

**Consolidated Cumulative Third-Quarter Earnings Report for
the Fiscal Year Ending March 31, 2011 (Unaudited)**

**February 2, 2011
Kuraray Co., Ltd.**

February 2, 2011
Kuraray Co., Ltd.

Consolidated Cumulative Third-Quarter Earnings Report for the Fiscal Year Ending March 31, 2011

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

Representative
Title: Representative Director and President
Name: Fumio Ito

Contact
Title: General Manager, Office of Corporate Communications
Name: Morihiro Nakayama
Tel: +81-3-6701-1070

Preparation of supplementary documentation for the quarterly earnings report: No

Holding of quarterly earnings results briefing: No

(Millions of yen rounded down unless otherwise stated)

1. Consolidated Cumulative Financial Results for the Third-Quarter of the Fiscal Year Ending March 31, 2011 (April 1, 2010 to December 31, 2010)

(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 2010 3Q | 270,427 | 11.4% | 39,546 | 102.0% | 38,416 | 106.0% | 22,402 | 84.5% |
| Fiscal 2009 3Q | 242,653 | (19.6%) | 19,576 | (30.0%) | 18,649 | (27.7%) | 12,145 | (24.6%) |

| | Net Income per Share (¥) | Fully Diluted Net Income per Share (¥) |
|----------------|--------------------------|--|
| Fiscal 2010 3Q | 64.35 | 64.23 |
| Fiscal 2009 3Q | 34.88 | 34.85 |

(2) Consolidated Financial Position

(Millions of yen)

| | Total Assets | Net Assets | Shareholders' Equity Ratio | Net Assets per Share |
|-------------------------|--------------|------------|----------------------------|----------------------|
| As of December 31, 2010 | 496,909 | 342,759 | 68.3 | 974.11 |
| As of March 31, 2010 | 502,815 | 337,818 | 66.5 | 961.24 |

(Reference)

Shareholders' equity: As of December 31, 2010 ¥ 339,184 million
As of March 31, 2010 ¥ 334,583 million

2. Dividends

(Yen)

| Record Date | Cash Dividends per Share | | | | |
|------------------------|--------------------------|----------------|---------------|---------------|--------|
| | Jun. 30, 2010 | Sept. 30, 2010 | Dec. 31, 2010 | Mar. 31, 2011 | Annual |
| Fiscal 2009 | — | 8.00 | — | 8.00 | 16.00 |
| Fiscal 2010 | — | 13.00 | | | |
| Fiscal 2010 (Forecast) | | | — | 14.00 | 27.00 |

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

3. Forecasts of Consolidated Financial Results for the Fiscal Year Ending March 31, 2011 (April 1, 2010 to March 31, 2011)

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

| | Net Sales | | Operating Income | | Ordinary Income | | Net Income | | Net Income per Share | |
|------------------|-----------|------|------------------|-------|-----------------|-------|------------|-------|----------------------|-----|
| Full Fiscal Year | 365,000 | 9.6% | 52,000 | 70.8% | 50,000 | 72.9% | 28,500 | 74.7% | 81.86 | Yen |

Note: Revisions to forecasts of consolidated financial results during this period: No

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 the Simplified Accounting Method and Special Accounting Practices in the Preparation of Quarterly Consolidated Financial Statements

Yes

(3) Changes in Accounting Principles, Procedures and Presentation Methods in Connection with the Preparation of Quarterly Consolidated Financial Statements (Recorded under "Changes in Important Items Considered Fundamental to the Preparation of

Quarterly Consolidated Financial Statements”)

1. Changes following revision of accounting standards: Yes

2. Changes besides 1. above: None

(Note: Items to be disclosed in “Significant Changes in the Basis of Presenting Quarterly Consolidated Financial Statements”

(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 December 31, 2010 382,863,603 shares

As of March 31, 2010 382,863,603 shares

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

As of December 31, 2010 34,665,953 shares

As of March 31, 2010 34,790,071 shares

3. Average number of shares for the period:

As of December 31, 2010 348,153,844 shares

As of December 31, 2009 348,214,099 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 release.

Cautionary Statement with Respect to Forecasts of Consolidated Business Results

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 p. 10 “Qualitative Information on Consolidated Operating Results Forecast” contained in the Attachment for the assumptions used.

Index of the Attachment

| | |
|---|----|
| 1. Qualitative Information and Financial Statements..... | 5 |
| (1) Qualitative Information and Overview of Consolidated Business Results..... | 5 |
| (2) Qualitative Information on Consolidated Financial Position..... | 9 |
| (3) Qualitative Information on Consolidated Operating Results Forecast..... | 10 |
| 2. Others | 10 |
| (1) Changes in Significant Consolidated Subsidiaries | 10 |
| (2) Application of Accounting Methods for Consolidated Financial Statements That Are Simplified or Extraordinary..... | 10 |
| (3) Outline of Changes in Significant Accounting Policies, Procedures and Presentation..... | 10 |
| 3. Quarterly Consolidated Financial Statements | 12 |
| (1) Quarterly Consolidated Balance Sheets | 12 |
| (2) Quarterly Consolidated Statements of Income..... | 14 |
| (3) Quarterly Consolidated Statements of Cash Flows..... | 15 |
| (4) Notes regarding Going Concern Assumptions | 16 |
| (5) Segment Information | 16 |
| (6) Material Changes in Shareholders' Equity | 18 |
| 4. Reference (Appendix for segment information)..... | 18 |

1. Qualitative Information and Financial Statements

(1) Qualitative Information and Overview of Consolidated Business Results

The operating environment in the nine-month period (April 1, 2010 to December 31, 2010) under review saw a gradual recovery in demand for Kuraray Group products in Europe and the United States as well as strong demand in emerging economies, chiefly China.

On the other hand, the situation remained unpredictable, with prompting concerns about the deceleration of the Japanese economy due to the rapid appreciation of the yen as well as raw materials and fuel price hikes in the latter half of the period under review. Amid these circumstances, the Kuraray Group made across-the-board efforts, including cutting back fixed costs, to improve its earnings structure. The Company also took proactive measures for further business growth, one of the objectives stated in “GS-Twins,” its medium-term action plan.

During the period under review, sales of LCD-related products grew favorably, and demand in Kuraray’s core businesses, including poval resins, *EVVAL* (an EVOH resin), isoprene chemicals and methacrylic resin, increased. In line with sales growth, the plant utilization ratio of each business improved.

As a result, net sales for the period under review grew 11.4% from a year earlier to ¥270,427 million, operating income jumped 102.0% to ¥39,546 million, ordinary income soared 106.0% to ¥38,416 million and net income surged 84.5% to ¥22,402 million.

(Reference) Quarterly consolidated performance

(Millions of yen)

| | Fiscal year ended March 31, 2010 | | | | Fiscal year ending March 31, 2011 | | |
|------------------|----------------------------------|--------|--------|--------|-----------------------------------|--------|--------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q |
| Net sales | 72,910 | 84,154 | 85,588 | 90,226 | 87,715 | 93,060 | 89,651 |
| Operating income | 1,730 | 8,025 | 9,787 | 10,875 | 12,534 | 12,916 | 14,042 |
| Ordinary income | 1,512 | 7,896 | 9,240 | 10,276 | 11,983 | 13,012 | 13,420 |
| Net income | 138 | 5,082 | 6,923 | 4,170 | 5,699 | 8,213 | 8,489 |

Results by business segment compared with the corresponding period of the previous fiscal year are as follows. For Kuraray’s overseas subsidiaries, the

nine-month period used is from January 1, 2010 through September 30, 2010.

In the current fiscal year, the Company introduced the “Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (Accounting Standards Board of Japan (ASBJ) Statement No. 17 of March 27, 2009) and the “Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Guidance No. 20 of March 21, 2008). A quarterly review by an independent auditor of the year-on-year data stated in the abovementioned “1. Qualitative Information and Financial Statements” has not been performed.

Results by Business Segment

Resins

The Resin segment saw steady business in China and other Asian countries as well as in Europe and the United States. As a result, sales in this segment rose 10.4% year on year to ¥110,594 million, while operating income grew 38.1% to ¥37,904 million.

- (1) Sales of poval resin were brisk in China and other Asian countries as well as in Europe. Given this, the Company decided to increase the annual production capacity at its European plant by 24,000 tons. The expanded plant will commence operations in the first quarter of fiscal 2013, ending March 31, 2014. Despite the impact of production adjustments undertaken by polarized film makers midway through the period under review, sales of optical-use poval film grew on the back of vigorous demand for LCD TVs. Spurred by this, the Company started to construct a new production line at the Saijo Plant aimed at increasing annual production by 20 million square meters. We plan for the new production line to commence operations in the first quarter of fiscal 2012. With regard to polyvinyl butyral (PVB) film, there were signs of gradual recovery in the European construction market and the market for automobile applications. We also recorded steady growth in demand for PVB film for use as an encapsulant for solar power generators.
- (2) Demand for *EVAL* ethylene vinyl alcohol polymer (EVOH resin) expanded in emerging countries, with demand for the *EVAL*'s use in automobiles and food packaging showing particularly significant growth in Asian countries. In Europe and the United States, demand for the *EVAL*

for use in food packaging and automobiles was brisk. Furthermore, sales expanded both in Japan and overseas for its use in new applications, such as vacuum insulation panels used in refrigerators.

Chemicals

The overall performance in the Chemicals segment was healthy. As a result, segment sales climbed 17.3% year on year to ¥56,215 million. The Chemicals segment recorded operating income of ¥5,941 million, a turnaround from an operating loss in the corresponding period of the previous fiscal year of ¥97 million.

- (1) Demand for methacrylic resin was vigorous for use in molding materials and sheets. Overall sales also grew on the back of improved market conditions.
- (2) As for isoprene chemicals, sales of *SEPTON* thermoplastic elastomer and liquid rubber were brisk. Sales of chemicals and fine chemicals recovered steadily, and there was an increase in sales of differentiated products, mainly in Japan and other Asian countries.
- (3) In the Medical segment, sales of dental materials were healthy on the back of the introduction of new types of composite resins and bonds in the European and U.S. markets. With the aim of reinforcing and expanding the dental materials business, Kuraray Medical Inc. plans to integrate the dental material's business with Noritake Dental Supply Co., Limited on April 1, 2011.
- (4) Demand for *GENESTAR* heat-resistant polyamide resin remained stable for use in electronics materials, including connectors, and for LED reflector applications in LCD TVs.

Fibers and Textiles

In the Fibers and Textiles segment, almost all businesses, including *KURALON*, recovered in the period under review. As a result, sales in this segment grew 6.7% year on year to ¥45,507 million. The Fibers and Textiles segment recorded an operating loss of ¥128 million, showing an improvement from an operating loss of ¥1,988 million in the corresponding period of the previous fiscal year.

- (1) Demand for *KURALON* expanded for use in automotive brake hoses and primary cell separators. In addition, demand for use as an asbestos

substitute in FRC (fiber reinforced cement) was brisk throughout the period under review.

- (2) Sales of new eco-friendly processed *CLARINO* products expanded for use in footwear and gloves, while demand for conventional *CLARINO* man-made leather showed signs of recovery for use in high-value-added products. Amid a drastic business restructuring, the Company is transferring general-purpose product manufacturing to a Chinese joint venture, while promoting the integration of new processing procedures for high-value-added products in domestic plants.
- (3) Sales of *KURAFLEX* nonwoven fabrics were stable for use in industrial wipers, although demand for use in commercial counter cloth and industrial masks was stagnant. Demand for *MAGIC TAPE* hook and loop fasteners were steady for use in industrial materials and medical and transport-related applications despite stagnant sales for use in automobile and housing-related applications.

Trading

The Trading segment saw market recovery in such fiber-related businesses as polyester (in apparel and materials fields), as well as in an increase in differentiated materials. On the back of steady demand, mainly in Asian countries, sales of resins, chemicals and chemical products expanded. As a result, sales in this segment grew 14.8% year on year to ¥85,887 million, while operating income surged 84.7% to ¥2,348 million.

- (1) During the period under review, of overall segment sales in apparel fields were brisk. In particular, sales expanded for new applications in uniform and sports clothes, while demand for high-value-added products remained strong.
- (2) In the materials field, sales for materials used in medical-related items and footwear were steady on the back of a strong demand increase. Demand for industrial materials for use in automobiles grew substantially in Asian countries.
- (3) In the resin, chemicals and chemical products businesses, the Company enjoyed growth in high-value-added businesses, including solvents, industrial membranes, *ISOBAM* alkaline water-soluble polymer and elastomer, showed healthy growth.

Others

Sales in the Others segment climbed 16.9% year on year to ¥42,079 million, while operating income rose 26.0% to ¥3,807 million.

During the period under review, sales of activated carbon for capacitors (electricity storage devices) and water purification systems were steady, while other business showed signs of gradual recovery.

(2) Qualitative Information on Consolidated Financial Position

Assets, Liabilities and Net Assets

Total assets decreased ¥5,906 million from the end of the previous fiscal year to ¥496,909 million, owing to a decrease in fixed assets. Total liabilities declined ¥10,846 million to ¥154,150 million, and net assets rose ¥4,940 million to ¥342,759 million. Shareholders' equity stood at ¥339,184 million, for an equity ratio of 68.3%.

Cash Flows

Cash Flows from Operating Activities

Net cash provided by operating activities stood at ¥47,095 million at the end of the period under review, a decrease of ¥10,503 million compared with the same period of the previous fiscal year. Major components included income before income taxes and minority interests of ¥35,916 million, depreciation and amortization of ¥24,756 million, an increase in notes and accounts payable of ¥3,539 million, an increase in notes and accounts receivable of ¥3,446 million, an increase in inventories of ¥6,735 million and income taxes paid of ¥9,242 million.

Cash Flows from Investing Activities

Net cash provided by investing activities totaled ¥27,740 million. Major components included payments for the acquisition of property, plant and equipment and intangible assets worth ¥13,512 million and a net decrease in marketable securities of ¥32,980 million.

Cash Flows from Financing Activities

Net cash used in financing activities was ¥18,377 million. Major components included dividends paid of ¥7,310 million, a decrease in commercial paper of ¥6,000 million, and repayment of long-term debt of ¥4,645 million.

As a result, Kuraray recorded total cash inflow of ¥56,459 million in the period under review, and cash and cash equivalents at the end of the December 2010 increased ¥55,317 million from the end of previous year to ¥71,730 million.

(3) Qualitative Information on Consolidated Operating Results Forecast

Despite the concerns regarding such negative factors as raw material price hikes, the Company has not revised its previous full-year forecast released on October 28, 2010. This forecast was made based on the assumption that core businesses are expected to remain stable.

For forecast purposes, the following assumed average currency rates for the fourth quarter have been used: ¥82 to the U.S. dollar, ¥110 to the euro, and a domestic naphtha price of ¥51,000 per kiloliter.

2. Others

(1) Changes in Significant Consolidated Subsidiaries

No

(2) Application of Accounting Methods for Consolidated Financial Statements That Are Simplified or Extraordinary

(i) Simplified accounting method

Tax expenses related to certain consolidated subsidiaries that have no significant impact on Kuraray's quarterly consolidated financial statements are calculated by multiplying income before income taxes and minority interests for the period under review by the effective income tax rate after the application of tax effect accounting to the consolidated statements of income for the previous fiscal year.

(ii) Special accounting practices used in the preparation of quarterly consolidated financial statements:

No

(3) Outline of Changes in Significant Accounting Policies, Procedures and Presentation:

(i) Changes in accounting procedures

(Accounting Standard for Asset Retirement Obligations)

From the first quarter of the fiscal year ending March 31, 2011, Kuraray applies the “Accounting Standard for Asset Retirement Obligation” (ASBJ Statement No. 18, March 31, 2008) and “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No. 21, March 31, 2008).

This change has had no significant impact on the Company’s operating income and ordinary income. Income before income taxes and minority interests for the period under review decreased ¥1,550 million. The change in the asset retirement obligations due to the application of the relevant accounting standards was ¥1,564 million.

Up to the previous fiscal year-end, the asset retirement obligations of overseas subsidiaries were included in others under fixed assets. As of the fiscal year ending March 31, 2011, however, such obligations are classified differently for the purpose of facilitating comparison with the previous fiscal year.

(ii) Changes in presentation methods
(Consolidated Quarterly Statement of Income)

Based on the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, December 26, 2008), Kuraray applies the “Cabinet Office Ordinance Partially Revising Regulation on Terminology, Forms and Preparation of Financial Statements” (Cabinet Office Ordinance No. 5, March 24, 2009). As a result, “Income before minority interests” is included in the consolidated financial statements for the cumulative third-quarter consolidated financial statements of the fiscal year ending March 31, 2011.

Figures for the corresponding period of the previous fiscal year are displayed for purposes of comparison.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

| | December 31, 2010 | March 31, 2010 |
|-------------------------------------|-------------------|----------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | 26,661 | 28,991 |
| Notes and accounts receivable–trade | 77,529 | 75,923 |
| Short-term investment securities | 88,991 | 73,978 |
| Merchandise and finished goods | 41,550 | 38,829 |
| Work in process | 8,558 | 8,044 |
| Raw materials and supplies | 12,174 | 10,972 |
| Deferred tax assets | 4,920 | 5,824 |
| Others | 7,125 | 7,366 |
| Allowance for doubtful accounts | (661) | (604) |
| Total current assets | 266,849 | 249,326 |
| Fixed Assets | | |
| Tangible fixed assets | | |
| Buildings and structures (net) | 34,150 | 34,880 |
| Machinery and equipment (net) | 85,051 | 96,170 |
| Land | 18,024 | 18,230 |
| Construction in progress | 8,581 | 11,560 |
| Others (net) | 2,703 | 2,867 |
| Total tangible fixed assets | 148,510 | 163,709 |
| Intangible fixed assets | | |
| Goodwill | 14,108 | 17,941 |
| Others | 3,068 | 3,848 |
| Total intangible fixed assets | 17,176 | 21,790 |
| Investments and other assets | | |
| Investment securities | 47,142 | 49,006 |
| Long-term loans receivable | 1,287 | 1,279 |
| Deferred tax assets | 5,021 | 6,570 |
| Prepaid pension costs | 6,354 | 6,666 |
| Others | 4,912 | 4,999 |
| Allowance for doubtful accounts | (347) | (532) |
| Total investments and other assets | 64,371 | 67,989 |
| Total fixed assets | 230,059 | 253,489 |
| Total | 496,909 | 502,815 |

(Millions of yen)

| | December 31, 2010 | March 31, 2010 |
|--|-------------------|----------------|
| LIABILITIES | | |
| Current Liabilities | | |
| Notes and accounts payable–trade | 29,778 | 27,235 |
| Short-term loans payable | 8,384 | 12,158 |
| Commercial paper | — | 6,000 |
| Current portion of bonds | 10,000 | — |
| Income taxes payable | 7,329 | 6,038 |
| Provision for bonuses | 3,837 | 6,129 |
| Other provision | 3 | 138 |
| Other | 17,144 | 18,850 |
| Total current liabilities | 76,476 | 76,550 |
| Long-Term Liabilities | | |
| Corporate bonds | — | 10,000 |
| Long-term loans payable | 45,033 | 46,502 |
| Deferred tax liabilities | 4,936 | 5,524 |
| Provision for retirement benefits | 14,654 | 14,248 |
| Provision for retirement benefits for directors and auditors | 146 | 167 |
| Provision for environmental measures | 1,126 | 1,275 |
| Asset retirement obligations | 2,326 | 812 |
| Others | 9,450 | 9,915 |
| Total long-term liabilities | 77,673 | 88,446 |
| Total liabilities | 154,150 | 164,996 |
| NET ASSETS | | |
| Shareholders' equity | | |
| Capital | 88,955 | 88,955 |
| Capital surplus | 87,162 | 87,192 |
| Retained earnings | 219,162 | 204,070 |
| Treasury stock | (40,921) | (41,068) |
| Total shareholders' equity | 354,358 | 339,150 |
| Valuation and Translation Adjustments | | |
| Valuation difference on available-for-sale securities | 2,568 | 3,767 |
| Deferred gain or losses on hedges | (20) | (103) |
| Foreign currency translation adjustments | (17,722) | (8,230) |
| Total valuation and translation adjustments | (15,174) | (4,566) |
| Stock subscription rights | 430 | 186 |
| Minority interests | 3,144 | 3,048 |
| Total net assets | 342,759 | 337,818 |
| Total liabilities and net assets | 496,909 | 502,815 |

(2) Quarterly Consolidated Statements of Income

| | (Millions of yen) | |
|--|--|--|
| | Nine-month period ended December 31, 2009 (April 1, 2009 – December 31, 2009) | Nine-month period ended December 31, 2010 (April 1, 2010 – December 31, 2010) |
| Net sales | 242,653 | 270,427 |
| Cost of sales | 175,083 | 181,475 |
| Gross profit | 67,569 | 88,951 |
| Selling, general and administrative expenses | | |
| Selling expenses | 12,518 | 13,625 |
| General and administrative expenses | 35,474 | 35,779 |
| Total selling, general and administrative expenses | 47,993 | 49,405 |
| Operating income | 19,576 | 39,546 |
| Non-operating income | | |
| Interest income | 304 | 287 |
| Dividend income | 1,106 | 1,070 |
| Gain on allotment of investment securities | 52 | 29 |
| Other, net | 792 | 686 |
| Total non-operating income | 2,254 | 2,073 |
| Non-operating expenses | | |
| Interest expenses | 1,052 | 861 |
| Other expenses | 2,128 | 2,341 |
| Total non-operating expenses | 3,181 | 3,203 |
| Ordinary income | 18,649 | 38,416 |
| Extraordinary income | | |
| Gain on transfer of business | 657 | — |
| Total extraordinary income | 657 | — |
| Extraordinary expenses | | |
| Impact of the application of the Accounting Standard for Asset Retirement Obligations | — | 1,548 |
| Loss on valuation of investment securities | 177 | 525 |
| Loss on disposal of fixed assets | — | 219 |
| Business structure improvement losses | 1,115 | 206 |
| Impairment losses | 618 | — |
| Total extraordinary expenses | 1,911 | 2,499 |
| Income before income taxes and minority interests | 17,395 | 35,916 |
| Current income taxes | 5,840 | 10,805 |
| Deferred income taxes | (676) | 2,600 |
| Total income taxes | 5,164 | 13,406 |
| Income before minority interests in net income of consolidated subsidiaries | 12,231 | 22,510 |
| Minority interests in net income of consolidated subsidiaries | 86 | 107 |
| Net income | 12,145 | 22,402 |

(3) Quarterly Consolidated Statements of Cash Flows

| | (Millions of yen) | |
|--|---|---|
| | Nine-month period ended December 31, 2009 (April 1, 2009 – December 31, 2009) | Nine-month period ended December 31, 2010 (April 1, 2010 – December 31, 2010) |
| Cash Flows from Operating Activities | | |
| Income before income taxes and minority interests | 17,395 | 35,916 |
| Depreciation and amortization | 26,698 | 24,756 |
| Loss on disposal of fixed assets | — | 219 |
| Impairment losses | 618 | — |
| Impact of the application of the Accounting Standard for Asset Retirement Obligations | — | 1,548 |
| Write-down of investment securities | 177 | 525 |
| Gain or loss on transfer of business | (657) | — |
| Increase in notes and accounts receivable | (8,049) | (3,446) |
| Decrease (increase) in inventories | 13,503 | (6,735) |
| Increase in notes and accounts payable | 4,108 | 3,539 |
| Other, net | 2,782 | (496) |
| Subtotal | 56,576 | 55,827 |
| Income taxes refunded (paid) | 589 | (9,242) |
| Others | 433 | 510 |
| Net Cash Provided by Operating Activities | 57,599 | 47,095 |
| Cash Flows from Investing Activities | | |
| Net decrease (increase) in time deposits | (12,882) | 9,652 |
| Net decrease (increase) in marketable securities | (62,963) | 32,980 |
| Payments for acquisition of property, plant and equipment and intangible assets | (17,414) | (13,512) |
| Payments for purchase of investment securities | (580) | (374) |
| Other, net | 57 | (1,004) |
| Net Cash Provided by (Used in) Investing Activities | (93,784) | 27,740 |
| Cash Flows from Financing Activities | | |
| Decrease in short-term bank loans | (5,443) | (218) |
| Increase (decrease) in commercial paper | 5,000 | (6,000) |
| Proceeds from long-term debt | 12,000 | — |
| Repayment of long-term debt | — | (4,645) |
| Dividends paid | (6,267) | (7,310) |
| Other, net | (379) | (202) |
| Net Cash Provided by (Used in) Financing Activities | 4,908 | (18,377) |
| Effect of Exchange Rate Changes on Cash and Cash Equivalents | | |
| | 33 | (1,141) |
| Net Increase (Decrease) in Cash and Cash Equivalents | (31,309) | 55,317 |
| Cash and Cash Equivalents, Beginning of the Period | 46,157 | 16,412 |
| Cash and Cash Equivalents, End of the Period | 14,848 | 71,730 |

(4) Notes regarding Going Concern Assumptions

None

(5) Segment Information

1) Segment Overview

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

Kuraray adopts an in-house company system where each in-house company develops business activities and establishes its own comprehensive strategy, both for Japan and for overseas markets, in accordance with the products it handles. In addition, among Kuraray subsidiaries, Kuraray Trading Co., Ltd. independently conducts propriety planning and sales activities, including the processing and sale of Kuraray products as well as other companies' products.

Consequently, Kuraray has created four business segments for reporting—"Resins," "Chemicals," "Fibers and Textiles" and "Trading"—categorized by product group based on the respective in-house companies and trading segments.

The Resins segment manufactures and markets functional resins and film, including PVA, PVB and *EVAL*. The Chemicals segment produces and sells methacrylic resin, isoprene-related products, *GENESTAR*, and medical products. The Fibers and Textiles segment manufactures and sells synthetic fibers and textiles, man-made leather, non-woven fabrics and others. The trading segment conducts processing and sales activities for synthetic fibers and man-made leather, and it conducts planning and marketing for the products produced by the Kuraray Group and other companies.

2) Business Segments' Reported Results for the Cumulative third-quarter results for Fiscal 2010 (April 1, 2010 to December 31, 2010)

| | Resins | Chemicals | Fibers and Textiles | Trading | Total | Other Business ¹ | Total | Adjustment ² | (¥ million) Consolidated Statements of Income ³ |
|---------------------------------------|---------|-----------|---------------------|---------|---------|-----------------------------|---------|-------------------------|---|
| Net sales | | | | | | | | | |
| (1) Outside customers | 87,647 | 35,063 | 31,574 | 83,421 | 237,707 | 32,720 | 270,427 | — | 270,427 |
| (2) Inter-segment sales and transfers | 22,946 | 21,152 | 13,932 | 2,465 | 60,497 | 9,359 | 69,856 | (69,856) | — |
| Total | 110,594 | 56,215 | 45,507 | 85,887 | 298,204 | 42,079 | 340,284 | (69,856) | 270,427 |
| Operating income (loss) | 37,904 | 5,941 | (128) | 2,348 | 46,067 | 3,807 | 49,875 | (10,329) | 39,546 |

Notes:

1. The “Other Business” category incorporates operations not included in business segment reporting, including activated carbon, environmental business and engineering.
2. Adjustment is as follows: Included within operating income (loss) of ¥10,329 million is the elimination of intersegment transactions of ¥201 million and corporate expenses of ¥10,530 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.
4. From the first quarter of the fiscal year ending March 31, 2011, Kuraray applied the “Accounting Standard for Asset Retirement Obligation” (ASBJ Statement No. 18, March 31, 2008) and “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No. 21, March 31, 2008). This change has had no significant impact on the Company's operating income and ordinary income.

(Supplemental Information)

From the consolidated first quarter under review, Kuraray has applied the Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Statement No. 17 of March 27, 2009) and Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Guidance No. 20 of March 21, 2008).

(6) Material Changes in Shareholders' Equity

None

4. Reference (Appendix for segment information)

(¥ million)

| | Net Sales | | | Operating income (loss) | | |
|--|-----------|-----------|------------------------|-------------------------|-----------|------------------------|
| | FY2009 3Q | FY2010 3Q | Increase (Decrease) | FY2009 3Q | FY2010 3Q | Increase (Decrease) |
| Resins | 100,194 | 110,594 | 10,399 | 27,450 | 37,904 | 10,453 |
| Chemicals | 47,936 | 56,215 | 8,279 | (97) | 5,941 | 6,039 |
| Fibers and Textiles | 42,640 | 45,507 | 2,866 | (1,988) | (128) | 1,860 |
| Trading | 74,782 | 85,887 | 11,104 | 1,271 | 2,348 | 1,077 |
| Other Business | 36,011 | 42,079 | 6,068 | 3,023 | 3,807 | 784 |
| Adjustment ² | (58,913) | (69,856) | (10,943) | (10,083) | (10,329) | (245) |
| Consolidated Statements of Income ³ | 242,653 | 270,427 | 27,774 | 19,576 | 39,546 | 19,970 |

A quarterly review by an independent auditor of the year on year segment data stated above has not been performed.