

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

August 6, 2014

Kuraray Co., Ltd.

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

Representative:

Title: Representative Director and President
Name: Fumio Ito

Contact:

Title: Manager, Corporate Management Planning Division,
Corporate Communications Department

Name: Akiko Ide

Tel: +81-3-6701-1070

(Millions of yen rounded down unless otherwise stated)

Preparation of supplementary documentation for the quarterly earnings report: No

Holding of quarterly earnings results briefing: No

1. Consolidated Financial Results for the First Quarter of the Fiscal Year Ending December 31, 2014 (April 1, 2014 to June 30, 2014)

(1) Consolidated Operating Results (Cumulative)

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

(Millions of yen)

	Net Sales		Operating Income		Ordinary Income		Net Income	
		(Change)		(Change)		(Change)		(Change)
Fiscal 2014 1Q	105,197	12.9%	13,921	33.7%	13,237	28.0%	7,285	11.1%
Fiscal 2013 1Q	93,158	5.2%	10,412	(11.0%)	10,345	(2.3%)	6,555	12.6%

Note: Comprehensive income: For the fiscal 2014 first quarter: ¥3,586 million (80.1%)

For the fiscal 2013 first quarter: ¥18,021 million 45.1%

	Net Income per Share (Yen)	Fully Diluted Net Income per Share (Yen)
Fiscal 2014 1Q	20.79	20.76
Fiscal 2013 1Q	18.74	18.67

(2) Consolidated Financial Position

(Millions of yen)

	Total Assets	Net Assets	Shareholders' Equity Ratio (%)
As of June 30, 2013	645,180	447,009	68.3
As of March 31, 2014	634,252	452,459	70.3

(Reference)

Shareholders' equity:	As of June 30, 2014:	¥440,462 million
	As of March 31, 2014:	¥445,834 million

2. Dividends

(Yen)

Record Date	Cash Dividends per Share				
	Jun. 30	Sept. 30	Dec. 31	Mar. 31	Annual
Fiscal 2013	—	18.00	—	18.00	36.00
Period to Dec. 2014	—				
Period to Dec. 2014 (Forecast)		18.00	9.00	—	27.00

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

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

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

(Millions of yen)

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

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

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

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

[Reference]

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

(Millions of yen)

Net Sales		Operating Income		Ordinary Income		Net Income	
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 Period (Changes in Special Subsidiaries Involving Changes in the Scope of Consolidation)**

No

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

No

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

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

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

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

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

As of June 30, 2014	382,863,603 shares
As of March 31, 2014	382,863,603 shares
2. Number of treasury stock as of the period-end:

As of June 30, 2014	32,479,701 shares
As of March 31, 2014	32,551,718 shares
3. Average number of shares for the period (Cumulative):

As of June 30, 2014	350,337,024 shares
As of June 30, 2013	349,774,963 shares

Indication of quarterly review procedure implementation status

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

*Cautionary Statement with Respect to Forecasts of Consolidated Business Results
(Cautionary note regarding forward-looking statements)*

The results forecasts presented in this document are based upon currently available information and assumptions deemed rational. A variety of factors could cause actual results to differ materially from forecasts. Please refer to “Basis for (the Revision in) Forecasts, Including Consolidated Operating Results Forecasts” on page 3 of the Attachment for the assumptions used.

Index of the Attachment

1. Qualitative Information and Financial Statements.....	2
(1) Qualitative Information and Overview of Consolidated Business Results.....	2
(2) Basis for Forecasts, Including Consolidated Operating Results Forecasts.....	3
2. Items Regarding Summary (and Notes) Information.....	4
Changes in Accounting Policies, Accounting Estimates and Restatement.....	4
3. Quarterly Consolidated Financial Statements.....	5
(1) Quarterly Consolidated Balance Sheets.....	5
(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income.....	7
Quarterly Consolidated Statements of Income.....	7
Quarterly Consolidated Statements of Comprehensive Income.....	9
(3) Notes regarding Quarterly Consolidated Financial Statements.....	10
Notes regarding Going Concern Assumptions.....	10
Additional Information.....	10
Material Changes in Shareholders' Equity.....	10
Segment and Other Information.....	11
Business Combination.....	12

1. Qualitative Information and Financial Statements

(1) Qualitative Information and Overview of Consolidated Business Results

In the first quarter of fiscal 2014 (April 1, 2014–June 30, 2014), despite anxiety about the possible negative impact of the consumption tax hike on the Japanese economy, the Company's operating environment was hardly affected. Overseas, the U.S. economy saw robust growth, while European countries experienced gradual economic recovery. On the other hand, the pace of economic growth in China remained slower than that previously seen, while business sentiments varied widely by region in other emerging countries. Overall, slight signs of improvement emerged in the global economy.

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

Consequently, cumulative consolidated operating results for the first quarter of fiscal 2014 are as follows: net sales rose ¥12,039 million, or 12.9%, compared with the corresponding period of the previous fiscal year to ¥105,197 million; operating income grew ¥3,509 million, or 33.7%, to ¥13,921 million; ordinary income increased ¥2,892 million, or 28.0%, to ¥13,237 million; and net income rose ¥729 million, or 11.1%, to ¥7,285 million.

Results by Business Segment

Vinyl Acetate

Sales in this segment grew 13.0% year on year to ¥49,273 million, and segment income rose 10.9% year on year to ¥13,051 million.

- (1) The sales volume of optical-use poval films has increased in step with a trend toward large LCD panels. In response, in April 2014 the Saijo Plant brought new production facilities on line. Sales of poval resin were firm due to the effect of upward revisions in product prices. On the other hand, PVB films were affected by ongoing stagnant market demand for construction materials in Europe. Sales of water soluble PVA films grew favorably on the back of brisk demand. In response, the Company decided to establish a new plant in the United States to produce water soluble PVA films, with operational kickoff scheduled for January 2016.
- (2) Sales of *EVVAL* ethylene vinyl alcohol copolymer (EVOH resin) expanded favorably, particularly in the United States and Asia.

In addition, on June 1, 2014 the Company completed procedures for the purchase of the vinyl acetate-related business of E. I. du Pont de Nemours and Company (DuPont).

Isoprene

Sales in this segment grew 13.7% year on year to ¥13,418 million, and segment income jumped 449.2% year on year to ¥1,334 million.

- (1) In isoprene chemicals, sales of fine chemicals and *SEPTON* thermoplastic elastomer were firm, and demand for liquid rubber rebounded.
- (2) Sales of *GENESTAR* heat-resistant polyamide resin for LED reflector, connector and automotive applications remained steady.

Functional Materials

Sales in this segment grew 17.2% year on year to ¥12,376 million. Segment income was ¥164 million, a turnaround from a segment loss of ¥50 million in the corresponding period of the previous fiscal year.

- (1) Sales of methacrylic resin remained stagnant due to sluggish market conditions.
- (2) In the medical business, sales of dental materials were firm.
- (3) With regard to *CLARINO* man-made leather, business performance began to improve due to the effect of the Company's initiatives aimed at achieving structural improvements, such as the transfer of conventional production processes to China.

Fibers and Textiles

The performance of *KURALON* was favorable for use in automotive brake hose applications and as an asbestos substitute in fiber reinforced cement (FRC). As a result, sales in this segment grew 6.6% year on year to ¥10,804 million, and segment income increased 41.5% year on year to ¥1,087 million.

Trading

Although sales of resin and chemical-related components were firm, the fiber-related business were somewhat impacted by inventory adjustments. Also, expenses increased due to the expansion of its overseas business network. As a result, segment sales increased 10.0% year on year to ¥28,058 million, while segment income decreased 3.0% to ¥693 million.

Others

Sales of activated carbon grew steadily, mainly for energy-related applications. Other items were also firm on the back of economic recovery. As a result, segment sales increased 7.3% year on year to ¥14,658 million, and segment income increased 65.0% to ¥528 million.

(2)Basis for Forecasts, Including Consolidated Operating Results Forecasts

After reviewing its cumulative consolidated forecast for the fiscal year ending December 31, 2014, which was announced on April 25, 2014, Kuraray decided not to revise said forecast. In addition, the business forecasted results of the vinyl acetate related business purchased on June 1, 2014 from DuPont are currently being carefully analyzed and have not been included in the above forecasts. However, net sales for the vinyl acetate related business are currently expected to total ¥32.0 billion for the seven-month period from June 1, 2014 to

December 31, 2014, considering the business's net sales results for the month of June.

2. Items Regarding Summary (and Notes) Information

Changes in Accounting Policies, Accounting Estimates and Restatement

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

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

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

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

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	March 31, 2014	June 30, 2014
ASSETS		
Current Assets		
Cash and cash deposits	49,746	35,981
Notes and accounts receivable—trade	91,119	87,561
Short-term investment securities	58,301	17,203
Merchandise and finished goods	60,984	69,109
Work in process	11,992	12,492
Raw materials and supplies	15,658	17,922
Deferred tax assets	5,889	5,185
Other	9,175	11,220
Allowance for doubtful accounts	(465)	(473)
Total current assets	302,402	256,202
Noncurrent Assets		
Tangible fixed assets		
Buildings and structures, net	44,707	49,791
Machinery, equipment and vehicles, net	91,921	106,122
Land	21,481	21,433
Construction in progress	59,139	51,199
Other, net	4,970	4,809
Total tangible fixed assets	222,219	233,355
Intangible fixed assets		
Goodwill	26,598	68,097
Other	30,600	29,295
Total intangible fixed assets	57,198	97,393
Investments and other assets		
Investment securities	39,285	44,404
Long-term loans receivable	297	364
Net defined benefit assets	2,031	91
Deferred tax assets	6,260	7,529
Others	4,604	5,887
Allowance for doubtful accounts	(47)	(48)
Total investments and other assets	52,431	58,228
Total noncurrent assets	331,849	388,977
Total assets	634,252	645,180

(Millions of yen)

	March 31, 2014	June 30, 2014
LIABILITIES		
Current Liabilities		
Notes and accounts payable–trade	35,393	30,448
Short-term loans payable	13,143	16,830
Commercial papers	—	20,000
Accrued expenses	8,073	7,568
Income taxes payable	7,272	3,051
Provision for bonuses	6,931	4,388
Other provision	51	5
Other	18,280	19,360
Total current liabilities	89,145	101,653
Noncurrent liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	42,187	42,376
Deferred tax liabilities	18,343	17,652
Provision for directors' retirement benefits	161	132
Provision for environmental measures	886	886
Net defined benefit liabilities	5,448	8,916
Asset retirement obligations	2,656	2,633
Other	12,962	13,920
Total noncurrent liabilities	92,647	96,517
Total liabilities	181,793	198,171
NET ASSETS		
Shareholders' equity		
Capital stock	88,955	88,955
Capital surplus	87,147	87,151
Retained earnings	279,616	277,882
Treasury stock	(38,425)	(38,340)
Total shareholders' equity	417,293	415,649
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,944	7,789
Deferred gain or losses on hedges	(4)	(6)
Foreign currency translation adjustments	27,025	22,249
Remeasurements of defined benefit plans	(5,424)	(5,219)
Total accumulated other comprehensive income	28,541	24,813
Subscription rights to shares	1,005	1,034
Minority interests	5,618	5,511
Total net assets	452,459	447,009
Total liabilities and net assets	634,252	645,180

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

(Millions of yen)

	Fiscal 2013 1Q (April 1, 2013 – June 30, 2013)	Fiscal 2014 1Q (April 1, 2014 – June 30, 2014)
Net sales	93,158	105,197
Cost of sales	63,978	71,483
Gross profit	29,179	33,713
Selling, general and administrative expenses		
Selling expenses	4,722	4,742
General and administrative expenses	14,044	15,049
Total selling, general and administrative expenses	18,766	19,792
Operating income	10,412	13,921
Non-operating income		
Interest income	176	84
Dividends income	222	226
Equity in earnings of affiliates	19	8
Other, net	355	143
Total non-operating income	774	462
Non-operating expenses		
Interest expenses	242	148
Personnel expenses for seconded employees	198	235
Other expenses	400	763
Total non-operating expenses	842	1,146
Ordinary income	10,345	13,237
Extraordinary loss		
Purchasing related expenses	—	1,650
Retirement benefit expenses	—	622
Impairment loss	—	205
Loss on disposal of tangible fixed loss	207	—
Total extraordinary loss	207	2,478
Income before income taxes and minority interests in net income of consolidated subsidiaries	10,137	10,759
Income taxes—current	2,943	3,370
Income taxes—deferred	589	74

(Millions of yen)

	Fiscal 2013 1Q	Fiscal 2014 1Q
	(April 1, 2013 –	(April 1, 2014 –
	June 30, 2013)	June 30, 2014)
Total income taxes	3,533	3,445
Income before minority interests in net income of consolidated subsidiaries	6,604	7,314
Minority interests	49	28
Net income	6,555	7,285

Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal 2013 1Q (April 1, 2013 – June 30, 2013)	Fiscal 2014 1Q (April 1, 2014 – June 30, 2014)
Income before minority interests in net income of consolidated subsidiaries	6,604	7,314
Other comprehensive income		
Valuation difference on available-for-sale securities	(210)	845
Deferred gain or losses on hedges	(8)	(2)
Foreign currency translation adjustments	11,759	(4,775)
Remeasurements of defined benefit plans	(122)	205
Total other comprehensive income	11,417	(3,727)
Quarterly comprehensive income	18,021	3,586
Comprehensive income attributable to:		
Owners of the parent	17,972	3,557
Minority interests	49	29

(3)Notes regarding Quarterly Consolidated Financial Statements

Notes regarding Going Concern Assumptions

None

Additional Information

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

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

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

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

Material Changes in Shareholders' Equity

None

Segment and Other Information

Segment Information

I. First Quarter of Fiscal 2013 (April 1, 2013 to June 30, 2013)

1. Net sales, income and loss by reporting segment

(Millions of yen)

	Reporting Segment						Others ¹	Total	Elimination on Consolidation and Corporate ²	Consolidated Statements of Income ³
	Vinyl Acetate	Isoprene	Functional Materials	Fibers and Textiles	Trading	Total				
Net Sales										
Outside customers	37,103	6,876	7,114	7,534	24,822	83,451	9,706	93,158	—	93,158
Inter-segment sales and transfers	6,498	4,924	3,445	2,603	690	18,163	3,952	22,116	(22,116)	—
Total	43,602	11,801	10,560	10,138	25,512	101,614	13,659	115,274	(22,116)	93,158
Segment Income	11,770	242	(50)	768	714	13,446	320	13,766	(3,354)	10,412

Notes:

1. The “Others” category incorporates operations not included in business segments reported, including activated carbon, environmental business and engineering.
2. Elimination on Consolidation and Corporate is as follows: Included within negative segment income of ¥3,354 million is the elimination of intersegment transactions of ¥74 million and corporate expenses of ¥3,428 million. Corporate expenses mainly comprise headquarters’ general and administrative expenses and the submitting company’s basic research expenses not usually attributed to segments.
3. Segment income is adjusted with operating income under consolidated statements of income.

II. First Quarter of Fiscal 2014 (April 1, 2014 to June 30, 2014)

1. Net sales, income and loss by reporting segment

(Millions of yen)

	Reporting Segment						Others ¹	Total	Elimination on Consolidation and Corporate ²	Consolidated Statements of Income ³
	Vinyl Acetate	Isoprene	Functional Materials	Fibers and Textiles	Trading	Total				
Net Sales										
Outside customers	42,508	7,731	8,470	8,215	27,513	94,438	10,758	105,197	—	105,197
Inter-segment sales and transfers	6,765	5,687	3,906	2,588	544	19,492	3,899	23,392	(23,392)	—
Total	49,273	13,418	12,376	10,804	28,058	113,931	14,658	128,590	(23,392)	105,197
Segment Income	13,051	1,334	164	1,087	693	16,331	528	16,859	(2,937)	13,921

Notes:

1. The “Others” category incorporates operations not included in business segments reported, including activated carbon, environmental business and engineering.
2. Elimination on Consolidation and Corporate is as follows: Included within negative segment income of ¥2,937 million is the elimination of intersegment transactions of ¥286 million and corporate expenses of ¥3,224 million. Corporate expenses mainly comprise headquarters’ general and administrative expenses and the submitting company’s basic research expenses not usually attributed to segments.
3. Segment income is adjusted with operating income under consolidated statements of income.

2. Information regarding the assets of each reporting segment

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

In the first quarter of the consolidated reporting period ending December 31, 2014, the assets of the Vinyl Acetate segment increased ¥64,596 million from March 31, 2014 due to the acquisition of the vinyl acetate related business from DuPont mainly by subsidiaries of Kuraray. However, the acquisition price is now going through a process of adjustment to reflect the change in working capital as per the agreement with DuPont. The increase in the amount of assets is therefore tentative.

3. Information regarding goodwill and impairment loss on fixed assets for each reporting segment (Significant fluctuations in the value of goodwill)

In the Vinyl Acetate segment, with the acquisition of the vinyl acetate related business from DuPont, goodwill in the first quarter of the consolidated reporting period stood at ¥42,952 million. The amount of goodwill is tentative as the allocation of the acquisition cost has not been completed.

Business Combination

Business Combination through Acquisition

Kuraray Co., Ltd. reached an agreement and concluded a 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, of DuPont on November 21, 2013 (the Acquisition). The Acquisition was completed mainly by subsidiaries of Kuraray on June 1, 2014.

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 has executed the Acquisition as part of its expansion plan in vinyl acetate 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, poval film, PVB resin and film, EVOH (ethylene vinyl alcohol copolymer) resin which is trademarked as *EVVAL*, and PVA fiber (*KURALON*) which applies vinyl acetate as its raw material. Through the Acquisition, the fusion of the technology, R&D, sales capabilities, and manufacturing and sales network with those of the former DuPont vinyl acetate business will become a key driver of Kuraray's sustainable growth.

(3) Closing date

June 1, 2014

(4) Legal form of business combination

Cash purchase of assets and shares

(5) Name of acquired company after business combination

Kuraray America, Inc. and others

(6) Reason for decision on the acquiring company

Mainly subsidiaries of Kuraray proposed to acquire assets and shares with cash

2. Period of the business results of the acquired business included in the consolidated statements of income for the quarterly consolidated cumulative period

In the first quarter of the consolidated cumulative period ending December 31, 2014, only the balance sheets are consolidated and the quarterly consolidated statements of income do not include the business results of the acquired business.

3. Acquisition cost of the acquired business

Acquisition price: US\$638 million (¥64,927 million)

Acquisition cost: US\$638 million (¥64,927 million)

However, the acquisition price is now going through a process of adjustment to reflect the change in working capital as per the agreement. The acquisition cost is therefore tentative.

Note: The yen amount is a conversion based on the exchange rate as of May 31, 2014. Moreover, payment was made in U.S. dollars, Euros and other currencies of the countries in which the various operations constituting the business were acquired.

4. Amount of goodwill, source of goodwill, amortization method and amortization period

(1) Amount of goodwill

US\$422 million (¥42,952 million)

The amount of goodwill is tentative as the allocation of the acquisition cost has not been completed.

Note: The yen amount is the total of various translations from the original currencies based on the exchange rate as of May 31, 2014.

(2) Source of goodwill

The goodwill arises from expected future excess earning power.

(3) Amortization method and amortization period

The goodwill will be amortized equally over its effective period. The period of amortization will be determined in light of the results of the allocation of the acquisition cost.