

**Business Results for the Fiscal Year Ended
December 31, 2015 (Unaudited)**

**February 9, 2016
Kuraray Co., Ltd.**

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Consolidated Earnings Report for the Fiscal Year Ended 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 materials for financial results: Yes
Holding of earning results briefing: Yes (for securities analysts and institutional investors)

1. Consolidated Financial Results for Fiscal 2015 (January 1, 2015 - December 31, 2015)

(1) Consolidated Operating Results

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

(Millions of yen)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	(Change)		(Change)		(Change)		(Change)	
Fiscal 2015	521,721	—	66,077	—	64,535	—	35,749	—
Fiscal 2014	411,408	—	40,298	—	40,084	—	21,296	—

Note: Comprehensive income: For fiscal 2015: ¥30,675 million (—%)
For fiscal 2014: ¥44,533 million (—%)

	Net Income per Share (Yen)	Fully Diluted Net Income per Share (Yen)	Return on Equity (%)	Return on Total Assets (%)	Operating Income/Net Sales (%)
Fiscal 2015	101.84	101.57	7.4	9.3	12.7
Fiscal 2014	60.77	60.65	4.6	6.0	9.8

[Reference]

Equity in earnings of affiliates: For fiscal 2015: ¥0 million
For fiscal 2014: ¥1 million

From fiscal 2014, the Company has changed its fiscal year-end from March 31 to December 31. Because of this change, the period of fiscal 2015 (January 1, 2015 to December 31, 2015), differs from that of the previous fiscal year (April 1, 2014 to December 31, 2014) to which it would be compared, and as a result, change from the previous fiscal year is not presented herein. (The previous fiscal year for the Company and those subsidiaries that previously maintained a fiscal year-end of March 31 was the period from April 1, 2014 to December 31, 2014 and for those subsidiaries that already had a fiscal year-end of December 31, the period from January 1, 2014 to December 31, 2014.)

[Reference] The below percentages (or adjusted changes) represent comparisons of results for fiscal 2015 (January 1, 2015 to December 31, 2015) and results for the corresponding period of the previous calendar year (January 1, 2014 to December 31, 2014).

Net Sales	Operating Income	Ordinary Income	Net Income	(Millions of yen)
521,721 +7.6%	66,077 +28.6%	64,535 +26.6%	35,749 +30.2%	

(2) Consolidated Financial Position

(Millions of yen)

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (Yen)
Fiscal 2015	701,770	503,589	70.7	1,412.46
Fiscal 2014	691,538	481,826	68.7	1,354.21

[Reference]

Shareholders' equity: For fiscal 2015: ¥496,062 million
For fiscal 2014: ¥474,760 million

(3) Consolidated Cash Flows

(Millions of yen)

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at End of Period
Fiscal 2015	93,228	(48,553)	(24,353)	54,750
Fiscal 2014	40,840	(105,690)	(3,650)	35,388

2. Dividends

(Yen)

Record Date	Cash Dividends per Share					Total Dividends Paid (full year) (¥ million)	Payout Ratio (consolidated) (%)	Dividends/Net Assets (consolidated) (%)
	Mar. 31	Jun. 30	Sep. 30	Dec. 31	Annual			
Fiscal 2014	—	18.00	—	9.00	27.00	9,463	44.4	2.1
Fiscal 2015	—	18.00	—	22.00	40.00	14,046	39.3	2.9
Fiscal 2016 (Forecast)	—	20.00	—	20.00	40.00		35.1	

3. Forecasts of Consolidated Financial Results for the Fiscal Year Ending December 31, 2016 (January 1, 2016 - December 31, 2016)

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

(Millions of yen)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of the Parent		Net Income per Share (Yen)
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	
Interim Period	260,000	(1.1)	32,000	1.2	31,000	(3.6)	19,000	(9.2)	54.10
Full Fiscal Year	540,000	3.5	70,000	5.9	68,000	5.4	40,000	11.9	113.89

[Reference]

- (1) Changes in Important Subsidiaries during the Year (Changes in Special Subsidiaries Involving Changes in the Scope of Consolidation)
Added: 1 company (Plantic Technologies Limited) Excluded: No companies

- (2) Changes in Accounting Principles, Procedures and Presentation Methods in Connection with the Preparation of Year-End Consolidated Financial Statements
 1. Changes following revision of accounting standards: No
 2. Changes besides 1. above: No
 3. Changes of accounting estimates: No
 4. Restatement: No

- (3) Number of Shares Issued and Outstanding (Common Shares)
 1. Number of shares issued and outstanding (including treasury stock) as of the year-end:

As of December 31, 2015	354,863,603 shares
As of December 31, 2014	382,863,603 shares

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

As of December 31, 2015	3,658,647 shares
As of December 31, 2014	32,283,465 shares

 3. Average number of shares for the year:

As of December 31, 2015	351,015,881 shares
As of December 31, 2014	350,424,196 shares

The Company retired 28,000,000 shares of treasury stock (common stock) on June 30, 2015

[Reference]

Summary of Unconsolidated Results

1. Unconsolidated Results for Fiscal 2015 (January 1, 2015 – December 31, 2015)

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

(1) Unconsolidated Operating Results

(Millions of yen)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	(Change)		(Change)		(Change)		(Change)	
Fiscal 2015	222,557	—	42,083	—	43,666	—	25,545	—
Fiscal 2014	165,931	—	26,623	—	28,130	—	14,631	—

	Net Income per Share (Yen)	Fully Diluted Net Income per Share (Yen)
Fiscal 2015	72.78	72.58
Fiscal 2014	41.75	41.67

(2) Unconsolidated Financial Position

(Millions of yen)

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (Yen)
Fiscal 2015	511,784	349,194	68.1	991.91
Fiscal 2014	510,375	331,036	64.7	941.47

[Reference]

Shareholders' equity: For fiscal 2015: ¥348,362 million
For fiscal 2014: ¥330,059 million

Indication of audit procedure implementation status

This summary of consolidated results is exempt from the audit procedures based upon the Financial Instruments and Exchange Act. Audit procedures for the financial statements based on the Financial Instruments and Exchange Act had not been completed at the time of disclosure of this summary of consolidated results.

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 "Outlook for Fiscal 2016" on page 3 of the Attached Materials for the assumptions used.

Access to Documents and Other Materials Relating to the Year-End Results Briefing to Be Held on February 9, 2016

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

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1. Analysis of Results of Operations and Financial Position

(1) Analysis of Results of Operations

In the fiscal year ended December 31, 2015 (“fiscal 2015”), weakness was apparent in some sectors of the Japanese economy, with delays in recovery of personal consumption and capital investment, but a moderate recovery trend continued. In the global economy, although the United States was healthy, with steady employment conditions and personal consumption, the outlook in Europe was unclear as the recovery in business conditions appeared to lack force. A slowdown trend in the Chinese economy further strengthened toward the end of the fiscal year, and there was an increase in the number of emerging countries where growth weakened. A decline in raw material and fuel costs associated with the drop in crude oil prices that has been ongoing since the end of fiscal 2014 inevitably led to selling price adjustments in some businesses, but exerted a positive effect on the Company’s results for fiscal 2015.

Under these circumstances, the Kuraray Group has been successively implementing the business strategies outlined in GS-STEP, its medium-term management plan that started in fiscal 2015, to realize “a high-profit specialty chemical company with a global presence.”

Regarding results of operations for fiscal 2015, net sales increased ¥36,752 million, or 7.6%, compared with the previous fiscal year to ¥521,721 million; operating income increased ¥14,694 million, or 28.6%, to ¥66,077 million; ordinary income increased ¥13,574 million, or 26.6%, to ¥64,535 million; and net income increased ¥8,294 million, or 30.2%, to ¥35,749 million.

Please note that comparisons with the previous fiscal year use figures that have been adjusted to the corresponding period (January 1, 2014 to December 31, 2014) as fiscal 2015 (January 1, 2015 to December 31, 2015).

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

	Fiscal 2014 (Adjusted)	Fiscal 2015	Change	
			Amount	Percent
Net Sales	485.0	521.7	+36.8	+7.6%
Operating Income	51.4	66.1	+14.7	+28.6%
Ordinary Income	51.0	64.5	+13.6	+26.6%
Net Income	27.5	35.7	+8.3	+30.2%

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

Results by business segment are as follows.

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

	Net Sales			Operating Income		
	Fiscal 2014 (Adjusted)	Fiscal 2015	Change	Fiscal 2014 (Adjusted)	Fiscal 2015	Change
Vinyl Acetate	237.6	274.7	+37.1	46.2	55.7	+9.5
Isoprene	55.7	55.0	(0.7)	6.4	6.9	+0.5
Functional Materials	53.8	56.9	+3.1	2.0	5.6	+3.6
Fibers and Textiles	47.7	46.3	(1.4)	2.9	4.1	+1.2
Trading	119.2	119.6	+0.4	3.8	3.9	+0.1
Other Business	68.7	69.6	+0.9	2.6	2.8	+0.2
Elimination & Corporate	(97.8)	(100.5)	(2.7)	(12.5)	(12.9)	(0.4)
Total	485.0	521.7	+36.8	51.4	66.1	+14.7

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

Results by Business Segment

Vinyl Acetate

Sales in this segment increased 15.6% year on year to ¥274,746 million, and segment income rose 20.7% year on year to ¥55,740 million.

- 1) Sales volume of optical-use PVA film increased due to growth in the number of LCD panels sold and the trend toward larger panels. Sales of PVA resin were generally favorable. Sales of PVB film to China and South America were sluggish, but other regions made up for the shortfall. Sales of water-soluble PVA film grew favorably on the back of brisk demand.

- 2) Sales of *EVVAL* ethylene vinyl alcohol copolymer (EVOH resin) were favorable for both automotive gas tank and food packaging applications.

Isoprene

Sales in this segment decreased 1.3% year on year to ¥54,985 million, and segment income increased 8.1% year on year to ¥6,922 million.

- 1) In isoprene chemicals, sales of fine chemicals, *SEPTON* thermoplastic elastomer and liquid rubber were affected by the slowdown in China's economy.
- 2) Sales of *GENESTAR* heat-resistant polyamide resin expanded favorably for automotive applications, but sales for LED reflector and connector applications were substantially affected by the slowdown in China's economy.

Functional Materials

Sales in this segment grew 5.7% year on year to ¥56,879 million, and segment income increased 185.0% year on year to ¥5,564 million.

- 1) Methacrylic resin sales were favorable due to factors including a shift toward highly functional products, despite a drop in demand for certain resin applications.
- 2) In the medical business, sales expanded with the contribution of the launch of the new dental material products.
- 3) For *CLARINO* man-made leather, profit grew with brisk sales of products made with both the conventional and the new production process.

Fibers and Textiles

Sales of *KURALON* were brisk, due in part to a shift to high-value-added applications, which compensated for sluggish sales of consumer goods and materials and other products. As a result, sales in this segment decreased 2.7% year on year to ¥46,344 million, and segment income increased 43.1% year on year to ¥4,108 million.

Trading

Sales were generally firm in chemical-related businesses. In fiber-related businesses, an increase in overseas processing expenses due to the depreciation of the yen was covered by expanded sales of high-performance materials. As a result, segment sales increased 0.3% year on year to ¥119,640 million, and segment income increased 0.1% to ¥3,882 million.

Other Business

Due in part to the contribution of the engineering business, sales of other businesses were firm, despite the impact of the slowdown in China's economy on some businesses. As a result, segment sales increased 1.3% year on year to ¥69,601 million, and segment income increased 6.7% to ¥2,773 million.

Outlook for Fiscal 2016

Regarding the operating environment in fiscal 2016, concerns about the outlook for Japan's economy are growing due to the impact of the weak global economy, despite expected support from last-minute demand ahead of an increase in the consumption tax rate. Overseas, the United States economy is favorable and although the outlook is unclear in Europe, a moderate recovery is expected to continue. On the other hand, the slowdown in growth is expected to continue in the economies of China and other emerging nations. In addition, the drop in the price of crude oil is expected to exert a positive effect on the Company's results over the short term, but over the medium to long term, it has the potential to lead to an increase in geopolitical risk and exert a negative effect on the global economy. Moreover, with factors such as the difficulty of predicting the impact on the real economy from the recent worldwide drop in share prices, the operating environment is becoming increasingly unclear.

Under GS-STEP (FY2015-FY2017), its medium-term management plan that started in fiscal 2015, the Company will achieve high profit and steadily build a business foundation for further growth. Measures include raising the Company's competitive advantages by creating a more solid foundation for its core business, creating new businesses using highly distinctive, original Kuraray technologies, establishing improved production processes and other new processes to further its lead in product quality and cost, and expanding into new business domains by making more effective use of external resources.

Based on these circumstances, the forecast of operating results for fiscal 2016 is as shown below.

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

	Fiscal 2015	Forecast for Fiscal 2016	Change (Adjusted)
Net Sales	521.7	540.0	+3.5%
Operating Income	66.1	70.0	+5.9%
Ordinary Income	64.5	68.0	+5.4%
Net Income	35.7	40.0	+11.9%

For fiscal 2016, we assume average exchange rates of ¥120 to the U.S. dollar and ¥130 to the euro, as well as a domestic naphtha price of ¥39,000 per kiloliter.

[Reference] Forecast Results by Segment for Fiscal 2016

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

	Net Sales		Operating Income	
	Fiscal 2015	Forecast for Fiscal 2016	Fiscal 2015	Forecast for Fiscal 2016
Vinyl Acetate	274.7	290.0	55.7	60.5
Isoprene	55.0	57.0	6.9	7.5
Functional Materials	56.9	58.5	5.6	5.7
Fibers and Textiles	46.3	48.5	4.1	4.5
Trading	119.6	125.0	3.9	4.0
Other Business	69.6	70.5	2.8	2.0
Elimination & Corporate	(100.5)	(109.5)	(12.9)	(14.2)
Total	521.7	540.0	66.1	70.0

(2) Analysis of Financial Position

1) Assets, Liabilities and Net Assets

Total assets increased ¥10,231 million from the end of the previous fiscal year to ¥701,770 million, mainly because of an increase in short-term investment securities. Total liabilities decreased ¥11,531 million to ¥198,180 million due to factors including repayment of commercial papers. Net assets rose ¥21,763 million to ¥503,589 million. Shareholders' equity amounted to ¥496,062 million, for an equity ratio of 70.7%.

2) Cash Flows

Cash Flows from Operating Activities:

Net cash provided by operating activities totaled ¥93,228 million. Cash provided included ¥58,514 million from income before income taxes and minority interests and ¥44,102 million from depreciation and amortization. Cash used included ¥10,859 million due to an increase in inventories and a decrease in notes and accounts payable – trade, and ¥7,023 million in income taxes paid. Net cash provided by operating activities increased ¥52,387 million compared with the previous fiscal year.

Cash Flows from Investing Activities:

Net cash used in investing activities totaled ¥48,553 million. Proceeds from redemption of investment securities provided cash of ¥4,385 million, while uses of cash included ¥43,099 million for purchase of tangible fixed assets and intangible fixed assets and ¥5,564 million for purchase of investments in subsidiaries.

Cash Flows from Financing Activities:

Net cash used in financing activities was ¥24,353 million. Uses of cash included cash dividends paid of ¥9,474 million while cash provided included a net decrease in loans and repayment of commercial papers totaling ¥15,084 million.

In addition to the above factors, as a result of the effect of exchange rate changes on cash and cash equivalents, cash and cash equivalents at the end of the fiscal year increased ¥19,362 million from the end of the previous fiscal year to ¥54,750 million.

(Millions of yen)

	Fiscal Year Ended December 31, 2014	Fiscal Year Ended December 31, 2015
Net cash provided by operating activities	40,840	93,228
Net cash used in investing activities	(105,690)	(48,553)
Net cash used in financing activities	(3,650)	(24,353)
Effect of exchange rate changes on cash and cash equivalents	3,255	(958)
Net increase (decrease) in cash and cash equivalents	(65,244)	19,362
Cash and cash equivalents, beginning of the period	100,642	35,388
Increase in cash and cash equivalents from newly consolidated subsidiaries	9	—
Decrease in cash and cash equivalents from exclusion of subsidiaries from consolidation	(19)	—
Cash and cash equivalents, end of the period	35,388	54,750

[Reference] Cash Flow Indicators for the Kuraray Group

	Fiscal Year Ended March 31, 2011	Fiscal Year Ended March 31, 2012	Fiscal Year Ended March 31, 2013	Fiscal Year Ended March 31, 2014	Fiscal Year Ended December 31, 2014	Fiscal Year Ended December 31, 2015
Equity ratio (%)	67.6	68.8	67.2	70.3	68.7	70.7
Equity ratio (%; market basis)	73.6	78.0	83.3	65.2	69.8	73.7
Cash flow to interest- bearing debt ratio (%)	0.9	1.5	1.0	1.1	1.8	0.6
Interest coverage ratio (times)	60.6	39.7	67.7	65.2	118.9	128.7

Notes:

Equity ratio: Net assets excluding both subscription rights to shares and minority interests/total assets

Equity ratio (market basis): Total market value of shares issued and outstanding/total assets

Ratio of cash flow to interest-bearing liabilities: Interest-bearing liabilities/net cash provided by (used in) operating activities

Interest coverage ratio: Net cash provided by (used in) operating activities/interest expenses

1. All indicators are calculated using the consolidated financial statements.

2. The total market value of shares issued and outstanding was calculated by multiplying the closing price at the end of the fiscal year by the total number of shares issued and outstanding (after subtracting treasury stock) at the end of the fiscal year.
3. The calculations use net cash provided by (used in) operating activities as reported in the consolidated statements of cash flows.
4. Interest-bearing liabilities are all liabilities reported in the consolidated balance sheets that require payment of interest.
5. From the fiscal year ended March 31, 2014, for some foreign subsidiaries, the Company applies "Employee Benefits" (International Accounting Standards Board, International Accounting Standard No. 19, June 16, 2011). As the changes to the corresponding accounting policies have been applied retroactively, the equity ratio for the fiscal year ended March 31, 2013 has been retroactively adjusted.

(3) Kuraray's Fundamental Dividend Policy and Dividends for Fiscal 2015 and Fiscal 2016

The distribution of profits to shareholders is one of the Company's top management issues, and it has a basic policy of increasing distribution of profits through continuous improvement in business results. During GS-STEP, the medium-term management plan for fiscal 2015 through fiscal 2017, the Company has set a total return ratio of 35% or more relative to net income attributable to owners of the parent and annual dividends per share of ¥36 or higher.

Pursuant to this dividend policy, a year-end dividend of ¥22 per share is planned for fiscal 2015, an increase of ¥4 per share from the initial forecast, as announced in the revised forecast on August 6, 2015. The total of this year-end dividend and the interim dividend will be ¥40 per share for fiscal 2015, and the dividend payout ratio will be 39.3%.

For fiscal 2016, the Company plans annual dividends of ¥40 per share (payout ratio of 35.1%), consisting of an interim dividend of ¥20 per share and a year-end dividend of ¥20 per share, assuming a forecast for net income attributable to owners of the parent of ¥40.0 billion.

(4) Risk Management

Risks that could have a significant impact on the Kuraray Group's performance (results of operations and financial position) are discussed below. Forward-looking statements in the following text represent the Kuraray Group's best judgment as of December 31, 2015.

1) Risks associated with the changes in business environment

The Kuraray Group has a diversified business portfolio and its products are geared to global markets with a variety of uses and applications. Many of our products are original specialty chemical materials that are less susceptible to the fluctuations in the commodity markets compared with those in other industries, but in recent years more and more of our products are geared to the growing business areas including electric and electronic materials, automotive and environmental applications on which our overall business performance is increasingly dependent. In these areas, market environment can undergo drastic changes as a result of a reverse in industry de facto standards for final products, shorter product cycles and worldwide competition in product development. Therefore, we may also face drastic changes in market environment and competitive conditions for our products.

Meanwhile, we manufacture products such as chemical products, synthetic resins, synthetic fibers and textiles out of raw materials such as ethylene and other petrochemical products that are susceptible to the fluctuations in the markets of crude oil and natural gas. As a result, market fluctuations exceeding expectations could affect the Kuraray Group's business results.

The Kuraray Group is exposed to the risk that it will be forced to downsize or close down certain areas of its main businesses as a consequence of the changes in its business environment as described above.

2) Risks associated with accidents and disasters

The Kuraray Group has manufacturing facilities in Japan, Europe, North America, Asia and Australia. Many of these are large-scale chemical plants. We work to prevent accidents and disasters such as explosions, fires and leaks of toxic substances and to minimize injuries when they occur, and conduct risk management for important production plants by geographically spreading their locations and arranging property and casualty insurance on them. However, in the event of serious security incidents, release of pollutants or natural disasters, there are risks that could cause personal injury or property damage to employees or third parties, or damage to the assets of the Kuraray Group, or halt of manufacturing operations for long periods.

In the event of accidents or disasters at suppliers who discharge such functions as providing important raw materials, facilities, maintenance parts and services, there are risks that could affect our product supply.

3) Risks associated with litigation and violation of laws and regulations

The Kuraray Group operates numerous businesses based on its proprietary technologies, posing the risks of serious infringement of its intellectual properties, or litigation involving its rights in the future.

Meanwhile, we are supplying many products that play significant roles in assuring the quality of the final products in areas such as automotive products, electric and electronic materials, medical products and food packaging. We have introduced a product quality management system at each major production base of the Kuraray Group and work to

improve product quality, but in the event of a large-scale product recall caused by defective quality, there are risks of major financial losses including liability losses that cannot be fully covered by existing product liability insurance.

Also, despite our construction of a compliance system and our utmost efforts to comply with laws and regulations at each of our operating facilities, there are risks that our business activities could be interrupted in the event of a major breach of legal compliance, changes in current laws and regulations or the addition of new laws and regulations.

4) Risks associated with changes in exchange rates

The Kuraray Group is expanding its manufacturing and sales operations in Japan and in various overseas regions, including Europe, North America, Asia and Australia. Export prices of the Kuraray Group's domestically manufactured products are affected by changes in exchange rates. In sales of products manufactured at our overseas bases, procurement and sales prices in different currency blocks and the value of foreign-currency-denominated assets and liabilities are affected by changes in exchange rates. It is possible that the Kuraray Group will be affected negatively by exchange rate fluctuations if they exceed the scope of our assumption.

5) Other risks

With the global development of our businesses, there are risks that fortuitous external events such as war, riot, terrorism or an epidemic could disrupt our business activities.

2. Management Policies

(1) Fundamental Management Policies

The Company continues to move toward the realization of its “Long-Term Corporate Vision,” which indicates the long-term direction the Kuraray Group will pursue.

The economic environment over the coming years is expected to undergo a long-term structural transformation as global environment and resource conservation issues deepen and economies that remain centered on mass production and massive energy consumption stall. Other key issues that need to be addressed include the imbalance in the global economy, lower rates of economic growth, increasing international competition and rising geopolitical risk. As individual values evolve, issues also arise concerning diversifying market needs, higher levels of sophistication and the rapid shift in demand trends. Furthermore, growing risks associated with Japan’s fundamental structure such as its fiscal deficit, aging society and declining birthrate pose additional problems. In these circumstances, it is increasingly imperative for chemical companies to shift their management focus from quantity to quality. Against this backdrop, the Kuraray Group aims to be “a high-profit specialty chemical company with a global presence”, based on its mission of “For people and the planet – to achieve what no one else can.”

(2) Management Indicator Targets and Medium- to Long-Term Strategies

To achieve its Long-Term Corporate Vision, the Kuraray Group has set net sales of ¥650.0 billion, operating income of ¥90.0 billion, an operating income margin of 13.8% and net income per share of ¥163 as performance targets for fiscal 2017, the final year of GS-STEP (fiscal 2015 to fiscal 2017), the medium-term management plan it started in fiscal 2015. The Kuraray Group will promote the following five main management strategies under GS-STEP.

1) Deepening of core businesses

Increase competitive advantages by producing results from the effects of investments including business acquisitions and production capacity expansion for a more solid foundation in businesses where Kuraray product are number one in market share or the only ones of their kind. In addition, lay the groundwork for future growth.

2) Technological innovation

Create new businesses by using highly distinctive, original Kuraray technologies and accelerating their rollout to new domains and technologies. In addition, establish new and improved processes to achieve overwhelming superiority in product quality and cost.

3) Next-generation growth model

Work to expand into new business domains by making more effective use of external resources, including M&A and alliances. In addition, take on the challenge of establishing an innovative business model for corporate activities including research and development, technical services, manufacturing and sales, and indirect operations.

4) Optimum allocation of management resources

Raise the quality of global management through the optimal allocation and proactive use of management resources such as the expanded bases and human resources resulting from the integration of the glass laminating solutions/vinyls business (the “GLS business”) and other initiatives.

5) Contribution to the environment

Expand provision of products that contribute to the global environment. In addition, use production processes that reduce environmental load.

(3) Issues to Be Addressed

The theme of the medium-term management plan GS-STEP is to achieve high profit by steadily executing various measures based on its management strategies.

In the first year of GS-STEP, the Kuraray Group was able to favorably expand results, backed by factors in the external environment such as the depreciation of the yen in currency translation and lower raw material and fuel costs associated with the drop in crude oil prices.

As for specific measures, the Kuraray Group proactively made capital investments for the next stage of growth under GS-STEP including investments in *EVVAL* in Belgium and optical-use PVA film in Saijo in vinyl acetate-related businesses. The Kuraray Group also promoted Group-wide measures to generate synergy with the businesses it has acquired, including the GLS business and Plantic Technologies Limited. In addition, the Kuraray Group worked to strengthen core businesses, including consideration of its new overseas plant for future business expansion in the isoprene business. It also focused on development of a new production process for *KURALON* and the launch and sales promotion of various new products. On the other hand, construction was delayed in some cases, such as at a new PVA resin plant in the United States.

In the operating environment in fiscal 2016, the Kuraray Group will continue to enjoy low raw material and fuel costs, but economic conditions are becoming increasingly unclear. Under these circumstances, it will be necessary to ascertain market trends and other changes more rapidly than before. In such an environment, the Kuraray Group aims to accelerate the generation of synergy with the businesses it has acquired and further expand its core businesses. Moreover, in all its businesses, the Kuraray Group will raise quality and cost competitiveness while strengthening its operating base in ways including global utilization of IT and human resources. The Kuraray Group will also begin consideration of innovations to build a growth strategy for the future.

The Kuraray Group believes that implementing these measures without delay to increase profitability will lead to the realization of “a high-profit specialty chemical company with a global presence”, which it aims to become, as stated in its Long-Term Corporate Vision.

3. Basic Approach to Selection of Accounting Standards

The Kuraray Group applies Japanese generally accepted accounting principles (“GAAP”). The Kuraray Group is considering the adoption of International Financial Reporting Standards (“IFRS”) and other matters while taking into account various circumstances in Japan and overseas.

4. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Millions of yen)

	December 31, 2014	December 31, 2015
ASSETS		
Current assets:		
Cash and cash deposits	33,939	36,996
Notes and accounts receivable – trade	104,988	102,079
Short-term investment securities	2,504	18,805
Merchandise and finished goods	74,201	77,582
Work in process	13,788	11,293
Raw materials and supplies	19,107	23,310
Deferred tax assets	4,694	7,598
Other	16,546	19,430
Allowance for doubtful accounts	(571)	(611)
Total current assets	<u>269,200</u>	<u>296,486</u>
Noncurrent assets:		
Tangible fixed assets:		
Buildings and structures, net	52,729	53,959
Machinery, equipment and vehicles, net	120,298	127,962
Land	21,999	18,508
Construction in progress	62,590	56,609
Other (net)	4,770	4,978
Total tangible fixed assets	<u>262,388</u>	<u>262,019</u>
Intangible fixed assets:		
Goodwill	31,217	28,564
Customer-related assets	34,745	32,244
Other	22,877	23,167
Total intangible fixed assets	<u>88,840</u>	<u>83,976</u>
Investments and other assets:		
Investment securities	54,342	46,057
Long-term loans receivable	302	239
Net defined benefit assets	816	791
Deferred tax assets	8,701	6,361
Other	6,993	5,887
Allowance for doubtful accounts	(48)	(50)
Total investments and other assets	<u>71,108</u>	<u>59,287</u>
Total noncurrent assets	<u>422,338</u>	<u>405,284</u>
Total assets	<u>691,538</u>	<u>701,770</u>

(Millions of yen)

	December 31, 2014	December 31, 2015
LIABILITIES		
Current liabilities:		
Notes and accounts payable – trade	43,027	38,331
Short-term loans payable	12,087	7,187
Commercial papers	10,000	—
Accrued expenses	7,957	10,468
Income taxes payable	2,575	14,692
Provision for bonuses	4,957	5,259
Other provision	19	31
Other	29,311	19,480
Total current liabilities	109,936	95,450
Noncurrent liabilities:		
Bonds payable	10,000	10,000
Long-term loans payable	42,326	42,257
Deferred tax liabilities	20,526	24,102
Provision for directors' retirement benefits	175	185
Provision for environmental measures	852	353
Net defined benefit liabilities	10,053	11,247
Asset retirement obligations	3,500	3,615
Other	12,341	10,966
Total noncurrent liabilities	99,775	102,729
Total liabilities	209,712	198,180
NET ASSETS		
Shareholders' equity:		
Capital stock	88,955	88,955
Capital surplus	87,181	87,147
Retained earnings	285,561	278,899
Treasury stock	(38,110)	(4,319)
Total shareholders' equity	423,588	450,682
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	9,276	10,808
Deferred gains or losses on hedges	65	(4)
Foreign currency translation adjustments	46,899	39,377
Remeasurements of defined benefit plans	(5,069)	(4,801)
Total accumulated other comprehensive income	51,172	45,380
Subscription rights to shares	977	831
Minority interests	6,087	6,695
Total net assets	481,826	503,589
Total liabilities and net assets	691,538	701,770

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

Consolidated Statements of Income

(Millions of yen)

	Fiscal 2014 (April 1, 2014 – December 31, 2014)	Fiscal 2015 (January 1, 2015 – December 31, 2015)
Net sales	411,408	521,721
Cost of sales	294,261	355,137
Gross profit	117,147	166,583
Selling, general and administrative expenses:		
Selling expenses	20,573	27,249
General and administrative expenses	56,275	73,257
Total selling, general and administrative expenses	76,848	100,506
Operating income	40,298	66,077
Non-operating income:		
Interest income	220	239
Dividends income	1,711	2,741
Equity in earnings of affiliates	1	0
Other	996	936
Total non-operating income	2,930	3,918
Non-operating expenses:		
Interest expenses	251	724
Personnel expenses for seconded employees	592	687
Other	2,300	4,048
Total non-operating expenses	3,143	5,459
Ordinary income	40,084	64,535
Extraordinary income:		
Gain on reversal of asset retirement obligations	—	461
Gain on reversal of provision for environmental measures	—	342
Gain on sales of tangible fixed assets	—	278
Gain on liquidation of subsidiaries	695	—
Total extraordinary income	695	1,082
Extraordinary loss:		
Impairment loss	277	4,847
Expenses for suspension of operation	—	964
Loss on valuation of investment securities	177	866
Loss on disposal of tangible fixed assets	345	425
Loss on transfer of business	5,698	—
Expenses incurred upon acquisition	2,125	—
Retirement benefit expenses	622	—
Total extraordinary loss	9,247	7,104
Income before income taxes and minority interests	31,533	58,514
Income taxes – current	10,704	18,297
Income taxes – deferred	(1,073)	2,252
Income taxes for prior periods	—	1,497
Total income taxes	9,631	22,046
Income before minority interests	21,902	36,467
Minority interests	605	718
Net income	21,296	35,749

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal 2014 (April 1, 2014 – December 31, 2014)	Fiscal 2015 (January 1, 2015 – December 31, 2015)
Income before minority interests	21,902	36,467
Other comprehensive income:		
Valuation difference on available-for-sale securities	2,332	1,531
Deferred gains or losses on hedges	69	(69)
Foreign currency translation adjustment	19,874	(7,521)
Remeasurements of defined benefit plans	355	267
Total other comprehensive income	22,631	(5,792)
Comprehensive income	44,533	30,675
Comprehensive income attributable to		
Owners of the parent	43,928	29,956
Minority interests	605	718

(3) Consolidated Statements of Changes in Net Assets

Fiscal 2014 (April 1, 2014 – December 31, 2014)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2014	88,955	87,147	279,616	(38,425)	417,293
Cumulative effect of changes in accounting policies			(2,712)		(2,712)
Restated balance	88,955	87,147	276,903	(38,425)	414,580
Changes of items during the period					
Cash dividends			(12,613)		(12,613)
Net income			21,296		21,296
Change in scope of consolidation			(24)		(24)
Purchase of treasury stock				(7)	(7)
Disposal of treasury stock		33		323	356
Net changes of items other than shareholders' equity					–
Total changes of items during the period	–	33	8,658	315	9,007
Balance at December 31, 2014	88,955	87,181	285,561	(38,110)	423,588

	Accumulated other comprehensive income					Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurement of defined benefit plans	Total accumulated other comprehensive income			
Balance at April 1, 2014	6,944	(4)	27,025	(5,424)	28,541	1,005	5,618	452,459
Cumulative effect of changes in accounting policies					–			(2,712)
Restated balance	6,944	(4)	27,025	(5,424)	28,541	1,005	5,618	449,746
Changes of items during the period								
Cash dividends					–			(12,613)
Net income					–			21,296
Change in scope of consolidation					–			(24)
Purchase of treasury stock					–			(7)
Disposal of treasury stock					–			356
Net changes of items other than shareholders' equity	2,332	69	19,874	355	22,631	(27)	469	23,072
Total change of items during the period	2,332	69	19,874	355	22,631	(27)	469	32,080
Balance at December 31, 2014	9,276	65	46,899	(5,069)	51,172	977	6,087	481,826

Fiscal 2015 (January 1, 2015 – December 31, 2015)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at January 1, 2015	88,955	87,181	285,561	(38,110)	423,588
Changes of items during the period					
Cash dividends			(9,474)		(9,474)
Net income			35,749		35,749
Purchase of treasury stock				(10)	(10)
Disposal of treasury stock		84		745	830
Retirement of treasury stock		(33,054)		33,054	–
Transfer to capital surplus from retained earnings		32,936	(32,936)		–
Net changes of items other than shareholders' equity					–
Total changes of items during the period	–	(33)	(6,662)	33,790	27,094
Balance at December 31, 2015	88,955	87,147	278,899	(4,319)	450,682

	Accumulated other comprehensive income					Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurement of defined benefit plans	Total accumulated other comprehensive income			
Balance at January 1, 2015	9,276	65	46,899	(5,069)	51,172	977	6,087	481,826
Changes of items during the period								
Cash dividends					–			(9,474)
Net income					–			35,749
Purchase of treasury stock					–			(10)
Disposal of treasury stock					–			830
Retirement of treasury stock					–			–
Transfer to capital surplus from retained earnings					–			–
Net changes of items other than shareholders' equity	1,531	(69)	(7,521)	267	(5,792)	(145)	607	(5,331)
Total change of items during the period	1,531	(69)	(7,521)	267	(5,792)	(145)	607	21,763
Balance at December 31, 2015	10,808	(4)	39,377	(4,801)	45,380	831	6,695	503,589

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal 2014 (April 1, 2014 – December 31, 2014)	Fiscal 2015 (January 1, 2015 – December 31, 2015)
Net cash provided by (used in) operating activities:		
Income before income taxes and minority interests	31,533	58,514
Depreciation and amortization	35,696	44,102
Increase (decrease) in allowance for doubtful accounts	90	46
Gain on reversal of asset retirement obligations	—	(461)
Gain on reversal of provision for environmental measures	—	(342)
Loss (gain) on transfer of business	5,698	—
Expenses incurred upon acquisition	2,125	—
Loss on disposal of tangible fixed assets	345	425
Impairment loss	277	4,847
Foreign exchange losses (gains)	(2,721)	664
Interest and dividends income	(1,932)	(2,981)
Interest expenses	251	724
Decrease (increase) in notes and accounts receivable – trade	(11,166)	1,526
Decrease (increase) in inventories	(1,465)	(6,617)
Increase (decrease) in notes and accounts payable – trade	6,500	(4,241)
Loss (gain) on valuation of investment securities	177	866
Increase (decrease) in provision for bonuses	(2,137)	325
Increase (decrease) in net defined benefit liabilities	987	885
Decrease (increase) in net defined benefit assets	(69)	(325)
Other, net	(6,265)	42
Subtotal	57,926	98,001
Interest and dividends received	1,941	2,974
Interest expenses paid	(343)	(724)
Income taxes (paid) refund	(18,939)	(7,023)
Other	255	—
Net cash provided by (used in) operating activities	40,840	93,228
Net cash provided by (used in) investment activities:		
Net decrease (increase) in time deposits	1,354	—
Net decrease (increase) in short-term investment securities	5,000	—
Purchase of investment securities	(1,850)	(2,196)
Proceeds from sales and redemption of investment securities	257	4,385
Purchase of tangible fixed assets and intangible fixed assets	(43,380)	(43,099)
Payments for disposal of tangible fixed assets and intangible fixed assets	(670)	(971)
Proceeds from sales of tangible fixed assets and intangible fixed assets	22	558
Purchase of investments in subsidiaries resulting in change in scope of consolidation	—	(5,564)
Proceeds from sale of business	—	1,259
Payments for acquisition of business	(68,419)	(120)
Other, net	1,996	(2,804)
Net cash provided by (used in) investment activities	(105,690)	(48,553)
Net cash provided by (used in) financing activities:		
Net increase (decrease) in short-term loans payable	4,950	(4,950)
Net increase (decrease) in commercial papers	10,000	(10,000)
Proceeds from long-term loans payable	233	—
Repayment of long-term loans payable	(6,100)	(144)
Purchase of treasury stock	(7)	(10)
Proceeds from sales of treasury stock	249	611
Cash dividends paid	(12,613)	(9,474)
Cash dividends paid to minority shareholders	(136)	(100)
Other, net	(224)	(294)
Net cash provided by (used in) financing activities	(3,650)	(24,353)
Effect of exchange rate changes on cash and cash equivalents	3,255	(958)
Net increase (decrease) in cash and cash equivalents	(65,244)	19,362
Cash and cash equivalents, beginning of year	100,642	35,388
Increase in cash and cash equivalents from newly consolidated subsidiaries	9	—
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(19)	—
Cash and cash equivalents, end of year	35,388	54,750

(5) Notes Regarding the Consolidated Financial Statements

Notes Regarding Going Concern Assumptions

None

Significant Matters That Form the Basis for Preparation of Consolidated Financial Statements

There are no material differences from the most recent Securities Report (*Yuka Shoken Hokokusho*) filed on March 27, 2015, where details are available.

Business Combinations, etc.

(Business Combination through Acquisition)

The Company decided to acquire Plantic Technologies Limited, which operates a biomass-derived barrier film business, and its six subsidiaries. The Company concluded a share acquisition agreement with Gordon Merchant No. 2 Pty Ltd., which owns all of the shares of Plantic Technologies Limited. In line with this agreement, the Company acquired all of the shares of Plantic Technologies Limited on April 2, 2015.

1. Summary of the business combination

(1) Company name and description of acquired business

Company name: Plantic Technologies Limited and its six wholly owned subsidiaries
Description of acquired business: Business related to the manufacture and sale of *PLANTIC*, a biomass-derived barrier material

(2) Main reason for the business combination

This acquisition will enable the Company to provide barrier materials that meet expanding demand resulting from a growing global shift to bio-based food packaging materials.

The acquisition is in line with the Company's mission of developing new fields of industry using unique technologies and helping to improve both the natural environment and living conditions. The Company aims to further expand its business as a leading producer of barrier materials, including its representative brand *EVVAL*.

(3) Closing date

April 2, 2015

(4) Legal form of business combination

Cash purchase of shares

(5) Name of acquired company after business combination

No change in the name

(6) Percentage of voting rights acquired

100%

(7) Reason for decision of the acquiring company

Acquired shares with cash

2. Period of earnings of the acquired business included in the consolidated financial statements

From April 2, 2015 to December 31, 2015

3. Cost of acquisition for the acquired business and breakdown

Acquisition price	¥5,521 million
<u>Direct expense of acquisition</u>	<u>¥83 million</u>
Total cost of acquisition	¥5,604 million

4. Description of the conditions pertaining to payments for the acquisition set by the business combination agreement and the accounting treatment policy going forward

An earnout provision has been attached to the share acquisition agreement concluded with Gordon Merchant No. 2 Pty Ltd, whereby additional payments will be made in accordance with such conditions as the attainment of specified levels of performance by the acquired business. A maximum of USD 95 million may be paid out.

If additional payments are made, said payments will be treated as paid at the time of acquisition and revisions will be made to the amounts of acquisition cost, goodwill recognized and goodwill amortized.

5. Amount of goodwill, reason for its recognition, amortization method and amortization period

(1) Amount of goodwill

¥2,457 million

(2) Reason for its recognition

Expected future excess earning power

(3) Amortization method and period

The straight-line method over 20 years

6. Amounts and breakdown of assets acquired and liabilities assumed as of the closing date

Assets	¥1,362 million
<u>Noncurrent assets</u>	<u>¥1,638 million</u>
<u>Total assets</u>	<u>¥3,000 million</u>
Current liabilities	¥543 million
<u>Noncurrent liabilities</u>	<u>¥83 million</u>
<u>Total liabilities</u>	<u>¥626 million</u>

7. Amounts allocated to noncurrent assets other than goodwill, breakdown of main classifications and weighted average amortization periods

Technology-related assets: ¥1,105 million Amortization period: 14 years

8. Estimated impact on the consolidated statement of income for fiscal 2015 if the business combination had been completed on the first day of the fiscal year, and calculation method

(1) Estimated impact on the consolidated statement of income

Net sales ¥423 million

Operating income (¥260 million)

(2) Calculation method of estimated impact

Estimated impact is calculated based on figures from the consolidated statement of income of Plantic Technologies Limited for the period from January 1, 2015 to March 31, 2015.

The relevant notes have not received a certificate of audit.

Segment Information, etc.

(Segment Information)

1. Segment Overview

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

Kuraray adopts an in-house company system where each in-house company conducts business activities and establishes its own comprehensive strategy, both for Japan and for overseas markets, for 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 Group products as well as other companies' products.

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

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

2. Methods for Calculating Reporting Segment Net Sales, Income and Loss, Assets and Other Items

The accounting method applied to reported business segments is the same as that stated in “Significant Matters That Form the Basis for Preparation of Consolidated Financial Statements.” Profits from reported segments are operating income, and intersegment sales and transfers are based on the prevailing market prices.

3. Information Related to Net Sales, Income and Loss, Net Assets and Other Items by Reporting Segment
Fiscal 2014 (April 1, 2014 – December 31, 2014)

(Millions of yen)

	Reporting Segments						Other Business	Total	Adjustment	Consolidated Financial Statements
	Vinyl Acetate	Isoprene	Functional Materials	Fibers and Textiles	Trading	Total				
Net sales										
(1) Outside customers	196,949	26,779	30,746	27,236	89,537	371,249	40,158	411,408	—	411,408
(2) Inter-segment sales and transfers	22,091	17,895	13,290	8,149	1,590	63,016	11,432	74,449	(74,449)	—
Total	219,041	44,674	44,037	35,385	91,127	434,266	51,591	485,857	(74,449)	411,408
Segment income (loss)	35,724	4,874	1,523	2,250	2,791	47,164	1,993	49,158	(8,860)	40,298
Segment assets	398,631	59,352	45,835	43,698	40,642	588,160	54,334	642,494	49,043	691,538
Other items										
Depreciation and amortization (other than goodwill)	20,904	3,615	2,543	2,517	36	29,617	1,465	31,082	956	32,039
Impairment loss	211	—	—	—	—	211	66	277	—	277
Amortization of goodwill	3,581	—	74	—	—	3,656	1	3,657	—	3,657
Balance of goodwill at end of current period	30,095	—	1,112	—	—	31,208	9	31,217	—	31,217
Investments in equity method affiliates	—	—	—	107	—	107	—	107	—	107
Increase in tangible fixed assets and intangible fixed assets	27,343	2,681	2,802	2,668	53	35,549	1,744	37,294	2,168	39,463

Notes:

1. The “Other Business” category incorporates operations not included in business segment reporting, including the activated carbon business, aqua business and engineering business.
2. Adjustment is as follows: Included within segment loss of ¥8,860 million is the elimination of intersegment transactions of ¥1,192 million and corporate expenses of ¥10,052 million. Corporate expenses mainly comprise headquarters’ general and administrative expenses and the submitting company’s basic research expenses.
3. Segment income is adjusted with operating income under consolidated statements of income.
4. Adjustment is as follows: Included with segment assets of ¥49,043 million is the elimination of intersegment transactions of ¥31,640 million and unallocated corporate assets of ¥80,684 million. Corporate assets mainly comprise the submitting company’s surplus funds, long-term investments and assets related to basic research and administrative divisions at headquarters.

Fiscal 2015 (January 1, 2015 – December 31, 2015)

(Millions of yen)

	Reporting Segments						Other Business	Total	Adjustment	Consolidated Financial Statements
	Vinyl Acetate	Isoprene	Functional Materials	Fibers and Textiles	Trading	Total				
Net sales										
(1) Outside customers	243,154	31,447	38,923	35,398	117,384	466,309	55,412	521,721	—	521,721
(2) Inter-segment sales and transfers	31,591	23,537	17,955	10,945	2,255	86,286	14,189	100,475	(100,475)	—
Total	274,746	54,985	56,879	46,344	119,640	552,595	69,601	622,197	(100,475)	521,721
Segment income (loss)	55,740	6,922	5,564	4,108	3,882	76,219	2,773	78,993	(12,915)	66,077
Segment assets	398,050	54,076	44,210	46,542	39,470	582,350	53,965	636,316	65,454	701,770
Other items										
Depreciation and amortization (other than goodwill)	25,004	4,802	3,334	3,485	43	36,670	2,079	38,750	1,489	40,239
Impairment loss	544	—	—	—	—	544	4,302	4,847	—	4,847
Amortization of goodwill	3,761	—	98	—	—	3,859	2	3,862	—	3,862
Balance of goodwill at end of current period	27,543	—	1,014	—	—	28,557	7	28,564	—	28,564
Negative goodwill	—	—	—	—	—	—	2	2	—	2
Investments in equity method affiliates	—	—	—	108	—	108	—	108	—	108
Increase in tangible fixed assets and intangible fixed assets	30,221	2,398	3,239	4,073	27	39,960	2,083	42,044	2,969	45,014

Notes:

1. The “Other Business” category incorporates operations not included in business segment reporting, including the activated carbon business, aqua business and engineering business.
2. Adjustment is as follows: Included within segment loss of ¥12,915 million is the elimination of intersegment transactions of ¥1,712 million and corporate expenses of ¥14,628 million. Corporate expenses mainly comprise headquarters’ general and administrative expenses and the submitting company’s basic research expenses.
3. Segment income is adjusted with operating income under consolidated statements of income.
4. Adjustment is as follows: Included with segment assets of ¥65,454 million is the elimination of intersegment transactions of ¥32,178 million and unallocated corporate assets of ¥97,632 million. Corporate assets mainly comprise the submitting company’s surplus funds, long-term investments and assets related to basic research and administrative divisions at headquarters.

Related Information

Fiscal 2014 (April 1, 2014 - December 31, 2014)

1. Information by Product and Service

(Millions of yen)

	Vinyl Acetate	Isoprene	Functional Materials	Fibers and Textiles	Other Business	Total
Net sales to outside customers	219,803	43,615	46,795	52,974	48,219	411,408

Notes:

Principal products of each segment are as follows:

Vinyl Acetate: PVA resin and film, *EVVAL* resin and others

Isoprene: *SEPTON* and *KURARITY* thermoplastic elastomers, isoprene chemicals, *GENESTAR* heat-resistant polyamide resin and others

Functional Materials: Methacrylic resin, *CLARINO* man-made leather, medical products and others

Fibers and Textiles: *KURALON*, *KURAFLEX* non-woven fabrics, *MAGIC TAPE* hook and loop fasteners, polyester and others

Other Business: Activated carbon, aqua business, engineering business and others

2. Information by Geographical Segment

(1) Net Sales

(Millions of yen)

Japan	United States	China	Europe	Asia	Other Area	Total
137,913	59,476	42,453	97,236	57,326	17,001	411,408

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

(2) Tangible Fixed Assets

(Millions of yen)

Japan	United States	Germany	Other Overseas	Total
132,570	90,442	27,839	11,535	262,388

3. Major Customers

No information is available as there is no single outside customer accounting for 10% or more of the Company's total net sales.

Fiscal 2015 (January 1, 2015 - December 31, 2015) Information of Each Product and Service

1. Information by Product and Service

(Millions of yen)

	Vinyl Acetate	Isoprene	Functional Materials	Fibers and Textiles	Other Business	Total
Net sales to outside customers	274,164	51,544	60,313	69,908	65,791	521,721

Notes:

Principal products of each segment are as follows:

Vinyl Acetate: PVA resin and film, *EVVAL* resin and others

Isoprene: *SEPTON* and *KURARITY* thermoplastic elastomers, isoprene chemicals, *GENESTAR* heat-resistant polyamide resin and others

Functional Materials: Methacrylic resin, *CLARINO* man-made leather, medical products and others

Fibers and Textiles: *KURALON*, *KURAFLEX* non-woven fabrics, *MAGIC TAPE* hook and loop fasteners, polyester and others

Other Business: Activated carbon, aqua business, engineering business and others

2. Information by Geographical Segment

(1) Net Sales

(Millions of yen)

Japan	United States	China	Europe	Asia	Other Area	Total
184,324	82,266	49,409	103,030	78,833	23,856	521,721

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

(2) Tangible Fixed Assets

(Millions of yen)

Japan	United States	Germany	Other Overseas	Total
122,921	97,865	25,633	15,599	262,019

3. Major Customers

No information is available as there is no single outside customer accounting for 10% or more of the Company's total net sales.

Per Share Information

	Fiscal 2014 (April 1, 2014 – December 31, 2014)	Fiscal 2015 (January 1, 2015 – December 31, 2015)
Net assets per share (yen)	1,354.21	1,412.46
Basic net income per share (yen)	60.77	101.84
Diluted net income per share (yen)	60.65	101.57

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

	Fiscal 2014 (April 1, 2014 – December 31, 2014)	Fiscal 2015 (January 1, 2015 – December 31, 2015)
Basic net income per share		
Net income (millions of yen)	21,296	35,749
Net income unallocated to common stock (millions of yen)	—	—
Net income allocated to common stock (millions of yen)	21,296	35,749
Average number of common stock outstanding during the fiscal year (thousand shares)	350,424	351,015
Diluted net income per share		
Adjustment made on net income (millions of yen)	—	—
Increase of common stocks (thousand shares)	734	948
[Subscription rights to shares included in above]	[734]	[948]
Outline of the residual securities which were not included in the calculation of the diluted net income		—

Significant Subsequent Information

None applicable

Omission of Disclosure

Disclosure of Unapplied Accounting Standard, Unconsolidated Financial Statements and the notes related to the following items are omitted, as they are considered unnecessary for disclosing such items for earnings report.

- Notes to consolidated balance sheets, consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in net assets, and consolidated statements of cash flows.
- Notes to lease transactions
- Notes to financial instruments
- Notes to investment securities
- Notes to derivatives transaction
- Notes to retirement benefits
- Notes to stock options
- Notes to tax effect accounting
- Notes to asset retirement obligation

5. Reference Information

Appendix for Geographical Segment Information

Fiscal 2015 (January 1, 2015 to December 31, 2015)

(Millions of yen)

	Japan	North America	Europe	Asia and Other	Total	Elimination & Corporate	Consolidated
Net sales							
Net sales to outside customers	273,133	110,288	86,352	51,947	521,721	—	521,721
Intersegment sales and transfers	49,043	21,189	9,794	5,878	85,906	(85,906)	—
Total	322,176	131,478	96,147	57,825	607,628	(85,906)	521,721
Segment income	66,670	6,830	7,257	519	81,278	(15,201)	66,077

Notes:

1. The segmentation of country or region is based on the geographical proximity.

2. Major countries and regions included in each category are as follows:

(1) North America.....United States

(2) Europe.....Germany, Belgium

(3) Asia.....Singapore, Hong Kong and China