, plant and equipment	372,939
<u>Total assets</u>	<u>417,701</u>
Current liabilities	18,672
Long-term liabilities	173,719
<u>Total liabilities</u>	<u>192,391</u>

6. Assets other than goodwill allocated to intangible fixed assets, amounts and breakdown of allocated assets, and weighted average amortization period by asset type

	USD thousand	Amortization period (years)
Trademarks	7,000	20
Customer relationships	194,000	20
Technology-related assets	60,000	20
Research and development in progress	25,000	20

7. Approximate amounts and their calculation method of impact on the consolidated statements of income for the fiscal year ended March 31, 2013, assuming that the business combinations had been completed on the commencement date of the fiscal year

(1) Approximate impact on the consolidated statements of income

	USD thousand
Net sales	56,360
Operating income	2,706

(2) Calculation method of the approximate amounts

The approximate amounts were calculated based on the consolidated financial statements of MONOSOL HOLDINGS, INC. for the six months ended June 30, 2012.

This information has not been audited.

(Segment Information, etc.)

(Segment Information)

1. Segment Overview

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

Kuraray adopts an in-house company system where each in-house company develops business activities and establishes its own comprehensive strategy, both for Japan and for overseas markets, in accordance with 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 products as well as other companies' products. Consequently, Kuraray has created four business segments for reporting – “Resins,” “Chemicals,” “Fibers and Textiles” and “Trading” – categorized by product group based on the respective in-house companies and trading segments.

The Resins segment manufactures and markets functional resins and film, including PVA, PVB and *EVAL*. The Chemicals segment produces and sells methacrylic resin, thermoplastic elastomer *SEPTON* and *KURARITY*, isoprene-related products, *GENESTAR*, and medical products. The Fibers and Textiles segment manufactures and sells synthetic fibers and textiles, man-made leather, non-woven fabrics and others. The trading segment conducts processing and sales activities for synthetic fibers and man-made leather, and it conducts planning and marketing for the 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 inter-segment income and transfers are based on the prevailing market prices.

As per the note “Changes in Accounting Estimates and Minor Changes to Accounting Policies” above, pursuant to the revision of the Corporation Tax Act, effective the fiscal year ended March 31, 2013, Kuraray and its consolidated subsidiaries in Japan have adopted the method of calculating depreciation expenses set out in the revised Corporation Tax Act for tangible fixed assets acquired on and after April 1, 2012. Therefore, the method used for depreciation and amortization for each reporting segment is based on the method set out in the revised Corporation Tax Act.

The effect of this change on segment income is minor.

Fiscal 2011 (April 1, 2011 to March 31, 2012)

(Millions of yen)

	Reporting Segments					Other Business ¹	Total	Adjustment ^{2,4}	Consolidated Financial Statements ³
	Resins	Chemicals	Fibers and Textiles	Trading	Total				
Net sales									
(1)Outside customers	119,125	47,509	46,702	108,492	321,830	47,145	368,975	—	368,975
(2)Inter-segment sales and transfers	29,754	27,363	16,691	3,725	77,534	19,216	96,751	(96,751)	—
Total	148,879	74,872	63,394	112,218	399,365	66,362	465,727	(96,751)	368,975
Segment income	49,904	9,066	1,103	3,527	63,601	5,657	69,259	(14,525)	54,733
Segment assets	159,031	86,394	54,796	36,082	336,305	49,678	385,983	137,263	523,247
Other items									
Depreciation and amortization (other than goodwill)	13,675	5,834	5,107	30	24,647	2,244	26,892	1,744	28,636
Impairment loss	—	233	2,063	—	2,296	66	2,363	109	2,473
Amortization of goodwill	2,001	98	—	—	2,100	—	2,100	—	2,100
Balance of goodwill at end of current period	10,153	1,384	—	—	11,538	—	11,538	—	11,538
Gain on negative goodwill	—	—	—	—	—	141	141	—	141
Investments in equity method affiliates	—	—	102	—	102	—	102	—	102
Increase in tangible fixed assets and intangible fixed assets	18,637	11,813	3,493	27	33,971	3,166	37,138	1,867	39,006

Notes:

1. The “Other Business” category incorporates operations not included in business segment reporting, including the activated carbon business, aqua business and engineering business.
2. Adjustment is as follows: Included within segment income (loss) of ¥14,525 million is the elimination of intersegment transactions of ¥510 million and corporate expenses of ¥14,015 million. Corporate expenses mainly comprise headquarters’ general and administrative expenses and the submitting company’s basic research expenses.
3. Segment income is adjusted with operating income under consolidated statements of income.
4. Adjustment is as follows: Included within segment assets of ¥137,263 million is the elimination of intersegment transactions of ¥31,279 million and unallocated corporate assets of ¥168,542 million.

Fiscal 2012 (April 1, 2012 to March 31, 2013)

(Millions of yen)

	Reporting Segments					Other Business ¹	Total	Adjustment ^{2,4}	Consolidated Financial Statements ³
	Resins	Chemicals	Fibers and Textiles	Trading	Total				
Net sales									
(1)Outside customers	126,133	49,956	41,306	105,632	323,029	46,402	369,431	—	369,431
(2)Inter-segment sales and transfers	29,030	29,029	15,886	3,127	77,073	18,040	95,113	(95,113)	—
Total	155,163	78,986	57,192	108,760	400,102	64,442	464,545	(95,113)	369,431
Segment income	48,882	6,373	1,193	3,358	59,808	4,001	63,810	(14,612)	49,197
Segment assets	232,447	83,801	53,888	36,237	406,375	53,368	459,743	127,441	587,184
Other items									
Depreciation and amortization (other than goodwill)	14,166	6,831	3,941	32	24,971	2,200	27,172	1,490	28,662
Impairment loss	4	—	202	—	207	326	534	—	534
Amortization of goodwill	2,191	98	—	—	2,290	—	2,290	—	2,290
One-time amortization of goodwill	451	—	—	—	451	—	451	—	451
Balance of goodwill at end of current period	23,373	1,286	—	—	24,659	—	24,659	—	24,659
Investments in equity method affiliates	—	—	105	—	105	—	105	—	105
Increase in tangible fixed assets and intangible fixed assets	25,957	8,211	5,565	40	39,775	3,890	43,665	1,854	45,519

Notes:

1. The “Other Business” category incorporates operations not included in business segment reporting, including the activated carbon business, aqua business and engineering business.
2. Adjustment is as follows: Included within segment income of ¥14,612 million is the elimination of intersegment transactions of ¥520 million and corporate expenses of ¥14,092 million. Corporate expenses mainly comprise headquarters’ general and administrative expenses and the submitting company’s basic research expenses.
3. Segment income is adjusted with operating income under consolidated statements of income.
4. Adjustment is as follows: Included within segment assets of ¥127,441 million is the elimination of intersegment transactions of ¥251,057 million and unallocated corporate assets of ¥378,499 million.

(Related Information)

Fiscal Year 2011 (April 1, 2011 to March 31, 2012)

1. Information of Each Product and Service

(Millions of yen)

	Resins	Chemicals	Fibers and Textiles	Other Business	Total
Net sales to outside customers	148,971	74,501	88,837	56,665	368,975

Notes:

Principal products of each segment are as follows:

Resins: Poval resin and film, *EVAL* resin and others

Chemicals: *SEPTON* and *KURARITY* thermoplastic elastomer, isoprene chemicals, methacrylic resin, *GENESTAR* heat-resistant polyamide resin, medical products and others

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

Other Business: Activated carbon, aqua business and engineering and others

2. Performance by Geographical Segment

(1) Net Sales

(Millions of yen)

Japan	North America	Europe	Asia	Other Area	Total
190,940	23,787	64,145	80,699	9,403	368,975

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

(2) Tangible Fixed Assets

(Millions of yen)

Japan	North America	Other Overseas	Total
117,580	16,409	18,886	152,877

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 Year 2012 (April 1, 2012 to March 31, 2013)

1. Information of Each Product and Service

(Millions of yen)

	Resins	Chemicals	Fibers and Textiles	Other Business	Total
Net sales to outside customers	154,355	78,402	80,789	55,884	369,431

Notes:

Principal products of each segment are as follows:

Resins: Poval resin and film, *EVAL* resin and others

Chemicals: *SEPTON* and *KURARITY* thermoplastic elastomer, isoprene chemicals, methacrylic resin, *GENESTAR* heat-resistant polyamide resin, medical products and others

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

Other Business: Activated carbon, aqua business and engineering and others.

2. Performance by Geographical Segment

(1) Net Sales

(Millions of yen)

Japan	North America	Europe	Asia	Other Area	Total
186,014	27,412	62,981	83,090	9,932	369,431

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

(2) Tangible Fixed Assets

(Millions of yen)

Japan	North America	Other Overseas	Total
129,218	29,287	22,767	181,274

3. Major Customers

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

Per Share Information

	Fiscal 2011 (April 1, 2011 to March 31, 2012)	Fiscal 2012 (April 1, 2012 to March 31, 2013)	
	(yen)	(yen)	(U.S.dollars)
Net assets per share	1,033.48	1,132.07	12.00
Basic net income per share	90.35	82.62	0.88
Diluted net income per share	90.21	82.52	0.88

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

	Fiscal 2011 (April 1, 2011 to March 31, 2012)	Fiscal 2012 (April 1, 2012 to March 31, 2013)	
	(yen)	(yen)	(U.S.dollars)
Basic net income per share			
Net income	31,469	28,798	306,361
Net income unallocated to common stock	—	—	—
Net income allocated to common stock	31,469	28,798	306,361
Average number of common shares outstanding during the fiscal year (thousand shares)	348,304	348,552	
Diluted net income per share			
Adjustment made on net income	—	—	
Increase of common shares (thousand shares)	551	419	
Outline of the residual securities which were not included in the calculation of the diluted net income		—	

(Significant Subsequent Information)

(Change in Segment Classification)

The reporting segments for the fiscal year ended March 31, 2013 were classified as Resins, Chemicals, Fibers and Textiles, and Trading. However, for the fiscal year ending March 31, 2014, the reporting segments have been changed to Vinyl Acetate, Isoprene, High-Performance Materials, Fibers and Textiles, and Trading.

Kuraray decided to regroup its organization to implement the management strategies under the medium-term management plan GS-III with the goals of accelerating global strategies for core businesses, creating and expanding new business and improving the competitiveness of both existing businesses and products by strengthening production technologies.

Net sales and segment income for each regrouped reporting segment for the fiscal year March 31 2013 is as below:

Fiscal year 2012 (April 1, 2012 to March 31, 2013) (Millions of yen)

	Reporting Segment						Other Business	Total	Adjustment	Consolidated Financial Statements
	Vinyl Acetate	Isoprene	High-Performance Materials	Fibers and Textiles	Trading	Total				
Net sales										
Net sales to outside customers	126,133	27,826	27,642	35,794	105,632	323,029	46,402	369,431	—	369,431
Inter-segment sales and transfers	29,030	16,991	17,502	10,422	3,127	77,073	18,040	95,113	(95,113)	—
Total	155,163	44,817	45,144	46,216	108,760	400,102	64,442	464,545	(95,113)	369,431
Segment income	48,877	3,870	1,929	1,772	3,358	59,808	4,001	63,810	(14,612)	49,197

(Omission of Disclosure)

Disclosure of Unapplied Accounting Standards, Non-consolidated Financial Statements and the notes related to the following items are omitted, as considered to be no great necessity for disclosing such items for earnings report.

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

4. Reference Information

(1) Appendix for geographical segment information

Fiscal year 2012 (April 1, 2012 to March 31, 2013) (Millions of yen)

	Japan	North America	Europe	Asia	Total	Adjustments	Consolidated
Net sales							
Net sales to outside customers	261,054	33,222	56,792	18,362	369,431	—	369,431
Inter-segment sales and transfers	30,973	5,816	5,131	4,067	45,988	(45,988)	—
Total	292,027	39,039	61,923	22,429	415,419	(45,988)	369,431
Segment income (loss)	56,067	4,988	2,917	(553)	63,420	(14,222)	49,197

Notes:

1. The segmentation of country or region is based on the geographical proximity.
2. Major countries and regions included in each category are as follows:
 - (1) North America.....United States
 - (2) Europe.....Germany, Belgium
 - (3) Asia.....Singapore, Hong Kong and China

(2) Supplemental information regarding the change in reporting segments (comparison between new and former reporting segments)

Former reporting segments (Year ended March 31, 2013)

Reporting segment	Resins	Chemicals	Fibers and Textiles	Trading	Other Business
Main businesses	*Poval products	Methacrylic resin	<i>Vinylon</i>	Polyester	Activated carbon business
	<i>EVAL</i>	Isoprene	<i>CLARINO</i>	Trading business	Aqua business
		<i>SEPTON</i>	<i>KURAFLEX</i>		Engineering business
		<i>GENESTAR</i>	Fastenings		Other subsidiaries
		Medical	<i>VECTRAN</i>		

New reporting segments (Year ending March 31, 2014)

	Vinyl Acetate	Isoprene	High-Performance Materials	Fibers and Textiles	Trading	Other Business
Main businesses	*Poval products	Isoprene	Methacrylic resin	<i>Vinylon</i>	Polyester	Activated carbon business,
	<i>EVAL</i>	<i>SEPTON</i>	Medical	<i>KURAFLEX</i>	Trading business	Aqua business
		<i>GENESTAR</i>	<i>CLARINO</i>	Fastenings		Engineering business
				<i>VECTRAN</i>		Other subsidiaries

*Poval products: Poval resin, poval film, PVB resin and film

(3). Segment performance forecast for the year ending March 31, 2014 (Billions of yen)

	Net sales		Segment income	
	Fiscal 2012 (April 1, 2012 to March 31, 2013) (Actual)	Fiscal 2013 (April 1, 2013 to March 31, 2014) (Forecast)	Fiscal 2012 (April 1, 2012 to March 31, 2013) (Actual)	Fiscal 2013 (April 1, 2013 to March 31, 2014) (Forecast)
Vinyl Acetate	155.2	191.0	48.9	54.0
Isoprene	44.8	54.5	3.9	7.5
High-Performance Materials	45.1	54.5	1.9	3.0
Fibers and Textiles	46.2	46.0	1.8	2.0
Trading	108.8	113.0	3.4	3.5
Other Business	64.4	66.0	4.0	4.0
Corporate and eliminations	(95.1)	(95.0)	(14.6)	(14.0)
Total	369.4	430.0	49.2	60.0