

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

August 1, 2013

Kuraray Co., Ltd.

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Consolidated Earnings Report for the First Quarter of the Fiscal Year Ending March 31, 2014

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: Tomoyuki Shimamoto
Tel: +81-3-6701-1071

(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 March 31, 2014 (April 1, 2013 to June 30, 2013)

(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 2013 1Q	93,158	5.2%	10,412	(11.0%)	10,345	(2.3%)	6,555	12.6%
Fiscal 2012 1Q	88,523	(1.6%)	11,698	(26.0%)	10,590	(31.9%)	5,822	(37.7%)

Note: Comprehensive income: For the fiscal 2013 first quarter: ¥18,021 million 45.1%
For the fiscal 2012 first quarter: ¥12,420 million (13.2%)

	Net Income per Share (Yen)	Fully Diluted Net Income per Share (Yen)
Fiscal 2013 1Q	18.74	18.67
Fiscal 2012 1Q	16.71	16.69

(2) Consolidated Financial Position

(Millions of yen)

	Total Assets	Net Assets	Shareholders' Equity Ratio (%)
As of June 30, 2013	597,157	413,892	68.3
As of March 31, 2013	587,254	401,307	67.2

(Reference)

Shareholders' equity: As of June 30, 2013: ¥407,625 million
As of March 31, 2013: ¥394,754 million

2. Dividends

(Yen)

Record Date	Cash Dividends per Share				
	Jun. 30	Sept. 30	Dec. 31	Mar. 31	Annual
Fiscal 2012	—	18.00	—	18.00	36.00
Fiscal 2013	—				
Fiscal 2013 (Forecast)		18.00		18.00	36.00

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

3. Forecasts of Consolidated Financial Results for the Fiscal Year Ending March 31, 2014 (April 1, 2013 to March 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	
	Amount	%	Amount	%	Amount	%	Amount	%	Yen	Yen
Interim	205,000	13.3%	26,000	8.8%	25,500	16.5%	16,000	25.5%	45.87	Yen
Full Fiscal Year	430,000	16.4%	60,000	22.0%	58,500	20.4%	35,000	21.5%	100.33	Yen

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

4. Other

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

No

(2) Adoption of Special Accounting Practices in the Preparation of

Quarterly Consolidated Financial Statements

No

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

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

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

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

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

As of June 30, 2013	382,863,603 shares
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As of March 31, 2013	382,863,603 shares
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2. Number of treasury stock as of the period-end:

As of June 30, 2013	32,637,971 shares
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As of March 31, 2013	34,029,727 shares
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3. Average number of shares for the period (Cumulative):

As of June 30, 2013	349,774,963 shares
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As of June 30, 2012	348,434,484 shares
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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 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 first quarter of fiscal 2013 (April 1, 2013 to June 30, 2013), although there was a correction in the overvaluation of the yen, economic recovery in Europe stalled, while economic growth in China and other emerging countries slowed. Reflecting this, overall demand in the Company's operating environment remained weak. On the domestic front, there is a sense of expectation with regard to "Abenomics," but the actual economy has yet to show any signs of being significantly affected.

Confronting these circumstances, the Kuraray Group is taking various measures to achieve sustained growth based on the management strategies set forth in its "GS-III" medium-term management plan launched in the previous fiscal year. In line with the management strategies, the Group is accelerating the global expansion in its core business while proactively developing new businesses to secure its future growth in the aqua, environment, energy, optical and electronics fields.

Consequently, cumulative consolidated operating results for the first quarter are as follows: net sales rose ¥4,634 million, or 5.2%, compared with the corresponding period of the previous fiscal year to ¥93,158 million; operating income fell ¥1,286 million, or 11.0%, to ¥10,412 million; ordinary income fell ¥245 million, or 2.3%, to ¥10,345 million; and net income rose ¥732 million, or 12.6%, to ¥6,555 million.

To more concretely implement the measures set forth in the "GS III" medium-term management plan, Kuraray implemented a structural reorganization on April 1, 2013. In line with this reorganization, the Company has changed its reporting segments, starting from the first quarter of the current fiscal year. The details of the change can be found on page 12 under item 4. Comparisons and analyses for the first quarter of the current fiscal year are based on the segment divisions following the change.

Results by Business Segment

Vinyl Acetate

Sales in this segment grew 17.5% year on year to ¥43,602 million, and operating income fell 1.2% year on year to ¥11,770 million.

(1) Water-soluble PVA films favorably expanded on the back of active demand. While demand for LCD TVs is continuing to recover, sales of optical-use poval film grew only slightly due to continued LCD panel inventory adjustments. Poval resins struggled overall, primarily due to intensifying competition in Asia. PVB films were strongly affected by economic stagnation in Europe.

The Company has decided to expand its water-soluble PVA film facilities in the United States to meet the active expansion of demand for detergent applications.

(2) Sales of *EVVAL* ethylene vinyl alcohol copolymer (EVOH resin) stagnated in Europe, but favorably expanded in the United States and Asia.

Isoprene

Sales in this segment fell 0.2% year on year to ¥11,801 million, and operating income fell 59.5% year on year to ¥242 million.

(1) In isoprene chemicals, although demand for *SEPTON* thermoplastic elastomer is on the rebound, demand was sluggish for fine chemicals and liquid rubber.

(2) Sales of *GENESTAR* heat-resistant polyamide resin progressed amid stable demand for LED reflector applications and connector applications as well as expanding automotive applications.

Functional Materials

Sales in this segment grew 1.1% year on year to ¥10,560 million, and operating income fell from ¥434 million in the previous fiscal year to an operating loss of ¥50 million.

(1) The performance of methacrylic resin was affected by weak market conditions and increased costs for raw materials and fuel.

(2) In the medical business, sales of dental materials remained stable.

(3) *CLARINO* man-made leather saw demand remain sluggish for footwear applications and was also impacted by inventory adjustments for school bags. The shifting of production lines using existing processes to China is progressing smoothly as part of Kuraray's restructuring efforts.

Fibers and Textiles

Thanks to a recovery in demand, the performance of *KURALON* was steady

for automotive brake hose applications and use as an asbestos substitute in fiber reinforced cement (FRC). Nevertheless, sales in this segment fell 3.4% year on year to ¥10,138 million, and operating income grew 25.3% year on year to ¥768 million.

Trading

Although sales in such fiber-related business as polyester were stable, some businesses stagnated amid the weak economy. As a result, sales in this segment were down 4.9% year on year to ¥25,512 million, and operating income decreased 5.2% to ¥714 million.

Others

Sales of activated carbon and its use in energy-related applications grew steadily. Other items were affected overall by the weak economy. As a result, sales in this segment decreased 8.0% year on year to ¥13,659 million, and operating income declined 68.4% year on year to ¥320 million.

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

Kuraray has downwardly revised its performance forecasts for operating and ordinary income in the first half of the fiscal year ending March 31, 2014 (April 1, 2013–September 30, 2013), as shown in the following table in light of such factors as the stalled recovery in Europe in the first quarter of the current consolidated fiscal year. The cumulative consolidated forecast has not been revised.

Revised forecast for the interim period of the fiscal year ending March 31, 2014 (April 1, 2013 – September 30, 2013)

(Millions of yen, unless otherwise stated)

	Net Sales	Operating Income	Ordinary Income	Net Income	Net Income per Share (Yen)
	For six-month period ending September 30, 2013				
Previous forecast (Announced on April 25, 2013)	205,000	27,000	26,500	16,000	45.87
Revised forecast	205,000	26,000	25,500	16,000	45.87

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 current fiscal year, for some foreign subsidiaries, Kuraray is applying “Employee Benefits” (International Accounting Standards Board, International Accounting Standard No. 19, June 16, 2011). Accordingly, the Company will abolish the option of deferred recognition for actuarial differences and prior service costs while changing the method of calculation of retirement benefit expenses, net interest costs, and other items.

The changes to the relevant accounts will be applied retroactively. The consolidated financial statements for the previous fiscal year and the first quarter of the previous fiscal year have already been retroactively adjusted. The effect of this retroactive adjustment on the previous fiscal year and the first quarter of the previous fiscal year is minor.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	March 31, 2013	June 30, 2013
ASSETS		
Current Assets		
Cash and cash deposits	46,151	45,549
Notes and accounts receivable—trade	83,843	79,316
Short-term investment securities	31,696	33,401
Merchandise and finished goods	57,823	60,700
Work in process	10,332	11,446
Raw materials and supplies	15,138	14,640
Deferred tax assets	5,732	4,825
Other	7,237	7,034
Allowance for doubtful accounts	(742)	(610)
Total current assets	257,212	256,304
Noncurrent Assets		
Tangible fixed assets		
Buildings and structures, net	41,938	42,516
Machinery, equipment and vehicles, net	82,298	82,232
Land	20,425	20,987
Construction in progress	32,326	40,004
Other, net	4,285	4,327
Total tangible fixed assets	181,274	190,068
Intangible fixed assets		
Goodwill	24,659	25,616
Other	26,664	28,477
Total intangible fixed assets	51,324	54,093
Investments and other assets		
Investment securities	83,543	83,022
Long-term loans receivable	679	521
Deferred tax assets	2,744	3,049
Prepaid pension costs	5,437	5,343
Others	5,114	4,826
Allowance for doubtful accounts	(76)	(73)
Total investments and other assets	97,442	96,690
Total noncurrent assets	330,041	340,852
Total assets	587,254	597,157

(Millions of yen)

	March 31, 2013	June 30, 2013
LIABILITIES		
Current Liabilities		
Notes and accounts payable–trade	37,048	29,643
Short-term loans payable	30,918	30,958
Income taxes payable	7,687	1,975
Provision for bonuses	6,590	4,240
Other provision	21	13
Other	29,182	30,027
Total current liabilities	111,449	96,858
Long-term liabilities		
Corporate bonds payable	10,000	10,000
Long-term loans payable	28,171	38,207
Deferred tax liabilities	14,872	15,830
Provision for retirement benefits	6,665	7,282
Provision for directors' retirement benefits	178	132
Provision for environmental measures	1,051	1,051
Asset retirement obligations	2,336	2,401
Other	11,221	11,500
Total noncurrent liabilities	74,497	86,406
Total liabilities	185,947	183,264
NET ASSETS		
Shareholders' equity		
Capital stock	88,955	88,955
Capital surplus	87,147	87,147
Retained earnings	263,262	263,073
Treasury stock	(40,169)	(38,527)
Total shareholders' equity	399,195	400,649
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,076	5,864
Deferred gain or losses on hedges	(17)	(26)
Foreign currency translation adjustments	(9,877)	1,881
Pension liability adjustments	(622)	(744)
Total accumulated other comprehensive income	(4,440)	6,976
Subscription rights to shares	1,221	1,034
Minority interests	5,330	5,232
Total net assets	401,307	413,892
Total liabilities and net assets	587,254	597,157

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

(Millions of yen)

	Fiscal 2012 1Q (April 1, 2012 – June 30, 2012)	Fiscal 2013 1Q (April 1, 2013 – June 30, 2013)
Net sales	88,523	93,158
Cost of sales	59,710	63,978
Gross profit	28,812	29,179
Selling, general and administrative expenses		
Selling expenses	4,376	4,722
General and administrative expenses	12,738	14,044
Total selling, general and administrative expenses	17,114	18,766
Operating income	11,698	10,412
Non-operating income		
Interest income	97	176
Dividends income	409	222
Equity in earnings of affiliates	30	19
Other, net	271	355
Total non-operating income	809	774
Non-operating expenses		
Interest expenses	252	242
Personnel expenses for seconded employees	250	198
Other expenses	1,414	400
Total non-operating expenses	1,917	842
Ordinary income	10,590	10,345
Extraordinary loss		
Loss on disposal of tangible fixed assets	—	207
Acquisition-related cost	542	—
Loss on valuation of investment securities	351	—
Total extraordinary expenses	894	207
Income before income taxes and minority interests in net income of consolidated subsidiaries	9,696	10,137
Income taxes—current	2,335	2,943
Income taxes—deferred	1,461	589
Total income taxes	3,797	3,533

	(Millions of yen)	
	Fiscal 2012 1Q (April 1, 2012 – June 30, 2012)	Fiscal 2013 1Q (April 1, 2013 – June 30, 2013)
Income before minority interests in net income of consolidated subsidiaries	5,898	6,604
Minority interests	76	49
Net income	5,822	6,555

Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal 2012 1Q	Fiscal 2013 1Q
	(April 1, 2012 –	(April 1, 2013 –
	June 30, 2012)	June 30, 2013)
Income before minority interests in net income of consolidated subsidiaries	5,898	6,604
Other comprehensive income		
Valuation difference on available-for-sale securities	(253)	(210)
Deferred gain or losses on hedges	(22)	(8)
Foreign currency translation adjustments	6,819	11,759
Pension liability adjustments	(22)	(122)
Total other comprehensive income	6,521	11,417
Quarterly comprehensive income	12,420	18,021
Comprehensive income attributable to:		
Owners of the parent	12,344	17,972
Minority interests	75	49

(3) Notes regarding Quarterly Consolidated Financial Statements

Notes regarding Going Concern Assumptions

None

Material Changes in Shareholders' Equity

None

Segment and Other Information

[Segment Information]

I. First Quarter of Fiscal 2012 (April 1, 2012 to June 30, 2012)

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	29,721	7,622	6,324	7,904	25,926	77,497	11,025	88,523	—	88,523
Inter-segment sales and transfers	7,376	4,206	4,116	2,587	886	19,173	3,824	22,998	(22,998)	—
Total	37,097	11,828	10,440	10,491	26,813	96,671	14,850	111,521	(22,998)	88,523
Segment Income	11,913	600	434	613	754	14,316	1,011	15,327	(3,628)	11,698

Notes:

1. The "Others" category incorporates operations not included in business segments reported, including activated carbon, aqua business and engineering.
2. Elimination on Consolidation and Corporate is as follows: Included within segment income of ¥3,628 million is the elimination of intersegment transactions of ¥8 million and corporate expenses of ¥3,620 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 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, aqua business and engineering.
2. Elimination on Consolidation and Corporate is as follows: Included within 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.

2. Regarding Changes in Reporting Segments

From the first quarter of fiscal 2013, Kuraray carried out a structural reorganization to implement the measures set forth in the “GS III” medium-term management plan. As a result, the former reporting segments of “Resins,” “Chemicals,” “Fibers and Textiles” and “Trading” have now been changed to “Vinyl Acetate,” “Isoprene,” “Functional Materials,” “Fibers and Textiles” and “Trading.”

An retroactively adjusted version of the “Segment and Other Information” presented in the earnings report for the first quarter of the previous fiscal year has been published to reflect the change in reporting segments.

4. Reference

Supplemental information regarding the change in reporting segments (comparison between new and former reporting segments)

Former reporting segments (Year ended March 31, 2013)

Reporting segment	Resins	Chemicals	Fibers and Textiles	Trading	Others
Main businesses	*Poval products	Methacrylic resin	<i>KURALON</i>	Polyester	Activated carbon business
	<i>EVVAL</i>	Isoprene	<i>CLARINO</i>	Trading business	Aqua business
		<i>SEPTON</i>	<i>KURAFLEX</i>		Engineering business
		<i>GENESTER</i>	Fastenings		Other subsidiaries
		Medical			

New reporting segments (Year ending March 31, 2014)

Reporting segment	Vinyl Acetate	Isoprene	Functional Materials	Fibers and Textiles	Trading	Others
Main businesses	*Poval products	Isoprene	Methacrylic resin	<i>KURALON</i>	Polyester	Activated carbon business
	<i>EVVAL</i>	<i>SEPTON</i>	Medical	<i>KURAFLEX</i>	Trading business	Aqua business
		<i>GENESTAR</i>	<i>CLARINO</i>	Fastenings		Engineering business
						Other subsidiaries

*Poval products: Poval resin, Poval film, PVB resin and film