Business Results for the Fiscal Year Ended March 31, 2014 (Unaudited)

April 25, 2014

Kuraray Co., Ltd.

April 25, 2014

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Consolidated Earnings Report for the Fiscal Year Ended March 31, 2014

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

Contact:

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(Millions of yen rounded down unless otherwise stated)

Preparation of supplementary documentation for the earnings report: Yes

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

1. Consolidated Financial Results for Fiscal 2013 (April 1, 2013 - March 31, 2014)

(1) Consolidated Operating Results

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

(Millions of yen)

	Net Sales		Operating Income		Ordinary Income		Net Income	
		(Change)		(Change)		(Change)		(Change)
Fiscal 2013	413,485	11.9%	49,545	0.7%	49,343	1.6%	29,390	2.1%
Fiscal 2012	369,431	0.1%	49,197	(10.1%)	48,590	(9.9%)	28,798	(8.5%)

Note: Comprehensive income: For fiscal 2013: ¥67,632 million 45.0%

For fiscal 2012: ¥46,653 million 67.7 %

	Net Income per Share (Yen)	Fully Diluted Net Income per Share (Yen)	Return on Equity (%)	Return on Assets (%)	Operating Income/Net Sales (%)
Fiscal 2013	83.93	83.75	7.0	8.1	12.0
Fiscal 2012	82.62	82.52	7.6	8.9	13.3

(Reference)

Equity in earnings of affiliates: For fiscal 2013: ¥1 million

For fiscal 2012: ¥2 million

(2) Consolidated Financial Position

(Millions of yen)

	Total Assets	Net Assets	Shareholders' Equity Ratio (%)	Net Assets per Share (Yen)
Fiscal 2013	634,252	452,459	70.3	1,272.68
Fiscal 2012	587,254	401,307	67.2	1,131.64

(Reference)

Shareholders' equity: For fiscal 2013: ¥445,834 million

For fiscal 2012: ¥394,754 million

(3) Consolidated Cash Flows

(Millions of yen)

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at End of Period
Fiscal 2013	61,175	22,293	(15,427)	100,642
Fiscal 2012	66,911	(63,622)	(10,239)	29,885

2. Dividends

(Yen)

	Cash Dividends per Share					Total Dividends Paid (full year) (¥ million)	Payout Ratio (consolidated) (%)	Dividends/Net Assets (consolidated) (%)
Record Date	Jun. 30	Sept. 30	Dec. 31	Mar. 31	Annual			
Fiscal 2012	—	18.00	—	18.00	36.00	12,552	43.6	3.3
Fiscal 2013	—	18.00	—	18.00	36.00	12,610	42.9	3.0
Period to Dec. 2014 (Forecast)	—	18.00	9.00	—	27.00		36.4	

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

(Percentages displayed for net sales, operating income, ordinary income and net income are comparisons with the corresponding interim period or fiscal year, as applicable)

(Millions of yen)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share (Yen)
Interim Period	220,000	10.4%	26,000	5.4	26,000	4.4%	16,000	1.5%	45.67
Full Fiscal Year	385,000	—	44,000	—	43,000	—	26,000	—	74.22

From fiscal 2014, the Company plans to change its fiscal year end from March 31 to December 31, conditional upon the approval of "Partial Amendment of the Articles of Incorporation" at the 133rd Ordinary General Meeting of Shareholders scheduled to be 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, assuming the Company and its subsidiaries with a fiscal year end of March 31 change their fiscal year end.

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 an adjusted nine-month period for fiscal 2013 (April 1, 2013 to December 31, 2013) for the Company and its consolidated subsidiaries with a fiscal year end of March 31.

(Millions of yen)

Net Sales	%	Operating Income	%	Ordinary Income	%	Net Income	%
385,000	13.3	44,000	14.9	43,000	12.0	26,000	12.6

4. Other

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

No

(2) Changes in Accounting Principles, Procedures and Presentation Methods in Connection with the Preparation of Year End 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” on page 16 about the details.)

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

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

As of March 31, 2014	382,863,603 shares
As of March 31, 2013	382,863,603 shares

2. Number of treasury stock as of the year-end:

As of March 31, 2014	32,551,718 shares
As of March 31, 2013	34,029,727 shares

3. Average number of shares for the year:

As of March 31, 2014	350,162,227 shares
As of March 31, 2013	348,552,523 shares

[Reference]

Summary of Unconsolidated Results

1. Unconsolidated Results for Fiscal 2013 (April 1, 2013 – March 31, 2014)

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

(1) Unconslidated Operating Results

(Millions of yen)

	Net Sales		Operating Income		Ordinary Income		Net Income	
		(Change)		(Change)		(Change)		(Change)
Fiscal 2013	211,127	3.1%	32,674	(2.1%)	34,424	0.4%	21,989	22.7%
Fiscal 2012	204,794	(0.2%)	33,391	(6.3%)	34,293	(4.2%)	17,926	(22.0%)

	Net Income per Share (Yen)	Fully Diluted Net Income per Share (Yen)
Fiscal 2013	62.80	62.66
Fiscal 2012	51.43	51.37

(2) Unconsolidated Financial Position

(Millions of yen)

	Total Assets	Net Assets	Shareholders' Equity Ratio (%)	Net Assets per Share (Yen)
Fiscal 2013	505,703	329,086	64.9	936.54
Fiscal 2012	508,426	317,334	62.2	906.20

(Reference)

Shareholders' equity: For fiscal 2013: ¥328,080 million

For fiscal 2012: ¥316,112 million

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 “Overlook for the Fiscal 2014” on page 2 of the Attachment for the assumptions used.

Access to Documents and Other Materials Relating to the Year End Results Briefing to Be Held on April 25, 2014

Related documents and materials, including the video of the briefing, will be posted on the Company's website immediately after the briefing is closed.

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1. Analysis of Results of Operations and Financial Position

(1) Analysis of Results of Operations

In the fiscal year ended March 31, 2014, the depreciation of the yen, which began near the end of the previous fiscal year, continued, while the economy of the United States was robust. However, economies in Europe and China remained stagnant and the pace of growth in emerging countries slowed, causing overall demand to fall short of expectations. In Japan, although there were expectations of an economic recovery due to an exit from deflation as a result of "Abenomics" and a last-minute surge in demand ahead of an increase in the consumption tax rate, the markets in which the Company operates could not be said to be in a full-fledged recovery.

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.

The Kuraray Group's consolidated net sales for fiscal 2013 (April 1, 2013 to March 31, 2014) increased ¥44,054 million, or 11.9%, compared with the previous fiscal year to ¥413,485 million. Operating income increased ¥347 million, or 0.7%, to ¥49,545 million; ordinary income increased ¥753 million, or 1.6%, to ¥49,343 million; and net income increased ¥592 million, or 2.1%, to ¥29,390 million.

In line with the structural reorganization carried out on April 1, 2013, the Company has changed its reporting segments from the first quarter of the fiscal year under review. Comparisons and analyses for the fiscal year are based on segment divisions following the change.

<u>Results by Business Segment</u>

Vinyl Acetate

Sales in this segment grew 15.5% year on year to ¥179,261 million, while segment income fell 4.5% year on year to ¥46,658 million. In addition, Kuraray reached an agreement with E. I. du Pont de Nemours and Company to purchase the vinyl acetate related business, with the aim of securing sustainable growth in the Company's Vinyl Acetate business.

1) Sales of optical-use poval films edged down due to sluggish demand for LCD TVs and continued LCD panel inventory adjustment. Although sales volume of poval resins expanded, this business saw a temporary cost increase resulting from the prolonged operational shutdown at certain plants in Europe for construction aimed at improving the facilities' energy efficiency. Sales of PVB films were strongly affected by economic stagnation in Europe and bore increased costs related to developing products for automotive applications. On the other hand, sales of water soluble PVA films grew favorably on the back of brisk demand. In response, the Company decided to expand its water soluble PVA film facilities in the United States and is moving ahead with construction, with start-up scheduled for July 2014.

2) Sales of *EVAL* ethylene vinyl alcohol copolymer (EVOH resin) favorably expanded, particularly in the United States and Asia. In the United States, construction to expand production capacity by 12,000 tons was completed and operations started.

Isoprene

Sales in this segment grew 18.3% year on year to ¥53,027 million, and segment income increased 41.4% year on year to ¥5,471 million.

1) In isoprene chemicals, although demand was sluggish for liquid rubber, demand for fine chemicals and *SEPTON* thermoplastic elastomer rebounded.

2) Sales of *GENESTAR* heat-resistant polyamide resin progressed amid favorable demand related to LED reflector, connector and automotive applications. At the Kashima Plant, construction to expand production capacity by 3,000 tons was completed and operations started.

Functional Materials

Sales in this segment grew 7.5% year on year to ¥48,552 million, while segment income fell 22.3% year on year to ¥1,500 million.

1) The decrease in profits for methacrylic resin continued due to intensifying competition and higher raw material and fuel prices.

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

3) Overall sales of *CLARINO* man-made leather remained sluggish as sales of products created using new processes were not as brisk as expected, although the transfer of the existing process to China as part of structural improvements proceeded smoothly.

Fibers and Textiles

The performance of *KURALON* was favorable in automotive brake hose applications and use as an asbestos substitute in fiber reinforced cement (FRC). As a result, sales in this segment grew 1.5% year on year to ¥46,932 million, and segment income increased 48.6% year on year to ¥2,633 million.

Trading

Although some businesses were impacted by the weak economy, sales in other businesses such as fiber-related materials were firm. As a result, segment sales increased 0.2% year on year to ¥108,991 million, and segment income increased 6.7% to ¥3,582 million.

Others

Sales of activated carbon for use in water purification and energy-related applications grew steadily. Other items were affected overall by the weak economy. In addition, the performance of this segment was affected by increases in development costs in the aqua business and electronics components business. As a result, segment sales increased 4.5% year on year to ¥67,334 million, while segment income decreased 37.7% to ¥2,493 million.

Outlook for the Fiscal Year 2014

Regarding the operating environment in the fiscal year ending December 31, 2014, there are concerns about a temporary economic slowdown in Japan due to the increase in the consumption tax rate. Overseas, economic forecasts call for a strong economy in the United States, a moderate recovery in Europe, a slowdown trend in China and patchy conditions in other emerging countries. In the final fiscal year of GS-III (fiscal years 2012 to 2014), the medium-term management plan the Company has been carrying out since fiscal 2012, we will work to accelerate the development of new products and applications through technological innovations, expand businesses in markets and business areas with growth potential in Japan and overseas, and strengthen our capacity for generating earnings unaffected by the market environment through measures such as additional cost reductions. These measures will lead into the new medium-term management plan that begins in fiscal 2015.

Based on these circumstances, the forecast of operating results for the fiscal year ending December 31, 2014 is as shown below.

Please note that in light of the growth in net sales overseas, we plan to change our fiscal year end to December 31 from the next fiscal year in order to standardize accounting periods and handle global business management. Fiscal 2014 will be the nine-month period from April to December 2014 for the Company and its consolidated subsidiaries in Japan, and the twelve-month period from January to December 2014, as it was previously, for consolidated subsidiaries outside Japan.

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

	Results for the Fiscal 2013 Adjusted Year Ended March 31, 2014	Forecast for the Fiscal 2014 Forcast Year Ending December 31, 2014	Change (Adjusted)	(Reference) Forecast for the Next Fiscal Year Based on Previous Basis
Net Sales	339.9	385.0	+13.3%	460.0
Operating Income	38.3	44.0	+14.9%	57.0
Ordinary Income	38.4	43.0	+12.0%	56.0
Net Income	23.1	26.0	+12.6%	34.5

For the fiscal year ending December 31, 2014, we assume average exchange rates of ¥105 to the U.S. dollar and ¥140 to the euro, as well as a domestic naphtha price of ¥72,000 per kiloliter.

(Reference) Forecast by Segment for the Fiscal Year Ending December 31, 2014

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

	Net Sales		Operating Income	
	Results for the Fiscal Year Ended March 31, 2014 (Adjusted)	Forecast for the Fiscal Year Ending December 31, 2014	Results for the Fiscal Year Ended March 31, 2014 (Adjusted)	Forecast for the Fiscal Year Ending December 31, 2014
Vinyl Acetate	160.7	187.5	36.2	39.5
Isoprene	42.0	48.0	3.9	5.0
Functional Materials	38.8	45.5	1.1	2.0
Fibers and Textiles	34.7	35.5	2.1	2.0
Trading	80.9	85.0	2.5	2.5
Others	50.2	53.0	1.7	2.0
Elimination on Consolidation and Corporate	(67.3)	(69.5)	(9.3)	(9.0)
Total	339.9	385.0	38.3	44.0

(2) Analysis of Financial Position

1) Assets, Liabilities and Net Assets

Total assets increased ¥46,998 million from the end of the previous fiscal year to ¥634,252 million, mainly because of increases in tangible and intangible fixed assets. Total liabilities decreased ¥4,153 million to ¥181,793 million due to factors including a decrease in loans payable. Net assets rose ¥51,152 million to ¥452,459 million. Shareholders' equity amounted to ¥445,834 million, for an equity ratio of 70.3%.

2) Cash Flows

Cash Flows from Operating Activities:

Net cash provided by operating activities totaled ¥61,175 million. Cash provided included ¥45,598 million from income before income taxes and ¥34,972 million from depreciation and amortization. Cash used included ¥4,532 million due to a decrease in notes and accounts receivable – trade, an increase in inventories and a decrease in notes and accounts payable – trade, and ¥17,273 million in income taxes paid. Net cash provided by operating activities decreased ¥5,736 million compared with the previous fiscal year.

Cash Flows from Investing Activities:

Net cash provided by investing activities totaled ¥22,293 million. A net decrease in operating assets provided cash of ¥85,843 million, while the purchase of tangible fixed assets and intangible fixed assets used cash totaling ¥58,414 million.

Cash Flows from Financing Activities:

Net cash used in financing activities was ¥15,427 milliondue to uses of cash that included cash dividends paid of ¥12,584 million and a decrease in loans payable of ¥3,759 million.

In addition to the above factors, as a result of the effect of exchange rate changes on cash and cash equivalents and the increase in cash and cash equivalents from newly consolidated subsidiaries, cash and cash equivalents at the end of the fiscal year increased ¥70,756 million from the end of the previous fiscal year to ¥100,642 million.

(Millions of yen)

	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
Net cash provided by operating activities	66,911	61,175
Net cash provided by investing activities	(63,622)	22,293
Net cash used in financing activities	(10,239)	(15,427)
Effect of exchange rate changes on cash and cash equivalents	2,024	2,688
Net increase (decrease) in cash and cash equivalents	(4,926)	70,730
Cash and cash equivalents, beginning of the period	34,811	29,885
Increase in cash and cash equivalents from newly consolidated subsidiaries	—	26
Cash and cash equivalents, end of the period	29,885	100,642

(Reference) Cash flow Indicators for the Kuraray Group

	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
Equity ratio (%)	66.5	67.6	68.8	67.2	70.3
Equity ratio (%; market basis)	87.1	73.6	78.0	83.3	65.2
Cash flow to interest-bearing debt ratio (%)	0.9	0.9	1.5	1.0	1.1
Interest coverage ratio (times)	60.8	60.6	39.7	67.7	65.2

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

1. All indicators are calculated using the consolidated financial statements.
2. The total market value of shares issued and outstanding was calculated by multiplying the closing price at the end of the fiscal year by the total number of shares issued and outstanding (after subtracting treasury stock) at the end of the fiscal year.
3. The calculations use net cash provided by (used in) operating activities as reported in the consolidated statements of cash flows.
4. Interest-bearing liabilities are all liabilities reported in the consolidated balance sheets that require payment of interest.
5. From the fiscal year ended March 31, 2013, for some foreign subsidiaries, the Company applies “Employee Benefits” (International Accounting Standards Board, International Accounting Standard No. 19, June 16, 2011). As the changes to the corresponding accounting policies have been applied retroactively, Equity ratio for the Fiscal year ended March 31, 2013 has been retroactively adjusted.

(3) Kuraray’s Fundamental Dividend Policy and Dividends for the Fiscal Years Ended March 31, 2014 and Ending December 31, 2014

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 fisical 2013, a year-end dividend of ¥18 per share is planned for the fiscal year ended March 31, 2014. The total of this year-end dividend and the interim dividend will be ¥36 per share for the fiscal 2013, and the dividend payout ratio will be 42.9%.

Because the fiscal year ending December 31, 2014 will be a nine-month transitional period due to the change in the fiscal year end to December 31, assuming a forecast for consolidated net income for the fiscal year of ¥26.0 billion, annual dividends of ¥27 per share are planned, consisting of an interim dividend of ¥18 per share and a year-end dividend of ¥9 per share, and the dividend payout ratio will be 36.4%.

(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, 2014.

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, where we target net sales of ¥550.0 billion yen and operating income of ¥85.0 billion).

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.

(3) Issues to Be Addressed

Based on the Long-Term Corporate Vision, which sets forth the direction in which the Kuraray Group must aim over the long term, we have drawn up an image for growth with the goal of achieving ¥1 trillion in net sales as a cornerstone for establishing Kuraray's global presence as a specialty chemical company. We have been making efforts toward the achievement of this goal in the GS-III medium-term management plan since fiscal 2012. Although we have had some success, due in part to greater sluggishness in the overall global economy than initially assumed, it will be difficult to achieve net sales of ¥550.0 billion and operating income of ¥85.0 billion in fiscal 2014, as set forth in GS-III. In fiscal 2014, we intend to strengthen our capacity for generating earnings unaffected by the market environment to lead into the new medium-term management plan that will begin in fiscal 2015.

We believe the Kuraray Group can achieve the sustainable growth set forth in the Long-Term Corporate Vision by providing effective contributions toward resolving issues threatening our planet and living environment, including global warming, limited natural resources, insufficient water and food supplies, and environmental pollution, through the creation of unique technological innovations, and by working to achieve harmony with the environment and society in all of its corporate activities. We plan to raise our capacity for growth by leveraging the technical and market knowledge we have accumulated to display to the fullest the value creation potential of the entire Group.

As specific measures of GS-III, we are working to accelerate the development of new products and applications through technological innovations, expand businesses in markets and business areas with growth potential in Japan and overseas, effectively utilize external resources in fields that complement and develop the Company's internal resources, strengthen the global business foundation to support business expansion, and deal with the environment. As part of these measures, following the acquisition in June 2012 of MonoSol Holdings, Inc. a U.S.-based company and its wholly owned subsidiaries that manufacture and sell water soluble PVA film, in November 2013 Kuraray reached an agreement with E.I. du Pont de Nemours and Company to purchase the vinyl acetate related business. Following customery regulately approvals, including a review under the Antitrust Law, the Company aims to complete the acquisition in the first half of 2014 and work to further strengthen its foundation in its core business.

3. Consolidated Financial Statements
(1)CONSOLIDATED BALANCE SHEETS

(Unaudited) Kuraray Co., Ltd. and its Consolidated Subsidiaries

March 31, 2013 and 2014	Millions of yen Fiscal 2012	Fiscal 2013	Increase (decrease)	Thousands of U.S. dollars *Fiscal 2013*
ASSETS				
I Current assets:				
1 Cash and deposits	¥46,151	**¥49,746**	¥3,595	***$482,970***
2 Notes and accounts receivable - trade	83,843	**91,119**	7,275	***884,650***
3 Short-term investment securities	31,696	**58,301**	26,605	***566,029***
4 Merchandise and finished goods	57,823	**60,984**	3,161	***592,077***
5 Work-in-process	10,332	**11,992**	1,660	***116,427***
6 Raw materials and supplies	15,138	**15,658**	520	***152,019***
7 Deferred tax assets	5,732	**5,889**	157	***57,174***
8 Other	7,237	**9,175**	1,937	***89,077***
9 Allowance for doubtful accounts	(742)	**(465)**	276	***(4,514)***
Total current assets	257,212	**302,402**	45,189	***2,935,941***
II Noncurrent assets:				
1 Tangible fixed assets:				
(1) Buildings and structures (net)	41,938	**44,707**	2,769	***434,048***
(2) Machinery, equipment and vehicles (net)	82,298	**91,921**	9,623	***892,436***
(3) Land	20,425	**21,481**	1,056	***208,553***
(4) Construction in progress	32,326	**59,139**	26,812	***574,165***
(5) Other (net)	4,285	**4,970**	684	***48,252***
Total tangible fixed assets	181,274	**222,219**	40,945	***2,157,466***
2 Intangible fixed assets:				
(1) Goodwill	24,659	**26,598**	1,938	***258,233***
(2) Other	26,664	**30,600**	3,935	***297,087***
Total intangible fixed assets	51,324	**57,198**	5,874	***555,320***
3 Investments and other assets:				
(1) Investment securities	83,543	**39,285**	(44,258)	***381,407***
(2) Long-term loans receivable	679	**297**	(381)	***2,883***
(3) Net defined benefit assets	—	**2,031**	2,031	***19,718***
(4) Deferred tax assets	2,744	**6,260**	3,515	***60,776***
(5) Prepaid pension cost	5,437	**—**	(5,437)	***—***
(6) Other	5,114	**4,604**	(510)	***44,699***
(7) Allowance for doubtful accounts	(76)	**(47)**	28	***(456)***
Total investments and other assets	97,442	**52,431**	(45,011)	***509,038***
Total noncurrent assets	330,041	**331,849**	1,808	***3,221,834***
TOTAL ASSETS	¥587,254	**¥634,252**	¥46,998	***$6,157,786***

(1)CONSOLIDATED BALANCE SHEETS

(Unaudited)

March 31, 2013 and 2014	Millions of yen Fiscal 2012	**Fiscal 2013**	Increase (decrease)	*Thousands of U.S. dollars* ***Fiscal 2013***
LIABILITIES				
I Current liabilities:				
1 Notes and accounts payable-trade	¥37,048	**¥35,393**	¥(1,655)	***$343,621***
2 Short-term loans payable	30,918	**13,143**	(17,775)	***127,601***
3 Accrued expenses	8,650	**8,073**	(577)	***78,378***
4 Income taxes payable	7,687	**7,272**	(415)	***70,601***
5 Provision for bonuses	6,590	**6,931**	340	***67,291***
6 Other provision	21	**51**	29	***495***
7 Other	20,531	**18,280**	(2,251)	***177,475***
Total current liabilities	111,449	**89,145**	(22,303)	***865,485***
II Noncurrent liabilities:				
1 Bonds payable	10,000	**10,000**	―	***97,087***
2 Long-term loans payable	28,171	**42,187**	14,015	***409,582***
3 Deferred tax liabilities	14,872	**18,343**	3,470	***178,087***
4 Provision for retirement benefits	6,665	―	(6,665)	―
5 Provision for directors' retirement benefits	178	**161**	(17)	***1,563***
6 Provision for environmental measures	1,051	**886**	(164)	***8,601***
7 Net defined benefit liabilities	―	**5,448**	5,448	***52,893***
8 Asset retirement obligations	2,336	**2,656**	319	***25,786***
9 Other	11,221	**12,962**	1,741	***125,844***
Total noncurrent liabilities	74,497	**92,647**	18,149	***899,485***
TOTAL LIABILITIES	185,947	**181,793**	(4,153)	***1,764,980***
NET ASSETS				
I Shareholders' equity:				
1 Capital stock	88,955	**88,955**	―	***863,640***
2 Capital surplus	87,147	**87,147**	―	***846,087***
3 Retained earnings	263,262	**279,616**	16,353	***2,714,718***
4 Treasury stock	(40,169)	**(38,425)**	1,743	***(373,058)***
Total shareholders' equity	399,195	**417,293**	18,097	***4,051,388***
II Accumulated other comprehensive income:				
1 Valuation difference on available-for-sale securities	6,076	**6,944**	868	***67,417***
2 Deferred gains or losses on hedges	(17)	**(4)**	13	***(38)***
3 Foreign currency translation adjustment	(9,877)	**27,025**	36,902	***262,378***
4 Remeasurements of defined benefit plans	(622)	**(5,424)**	(4,802)	***(52,660)***
Total accumulated other comprehensive income(loss)	(4,440)	**28,541**	32,982	***277,097***
III Subscription rights to shares	1,221	**1,005**	(215)	***9,757***
IV Minority interests	5,330	**5,618**	287	***54,543***
TOTAL NET ASSETS	401,307	**452,459**	51,152	***4,392,805***
TOTAL LIABILITIES AND NET ASSETS	¥587,254	**¥634,252**	¥46,998	***$6,157,786***

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

(Unaudited)

Kuraray Co., Ltd. and its Consolidated Subsidiaries

	Millions of yen			*Thousands of U.S. dollars*
Years ended March 31, 2013 and 2014	Fiscal 2012	**Fiscal 2013**	Increase (decrease)	***Fiscal 2013***
I Net sales	¥369,431	**¥413,485**	¥44,054	***$4,014,417***
II Cost of sales	249,485	**286,179**	36,694	***2,778,436***
Gross profit	119,946	**127,306**	7,359	***1,235,980***
III Selling,general and administrative expenses:				
1 Selling expenses	18,841	**19,666**	824	***190,932***
2 General and administrative expenses	51,906	**58,094**	6,187	***564,019***
Total Selling, general and administrative expenses	70,748	**77,760**	7,012	***754,951***
Operating income	49,197	**49,545**	347	***481,019***
IV Non-operating income:				
1 Interest income	449	**583**	133	***5,660***
2 Dividends income	2,475	**2,437**	(38)	***23,660***
3 Equity in earnings of affiliates	2	**1**	(1)	***9***
4 Other	1,234	**1,215**	(19)	***11,796***
Total non-operating income	4,161	**4,236**	74	***41,126***
V Non-operating expenses:				
1 Interest expenses	966	**936**	(29)	***9,087***
2 Personnel expenses for seconded employees	719	**684**	(34)	***6,640***
3 Loss on disposal of tangible fixed assets	560	**564**	4	***5,475***
4 Other	2,522	**2,251**	(271)	***21,854***
Total non-operating expenses	4,769	**4,438**	(331)	***43,087***
Ordinary income	48,590	**49,343**	753	***479,058***
VII Extraordinary loss:				
1 Purchasing related expenses	743	**2,174**	1,431	***21,106***
2 Cost for idle operation	—	**829**	829	***8,048***
3 Loss on disposal of tangible fixed assets	613	**621**	8	***6,029***
4 Impairment loss	534	**118**	(416)	***1,145***
5 Loss on valuation of investment securities	613	—	(613)	—
6 Business structure improvement losses	597	—	(597)	—
7 Amortization of goodwill	451	—	(451)	—
8 Environmental expenses	136	—	(136)	—
Total extraordinary loss	3,689	**3,744**	55	***36,349***
Income before income taxes and minority interests	44,901	**45,598**	697	***442,699***
Income taxes - current	15,882	**16,292**	409	***158,174***
Income taxes - deferred	6	**(519)**	(526)	***(5,038)***
Total income taxes	15,889	**15,772**	(116)	***153,126***
Income before minority interests	29,011	**29,826**	814	***289,572***
Minority interests	213	**435**	222	***4,223***
Net income	¥28,798	**¥29,390**	¥592	***$285,339***

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

Kuraray Co., Ltd. and its Consolidated Subsidiaries

Years ended March 31, 2013 and 2014	Millions of yen Fiscal 2012	 **Fiscal 2013**	 Increase (decrease)	*Thousands of U.S. dollars* ***Fiscal 2013***
I Income before minority interests	¥29,011	**¥29,826**	¥814	***$289,572***
II Other comprehensive income:				
1 Valuation difference on available-for-sale securities	3,313	**868**	(2,444)	***8,427***
2 Deferred gains or losses on hedges	14	**13**	(1)	***126***
3 Foreign currency translation adjustment	14,542	**36,902**	22,360	***358,271***
4 Remeasurements of defined benefit plans	(228)	**21**	250	***203***
Total other comprehensive income	17,641	**37,806**	20,164	***367,048***
III Comprehensive income	46,653	**67,632**	20,979	***656,621***
Comprehensive income attributable to				
1 Owners of the parent	46,439	**67,196**	20,757	***652,388***
2 Minority interests	213	**436**	222	***4,233***

(3)CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(Unaudited)

Kuraray Co., Ltd. and its Consolidated Subsidiaries

	Millions of yen				
	Shareholders' equity				
Fiscal 2012 (As of March 31, 2013)	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total Shareholders' equity
Balance at April 1, 2012	**¥88,955**	**¥87,147**	**¥246,733**	**¥(40,732)**	**¥382,103**
Cumulative effect of in accounting Changes					—
changes	**¥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							
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total Accumulated Other comprehensive income	Subscription rights to shares	Minority interests	Total net assets
Balance at April 1, 2012	**¥2,763**	**¥(32)**	**¥(24,419)**	**¥(396)**	**¥(22,084)**	**¥1,151**	**¥5,143**	**¥366,314**
Cumulative effects of changes in accounting policy				**(148)**	**(148)**			**(148)**
changes	**¥2,763**	**¥(32)**	**¥(24,419)**	**¥(545)**	**¥22,233**	**¥1,151**	**¥5,143**	**¥366,165**
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)**	**¥(622)**	**¥(4,440)**	**¥1,221**	**¥5,330**	**¥401,307**

(3)CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(Unaudited)

Kuraray Co., Ltd. and its Consolidated Subsidiaries

	Millions of yen				
	Shareholders' equity				
Fiscal 2013 (As of March 31, 2014)	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total Shareholders' equity
Balance at April 1, 2013	**¥88,955**	**¥87,147**	**¥263,262**	**¥(40,169)**	**¥399,195**
Changes of items during the period					
Cash dividends			**(12,584)**		**(12,584)**
Net income			**29,390**		**29,390**
Changes due to newly consolidated subsidiaries			**(402)**		**(402)**
Purchase of treasury stock				**(10)**	**(10)**
Disposal of treasury stock		**(49)**		**1,754**	**1,705**
Transfer to capital surplus from retained earnings		**49**	**(49)**		―
Net changes of items other than shareholders' equity					―
Total changes of items during the period	―	―	**16,353**	**1,743**	**18,097**
Balance at March 31, 2014	**¥88,955**	**¥87,147**	**¥279,616**	**¥(38,425)**	**¥417,293**

	Millions of yen							
	Accumulated other comprehensive income							
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total Accumulated Other comprehensive income	Subscription rights to shares	Minority interests	Total net assets
Balance at April 1, 2013	**¥6,076**	**¥(17)**	**¥(9,877)**	**¥(622)**	**¥(4,440)**	**¥1,221**	**¥5,330**	**¥401,307**
Changes of items during the period								
Cash dividends					―			**(12,584)**
Net income					―			**29,390**
Changes due to newly consolidated subsidiary					―			**(402)**
Purchase of treasury stock					―			**(10)**
Disposal of treasury stock					―			**1,705**
Transfer to capital surplus from retained earnings					―			―
Net changes of items other than shareholders' equity	**868**	**13**	**36,902**	**(4,802)**	**32,982**	**(215)**	**287**	**33,054**
Total changes of items during the period	**868**	**13**	**36,902**	**(4,802)**	**32,982**	**(215)**	**287**	**51,152**
Balance at March 31, 2014	**¥6,944**	**¥(4)**	**¥27,025**	**¥(5,424)**	**¥28,541**	**¥1,005**	**¥5,618**	**¥452,459**

	Thousands of U.S. dollars				
	Shareholders' equity				
	Capital stock	*Capital surplus*	*Retained earnings*	*Treasury stock*	*Total Shareholders' equity*
Balance at April 1, 2013	***$863,640***	***$846,087***	***$2,555,941***	***$(389,990)***	***$3,875,679***
Changes of items during the period					
Cash dividends			***(122,174)***		***(122,174)***
Net income			***285,339***		***285,339***
Changes due to newly consolidated subsidiary			***(3,902)***		***(3,902)***
Purchase of treasury stock				***(97)***	***(97)***
Disposal of treasury stock		***(475)***		***17,029***	***16,553***
Transfer to capital surplus from retained earnings		***475***	***(475)***		―
Net changes of items other than shareholders' equity					―
Total changes of items during the period	―	―	***158,766***	***16,922***	***175,699***
Balance at March 31, 2014	***$863,640***	***$846,087***	***$2,714,718***	***$(373,058)***	***$4,051,388***

	Thousands of U.S. dollars							
	Accumulated other comprehensive income							
	Valuation difference on available-for-sale securities	*Deferred gains or losses on hedges*	*Foreign currency translation adjustment*	Remeasurements of defined benefit plans	*Total Accumulated Other comprehensive income*	*Subscription rights to shares*	*Minority interests*	*Total net assets*
Balance at April 1, 2013	***$58,990***	***$(165)***	***$(95,893)***	***$(6,038)***	***$(43,106)***	***$11,854***	***$51,747***	***$3,896,184***
Changes of items during the period								
Cash dividends					―			***(122,174)***
Net income					―			***285,339***
Changes due to newly consolidated subsidiary					―			***(3,902)***
Purchase of treasury stock					―			***(97)***
Disposal of treasury stock					―			***16,553***
Transfer to capital surpuls from retained earnings					―			―
Net changes of items other than shareholders' equity	***8,427***	***126***	***358,271***	***(46,621)***	***320,213***	***(2,087)***	***2,786***	***320,912***
Total changes of items during the period	***8,427***	***126***	***358,271***	***(46,621)***	***320,213***	***(2,087)***	***2,786***	***496,621***
Balance at March 31, 2014	***$67,417***	***$(38)***	***$262,378***	***$(52,660)***	***$277,097***	***$9,757***	***$54,543***	***$4,392,805***

(4)CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

Kuraray Co., Ltd. and its Consolidated Subsidiaries

	Millions of yen		*Thousands of U.S. dollars*
Years ended March 31, 2013 and 2014	Fiscal 2012	**Fiscal 2013**	***Fiscal 2013***
I Net cash provided by (used in) operating activities:			
1 Income before taxes and minority interests	¥44,901	**¥45,598**	***$442,699***
2 Depreciation and amortization	30,952	**34,972**	***339,533***
3 Increase (decrease) in allowance for doubtful accounts	(67)	**(320)**	***(3,106)***
4 Increase (decrease) in provision for retirement benefits	532	—	—
5 Increase (decrease) in defined benefit liabilities	—	**1,070**	***10,388***
6 Purchasing related expenses	743	**2,174**	***21,106***
7 Loss on disposal of tangible fixed assets	613	**621**	***6,029***
8 Impairment loss	534	**118**	***1,145***
9 Loss on valuation of investment securities	613	—	—
10 Amortization of goodwill	451	—	—
11 Environmental expenses	136	—	—
12 Interest and dividends income	(2,925)	**(3,020)**	***(29,320)***
13 Interest expenses	966	**936**	***9,087***
14 Decrease (increase) in notes and accounts receivable - trade	140	**(2,473)**	***(24,009)***
15 Decrease (increase) in inventories	(4,789)	**1,835**	***17,815***
16 Increase (decrease) in notes and accounts payable - trade	2,359	**(3,894)**	***(37,805)***
17 Contribution to employee's retirement benefits trust	—	**(7,000)**	***(67,961)***
18 Decrease (increase) in prepaid pension cost	385	—	—
19 Decrease (increase) in net defined benefit assets	—	**300**	***2,912***
20 Other, net	6,885	**5,345**	***51,893***
Sub-total	82,432	**76,265**	***740,436***
21 Interest and dividends income received	2,822	**3,121**	***30,300***
22 Interest expenses paid	(988)	**(937)**	***(9,097)***
23 Income taxes (paid) refund	(17,354)	**(17,273)**	***(167,699)***
Net cash provided by (used in) operating activities	66,911	**61,175**	***593,932***
II Net cash provided by (used in) investment activities:			
1 Net decrease (increase) in time deposits	(21,314)	**22,559**	***219,019***
2 Net decrease (increase) in short-term investment securities	41,991	**18,000**	***174,757***
3 Purchase of investment securities	(9,276)	**(5,158)**	***(50,077)***
4 Proceeds from sales and redemption of investment securities	1,366	**50,442**	***489,728***
5 Purchase of tangible fixed assets and intangible fixed assets	(43,200)	**(58,414)**	***(567,126)***
6 Payments for disposal of tangible fixed assets and intangible fixed assets	(1,360)	**(1,303)**	***(12,650)***
7 Proceeds from sales of tangible fixed assets and intangible fixed assets	53	**189**	***1,834***
8 Payments for purchase of stock of subsidiaries with change of scope of consolidation	(31,233)	—	—
9 Payments for acquisition of business	—	**(1,379)**	***(13,388)***
10 Other, net	(648)	**(2,643)**	***(25,660)***
Net cash provided by (used in) investment activities	(63,622)	**22,293**	***216,436***
III Net cash provided by (used in) financing activities:			
1 Net increase (decrease) in short-term loans payable	(4,642)	**120**	***1,165***
2 Proceeds from long term loans payable	10,230	**20,129**	***195,427***
3 Repayment of long-term loans payable	(3,657)	**(24,008)**	***(233,087)***
4 Purchase of treasury stock	(5)	**(10)**	***(97)***
5 Proceeds from sales of treasury stock	368	**1,366**	***13,262***
6 Cash dividends paid	(12,195)	**(12,584)**	***(122,174)***
7 Cash dividends paid to minority shareholders	(24)	**(147)**	***(1,427)***
8 Other, net	(313)	**(291)**	***(2,825)***
Net cash provided by (used in) financing activities	(10,239)	**(15,427)**	***(149,776)***
IV Effect of exchange rate changes on cash and cash equivalents	2,024	**2,688**	***26,097***
V Net increase (decrease) in cash and cash equivalents	(4,926)	**70,730**	***686,699***
VI Cash and cash equivalents, beginning of year	34,811	**29,885**	***290,145***
VII Increase in cash and cash equivalents from newly consolidated subsidiaries	—	**26**	***252***
VIII Cash and cash equivalents, end of year	¥29,885	**¥100,642**	***$977,106***

(5) Notes regarding the Consolidated Financial Statements

Notes regarding Going Concern Assumptions
None

Significant Matters that Form the Basis for Preparation of Consolidated Financial Statements
Except for Changes in Accounting Policies and Changes in Presentation Methods below, there are no material differences with the description in the most recent *Yuka Shoken Hokokusho* (filed June 21, 2013), where details of significant accounting policies are available.

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

1. Application of "Employee Benefits"
From the fiscal year ended March 31, 2013, for some foreign subsidiaries, the Company applies "Employee Benefits" (International Accounting Standards Board, International Accounting Standard No. 19, June 16, 2011). Accordingly, the Company makes adjustments in the recognition and presentation methods for actuarial gain or loss, past service costs, net interest costs and other items.

The changes to the corresponding accounting policies have been applied retroactively, and the consolidated financial statements for the previous fiscal year have been retroactively adjusted. The effect of this retroactive adjustment on results of the previous fiscal year is minor.

The effect on per share information is presented in the relevant section.

2. Application of Accounting Standard for Retirement Benefits
From March 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") and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012; hereinafter the "Guidance on Retirement Benefits") (except for the provisions set forth in Clause 35 of the Accounting Standard for Retirement Benefits and Clause 67 of the Guidance on Retirement Benefits).

The Company has changed its accounting method to post retirement benefit obligations less pension assets as net defined benefit liabilities or assets and posts the unrecognized actuarial gain or loss and unrecognized prior service costs as net defined benefit liabilities and assets.

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. In the fiscal year ended March 31, 2014, the effect of the relevant change has been added to or deducted from accumulated other comprehensive income (Remeasurement of defined benefit plans).

As a result, as of March 31, 2014 the balance of net defined benefit liabilities was ¥5,448 million and the balance of net defined benefit assets was ¥2,031 million. In addition, accumulated other comprehensive income decreased by ¥4,802 million.

The effect on per share information is presented in the relevant section.

Changes in Presentation Method
1. Related to the Consolidated Statements of Income
For the fiscal year ended March 31, 2014, "Cost for idle operation," which was presented separately under "Non-operating expenses" in the previous fiscal year, is included in "Other" because its amount was less than 10/100 of total non-operating expenses.

As a result, ¥608 million presented on the Consolidated Statement of Income for the previous fiscal year as "Cost for idle operation" under "Non-operating expenses" was reclassified in "Other."

2. Changes in Presentation Method Associated with Application of Accounting Standard for Retirement Benefits
"Pension liability adjustment," which had been included in "Accumulated other comprehensive income" under "Net assets" in the Consolidated Balance Sheets for the previous fiscal year, is presented as "Retirement benefits adjustment" from the fiscal year ended March 31, 2014, due to a revision of the Accounting Standard for Retirement Benefits. The Consolidated Financial Statements for the previous fiscal year have been reclassified to reflect the change in presentation method.

As a result, “Pension liability adjustment” of negative ¥622 million that was included in “Accumulated other comprehensive income” under “Net assets” in the Consolidated Balance Sheets for the previous fiscal year has been reclassified as “Retirement benefits adjustment.” “Pension liability adjustment” of negative ¥228 million that was included in “Other comprehensive income” in the Consolidated Statements of Comprehensive Income for the previous fiscal year has been reclassified as “Retirement benefits adjustment.” “Pension liability adjustment” that was included in “Accumulated other comprehensive income” in the Consolidated Statements of Changes in Net Assets for the previous fiscal year has been reclassified as “Retirement benefits adjustment.”

Supplemental Information
Business Combination through Acquisition

Kuraray Co., Ltd. (“Kuraray”) reached an agreement and concluded a Sale and Purchase Agreement to acquire the Vinyl Acetate related business, which consists of vinyl acetate monomer (VAM), poval (PVA) resin, polyvinyl butyral (PVB) resin and film, from E. I. du Pont de Nemours and Company (“DuPont”) on November 21, 2013 (“the Acquisition”). The Acquisition will be done mainly by subsidiaries of Kuraray.

1. Summary of the Acquisition
   (1) Company name and description of acquired Business
      Company name: E. I. du Pont de Nemours and Company
      Description of acquired Business: The manufacture and sale of Vinyl Acetate related products (VAM, PVA, PVB, etc.)
   (2) Purpose for the Acquisition
      Kuraray executes the Acquisition as part of its expansion plan in VA related business, which is one of its core businesses.
      Ahead of its global competitors, Kuraray successfully industrialized PVA resin and it has a leading global presence in PVA resin which applies vinyl acetate as its raw material, poval film, PVB resin and film, EVOH (ethylene vinyl alcohol) resin, which is trademarked as *EVAL*, and PVA fiber (vinylon). Through the Acquisition, the fusion of DuPont’s technology, R&D, sales capabilities, and manufacturing and sales network with Kuraray’s operations will be a key driver of Kuraray’s sustainable growth.
   (3) Closing date
      The completion of the Acquisition is targeted in the first half of 2014, pending customary regulatory approvals including antitrust clearance in the United States and so on.
   (4) Legal form of business combination
      Cash purchase of assets and shares
   (5) Form and name of acquired company after business combination
      The Acquisition will be done mainly by subsidiaries of Kuraray.
   (6) Reason for decision on the acquiring company
      Mainly subsidiaries of Kuraray proposed to acquire assets and shares with cash

2. Acquisition price of the acquired business
   Acquisition price is expected to be US$543 million (¥55,885 million), plus the value of the inventories.

   Note: The yen amount in parentheses is a conversion based on the exchange rate as of March 31, 2014.

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 conducts business activities and establishes its own comprehensive strategy, both for Japan and for overseas markets. In addition, among Kuraray subsidiaries, Kuraray Trading Co., Ltd. independently conducts propriety planning and sales activities, including the processing and sale of Kuraray Group products as well as other companies’ products.

Consequently, Kuraray has created five business segments for reporting – “Vinyl Acetate,” “Isoprene,” “Functional Materials,” “Fibers and Textiles” and “Trading” – categorized by product group based on the respective in-house companies and the Trading segment.

The Vinyl Acetate segment manufactures and markets functional resins and film, including PVA, PVB and *EVAL*. The Isoprene segment manufactures and markets thermoplastic elastomers *SEPTON* and *KURARITY*, isoprene-related products and *GENESTAR*. The Functional Materials segment manufactures and markets methacrylic resin, man-made leather and medical products. The Fibers and Textiles segment manufactures and sells synthetic fibers and textiles, non-woven fabrics and others. The Trading segment mainly processes and sells synthetic fibers and man-made leather, and conducts planning and marketing for other products produced by the Kuraray Group and other companies.

Please note that Kuraray has changed the classification of its reporting segments from the fiscal year ended March 31, 2014 as stated in “4. Items Related to Change in Reporting Segments.”

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 sales and transfers are based on the prevailing market prices.

3. Information Related to Net Sales, Income and Loss, Net Assets and Other Items by Reporting Segment

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

	Reporting Segments						Other Business	Total	Adjustment	Consolidated Financial Statements
	Vinyl Acetate	Isoprene	Functional Materials	Fibers and Textiles	Trading	Total				
Net sales										
(1) Outside customers	126,133	27,826	27,642	35,794	105,632	323,029	46,402	369,431	—	369,431
(2) 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 (loss)	48,877	3,870	1,929	1,772	3,358	59,808	4,001	63,810	(14,612)	49,197
Segment assets	226,677	55,254	46,996	39,745	36,625	405,299	52,650	457,950	129,303	587,254
Other items										
Depreciation and amortization (other than goodwill)	14,399	4,819	2,813	3,271	34	25,337	2,206	27,543	1,118	28,662
Impairment loss	4	—	—	202	—	207	326	534	—	534
Amortization of goodwill	2,191	—	98	—	—	2,290	—	2,290	—	2,290
Balance of goodwill at end of current period	451	—	—	—	—	451	—	451	—	451
Gain on negative goodwill	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	26,450	5,521	3,818	4,436	40	40,268	3,892	44,160	1,358	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 (loss) 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 with segment assets of ¥129,303 million is the elimination of intersegment transactions of ¥33,969 million and unallocated corporate assets of ¥163,273 million.

Fiscal 2013 (April 1, 2013 – March 31, 2014)

	Reporting Segments						Other Business	Total	Adjustment	Consolidated Financial Statements
	Vinyl Acetate	Isoprene	Functional Materials	Fibers and Textiles	Trading	Total				
Net sales										
(2) Outside customers	155,503	31,388	32,795	36,339	106,553	362,580	50,905	413,485	—	413,485
(3) Inter-segment sales and transfers	23,757	21,638	15,757	10,593	2,437	74,183	16,429	90,612	(90,612)	—
Total	179,261	53,027	48,552	46,932	108,991	436,764	67,334	504,098	(90,612)	413,485
Segment income (loss)	46,658	5,471	1,500	2,633	3,582	59,847	2,493	62,340	(12,795)	49,545
Segment assets	278,042	57,221	44,088	41,689	35,645	456,688	54,180	510,869	123,383	634,252
Other items										
Depreciation and amortization (other than goodwill)	16,721	4,636	3,670	3,421	37	28,487	1,934	30,422	1,332	31,754
Impairment loss	—	—	—	—	—	—	—	—	118	118
Amortization of goodwill	3,118	—	98	—	—	3,217	—	3,217	—	3,217
Balance of goodwill at end of current period	25,411	—	1,187	—	—	26,598	—	26,598	—	26,598
Gain on negative goodwill	—	—	—	—	—	—	(0)	(0)	—	(0)
Investments in equity method affiliates	—	—	—	106	—	106	—	106	—	106
Increase in tangible fixed assets and intangible fixed assets	41,191	5,236	3,807	4,241	93	54,570	3,561	58,131	1,608	59,740

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 ¥12,795 million is the elimination of intersegment transactions of ¥1,025 million and corporate expenses of ¥13,820 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 with segment assets of ¥123,383 million is the elimination of intersegment transactions of ¥28,674 million and unallocated corporate assets of ¥152,057 million.

4. Items Related to Change in Reporting Segments

Due to a reorganization conducted in the fiscal year ended March 31, 2014, the former reporting segments of “Resins,” “Chemicals,” “Fibers and Textiles” and “Trading” have been changed to “Vinyl Acetate,” “Isoprene,” “Functional Materials,” “Fibers and Textiles” and “Trading.”

Segment information for the previous fiscal year has been restated to reflect the change in the method of classification.

Related Information
Fiscal year 2012 (April 1, 2012 to March 31, 2013)
1. Information of Each Product and Service

(¥ million)

	Vinyl Acetate	Isoprene	Functional Materials	Fibers and Textiles	Other Business	Total
Net sales for outside customers	154,355	43,056	48,458	67,676	55,884	369,431

Notes:
Principal products of each segment are as follows:
Vinyl Acetate: Poval resin and film, *EVAL* resin and others
Isoprene: Thermoplastic elastomers *SEPTON* and *KURARITY*, isoprene chemicals, *GENESTAR* heat-resistant polyamide resin and others
Functional Materials: Methacrylic resin, *CLARINO* man-made leather, medical products and others
Fibers and Textiles: *KURALON*, *KURAFLEX* non-woven fabrics, *MAGIC TAPE* hook and loop fasteners, polyester and others
Others: Activated carbon, aqua business and engineering and others

2. Performance by Geographical Segment
(1) Net Sales (¥ million)

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

(2) Tangible Fixed Assets (¥ million)

Japan	North America	Germany	Other Overseas	Total
129,218	29,287	14,297	8,470	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.

Fiscal year 2013 (April 1, 2013 to March 31, 2014) Information of Each Product and Service

(¥ million)

	Vinyl Acetate	Isoprene	Functional Materials	Fibers and Textiles	Other Business	Total
Net sales for outside customers	179,632	50,187	52,704	69,771	61,190	413,485

Notes:
Principal products of each segment are as follows:
Vinyl Acetate: Poval resin and film, *EVAL* resin and others
Isoprene: Thermoplastic elastomers *SEPTON* and *KURARITY*, isoprene chemicals, *GENESTAR* heat-resistant polyamide resin and others
Functional Materials: Methacrylic resin, *CLARINO* man-made leather, medical products and others
Fibers and Textiles: *KURALON*, *KURAFLEX* non-woven fabrics, *MAGIC TAPE* hook and loop fasteners, polyester and others
Others: Activated carbon, aqua business and engineering and others

2. Performance by Geographical Segment
(1) Net Sales (¥ million)

Japan	North America	Europe	Asia	Other Area	Total
186,504	39,963	81,309	94,070	11,637	413,485

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

(2) Tangible Fixed Assets (¥ million)

Japan	North America	Germany	Other Overseas	Total
135,950	51,600	24,544	10,124	222,219

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 2012 (April 1, 2012 to March 31, 2013)	Fiscal 2013 (April 1, 2013 to March 31, 2014)	
	(Yen)	(Yen)	(U.S.dollars)
Net assets per share	1,131.64	1,272.68	12.00
Basic net income per share	82.62	83.93	0.81
Diluted net income per share	82.52	83.75	0.81

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

	Fiscal 2012 (April 1, 2012 to March 31, 2013)	Fiscal 2013 (April 1, 2013 to March 31, 2014)	
	(Millions of yen)	(Millions of yen)	Thousands of. U.S. dollars
Basic net income per share			
Net income	28,798	29,390	285,339
Net income unallocated to common stock	—	—	—
Net income allocated to common stock	28,798	29,390	285,339
Average number of common stock outstanding during the fiscal year (thousand shares)	348,552	350,162	
Diluted net income per share			
Adjustment made on net income	—	—	
Increase of common stocks (thousand shares)	419	775	
[Subscription rights to shares included in above]	[419]	[775]	
Outline of the residual securities which were not included in the calculation of the diluted net income	—	—	

1. As noted in "Changes in Accounting Policies," due to the application of "Employee Benefits," changes to accounting policies in the fiscal year ended March 31, 2014 have been retroactively applied to the consolidated financial statements of the previous fiscal year. As a result, net assets per share for the previous fiscal year decreased by ¥0.43 compared with the amount before retroactive application of the change.
2. As noted in "Changes in Accounting Policies," 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 a result, net assets per share for the fiscal year ended March 31, 2014 decreased by ¥13.77

Significant Subsequent Information
None applicable

Omission of Disclosure
Disclosure of Unapplied Accounting Standard, Unconsolidated Financial Statements and the notes related to the following items are omitted, as they are considered unnecessary 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 transaction
- Notes to retirement benefits
- Notes to stock options
- Notes to tax effect accounting
- Notes to asset retirement obligation

4. Reference Information

Appendix for geographical segment information

Fiscal year 2013 (April 1, 2013 to March 31, 2014) (Millions of yen)

	Japan	North America	Europe	Asia	Total	Adjustments	Consolidated
Net sales							
Net sales to outside customers	267,620	49,085	71,575	25,203	413,485	—	413,585
Inter-segment sales and transfers	38,513	8,056	6,159	5,222	57,952	(57,952)	—
Total	306,134	57,142	77,734	30,426	471,438	(45,988)	413,585
Segment income (loss)	56,020	7,549	817	(36)	64,351	(14,805)	49,545

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