

**Consolidated Earning Report**  
**for the Third Quarter of the Fiscal Year**  
**Ending December 31, 2015 (Unaudited)**

**November 11, 2015**

**Kuraray Co., Ltd.**

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**Consolidated Earnings Report for the Third Quarter of the Fiscal Year Ending December 31, 2015**

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

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(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 Third Quarter of the Fiscal Year Ending December 31, 2015 (January 1, 2015 to September 30, 2015)

### (1) Consolidated Operating Results

(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 2015 3Q	391,905	—	49,308	—	48,686	—	31,858	—
Fiscal 2014 3Q	—	—	—	—	—	—	—	—

Note: Comprehensive income: For the fiscal 2015 third quarter: ¥26,870 million —  
For the fiscal 2014 third quarter: —

	Net Income per Share (Yen)	Fully Diluted Net Income per Share (Yen)
Fiscal 2015 3Q	90.77	90.52
Fiscal 2014 3Q	—	—

The Company changed its fiscal year end from March 31 to December 31 from the fiscal year ended December 31, 2014. Consequently, because consolidated financial statements were not prepared for the third quarter of the fiscal year ended December 31, 2014, the consolidated operating results and percentage are not given.

[Reference]

The below percent figures (or adjusted changes) represent comparisons of results for the third quarter of fiscal 2015 (January 1, 2015 to September 30, 2015) and results from the corresponding period of the previous calendar year (January 1, 2014 to September 30, 2014).

(Millions of yen)

Net Sales		Operating Income		Ordinary Income		Net Income	
391,905	11.2%	49,308	23.9%	48,686	21.9%	31,858	29.9%

## (2) Consolidated Financial Position

(Millions of yen)

	Total Assets	Net Assets	Shareholders' Equity Ratio (%)
As of September 30, 2015	686,867	499,707	71.7%
As of December 31, 2014	691,538	481,826	68.7%

(Reference)

Shareholders' equity:	As of September 30, 2015:	¥492,333 million
	As of December 31, 2014:	¥474,760 million

## 2. Dividends

(Yen)

Record Date	Cash Dividends per Share				
	Mar. 31	Jun. 30	Sep. 30	Dec. 31	Annual
Fiscal 2014	—	—	18.00	9.00	27.00
Fiscal 2015	—	18.00	—		
Fiscal 2015 (Forecast)				22.00	40.00

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

## 3. Forecasts of Consolidated Financial Results for the Fiscal Year Ending December 31, 2015 (January 1, 2015 to December 31, 2015)

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

(Millions of yen)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share
Full Fiscal Year	540,000	—	66,000	—	66,000	—	40,000	—	113.93

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. Because the reporting period for fiscal 2015 is the twelve-month period from January 1, 2015 to December 31, 2015 and the reporting period for fiscal 2014 was the nine-month period from April 1, 2014 to December 31, 2014 for the Company and those subsidiaries that previously maintained a fiscal year-end of March 31, year-on-year comparisons are not presented herein.

[Reference]

The below percent figures (or adjusted changes) represent comparisons of forecast results for fiscal 2015 (January 1, 2015 to December 31, 2015) and results from the previous calendar year (January 1, 2014 to December 31, 2014).

(Millions of yen)

	Net Sales		Operating Income		Ordinary Income		Net Income	
Full Fiscal Year	540,000	11.3%	66,000	28.4%	66,000	29.5%	40,000	45.7%

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

**(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, 2015	354,863,603 shares
As of December 31, 2014	382,863,603 shares
2. Number of treasury stock as of the period-end:

As of September 30, 2015	3,735,906 shares
As of December 31, 2014	32,283,465 shares
3. Average number of shares for the period (cumulative):

Fiscal 2015 3Q	350,961,019 shares
Fiscal 2014 3Q	—

On June 30, 2015, the Company retired of 28,000,000 shares of treasury stock (common stock).

The Company changed its fiscal year end from March 31 to December 31 from the fiscal year ended December 31, 2014. Consequently, because consolidated financial statements were not prepared for the third quarter of the fiscal year ended December 31, 2014, the previous year's average number of shares for the period (cumulative) is not presented herein.

*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. Nevertheless, this report was undergoing the review procedure process at the time of this release.

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

*(Cautionary note regarding forward-looking statements)*

The results forecasts presented in this document are based upon currently available information and assumptions deemed rational. A variety of factors could cause actual results to differ materially from forecasts. Please refer to "Basis for the Revision in Forecasts, Including Consolidated Operating Results Forecasts" on page 4 of the Attachment for the assumptions used.

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## 1. Qualitative Information and Financial Statements

### (1) Qualitative Information and Overview of Consolidated Business Results

In the third quarter of fiscal 2015 (January 1, 2015–September 30, 2015), the Japanese economy saw a continued gradual recovery despite some signs of weakness, including the slowing pace of recovery in consumer spending. Overseas, while employment and consumer spending remained stable and healthy in the United States, recovery appeared weak in Europe amid uncertainty about the future. The slowing pace of growth in China's economy became apparent in the third quarter, and conditions were patchy in other emerging economies. The price of crude oil has continued to decline since the end of fiscal 2014, which has lowered raw material and fuel costs. This has forced adjustments in some product prices and, in turn, positively impacted the Company's results.

Under these circumstances, the Kuraray Group has been steadily implementing the business strategies outlined in GS-STEP, the medium-term management plan launched in the current fiscal year, as it aims to become a high profit specialty chemical company with a global presence.

Consequently, consolidated operating results for the third quarter of fiscal 2015 are as follows: net sales rose ¥39,352 million, or 11.2%, compared with the corresponding period of the previous fiscal year to ¥391,905 million; operating income grew ¥9,525 million, or 23.9%, to ¥49,308 million; ordinary income increased ¥8,733 million, or 21.9%, to ¥48,686 million; and net income rose ¥7,329 million, or 29.9%, to ¥31,858 million.

In addition, comparisons with the third quarter of the previous fiscal year use figures that have been adjusted to the same period (January 1, 2014–September 30, 2014) as the fiscal year ended December 31, 2015 (January 1, 2015–September 30, 2015).

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

	Fiscal 2014 3Q (Adjusted)	Fiscal 2015 3Q	Change	
			Amount	Percent
Net Sales	352.6	391.9	39.4	11.2%
Operating Income	39.8	49.3	9.5	23.9%
Ordinary Income	40.0	48.7	8.7	21.9%
Net Income	24.5	31.9	7.3	29.9%

Note: Figures for Fiscal 2014 3Q (Adjusted) are unaudited.



## Results by Business Segment

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

	Net Sales			Operating Income		
	Fiscal 2014 3Q (Adjusted)	Fiscal 2015 3Q	Change	Fiscal 2014 3Q (Adjusted)	Fiscal 2015 3Q	Change
Vinyl Acetate	168.5	207.8	39.3	36.2	41.4	5.2
Isoprene	41.4	41.6	0.2	4.7	5.5	0.8
Functional Materials	39.5	42.2	2.7	1.0	4.2	3.2
Fibers and Textiles	35.8	34.3	(1.5)	2.5	3.0	0.5
Trading	88.1	88.8	0.7	2.9	2.8	(0.1)
Other Business	51.5	51.8	0.3	2.0	1.7	(0.3)
Elimination & Corporate	(72.2)	(74.7)	(2.5)	(9.4)	(9.2)	0.2
Total	352.6	391.9	39.4	39.8	49.3	9.5

Note: Figures for Fiscal 2014 3Q (Adjusted) are unaudited.

### Results by Business Segment

#### **Vinyl Acetate**

Sales in this segment grew 23.4% year on year to ¥207,831 million, and segment income grew 14.4% year on year to ¥41,375 million.

- (1) The sales volume of optical-use poval film has increased due to growth in the number of LCD panels sold and the trend toward larger panels. The Company has decided to establish a new production line at the Saijo plant to meet the needs arising from the growing LCD market and the trend toward thinner polarizing films. The new line is slated to begin operation in early 2017. Sales of PVA resin were firm overall. Although exports of PVB film to China stalled, sales in other regions made up for the shortfall. Sales of water soluble PVA film grew favorably on the back of brisk demand.
- (2) Sales of EVAL ethylene vinyl alcohol copolymer (EVOH resin) were favorable for automotive gas tanks and food packaging applications.

#### **Isoprene**

Sales in this segment grew 0.5% year on year to ¥41,644 million, and segment income rose 17.8% year on year to ¥5,480 million.

- (1) In isoprene chemicals, sales of fine chemicals, *SEPTON* thermoplastic elastomer and liquid rubber remained firm.
- (2) Sales of *GENESTAR* heat-resistant polyamide resin expanded favorably for automotive applications. Sales of LED reflector and connector, however, were hit hard in the third quarter by the slower economic growth in China.

### **Functional Materials**

Sales in this segment grew 6.9% year on year to ¥42,223 million, and segment income increased 328.5% year on year to ¥4,214 million.

- (1) Methacrylic resin business, remained favorable thanks mainly to a shift toward highly functional products despite a fall in demand in China for certain applications.
- (2) In the medical business, sales of dental materials were brisk, boosted in part by the launch of new products.
- (3) *CLARINO* man-made leather saw profit growth due to the continued expansion in sales of products made using new processes.

### **Fibers and Textiles**

Performance in this segment was favorable due to a shift toward high value-added products. As a result, sales in this segment declined 4.2% year on year to ¥34,299 million while segment income grew 22.2% year on year to ¥2,996 million.

### **Trading**

Sales were firm in chemical-related businesses, but overseas processing expenses for the fiber-related business soared due to the weak yen. As a result, segment sales increased 0.8% year on year to ¥88,796 million, and segment income fell 4.7% to ¥2,756 million.

### **Others**

In other businesses, while sales remained firm overall, some businesses were impacted by the slowing growth in China and rising raw material prices due to the weaker yen. As a result, segment sales grew 0.5% year on year to ¥51,768 million, and segment income declined 13.9% to ¥1,731 million.

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

No changes have been made after a review of the full-year consolidated operating results forecast announced on August 6, 2015.

**2. Quarterly Consolidated Financial Statements**  
**(1) Quarterly Consolidated Balance Sheets**

(Millions of yen)

	December 31, 2014	September 30, 2015
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash deposits	33,939	30,090
Notes and accounts receivable–trade	104,988	100,430
Short-term investment securities	2,504	14,905
Merchandise and finished goods	74,201	77,843
Work in process	13,788	12,575
Raw materials and supplies	19,107	21,731
Deferred tax assets	4,694	6,554
Other	16,546	13,130
Allowance for doubtful accounts	(571)	(582)
Total current assets	<u>269,200</u>	<u>276,679</u>
<b>Noncurrent Assets</b>		
Tangible fixed assets		
Buildings and structures, net	52,729	53,395
Machinery, equipment and vehicles, net	120,298	129,099
Land	21,999	22,260
Construction in progress	62,590	54,254
Other, net	4,770	4,871
Total tangible fixed assets	<u>262,388</u>	<u>263,880</u>
Intangible fixed assets		
Goodwill	31,217	30,208
Customer relation assets	34,745	32,668
Other	22,877	22,914
Total intangible fixed assets	<u>88,840</u>	<u>85,791</u>
Investments and other assets		
Investment securities	54,342	46,133
Long-term loans receivable	302	241
Net defined benefit assets	816	1,060
Deferred tax assets	8,701	6,906
Others	6,993	6,226
Allowance for doubtful accounts	(48)	(52)
Total investments and other assets	<u>71,108</u>	<u>60,515</u>
Total noncurrent assets	<u>422,338</u>	<u>410,188</u>
Total assets	<u>691,538</u>	<u>686,867</u>

(Millions of yen)

	December 31, 2014	September 30, 2015
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Notes and accounts payable–trade	43,027	36,193
Short-term loans payable	12,087	7,184
Commercial papers	10,000	—
Accrued expenses	7,957	10,181
Income taxes payable	2,575	11,733
Provision for bonuses	4,957	7,658
Other provision	19	9
Other	29,311	16,074
Total current liabilities	109,936	89,034
<b>Long-term liabilities</b>		
bonds payable	10,000	10,000
Long-term loans payable	42,326	42,265
Deferred tax liabilities	20,526	19,811
Provision for directors' retirement benefits	175	180
Provision for environmental measures	852	798
Net defined benefit liabilities	10,053	9,636
Asset retirement obligations	3,500	4,092
Other	12,341	11,340
Total noncurrent liabilities	99,775	98,124
Total liabilities	209,712	187,159
<b>NET ASSETS</b>		
Shareholders' equity		
Capital stock	88,955	88,955
Capital surplus	87,181	87,147
Retained earnings	285,561	274,996
Treasury stock	(38,110)	(4,410)
Total shareholders' equity	423,588	446,689
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,276	10,292
Deferred gain or losses on hedges	65	(5)
Foreign currency translation adjustments	46,899	40,052
Remeasurements of defined benefit plans	(5,069)	(4,694)
Total accumulated other comprehensive income	51,172	45,643
Subscription rights to shares	977	852
Minority interests	6,087	6,522
Total net assets	481,826	499,707
Total liabilities and net assets	691,538	686,867

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

	(Millions of yen)
	<b>Fiscal 2015 3Q</b>
	<b>(January 1, 2015 – September 30, 2015)</b>
Net sales	391,905
Cost of sales	267,280
Gross profit	<u>124,624</u>
Selling, general and administrative expenses	
Selling expenses	20,168
General and administrative expenses	55,147
Total selling, general and administrative expenses	<u>75,316</u>
Operating income	<u>49,308</u>
Non-operating income	
Interest income	179
Dividends income	2,392
Equity in earnings of affiliates	2
Other, net	837
Total non-operating income	<u>3,411</u>
Non-operating expenses	
Interest expenses	545
Other expenses	3,487
Total non-operating expenses	<u>4,033</u>
Ordinary income	<u>48,686</u>
Extraordinary income	
Gain on sales of tangible fixed assets	278
Total extraordinary income	<u>278</u>
Extraordinary loss	
Loss on disposal of tangible fixed assets	267
Loss on valuation of investment securities	195
Total extraordinary loss	<u>463</u>

(Millions of yen)

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	<b>Fiscal 2015 3Q</b>
	<b>(January 1, 2015 – September 30, 2015)</b>
Income before income taxes and minority interests in net income of consolidated subsidiaries	48,501
Income taxes—current	16,987
Income taxes—deferred	(884)
Total income taxes	16,102
Income before minority interests in net income of consolidated subsidiaries	32,398
Minority interests in income	540
Net income	31,858

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## Quarterly Consolidated Statements of Comprehensive Income

	(Millions of yen)
	<b>Fiscal 2015 3Q</b>
	<b>(January 1, 2015 – September 30, 2015)</b>
Income before minority interests in net income of consolidated subsidiaries	32,398
Other comprehensive income	
Valuation difference on available-for-sale securities	1,015
Deferred gain or losses on hedges	(71)
Foreign currency translation adjustments	(6,847)
Pension liability adjustments	374
Total other comprehensive income	(5,528)
Quarterly comprehensive income	26,870
Comprehensive income attributable to:	
Owners of the parent	26,329
Minority interests	541

### (3) Notes Regarding Quarterly Consolidated Financial Statements

#### Notes Regarding Going Concern Assumptions

None

#### Material Changes in Shareholders' Equity

At the Board of Directors' Meeting held on June 24, 2015, Kuraray resolved to retire treasury stock and, on June 30, 2015, retired 28,000,000 shares of treasury stock. As a result, capital surplus declined ¥106 million, retained earnings declined ¥32,948 million and treasury stock declined ¥33,054 million during the third quarter of the consolidated fiscal year ending December 31, 2015.

#### Segment and Other Information

Segment Information

Third Quarter of Fiscal 2015 (January 1, 2015 to September 30, 2015)

Net sales, income and loss by reporting segment

(Millions of yen)

	Reporting Segment						Others <sup>1</sup>	Total	Elimination on Consolidation and Corporate <sup>2</sup>	Consolidated Statements of Income <sup>3</sup>
	Vinyl Acetate	Isoprene	Functional Materials	Fibers and Textiles	Trading	Total				
Net Sales										
Outside customers	184,356	24,119	28,858	26,139	87,165	350,639	41,266	391,905	—	391,905
Inter-segment sales and transfers	23,474	17,525	13,365	8,159	1,631	64,155	10,502	74,657	(74,657)	—
Total	207,831	41,644	42,223	34,299	88,796	414,794	51,768	466,562	(74,657)	391,905
Segment Income	41,375	5,480	4,214	2,996	2,756	56,823	1,731	58,555	(9,247)	49,308

Notes:

1. The "Other Business" 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 ¥9,247 million is the elimination of intersegment transactions of ¥1,298 million and corporate expenses of ¥10,545 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 to agree with operating income in the consolidated statements of income.