

**Consolidated Earnings Report for the  
Second Quarter of the Fiscal Year Ending  
March 31, 2012 (Unaudited)**

**October 31, 2011  
Kuraray Co., Ltd.**

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Kuraray Co., Ltd.

## Consolidated Earnings Report for the Interim Period of the Fiscal Year Ending March 31, 2012

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:  
Title: Manager, Corporate Management Planning Office,  
Corporate Communications Department  
Name: Tomoyuki Shimamoto  
Tel: +81-3-6701-1071

(Millions of yen rounded down unless otherwise stated)

Preparation of supplementary documentation for the quarterly earnings report: Yes

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

### 1. Consolidated Financial Results for the Interim Period of the Fiscal Year Ending March 31, 2012 (April 1, 2011 to September 30, 2011)

#### (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 2011 Interim | 185,635   | 2.7%     | 29,364           | 15.3%    | 28,981          | 15.9%    | 17,214     | 23.7%    |
| Fiscal 2010 Interim | 180,775   | 15.1%    | 25,461           | 160.9%   | 24,995          | 165.7%   | 13,913     | 166.5%   |

Note: Comprehensive income: For the fiscal 2011 interim period: ¥20,907 million (— %)  
For the fiscal 2010 interim period: ¥1,812 million (— %)

|                     | Net Income<br>per Share (Yen) | Fully Diluted<br>Net Income<br>per Share (Yen) |
|---------------------|-------------------------------|--|
| Fiscal 2011 Interim | 49.43                         | 49.35  |
| Fiscal 2010 Interim | 39.96                         | 39.90  |

## (2) Consolidated Financial Position

(Millions of yen)

|                          | Total Assets | Total Net Assets | Shareholders' Equity Ratio (%) |
|--------------------------|--------------|------------------|--------------------------------|
| As of September 30, 2011 | 534,123      | 364,720          | 67.2                           |
| As of March 31, 2011     | 507,328      | 346,825          | 67.6                           |

(Reference)

Shareholders' equity: As of September 30, 2011: ¥358,891 million

As of March 31, 2011: ¥343,105 million

Note: Shareholders' equity here represents total net assets less share subscription rights and minority interests.

## 2. Dividends

(Yen)

| Record Date            | Cash Dividends per Share |          |         |         |        |
|------------------------|--------------------------|----------|---------|---------|--------|
|                        | Jun. 30                  | Sept. 30 | Dec. 31 | Mar. 31 | Annual |
| Fiscal 2010            | —                        | 13.00    | —       | 14.00   | 27.00  |
| Fiscal 2011            | —                        | 16.00    |         |         |        |
| Fiscal 2011 (Forecast) |                          |          | —       | 17.00   | 33.00  |

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

## 3. Forecasts of Consolidated Financial Results for the Fiscal Year Ending March 31, 2012 (April 1, 2011 to March 31, 2012)

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

(Millions of yen)

|                  | Net Sales |      | Operating Income |       | Ordinary Income |       | Net Income |       | Net Income per Share |     |
|------------------|-----------|------|------------------|-------|-----------------|-------|------------|-------|----------------------|-----|
|                  | Amount    | %    | Amount           | %     | Amount          | %     | Amount     | %     | Yen                  | Yen |
| Full Fiscal Year | 390,000   | 7.4% | 60,000           | 13.0% | 58,500          | 14.6% | 34,000     | 18.3% | 97.62                | Yen |

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

## 4. Other

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

No

### (2) Adoption of Special Accounting Practices in the Preparation of Quarterly Consolidated Financial Statements

No

### (3) Changes in Accounting Principles, Procedures and Presentation Methods in Connection with the Preparation of Quarterly Consolidated Financial Statements

1. Changes following revision of accounting standards: Yes

2. Changes besides 1. above: None

3. Changes of accounting estimates: None

4. Restatement: None

(Note: Please see “Changes in Accounting Policies, Accounting Estimates and Restatement” on page 5 about the details.)

**(4) Number of Shares Issued and Outstanding (Common Shares)**

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

|                          |                    |
|--------------------------|--------------------|
| As of September 30, 2011 | 382,863,603 shares |
| As of March 31, 2011     | 382,863,603 shares |
2. Number of treasury stock as of the period-end:

|                          |                   |
|--------------------------|-------------------|
| As of September 30, 2011 | 34,557,776 shares |
| As of March 31, 2011     | 34,611,169 shares |
3. Average number of shares for the period (cumulative):

|                          |                    |
|--------------------------|--------------------|
| As of September 30, 2011 | 348,284,800 shares |
| As of September 30, 2010 | 348,135,295 shares |

*Indication of quarterly review procedure implementation status*

This quarterly earnings report is exempt from the quarterly review procedure based upon the Financial Instruments and Exchange Act. Furthermore, it was undergoing the review procedure process at the time of this release.

*Cautionary Statement with Respect to Forecasts of Consolidated Business Results*

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 “Qualitative Information on Consolidated Operating Results Forecast” on page 4 of the Attachment for the assumptions used.

*Access to Documents and Other Materials Relating to the Quarterly Results Briefing to Be Held on October 31, 2011*

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. Qualitative Information and Financial Statements

### (1) Qualitative Information on Consolidated Business Results

During the interim period of fiscal 2011 (April 1, 2011 to September 30, 2011), uncertainties in the Kuraray Group's operating environment increased, reflecting financial crises in Europe and the economic slowdown in the United States. In addition, economies in emerging countries, which had continued to show healthy growth, plateaued during the period. On the domestic front, circumstances permitted no optimism as the already deflationary economy further deteriorated and the yen continued to appreciate.

Confronting these circumstances, the Kuraray Group's Kashima Plant promptly resumed operations that had been suspended due to the Great East Japan Earthquake, while implementing price revisions to compensate for climbing raw material and fuel prices. Furthermore, in line with the GS-Twins medium-term action plan, the Group continued to steadily implement measures aimed at expanding businesses and achieving future growth.

As a result, net sales for the interim period rose ¥4,859 million, or 2.7%, compared with the corresponding period of the previous fiscal year to ¥185,635 million, operating income grew ¥3,903 million, or 15.3%, to ¥29,364 million, ordinary income increased ¥3,985 million, or 15.9%, to ¥28,981 million and net income surged ¥3,301 million, or 23.7%, to ¥17,214 million.

### Results by Business Segment

#### **Resins**

Demand for resins, except those for LCD-related applications, was steady in Europe, the United States and Asia. As a result, sales in this segment grew 3.6% year on year to ¥77,540 million, and operating income rose 2.7% to ¥25,910 million.

- (1) The expansion of poval resin sales slowed in Europe, while sales of value-added products grew in the markets of emerging and other countries. Sales of optical-use poval films remained flat year on year, reflecting the stagnant performance of the LCD TV sector in the second quarter. To better prepare for the anticipated demand expansion in this business over the medium term, Kuraray decided to build a new production line at its Saijo Plant, which will add an annual capacity of 3.2 million square meters. This new line is scheduled to begin production in June 2013. Sales of polyvinyl butyral (PVB) film were stable.
- (2) Sales of *EVVAL* ethylene vinyl alcohol copolymer (EVOH resin) for automobiles and food packaging remained favorable in Europe, the United States and emerging countries.

## Chemicals

Despite the suspension of production in some product categories due to the earthquake, sales in this segment remained generally stable. In addition, during the period under review, the Company focused on revising prices to reflect raw and fuel price hikes. As a result, sales in this segment rose 3.8% year on year to ¥38,931 million, while operating income soared 50.8% to ¥5,156 million.

- (1) Sales of methacrylic resin for use as sheets and molding materials increased. Improvements in market conditions supported this positive result.
- (2) In isoprene chemicals, sales of *SEPTON* thermoplastic elastomer and liquid isoprene rubber (*LIR*) were steady. Although the performance of certain products in this segment was still affected by the aftermath of the earthquake, the performance of fine chemicals remained steady throughout the period under review.
- (3) The performance of *GENESTAR* heat-resistant polyamide resin was impacted by rising raw material and fuel prices in the second quarter. Also impacted by the stagnant performance of *GENESTAR* for LED reflector applications, *GENESTAR* sales declined year on year. On the earnings front, however, Kuraray secured profitability by pioneering new *GENESTAR* applications, among other initiatives.
- (4) Kuraray Medical Inc. saw revenue increase due to the inclusion of the dental materials business of Noritake Dental Supply Co., Limited, which was merged into the Company in April 2011.

## Fibers and Textiles

Although sales of *KURALON* were brisk, demand for certain other products remained stagnant. As a result, sales in this segment decreased 3.3% year on year to ¥29,560 million; however, operating income grew 631.0% to ¥616 million.

- (1) Sales were healthy for *KURALON* for use in primary cell separators and automotive brake hoses. Demand for this product for use as an asbestos substitute in fiber reinforced cement (FRC) also increased in European construction market.
- (2) Sales of *CLARINO* man-made leather were healthy for school bag applications. The use of new processed products expanded steadily for footwear and interior applications, which has effectively reduced the Company's deficit in *CLARINO* operations. Kuraray is continuing radical business restructuring in these operations.
- (3) Sales of *KURAFLEX* nonwoven fabrics for use in wet wipes were stable despite stagnant demand for these products' use in commercial counter cloth and industrial masks.

## Trading

Although certain operations in this segment were affected by the earthquake, sales of differentiated materials in such fiber-related businesses as polyester grew steadily. As a result, segment sales were down 1.8% year on year to ¥56,795 million, while operating income surged 16.3% to ¥1,752 million.

## Others

Sales of activated carbon for use in water purification systems and capacitors (electric storage devices) were brisk, and other items also saw stable demand growth. As a result, sales in this segment climbed 22.7% year on year to ¥33,713 million, and operating income jumped 23.9% to ¥2,984 million.

## (2) Qualitative Information on Consolidated Operating Results Forecast

For the Kuraray Group, uncertainties continue to prevail in the operating environment, including with regard to the developing situations in the European and U.S. economies, for the second half of fiscal 2011, the year ending March 31, 2012. Such circumstances, especially the ongoing appreciation of the yen, are expected to place downward pressure on the Group's net sales. Accordingly, Kuraray has revised its performance forecasts for fiscal 2011, as shown in the table below.

Revised forecasts for the fiscal year ending March 31, 2012 (April 1, 2011–March 31, 2012)

(Millions of yen, unless otherwise stated)

|  | Net Sales | Operating Income | Ordinary Income | Net Income | Net Income per Share (Yen) |
|--|-----------|------------------|-----------------|------------|----------------------------|
| Previous forecast (A)<br>(Announced on April 27, 2011) | 400,000   | 60,000           | 58,500          | 34,000     | 97.63                      |
| Revised forecast (B)                                   | 390,000   | 60,000           | 58,500          | 34,000     | 97.62                      |
| Change (B – A)   | (10,000)  | —                | —               | —          |                            |
| Change (%)   | (2.5)     | —                | —               | —          |                            |
| (Reference) Fiscal 2010 Results                        | 363,191   | 53,095           | 51,062          | 28,742     | 82.55                      |

Assumptions for the third quarter and later are as follows:

- ¥77=US\$1
- ¥105=1 euro
- Domestic naphtha price: ¥50,000 per kiloliter



## **2. Items regarding Summary (and Other) Information**

### **Changes in Accounting Policies, Accounting Estimates and Restatement**

(Changes in Accounting Policies)

From the first quarter of the fiscal year ending March 31, 2012, Kuraray is applying the “Accounting Standard for Earnings Per Share” (ASBJ Statement No. 2, June 30, 2010) and the “Guidance on Accounting Standard for Earnings Per Share” (ASBJ Guidance No. 4, June 30, 2010).

In calculating quarterly net income per share on a diluted basis, the method used to reflect the effects of stock options, the rights to which will vest to the holders of said options after a certain period of time, has been changed to one under which an amount contingent upon said holders’ services to be provided to the Company will comprise part of the assessed fair value of stock options and shall be included in the amount to be paid in at the time of the exercise of the rights.

### 3. Quarterly Consolidated Financial Statements

#### (1) Quarterly Consolidated Balance Sheets

(Millions of yen)

|  | March 31, 2011 | September 30, 2011 |
|--|----------------|--------------------|
| <b>ASSETS</b>                          |                |                    |
| <b>Current Assets</b>                  |                |                    |
| Cash and deposits                      | 34,221         | 35,192             |
| Notes and accounts receivable—trade    | 76,135         | 79,462             |
| Short-term investment securities       | 127,128        | 131,074            |
| Merchandise and finished goods         | 40,534         | 47,025             |
| Work in process                        | 8,122          | 8,815              |
| Raw materials and supplies             | 12,732         | 13,608             |
| Deferred tax assets                    | 6,046          | 5,875              |
| Other                                  | 6,475          | 7,806              |
| Allowance for doubtful accounts        | (802)          | (868)              |
| Total current assets                   | 310,594        | 327,990            |
| <b>Noncurrent Assets</b>               |                |                    |
| Tangible fixed assets                  |                |                    |
| Buildings and structures, net          | 33,701         | 34,391             |
| Machinery, equipment and vehicles, net | 79,216         | 76,739             |
| Land                                   | 17,976         | 19,791             |
| Construction in progress               | 11,867         | 20,920             |
| Other, net                             | 2,477          | 2,421              |
| Total tangible fixed assets            | 145,238        | 154,264            |
| Intangible fixed assets                |                |                    |
| Goodwill                               | 12,725         | 14,121             |
| Other                                  | 2,842          | 2,797              |
| Total intangible fixed assets          | 15,568         | 16,918             |
| Investments and other assets           |                |                    |
| Investment securities                  | 19,577         | 18,959             |
| Long-term loans receivable             | 1,189          | 579                |
| Deferred tax assets                    | 4,725          | 4,508              |
| Prepaid pension costs                  | 6,243          | 6,035              |
| Other                                  | 4,378          | 5,012              |
| Allowance for doubtful accounts        | (186)          | (146)              |
| Total investments and other assets     | 35,926         | 34,949             |
| Total noncurrent assets                | 196,733        | 206,132            |
| Total assets                           | 507,328        | 534,123            |

(Millions of yen)

|   | March 31, 2011 | September 30, 2011 |
|---|----------------|--------------------|
| <b>LIABILITIES</b>                                    |                |                    |
| <b>Current Liabilities</b>                            |                |                    |
| Notes and accounts payable—trade                      | 30,308         | 34,059             |
| Short-term loans payable                              | 12,738         | 13,217             |
| Current portion of bonds                              | 10,000         | 10,000             |
| Income taxes payable                                  | 10,369         | 10,059             |
| Provision for bonuses                                 | 6,670          | 6,579              |
| Provision for loss on disaster                        | 300            | 69                 |
| Other provision                                       | 1              | 6                  |
| Other   | 15,825         | 19,610             |
| Total current liabilities                             | 86,214         | 93,603             |
| <b>Noncurrent liabilities</b>                         |                |                    |
| Long-term loans payable                               | 43,035         | 42,573             |
| Deferred tax liabilities                              | 4,918          | 4,984              |
| Provision for retirement benefits                     | 14,641         | 15,135             |
| Provision for directors' retirement benefits          | 167            | 177                |
| Provision for environmental measures                  | 1,122          | 1,117              |
| Asset retirement obligations                          | 2,222          | 2,262              |
| Other   | 8,179          | 9,547              |
| Total noncurrent liabilities                          | 74,288         | 75,799             |
| Total liabilities                                     | 160,502        | 169,402            |
| <b>NET ASSETS</b>                                     |                |                    |
| Shareholders' equity                                  |                |                    |
| Capital stock   | 88,955         | 88,955             |
| Capital surplus                                       | 87,147         | 87,147             |
| Retained earnings                                     | 225,743        | 238,068            |
| Treasury stock  | (40,856)       | (40,793)           |
| Total shareholders' equity                            | 360,989        | 373,377            |
| Accumulated other comprehensive income                |                |                    |
| Valuation difference on available-for-sale securities | 2,280          | 2,316              |
| Deferred gains or losses on hedges                    | (14)           | (28)               |
| Foreign currency translation adjustment               | (19,916)       | (16,542)           |
| Pension liability adjustment                          | (233)          | (230)              |
| Total accumulated other comprehensive income          | (17,884)       | (14,486)           |
| Subscription rights to shares                         | 560            | 903                |
| Minority interests                                    | 3,159          | 4,925              |
| Total net assets                                      | 346,825        | 364,720            |
| Total liabilities and net assets                      | 507,328        | 534,123            |

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

(Millions of yen)

|   | Six-month period<br>ended Sept. 30,<br>2010 (April 1, 2010<br>– Sept. 30, 2010) | Six-month period<br>ended Sept. 30, 2011<br>(April 1, 2011 –<br>Sept. 30, 2011) |
|---|---|---|
| Net sales   | 180,775   | 185,635   |
| Cost of sales   | 121,933   | 122,874   |
| Gross profit  | 58,842  | 62,760  |
| Selling, general and administrative expenses  |   |   |
| Selling expenses  | 9,376   | 9,189   |
| General and administrative expenses   | 24,004  | 24,206  |
| Total selling, general and administrative expenses                                    | 33,381  | 33,396  |
| Operating income  | 25,461  | 29,364  |
| Non-operating income  |   |   |
| Interest income   | 208   | 199   |
| Dividends income  | 918   | 929   |
| Equity in earnings of affiliates  | 12  | 8   |
| Other, net  | 550   | 503   |
| Total non-operating income  | 1,690   | 1,640   |
| Non-operating expenses  |   |   |
| Interest expenses   | 587   | 532   |
| Other expenses  | 1,568   | 1,491   |
| Total non-operating expenses  | 2,155   | 2,024   |
| Ordinary income   | 24,995  | 28,981  |
| Extraordinary income  |   |   |
| Gain on change in equity  | —   | 845   |
| Total extraordinary income  | —   | 845   |
| Extraordinary loss  |   |   |
| Loss on disaster  | —   | 929   |
| Provision for loss on disaster  | —   | 60  |
| Loss on valuation of investment securities  | 627   | 539   |
| Loss on disposal of tangible fixed assets   | 219   | 235   |
| Impairment loss   | —   | 128   |
| Impact of the application of the Accounting Standard for Asset Retirement Obligations | 1,548   | —   |
| Business structure improvement losses   | 183   | —   |
| Total extraordinary loss  | 2,579   | 1,893   |
| Income before income taxes and minority interests                                     | 22,416  | 27,933  |
| Income taxes—current  | 8,843   | 9,978   |
| Income taxes—deferred   | (416)   | 444   |
| Total income taxes  | 8,427   | 10,423  |
| Income before minority interests  | 13,989  | 17,509  |
| Minority interests  | 75  | 295   |
| Net income  | 13,913  | 17,214  |

## Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

|  | Six-month period ended<br>Sept. 30, 2010<br>(April 1, 2010 – Sept. 30,<br>2010) | Six-month period ended<br>Sept. 30, 2011<br>(April 1, 2011 – Sept. 30,<br>2011) |
|--|---|---|
| Income before minority interests   | 13,989  | 17,509  |
| Other comprehensive income   |   |   |
| Valuation difference on available-for-sale securities                                | (1,857)   | 35  |
| Deferred gains or losses on hedges   | 53  | (14)  |
| Foreign currency translation adjustment  | (10,372)  | 3,374   |
| Pension liability adjustment   | —   | 2   |
| Shares of other comprehensive income of associates accounted for using equity method | (0)   | 0   |
| Total other comprehensive income   | (12,176)  | 3,397   |
| Comprehensive income   | 1,812   | 20,907  |
| Comprehensive income attributable to:  |   |   |
| Owners of the parent   | 1,736   | 20,612  |
| Minority interests   | 75  | 294   |

### (3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

|  | Six-month period<br>ended Sept. 30,<br>2010<br>(April 1, 2010 –<br>Sept. 30, 2010) | Six-month<br>period ended<br>Sept. 30, 2011<br>(April 1, 2011 –<br>Sept. 30, 2011) |
|--|--|--|
| <b>Cash Flows from Operating Activities</b>  |  |  |
| Income before income taxes and minority interests  | 22,416   | 27,933   |
| Depreciation and amortization  | 16,295   | 14,732   |
| Impairment loss  | —  | 128  |
| Loss on disposal of tangible fixed assets  | 219  | 235  |
| Impact of the application of the Accounting Standard for<br>Asset Retirement Obligations | 1,548  | —  |
| Increase in provision for loss on disaster   | —  | 60   |
| Loss on valuation of investment securities   | 627  | 539  |
| Gain on change in equity   | —  | (845)  |
| Increase in notes and accounts receivable—trade  | (5,554)  | (2,098)  |
| Increase in inventories  | (1,647)  | (6,981)  |
| Increase in notes and accounts payable—trade   | 2,915  | 2,927  |
| Other, net   | 203  | 469  |
| Subtotal   | 37,026   | 37,099   |
| Income taxes paid  | (6,007)  | (10,082)   |
| Other  | 547  | 646  |
| <b>Net Cash Provided by Operating Activities</b>   | 31,566   | 27,664   |
| <b>Cash Flows from Investing Activities</b>  |  |  |
| Net decrease in time deposits  | 834  | 3,208  |
| Net decrease in short-term investment securities   | 16,996   | 4,988  |
| Purchase of tangible fixed assets and intangible assets                                  | (9,012)  | (15,827)   |
| Other, net   | (502)  | (1,292)  |
| <b>Net Cash Provided by (Used in) Investing Activities</b>                               | 8,315  | (8,921)  |
| <b>Cash Flows from Financing Activities</b>  |  |  |
| Net increase (decrease) in short-term loans payable                                      | 1,565  | (166)  |
| Decrease in commercial paper   | (6,000)  | —  |
| Repayment of long-term loans payable   | (4,444)  | (607)  |
| Cash dividends paid  | (2,784)  | (4,875)  |
| Other, net   | (175)  | (170)  |
| <b>Net Cash Used in Financing Activities</b>   | (11,839)   | (5,819)  |
| <b>Effect of Exchange Rate Changes on Cash and Cash<br/>Equivalents</b>                  | (966)  | 248  |
| <b>Net Increase in Cash and Cash Equivalents</b>   | 27,076   | 13,171   |
| <b>Cash and Cash Equivalents, Beginning of the Period</b>                                | 16,412   | 29,423   |
| <b>Increase in cash and cash equivalents from newly<br/>consolidated subsidiary</b>      | —  | 4  |
| <b>Increase in cash and cash equivalents from merger</b>                                 | —  | 0  |
| <b>Cash and Cash Equivalents, End of the Period</b>                                      | 43,488   | 42,600   |

#### (4) Notes regarding Going Concern Assumptions

None

#### (5) Segment and Other Information

[Segment Information]

I. Interim Period of Fiscal 2010 (April 1, 2010 to September 30, 2010)

1. Net sales, income and loss by reporting segment

(Millions of yen)

|                                   | Reporting Segment |           |                     |         |         | Other Business <sup>1</sup> | Total   | Adjustment <sup>2</sup> | Consolidated Statements of Income <sup>3</sup> |
|-----------------------------------|-------------------|-----------|---------------------|---------|---------|-----------------------------|---------|-------------------------|--|
|                                   | Resins            | Chemicals | Fibers and Textiles | Trading | Total   |                             |         |                         |  |
| Net Sales                         |                   |           |                     |         |         |                             |         |                         |  |
| Outside customers                 | 58,940            | 23,216    | 21,064              | 56,168  | 159,389 | 21,386                      | 180,775 | —                       | 180,775  |
| Inter-segment sales and transfers | 15,875            | 14,278    | 9,516               | 1,688   | 41,358  | 6,082                       | 47,440  | (47,440)                | —  |
| Total                             | 74,815            | 37,495    | 30,580              | 57,856  | 200,747 | 27,468                      | 228,216 | (47,440)                | 180,775  |
| Segment Income                    | 25,239            | 3,418     | 84                  | 1,506   | 30,249  | 2,408                       | 32,657  | (7,196)                 | 25,461   |

Notes:

1. The “Other Business” category incorporates operations not included in reporting segments, including activated carbon, environmental business and engineering.
2. Adjustment is as follows: Included within the segment income adjustment of ¥7,196 million is the elimination of intersegment transactions of ¥128 million and corporate expenses of ¥7,324 million. Corporate expenses mainly comprise headquarters’ general and administrative expenses and the submitting company’s basic research expenses not usually attributed to reporting segments.
3. Segment income is adjusted with operating income under consolidated statements of income.

II. Interim Period of Fiscal 2011 (April 1, 2011 to September 30, 2011)

1. Net sales, income and loss by reporting segment

(Millions of yen)

|                                   | Reporting Segment |           |                     |         |         | Other Business <sup>1</sup> | Total   | Adjustment <sup>2</sup> | Consolidated Statements of Income <sup>3</sup> |
|-----------------------------------|-------------------|-----------|---------------------|---------|---------|-----------------------------|---------|-------------------------|--|
|                                   | Resins            | Chemicals | Fibers and Textiles | Trading | Total   |                             |         |                         |  |
| Net Sales                         |                   |           |                     |         |         |                             |         |                         |  |
| Outside customers                 | 62,185            | 24,435    | 21,225              | 54,870  | 162,717 | 22,917                      | 185,635 | —                       | 185,635  |
| Inter-segment sales and transfers | 15,354            | 14,495    | 8,335               | 1,924   | 40,109  | 10,795                      | 50,905  | (50,905)                | —  |
| Total                             | 77,540            | 38,931    | 29,560              | 56,795  | 202,827 | 33,713                      | 236,540 | (50,905)                | 185,635  |
| Segment Income                    | 25,910            | 5,156     | 616                 | 1,752   | 33,435  | 2,984                       | 36,419  | (7,055)                 | 29,364   |

Notes:

1. The “Other Business” category incorporates operations not included in reporting segments, including activated carbon, environmental business and engineering.

2. Adjustment is as follows: Included within the segment income adjustment of ¥7,055 million is the elimination of intersegment transactions of ¥298 million and corporate expenses of ¥6,756 million. Corporate expenses mainly comprise headquarters' general and administrative expenses and the submitting company's basic research expenses not usually attributed to reporting segments.
3. Segment income is adjusted with operating income under consolidated statements of income.

#### **(6) Material Changes in Shareholders' Equity**

None

#### **(7) Additional Information**

From the first quarter of the fiscal year ending March 31, 2012, Kuraray has been applying the "Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Statement No. 24, December 4, 2009) and the "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24, December 4, 2009).