



September 28, 2016  
Kuraray Co., Ltd.

## Notice Concerning the Merger of Subsidiary Kuraray Chemical Co., Ltd.

Kuraray Co., Ltd. (hereinafter “Kuraray”) hereby announces that it passed a resolution at its Board of Directors’ meeting held on September 28, 2016, to carry out a merger aimed at absorbing Kuraray Chemical Co., Ltd. (hereinafter “Kuraray Chemical”), one of Kuraray’s wholly owned subsidiaries.

In addition, since this merger pertains to the absorption of a wholly owned subsidiary, some details of the information disclosed below have been omitted.

### 1. Purpose of the Merger

#### <Background>

To realize its “Long-Term Corporate Vision” of becoming a “high profit specialty chemical company with a global presence”, the Kuraray Group has been considering innovations to build a growth strategy for the future to expand its business domains in the medium-term business plan “GS-STEP”.

Simultaneously, the Kuraray Group has determined the three key strategic areas, namely, “aqua and environment”, “energy”, and “optics and electronics”, all of which have significant potential for market growth.

#### <Purpose of the Merger>

Kuraray is striving to commercialize KURANODE, a plant-based hard carbon anode material, for use in components of lithium ion batteries (LiBs), targeting the energy field. Meanwhile, Kuraray Chemical is engaged in the activated carbon business on a global basis, acting as a manufacturer of highly functional carbon materials that are used in a range of applications, including the energy, water resource and air purification fields.

The market that both companies has targeted is expected burgeoning growth for automotive LiB components and also to grow by approximately 7% every year for activated carbon, due to the tightening of regulations against water and air pollution, as well as demand growth in emerging nations.

Given this operating environment, Kuraray has decided to execute a merger aimed at absorbing Kuraray Chemical to aim for earlier expanding the carbon material business.

We will provide optimal solutions with technological innovation, generated by the combination of both companies’ accumulated technologies

and expertise, satisfying customer requirements that have become ever more stringent. At the same time, we will fully leverage the Group's overseas network and other management resources to accelerate the expansion of our carbon material business.

## **2. Overview of the Merger**

### **(1) Schedule**

The resolution of the merger at the Board of Directors' meeting:

September 28, 2016

The signing of the merger agreement: September 28, 2016

The effective date of the merger: January 1, 2017 (scheduled)

Note: The merger will be carried out as a short-form merger by Kuraray in accordance with the provisions of Article 796, Paragraph 2 of Japan's Companies Act. Simultaneously, the merger will be performed by Kuraray Chemical based on the stipulations for absorption-type mergers set out under Article 784, Paragraph 1 of the same act. Therefore, no general meeting of shareholders is required to gain respective approval for the merger agreement.

### **(2) Method of the Merger**

Kuraray, the surviving company, will absorb Kuraray Chemical, which will be dissolved as a result of the merger.

### **(3) Share Allocation in Accordance with Merger**

Not applicable.

### **(4) Treatment of Absorbed Company's Stock Acquisition Rights and Convertible Bonds with Stock Acquisition Rights**

Not applicable.

### 3. Outline of Companies Involved in the Merger

|  | Surviving company  | Absorbed company   |
|--|--|--|
| 1. Company name                                  | Kuraray Co., Ltd.  | Kuraray Chemical Co., Ltd.                                     |
| 2. Location                                      | 1621, Sakazu, Kurashiki City, Okayama Prefecture   | 4342, Tsurumi, Bizen City, Okayama Prefecture                  |
| 3. Representative's name and title               | Masaaki Ito, Representative Director and President   | Yasuhiro Yamamoto, Representative Director and President       |
| 4. Principal businesses                          | Manufacture and sale of chemicals, resins, fibers and textiles   | Manufacture and sales of activated carbon and related products |
| 5. Capital                                       | ¥88,955 million  | ¥600 million   |
| 6. Date of establishment                         | June 24, 1926  | December 11, 1940  |
| 7. Shares issued                                 | 354,863,603  | 12,000,000   |
| 8. Fiscal year-end                               | December 31  | December 31  |
| 9. Major shareholders and their holdings         | The Master Trust Bank of Japan, Ltd. (Trust account): 7.82%<br>Japan Trustee Service Bank, Ltd. (Trust account): 6.09% | Kuraray Co., Ltd.: 100%  |
| 10. Corporate performance and financial standing |  |  |
|  | Kuraray Co., Ltd. (consolidated)   | Kuraray Chemical Co., Ltd. (non-consolidated)                  |
| Fiscal year                                      | Ended December 31, 2015  | Ended December 31, 2015  |
| Net assets                                       | ¥503,589 million   | ¥9,326 million   |
| Total assets                                     | ¥701,770 million   | ¥15,657 million  |
| Net assets per share                             | ¥1,412.46  | ¥777.20  |
| Net sales  | ¥521,721 million   | ¥17,799 million  |
| Operating income                                 | ¥66,077 million  | ¥1,009 million   |
| Ordinary income                                  | ¥64,535 million  | ¥967 million   |
| Net income                                       | ¥35,749 million  | ¥166 million   |
| Net income per share                             | ¥101.84  | ¥13.85   |

#### **4. The Status of the Surviving Company**

- |                                      |  |
|--------------------------------------|--|
| (1) Company name:                    | Kuraray Co., Ltd.  |
| (2) Location of registered office:   | 1621, Sakazu, Kurashiki City,<br>Okayama Prefecture                  |
| (3) Representative's name and title: | Masaaki Ito, Representative<br>Director and President                |
| (4) Principal businesses:            | Manufacture and sale of<br>chemicals, resins, fibers and<br>textiles |
| (5) Capital:                         | ¥88,955 million  |
| (6) Fiscal year-end:                 | December 31  |

#### **5. Outlook**

Because this merger is between Kuraray and its wholly owned subsidiary, Kuraray expects the merger to have no effect on its consolidated performance.