Consolidated Earnings Report for the Second Quarter of the Fiscal Year Ending December 31, 2014 (Unaudited)

October 29, 2014

Kuraray Co., Ltd.

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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: Fumio Ito

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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, 2014 (April 1, 2014 to September 30, 2014)

(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 2014 2Q	222,613	11.7%	26,945	9.3%	27,048	8.7%	17,035	8.1%
Fiscal 2013 2Q	199,269	10.2%	24,657	3.2%	24,895	13.8%	15,765	23.7%

Note: Comprehensive income: For the fiscal 2014 second quarter: ¥10,847 million (70.7%)
For the fiscal 2013 second quarter: ¥37,064 million 199.0%

	Net Income per Share (Yen)	Fully Diluted Net Income per Share (Yen)
Fiscal 2014 2Q	48.62	48.52
Fiscal 2013 2Q	45.04	44.91

(2) Consolidated Financial Position

(Millions of yen)

	Total Assets	Net Assets	Shareholders' Equity Ratio (%)
As of September 30, 2014	644,214	454,347	69.5
As of March 31, 2014	634,252	452,459	70.3

(Reference)

Shareholders' equity: As of September 30, 2014: ¥448,039 million

As of March 31, 2014: ¥445,834 million

2. Dividends

(Yen)

	Cash Dividends per Share				
Record Date	Jun. 30	Sept. 30	Dec. 31	Mar. 31	Annual
Fiscal 2014	—	18.00	—	18.00	36.00
Period to Dec. 2014	—	18.00			
Period to Dec. 2014 (Forecast)			9.00	—	27.00

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

3. Forecasts of Consolidated Financial Results for the Fiscal Year Ending December 31, 2014 (April 1, 2014 to December 31, 2014)

(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	415,000	—	44,000	—	43,000	—	26,000	—	74.19	Yen

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

From fiscal 2014, the Company changed its fiscal year-end from March 31 to December 31 upon the approval of "Partial Amendment of the Articles of Incorporation" at the 133rd Ordinary General Meeting of Shareholders held on June 20, 2014. Accordingly, the consolidated reporting period ending December 31, 2014 will be the nine-month period from April 1, 2014 to December 31, 2014 for the Company and its subsidiaries that previously maintained a fiscal year-end of March 31.

Please note that the consolidated reporting period for subsidiaries with a fiscal year-end of December 31 will remain January 1, 2014 to December 31, 2014.

[Reference]

The following percentages (adjusted change) compare the projected results for fiscal 2014 with figures covering an adjusted nine-month period for fiscal 2013 (April 1, 2013 to December 31, 2013) for the Company and its consolidated subsidiaries in light of the previous fiscal year-end of March 31.

(Millions of yen)

Net Sales		Operating Income		Ordinary Income		Net Income	
415,000	22.1%	44,000	14.9%	43,000	12.0%	26,000	12.6%

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: Yes
2. Changes besides 1. above: No
3. Changes of accounting estimates: No
4. Restatement: No

(Note: Please see "Changes in Accounting Policies and, Accounting Estimates and Restatement" on page 4 about the details.)

(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 September 30, 2014 382,863,603 shares
   As of March 31, 2014 382,863,603 shares

2. Number of treasury stock as of the period-end:
   As of September 30, 2014 32,404,912 shares
   As of March 31, 2014 32,551,718 shares

3. Average number of shares for the period (Cumulative):
   As of September 30, 2014 350,385,175 shares
   As of September 30, 2013 350,029,057 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, it 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.

Index of the Attachment

1. Qualitative Information and Financial Statements

(1) Qualitative Information and Overview of Consolidated Business Results

In the first half of fiscal 2014 (April 1, 2014–September 30, 2014), the Japanese economy began to feel the negative impact of the consumption tax hike. Overseas, the economic outlook was dim. Despite continued brisk growth in the U.S. economy, recovery stalled in Europe, growth in China slowed, and business sentiments varied widely by region in other emerging countries. However, these factors had little effect on the Company's second quarter results.

Under these circumstances, the Kuraray Group accelerated the global expansion of its core business to achieve sustained growth while proactively developing new businesses in the water treatment, environment, energy, optical and electronics fields to secure future growth.

Consequently, cumulative consolidated operating results for the first half of fiscal 2014 are as follows: net sales rose ¥23,344 million, or 11.7%, compared with the corresponding period of the previous fiscal year to ¥222,613 million; operating income grew ¥2,287 million, or 9.3%, to ¥26,945 million; ordinary income increased ¥2,153 million, or 8.7%, to ¥27,048 million; and net income rose ¥1,269 million, or 8.1%, to ¥17,035 million.

Results by Business Segment

Vinyl Acetate

Sales in this segment grew 16.7% year on year to ¥105,115 million, and segment income rose 1.2% year on year to ¥24,812 million. In addition, the vinyl acetate-related business of E. I. du Pont de Nemours and Company ("DuPont") was acquired by the Company on June 1, 2014. One month of results (for June) for the vinyl acetate-related business have been included in this segment.

(1) The sales volume of optical-use poval films has increased in step with a trend toward large LCD panels. In response, in April 2014 the Saijo Plant brought new production facilities on line. Poval resin were firm due to the effect of upward revisions in product prices. On the other hand, PVB films were affected by ongoing stagnant market demand for construction materials in Europe. Sales of water soluble PVA films grew favorably on the back of brisk demand. In response, the Company decided to establish a new plant in the United States to produce water soluble PVA films, with operational kickoff scheduled for January 2016. On June 1, both the manufacturing and marketing functions of the vinyl acetate-related business acquired from DuPont were successfully integrated.

(2) Sales of *EVAL* ethylene vinyl alcohol copolymer (EVOH resin) expanded favorably,

particularly in the United States and Asia.

Isoprene

Sales in this segment grew 6.5% year on year to ¥27,029 million, and segment income jumped 36.1% year on year to ¥2,815 million.

(1) In isoprene chemicals, sales of fine chemicals were favorable and sales of *SEPTON* thermoplastic elastomer were firm. Demand for liquid rubber rebounded.

(2) Sales of *GENESTAR* heat-resistant polyamide resin for LED reflector, connector and automotive applications remained favorable.

Functional Materials

Sales in this segment grew 12.3% year on year to ¥25,980 million. Segment income fell 24.5% to ¥356 million.

(1) Sales of methacrylic resin remained stagnant due to sluggish market conditions.

(2) In the medical business, sales of dental materials were favorable.

(3) With regard to *CLARINO* man-made leather, business performance began to improve due to the effect of the Company's initiatives aimed at achieving structural improvements, such as the transfer of conventional production processes to China.

Fibers and Textiles

The performance of *KURALON* was healthy for use in automotive brake hose applications and as an asbestos substitute in fiber reinforced cement (FRC). As a result, sales in this segment grew 3.4% year on year to ¥22,002 million, and segment income increased 26.3% year on year to ¥1,678 million.

Trading

Sales were favorable in the fiber-related business, especially for polyester, and resin and chemical-related businesses. Also, the Company continued to expand its overseas business network. As a result, segment sales increased 10.8% year on year to ¥58,741 million, and segment income increased 2.9% to ¥1,769 million.

Others

Other businesses were firm overall. As a result, segment sales increased 5.7% year on year to ¥32,264 million, however segment income decreased 5.0% to ¥1,322 million.

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

Kuraray has revised its full-year consolidated operating results forecast as shown below in the table to reflect the present operating results forecast for the vinyl acetate-related business acquired from DuPont for the period from June 2014 to December 2014 including tentative goodwill amortization. Moreover, as the purchase price allocation of the newly acquired vinyl acetate-related business progresses, we will announce any subsequent changes to profit and loss.

The revised consolidated full-year operating results forecast for the fiscal year ending December 31, 2014 (April 1, 2014–December 31, 2014) is as follows.

(Millions of yen)

	Net Sales	Operating Income	Ordinary Income	Net Income	Net Income Per Share
Original Forecast (A) (Announced April 25, 2014)	385,000	44,000	43,000	26,000	¥74.22
Revised Forecast (B)	415,000	44,000	43,000	26,000	¥74.19
Amount Adjusted (B − A)	30,000	—	—	—	
Percent Adjusted	7.8%	—	—	—	

2. Items Regarding Summary (and Notes) Information

Changes in Accounting Policies, Accounting Estimates and Restatement

(Changes in Accounting Policies Accompanying Revisions or Other Changes in Accounting and Other Standards)

From the first quarter of the consolidated reporting period ending December 31, 2014, the Company applies "Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan (ASBJ) Statement No. 26, May 17, 2012; hereinafter the "Accounting Standard for Retirement Benefits"), "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012; hereinafter the "Guidance on Retirement Benefits") and the provisions set forth in Clause 35 of the Accounting Standard for Retirement Benefits and Clause 67 of the Guidance on Retirement Benefits. We have revised the calculation method for service costs and retirement benefit obligations less pension assets. Because of this, the Company has changed the method of calculating projected retirement benefits from the straight-line method over the estimated number of total service years to the projected benefit method. Furthermore, the Company has decided to change the basis used for setting the discount rate from the number of years an employee is expected to continue working to a weighted average discount rate, which reflects the projected payment period of retirement benefits and an amount projected for each payment period.

The application of the Accounting Standard for Retirement Benefits and the Guidance on Retirement Benefits is subject to the transitional accounting treatment set forth in Clause 37 of the Accounting Standard for Retirement Benefits. As of April 1, 2014, the effect of the change in the calculation method for service costs and retirement benefit obligations less pension assets has been added to or deducted from retained earnings.

As a result, as of April 1, 2014, net defined benefit liabilities rose ¥2,366 million and net defined benefit assets and retained earnings declined ¥1,826 million and ¥2,712 million respectively. In addition, the effect on operating income, ordinary income and income before income taxes and minority interests in the first half of the consolidated reporting period ending December 31, 2014 was minimal.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	March 31, 2014	September 30, 2014
ASSETS		
Current Assets		
Cash and cash deposits	49,746	34,108
Notes and accounts receivable–trade	91,119	97,006
Short-term investment securities	58,301	5,804
Merchandise and finished goods	60,984	67,956
Work in process	11,992	12,617
Raw materials and supplies	15,658	19,356
Deferred tax assets	5,889	6,312
Other	9,175	12,349
Allowance for doubtful accounts	(465)	(487)
Total current assets	302,402	255,023
Noncurrent Assets		
Tangible fixed assets		
Buildings and structures, net	44,707	50,662
Machinery, equipment and vehicles, net	91,921	108,122
Land	21,481	21,599
Construction in progress	59,139	48,024
Other, net	4,970	4,845
Total tangible fixed assets	222,219	233,253
Intangible fixed assets		
Goodwill	26,598	66,730
Other	30,600	29,095
Total intangible fixed assets	57,198	95,826
Investments and other assets		
Investment securities	39,285	46,801
Long-term loans receivable	297	318
Net defined benefit assets	2,031	169
Deferred tax assets	6,260	6,944
Others	4,604	5,926
Allowance for doubtful accounts	(47)	(48)
Total investments and other assets	52,431	60,111
Total noncurrent assets	331,849	389,191
Total assets	634,252	644,214

(Millions of yen)

	March 31, 2014	September 30, 2014
LIABILITIES		
Current Liabilities		
Notes and accounts payable–trade	35,393	39,328
Short-term loans payable	13,143	7,833
Commercial papers	—	10,000
Accrued expenses	8,073	6,687
Income taxes payable	7,272	7,006
Provision for bonuses	6,931	6,869
Other provision	51	7
Other	18,280	21,197
Total current liabilities	89,145	98,931
Long-term liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	42,187	42,332
Deferred tax liabilities	18,343	17,292
Provision for directors' retirement benefits	161	139
Provision for environmental measures	886	886
Net defined benefit liabilities	5,448	9,059
Asset retirement obligations	2,656	2,619
Other	12,962	8,606
Total noncurrent liabilities	92,647	90,935
Total liabilities	181,793	189,867
NET ASSETS		
Shareholders' equity		
Capital stock	88,955	88,955
Capital surplus	87,147	87,163
Retained earnings	279,616	287,632
Treasury stock	(38,425)	(38,252)
Total shareholders' equity	417,293	425,498
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,944	8,878
Deferred gain or losses on hedges	(4)	18
Foreign currency translation adjustments	27,025	18,769
Remeasurements of defined benefit plans	(5,424)	(5,125)
Total accumulated other comprehensive income	28,541	22,541
Subscription rights to shares	1,005	1,013
Minority interests	5,618	5,294
Total net assets	452,459	454,347
Total liabilities and net assets	634,252	644,214

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

Quarterly Consolidated Statements of Income

(Millions of yen)

	Fiscal 2013 2Q (April 1, 2013 – Sept. 30, 2013)	Fiscal 2014 2Q (April 1, 2014 – Sept. 30, 2014)
Net sales	199,269	222,613
Cost of sales	136,210	153,246
Gross profit	63,058	69,366
Selling, general and administrative expenses		
Selling expenses	9,904	10,878
General and administrative expenses	28,496	31,543
Total selling, general and administrative expenses	38,400	42,421
Operating income	24,657	26,945
Non-operating income		
Interest income	337	142
Dividends income	1,197	1,371
Equity in earnings of affiliates	0	1
Other, net	662	573
Total non-operating income	2,197	2,089
Non-operating expenses		
Interest expenses	505	257
Other expenses	1,454	1,728
Total non-operating expenses	1,959	1,985
Ordinary income	24,895	27,048
Extraordinary loss		
Acquisition-related cost	—	1,863
Retirement benefit expenses	—	622
Impairment loss	118	204
Loss on abandonment of non-current assets	280	143
Total extraordinary expenses	399	2,834
Income before income taxes and minority interests in net income of consolidated subsidiaries	24,495	24,214
Income taxes－current	8,894	8,703
Income taxes－deferred	(342)	(1,335)

(Millions of yen)

	Fiscal 2013 2Q (April 1, 2013 – Sept. 30, 2013)	Fiscal 2014 2Q (April 1, 2014 – Sept. 30, 2014)
Total income taxes	8,552	7,367
Income before minority interests in net income of consolidated subsidiaries	15,942	16,846
Minority interests in income (loss)	177	(188)
Net income	15,765	17,035

Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal 2013 2Q (April 1, 2013 – Sept. 30, 2013)	Fiscal 2014 2Q (April 1, 2014 – Sept. 30, 2014)
Income before minority interests in net income of consolidated subsidiaries	15,942	16,846
Other comprehensive income		
Valuation difference on available-for-sale securities	464	1,934
Deferred gain or losses on hedges	(3)	22
Foreign currency translation adjustments	20,837	(8,255)
Pension liability adjustments	(176)	298
Total other comprehensive income	21,121	(5,999)
Quarterly comprehensive income	37,064	10,847
Comprehensive income attributable to:		
Owners of the parent	36,886	11,035
Minority interests	177	(188)

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Six-month period ended Sept. 30, 2013 (April 1, 2013 – Sept. 30, 2013)	Six-month period ended Sept. 30, 2014 (April 1, 2014 – Sept. 30, 2014)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	24,495	24,214
Depreciation and amortization	16,430	18,870
Impairment loss	118	204
Loss from disposal of tangible fixed assets	280	143
Acquisition-related cost	—	1,863
Decrease (increase) in notes and accounts receivable - trade	670	(6,978)
Decrease (increase) in inventories	243	(4,077)
Increase (decrease) in notes and accounts payable–trade	(10,492)	4,244
Other, net	(221)	(2,298)
Subtotal	31,525	36,186
Income taxes paid	(9,261)	(8,650)
Other	1,027	1,508
Net cash provided by (used in) operating activities	23,291	29,043
Net cash provided by (used in) investing activities		
Net decrease in time deposits	7,754	1,033
Net decrease(increase) in short-term investment securities	(22,993)	5,000
Proceeds from sales and redemption of investment securities	10,290	231
Purchase of investment securities	(471)	(1,773)
Purchase of tangible fixed assets and intangible fixed assets	(24,900)	(26,208)
Payments for acquisition of business	—	(66,767)
Other, net	(531)	(1,800)
Net cash provided by (used in) investing activities	(30,852)	(90,284)

(Millions of yen)

	Six-month period ended Sept. 30, 2013 (April 1, 2013 – Sept. 30, 2013)	Six-month period ended Sept. 30, 2014 (April 1, 2014 – Sept. 30, 2014)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(30)	563
Proceeds from long-term loans payable	10,054	233
Repayment of long-term loans payable	(55)	(5,962)
Cash dividends paid	(6,279)	(6,305)
Net increase (decrease) in commercial papers	—	10,000
Other, net	1,031	(174)
Net cash provided by (used in) financing activities	4,721	(1,645)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	1,197	781
Net Increase(decrease) in Cash and Cash Equivalents	(1,642)	(62,104)
Cash and Cash Equivalents, Beginning of the Period	29,885	100,642
Increase in cash and cash equivalents from newly consolidated subsidiaries	26	9
Cash and Cash Equivalents, End of the Period	28,269	38,546

(4) Notes Regarding Quarterly Consolidated Financial Statements

Notes Regarding Going Concern Assumptions

None

Additional Information

Kuraray's fiscal year-end was originally set at March 31; however, to improve the Company's global business management efficiency and management transparency through the timely and appropriate disclosure of accounting information, the Company has changed its fiscal year-end to December 31 through the resolution of the 133rd Ordinary General Meeting of Shareholders held on June 20, 2014.

The consolidated reporting period ending December 31, 2014 will constitute the nine-month period from April 1, 2014 through December 31, 2014. However, with regard to those overseas subsidiaries whose fiscal year-end is already December 31, the Company will use the 12-month period from January 1, 2014 to December 31, 2014 when preparing its consolidated statements of income for the consolidated fiscal year ending December 31, 2014.

Regarding the creation of consolidated financial statements, the Company will uniformly use December 31, 2014 as the closing date for the fiscal year ending December 31, 2014. Because the acquisition of DuPont's vinyl acetate related business, completed on June 1, 2014, will have a great effect on the management of overseas consolidated subsidiaries, the Company determined that it would be difficult in practice to unify the closing date of their accounts from the first quarter of the consolidated reporting period ending December 31, 2014.

As a result, in compiling the results for the first half of the cumulative consolidated reporting period ending December 31, 2014, the semiannual consolidated statements of income or loss for overseas consolidated subsidiaries for the six -month period from January 1, 2014 to June 30, 2014 will be used in the same manner used from that used before the change of the closing date.

Material Changes in Shareholders' Equity

None

Segment and Other Information

Segment Information

I. First Half of Fiscal 2013 (April 1, 2013 to September 30, 2013)

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	77,610	15,046	15,404	15,988	51,739	175,789	23,479	199,269	−	199,269
Inter-segment sales and transfers	12,440	10,341	7,721	5,287	1,270	37,062	7,033	44,095	(44,095)	−
Total	90,051	25,388	23,126	21,275	53,009	212,851	30,513	243,364	(44,095)	199,269
Segment Income	24,527	2,068	471	1,328	1,719	30,115	1,391	31,507	(6,850)	24,657

Notes:

1. The "Others" 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 ¥6,850 million is the elimination of intersegment transactions of ¥38 million and corporate expenses of ¥6,812 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 with operating income under consolidated statements of income.

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

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 "Others" 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 with operating income under consolidated statements of income.

2. Information regarding the assets of each reporting segment

The amount of assets for each reporting segment has fluctuated significantly compared with the end of the previous consolidated fiscal year. The overview is as follows.

In the first quarter of the consolidated reporting period ending December 31, 2014, the assets of the Vinyl Acetate segment increased ¥64,778 million from March 31, 2014 due to the acquisition of the vinyl acetate related business from DuPont mainly by subsidiaries of Kuraray. However, the acquisition price is now going through a process of adjustment to reflect the change in working capital as per the agreement with DuPont. The increase in the amount of assets is therefore tentative.

3. Information regarding goodwill and impairment loss on fixed assets for each reporting segment

(Significant fluctuations in the value of goodwill)

In the Vinyl Acetate segment, with the acquisition of the vinyl acetate related business from DuPont, goodwill in the first half of the consolidated reporting period stood at ¥43,133 million. The amount of goodwill is tentative as the allocation of the acquisition cost has not been completed.

Subsequent Events

Sale of Subsidiary Shares

Kuraray Co., Ltd. concluded an agreement on October 17, 2014 (Japan local time) to transfer all of the shares of its consolidated subsidiary Kuraray Deutschland GmbH and its unconsolidated subsidiary Kuraray Belgium N.V. to GVC S.A., a subsidiary of GVC Holdings, Inc.

1. Purpose of sale

The European Commission approved the transfer of the vinyl acetate-related business from E.I. du Pont de Nemours and Company in June 2014 on the condition that the European polyvinyl butyral (PVB) sheet business ("the Business") be transferred to a third party. In accordance with this ruling, Kuraray concluded a transfer agreement for all of the shares of Kuraray Deutschland GmbH and Kuraray Belgium N.V., both of which operate the European PVB business.

2. Name of buyer

GVC S.A.

3. Date of sale

Planned for January 2015

4. Subsidiary names and description of businesses

Subsidiary name	Description of businesses
Kuraray Deutschland GmbH	Manufacture and sale of PVB sheet
Kuraray Belgium N.V.	R&D, technical services, etc. for PVB sheet businesses

5. Number of shares to be sold, sale price, gain/loss on sale and post-sale percentage of ownership

(1) Number of shares to be sold

Kuraray Deutschland GmbH: 5,000,000 shares

Kuraray Belgium N.V.: 5,000 shares

(2) Sale price

The price was set at €12 million (approx. ¥1,666 million)* along with adjustments of net cash (debt) balance and net working capital on the date of transfer.

*Based on the exchange rate as of September 30, 2014

(3) Gain/loss on sale

As the fair value of the assets and debt is not yet set and the book value of the shares has not been determined, the gain/loss on sale is currently unknown.

(4) Post-sale percentage of ownership

–%

6. Description of significant riders, if applicable

Kuraray licences the intellectual property related to the Business.

In addition, the transfer of shares requires the customary regulatory approvals.