

**Consolidated Earnings Report for the
First Quarter of the Fiscal Year Ending
March 31, 2012 (Unaudited)**

**August 3, 2011
Kuraray Co., Ltd.**

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Consolidated Earnings Report for the First Quarter of the Fiscal Year Ending March 31, 2012

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

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(Millions of yen rounded down unless otherwise stated)

1. Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2012 (April 1, 2011 to June 30, 2011)

(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 2011 1Q	89,921	2.5%	15,815	26.2%	15,554	29.8%	9,341	63.9
Fiscal 2010 1Q	87,715	20.3%	12,534	624.5%	11,983	692.2%	5,699	—

	Net Income per Share (¥)	Fully Diluted Net Income per Share (¥)
Fiscal 2011 1Q	26.82	26.78
Fiscal 2010 1Q	16.37	16.34

(2) Consolidated Financial Position

(Millions of yen)

	Total Assets	Net Assets	Shareholders' Equity Ratio
As of June 30, 2011	516,853	357,889	68.2
As of March 31, 2011	507,328	346,825	67.6

(Reference)

Shareholders' equity: As of June 30, 2011 ¥352,414 million
As of March 31, 2011 ¥343,105 million

2. Dividends

(Yen)

Record Date	Cash Dividends per Share				
	Jun. 30	Sept. 30	Dec. 31	Mar. 31	Annual
Fiscal 2010	—	13.00	—	14.00	27.00
Fiscal 2011 (Forecast)	—	16.00	—	17.00	33.00

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

3. Forecasts of Consolidated Financial Results for the Fiscal Year Ending March 31, 2012 (April 1, 2011 to March 31, 2012)

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

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	Yen
Interim	190,000	5.1 %	30,000	17.8%	29,000	16.0%	17,000	22.2%	48.81	Yen
Full Fiscal Year	400,000	10.1%	60,000	13.0%	58,500	14.6%	34,000	18.3%	97.62	Yen

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

Performance forecasts for the first half have been revised, however, the cumulative consolidated forecast, which was drawn up based on assumptions made at the beginning of the current fiscal year has not revised. The Company will revise its forecast when the consolidated results for the interim period have been confirmed.

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 the Proper 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: None
3. Changes of accounting estimates: None
4. Restatement: None

(Note: Please see “Changes in Accounting Policies and, Accounting Estimates and Restatement ” 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, 2011	382,863,603 shares
As of March 31, 2011	382,863,603 shares
2. Number of treasury stock as of the period-end:

As of June 30, 2011	34,578,463 shares
As of March 31, 2011	34,611,169 shares
3. Average number of shares for the period (Cumulative):

As of June 30, 2011	348,267,754 shares
As of March 31, 2011	348,095,110 shares

Indication of quarterly review procedure implementation status

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

Cautionary Statement with Respect to Forecasts of Consolidated Business Results

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.

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1. Qualitative Information and Financial Statements

(1) Qualitative Information and Overview of Consolidated Business Results

During the first quarter of fiscal 2011 (April 1, 2011 to June 30, 2011), the economic situation in Japan was harsh, due mainly to the negative impact of the Great East Japan Earthquake as well as raw material and fuel price hikes. In Europe, the United States and emerging countries, however, economic conditions were generally brisk. Confronting these circumstances, the Kuraray Group's Kashima Plant promptly resumed operations that had been suspended due to the earthquake, while implementing price revisions to compensate for the climbing raw material and fuel prices. In addition, the Group continued to steadily expand businesses and took proactive measures for future growth based on its GS-Twins medium-term action plan

As a result, net sales for the first quarter rose ¥2,206 million, or 2.5%, compared with the corresponding period of the previous fiscal year to ¥89,921 million, operating income grew ¥3,281 million, or 26.2%, to ¥15,815 million, ordinary income increased ¥3,571 million, or 29.8%, to ¥15,554 million and net income surged ¥3,641 million, or 63.9%, to ¥9,341 million.

Results by Business Segment

Resins

Demand for resins was brisk in China and other Asian countries as well as in Europe and the United States. As a result, sales in this segment grew 5.3% year on year to ¥38,865 million, and operating income rose 8.3% to ¥14,088 million.

- (1) During the period under review, the Company focused on revising poval resin prices on the back of increasing raw material and fuel price hikes. Sales of optical-use poval film for LCD panels grew, reflecting stable demand. Sales of polyvinyl butyral (PVB) film for architectural applications were robust in Europe.
- (2) Sales of the ethylene vinyl alcohol polymer resin *EVOH* remained strong, reflecting brisk demand for automobiles and food packaging in Europe and the United States. In Asian countries, particularly in China, demand centering on food packaging materials grew significantly.

Chemicals

Despite the suspension of production in some product categories due to the

earthquake, sales in this segment remained generally healthy. In addition, during the period under review, the Company focused on revising prices to reflect raw and fuel price hikes. As a result, sales in this segment rose 1.8% year on year to ¥18,997 million, while operating income soared 195.9% to ¥2,534 million.

- (1) Sales of methacrylic resin for use as a molding material for light-guide panel applications increased, leading to a revenue increase in this segment.
- (2) During the period under review, *SEPTON* thermoplastic elastomer and *GENESTAR* heat-resistant polyamide resin operations were impacted by the Kashima Plant's suspension of production due to the earthquake. However, the decrease in production was compensated for by other plants in Japan and overseas. Although shipments of some chemical products were necessarily restricted in the aftermath of the disaster, sales of fine chemicals remained steady in Japan and Asian countries.
- (3) Kuraray Medical Inc. saw revenue increase due to the inclusion of the dental materials business of Noritake Dental Supply Co., Limited, which was merged into the Company in April 2011.

Fibers and Textiles

In the Fibers and Textiles segment, net sales decreased 4.2% year on year to ¥14,033 million, and operating income grew 26.3% to ¥580 million.

- (1) There was an expansion in demand for *KURALON* for use in primary cell separators and automotive brake hoses. Demand for this product for use as an asbestos substitute in FRC (fiber reinforced cement) also increased in the European construction market.
- (2) Sales also grew for the new eco-friendly *CLARINO* man-made leather for footwear and interior applications. As part of a drastic business restructuring, the Company is transferring general-purpose product manufacturing to a Chinese joint venture while promoting the integration of new processing procedures for high-value-added products in domestic plants.
- (3) Sales of *KURAFLEX* nonwoven fabrics for use in wet wipers were stable despite stagnant demand for these products' use in commercial counter cloth and industrial masks.

Trading

Sales of each business in this segment showed steady growth. As a result, segment sales were up 1.6% year on year to ¥29,003 million, while operating income surged 38.5% to ¥840 million.

Others

Sales of activated carbon for use in water purification systems and capacitors (electric storage devices) were robust and other items also saw favorable demand growth. As a result, sales in this segment climbed 13.5% year on year to ¥14,816 million, and operating income jumped 48.1% to ¥1,582 million.

(2) Qualitative Information on Consolidated Operating Results Forecast

During the first quarter period under review, the Company's performance was sound, reflecting brisk demand in Europe and the United States as well as emerging countries. Accordingly, performance forecasts for the first half have been revised and are included in the following chart. Nevertheless, the Company decided to not revise its cumulative consolidated forecast, which was drawn up based on assumptions made at the beginning of the current fiscal year, in light of the ongoing economic uncertainty. Rather, the Company will revise its forecast when the consolidated results for the interim period have been confirmed.

Revised forecast for the first half of the fiscal year ending March 31, 2012 (April 1, 2011–September 30, 2011)

(Millions of yen, unless otherwise stated)

	Net Sales	Operating Income	Ordinary Income	Net Income	Net Income per Share
	For six-month period ending September 30, 2011				
Previous forecast (Announced on April 27, 2011)	190,000	26,500	25,500	14,800	¥42.50
Revised forecast	190,000	30,000	29,000	17,000	¥48.85

<Reference> Consolidated result forecast for the interim period of the fiscal year ending March 31, 2012 (Breakdown of segment income)

(Billions of yen)

	Net Sales	Operating Income
Resin	80.0	28.0
Chemicals	41.0	5.0
Fibers and Textiles	29.0	0.5
Trading	58.0	1.5
Others	32.0	3.0
Adjustment	(50.0)	(8.0)
Total	190.0	30.0

2. Items regarding Summary (and Other) Information Changes in Accounting Policies, Accounting Estimates and Restatement

(Changes in Accounting Policies)

From the first quarter of the fiscal year ending March 31, 2012, Kuraray is applying the “Accounting Standard for Earnings Per Share” (ASBJ Statement No. 2, June 30, 2010) and the “Guidance on Accounting Standard for Earnings Per Share” (ASBJ Guidance No. 4, June 30, 2010)

In calculating quarterly net income per share on a diluted basis, the method used to reflect the effects of stock options, the rights to which will vest to the holders of said options after a certain period of time, has been changed to one under which the amount pertaining to said holders’ services to be provided to the Company that comprises part of the assessed fair value of stock options shall be included in the amount to be paid in at the time of the exercise of the rights.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	March 31, 2011	June 30, 2011
ASSETS		
Current Assets		
Cash and cash equivalents	34,221	30,386
Notes and accounts receivable–trade	76,135	77,473
Short-term investment securities	127,128	127,102
Merchandise and finished goods	40,534	43,177
Work in process	8,122	8,492
Raw materials and supplies	12,732	13,238
Deferred tax assets	6,046	4,460
Others	6,475	8,431
Allowance for doubtful accounts	(802)	(844)
Total current assets	310,594	311,920
Fixed Assets		
Tangible fixed assets		
Buildings and structures (net)	33,701	33,860
Machinery and equipment (net)	79,216	78,122
Land	17,976	18,623
Construction in progress	11,867	17,169
Others (net)	2,477	2,470
Total tangible fixed assets	145,238	150,245
Intangible fixed assets		
Goodwill	12,725	14,748
Others	2,842	2,933
Total intangible fixed assets	15,568	17,681
Investments and other assets		
Investment securities	19,577	19,662
Long-term loans receivable	1,189	1,870
Deferred tax assets	4,725	4,584
Prepaid pension costs	6,243	6,139
Others	4,378	4,938
Allowance for doubtful accounts	(186)	(188)
Total investments and other assets	35,926	37,006
Total fixed assets	196,733	204,933
Total	507,328	516,853

	March 31, 2011	June 30, 2011
LIABILITIES		
Current Liabilities		
Notes and accounts payable–trade	30,308	32,413
Short-term loans payable	12,738	12,368
Current portion of corporate bonds	10,000	10,000
Income taxes payable	10,369	4,081
Provision for bonuses	6,670	4,096
Provision for disaster losses	300	170
Other provision	1	1
Other	15,825	20,751
Total current liabilities	86,214	83,884
Long-term liabilities		
Long-term loans payable	43,035	42,423
Deferred tax liabilities	4,918	5,006
Provision for retirement benefits	14,641	15,126
Provision for retirement benefits for directors and auditors	167	145
Provision for environmental measures	1,122	1,122
Asset retirement obligations	2,222	2,274
Others	8,179	8,978
Total long-term liabilities	74,288	75,079
Total liabilities	160,502	158,964
NET ASSETS		
Shareholders' equity		
Capital	88,955	88,955
Capital surplus	87,147	87,147
Retained earnings	225,743	230,201
Treasury stock	(40,856)	(40,818)
Total shareholders' equity	360,989	365,486
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,280	2,590
Deferred gain or losses on hedges	(14)	(8)
Foreign currency translation adjustments	(19,916)	(15,415)
Pension liability adjustments	(233)	(237)
Total accumulated other comprehensive income	(17,884)	(13,071)
Stock subscription rights	560	779
Minority interests	3,159	4,695
Total net assets	346,825	357,889
Total liabilities and net assets	507,328	516,853

(2) Quarterly Consolidated Statement of Income

(Millions of yen)

	Fiscal 2010 1Q (April 1, 2010 – June 30, 2010)	Fiscal 2011 1Q (April 1, 2011 – June 30, 2011)
Net sales	87,715	89,921
Cost of sales	58,808	57,806
Gross profit	28,906	32,115
Selling, general and administrative expenses		
Selling expenses	4,502	4,414
General and administrative expenses	11,869	11,885
Total selling, general and administrative expenses	16,372	16,299
Operating income	12,534	15,815
Non-operating income		
Interest income	105	95
Dividend income	267	356
Equity in loss of affiliates	17	45
Other, net	304	203
Total non-operating income	695	701
Non-operating expenses		
Interest expenses	294	263
Service cost of temporarily transferred employees	227	211
Other expenses	725	487
Total non-operating expenses	1,246	962
Ordinary income	11,983	15,554
Extraordinary income		
Gain on equity in consolidated subsidiaries due to market fluctuation	—	845
Total extraordinary income	—	845
Extraordinary expenses		
Losses on disaster	—	910
Provision for disaster losses	—	60
Loss on valuation of investment securities	571	498
Impairment loss	—	18
Impact of the application of the Accounting Standard for Asset Retirement Obligations	1,548	—
Business structure improvement losses	154	—
Total extraordinary expenses	2,274	1,487
Income before income taxes and minority interests	9,708	14,912
Current income taxes	3,611	3,806
Deferred income taxes	368	1,608
Total income taxes	3,979	5,415
Income before minority interests in net income of consolidated subsidiaries	5,728	9,496
Minority interests in net income of consolidated subsidiaries	29	155
Net income	5,699	9,341

Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal 2010 1Q (April 1, 2010 – June 30, 2010)	Fiscal 2011 1Q (April 1, 2011 – June 30, 2011)
Income before minority interests in net income of consolidated subsidiaries	5,728	9,496
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,431)	309
Deferred gain or losses on hedges	25	6
Foreign currency translation adjustments	(2,293)	4,501
Pension liability adjustments	—	(4)
Share of other comprehensive income of associates accounted for using equity method	0	0
Total other comprehensive income	(3,700)	4,812
Quarterly comprehensive income	2,028	14,309
(Breakdown of quarterly comprehensive income)		
Comprehensive income attributable to owners of the parent	1,999	14,153
Comprehensive income attributable to minority interests	29	155

(3) Notes Regarding Going Concern Assumptions

None

(4) Segment and Other Information

[Segment Information]

I. First Quarter of Fiscal 2010 (April 1, 2010 to June 30, 2010)

1. Net sales, income and loss by reporting segment

(Millions of yen)

	Reporting Segment					Others ¹	Total	Adjustment ²	Consolidated Statements of Income ³
	Resins	Chemicals	Fibers and Textiles	Trading	Total				
Net Sales									
Outside customers	28,745	11,345	9,959	27,682	77,733	9,981	87,715	—	87,715
Inter-segment sales and transfers	8,157	7,321	4,696	869	21,045	3,066	24,111	(24,111)	—
Total	36,902	18,667	14,655	28,552	98,778	13,048	111,826	(24,111)	87,715
Segment Income	13,005	856	459	606	14,928	1,068	15,997	(3,463)	12,534

Notes:

1. The “Other Business” category incorporates operations not included in business segments reported, including activated carbon, environmental business and engineering.
2. Adjustment is as follows: Included within operating income (loss) of ¥3,463 million is the elimination of intersegment transactions of ¥85 million and corporate expenses of ¥3,377 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 2010 (April 1, 2011 to June 30, 2011)

1. Net sales, income and loss by reporting segment

(Millions of yen)

	Reporting Segment					Others ¹	Total	Adjustment ²	Consolidated Statements of Income ³
	Resins	Chemicals	Fibers and Textiles	Trading	Total				
Net Sales									
Outside customers	30,522	11,588	9,924	28,072	80,107	9,813	89,921	—	89,921
Inter-segment sales and transfers	8,343	7,409	4,109	931	20,792	5,002	25,795	(25,795)	—
Total	38,865	18,997	14,033	29,003	100,900	14,816	115,716	(25,795)	89,921
Segment Income	14,088	2,534	580	840	18,043	1,582	19,626	(3,810)	15,815

Notes:

1. The “Other Business” category incorporates operations not included in business segments reported, including activated carbon, environmental business and engineering.
2. Adjustment is as follows: Included within operating income (loss) of ¥3,810 million is the elimination of intersegment transactions of ¥121 million and corporate expenses of ¥3,689 million. Corporate expenses mainly comprise headquarters’ general and administrative expenses and the submitting company’s basic research expenses not usually attributed to segments.
3. Segment income is adjusted with operating income under consolidated statements of income.

2. Information regarding impairment loss on fixed assets and goodwill by reporting segment

(Important change in the amount of goodwill)

In the Chemicals segment, goodwill of ¥1,483 million was recorded in the period under review, due to the business combination related to the dental materials business.

(5) Material Changes in Shareholders’ Equity

None

(6) Additional Information

From the first quarter of the fiscal year ending March 31, 2012, Kuraray is applying the “Accounting Standard for Accounting Changes and Error Corrections” (ASBJ No. 24, December 4, 2009) and the “the Guidance on Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Guidance No. 24, December 4, 2009).