Annual Report 2009

For the year ended March 31, 2009

Kuraray was established in 1926 to commercialize the chemical fiber rayon, which was state-of-the-art at the time. As a pioneer in Japan's emerging synthetic fiber production industry, the company moved to the industry forefront in 1950 with the accomplishment of commercial production of polyvinyl alcohol (PVA) fiber *KURALON*.

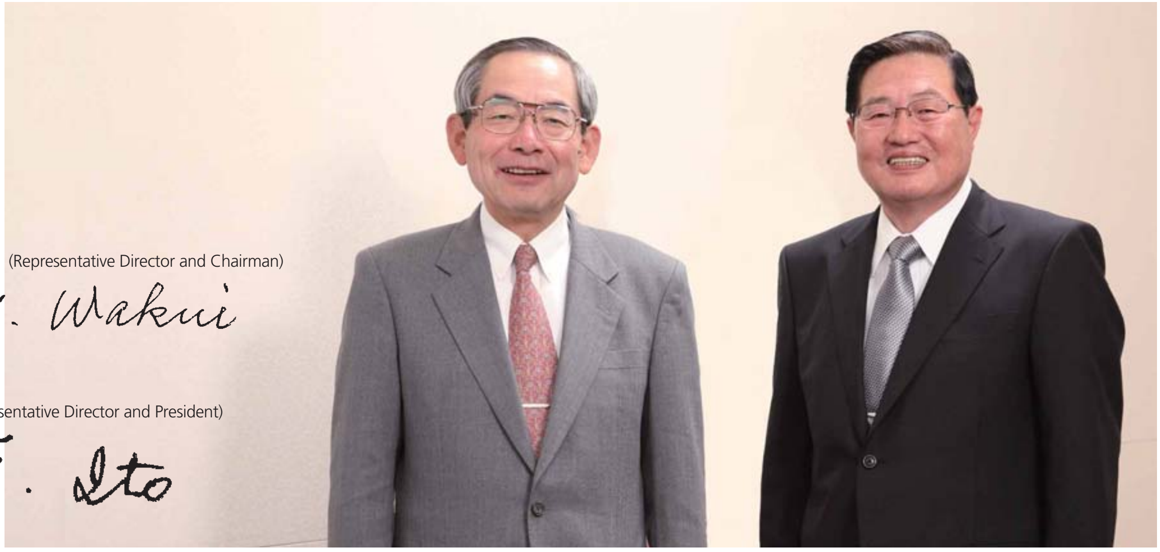
Over the last half century, Kuraray's technological expertise has developed numerous distinctive products that have expanded its presence in markets worldwide. In particular, several of our current products command the top share in the global market: including man-made leather *CLARINO*; poval resin, offering outstanding adhesive properties and water solubility; optical-use poval film, an indispensable element in liquid crystal displays (LCDs); and *EVAL* resin, a high gas barrier resin used for food packaging and fuel tanks.

Contents

- Please follow the link http://www.kuraray.co.jp/en/csr for information on our CSR activities.
- For all other information, please visit our website at http://www.kuraray.co.jp/en/

Forward-Looking Statements
This annual report contains various forward-looking statements, which are based on the current expectations and assumptions of future events. All figures and statements with respect to the future performance, projections, and business plans of Kuraray and its Group companies constitute forward-looking statements. Although Kuraray believes its expectations and assumptions are reasonable, actual results and trends of Kuraray's performance could differ materially from those expressed or implied by such figures or statements due to risks and uncertainties in future business circumstances. The factors that may cause such differences include, without limitation: (1) general market and economic conditions in Asia, including Japan, the United States, Europe, and other regions; (2) fluctuations of currency exchange rates, especially between the Japanese yen and the U.S. dollar & other foreign currencies; (3) changes in raw material and fuel costs; (4) industrial competition and price fluctuations in Japan and international markets; (5) advances or delays in the construction of new plants and production lines; (6) successful development of new products and technologies; (7) changes in laws and regulations (including tax and environmental) and legal proceedings; and (8) unforeseeable risks, including natural disasters.

To Our Shareholders



(left)
Yasuaki Wakui (Representative Director and Chairman)

Y. Wakui

(right)
Fumio Ito (Representative Director and President)

F. Ito

We thank you for your continued support of the Kuraray Group.

Our business environment in our 128th fiscal term (from April 1, 2008, to March 31, 2009) rapidly deteriorated from October last year due to an unprecedented economic crisis that originated from the U.S. financial market turmoil. In order to overcome such a situation, Kuraray promoted such emergency measures as a principled freeze on new capital investment, production adjustments meeting falling demand, redoubled efforts to curtail production costs and SG&A expenses, reduction of inventories, and pay cuts for directors and executive officers. We made maximum efforts to realize early earnings recovery.

However, the impact of the fast demand drop and the cost expansion on production cuts has been great, and as a result, Kuraray posted declines in both consolidated revenues and profit, with net sales at ¥376.8 billion, operating income at ¥29.3 billion, and net income at ¥13 billion.

Kuraray has been working to attain the three-year medium-term business plan “GS-21” from fiscal 2006. The Company made some achievements by steadily implementing measures cited in the plan. However, Kuraray failed to achieve goals in the plan as noted above.

From the current fiscal year, Kuraray has launched a three-year action plan named “GS-Twins” (for the fiscal 2009-2011 period). Under the plan, Kuraray will tackle (1) the improvement of the profit structure damaged by the global recession, (2) the creation and expansion of new businesses and (3) the acceleration of the global strategy for core businesses. In fiscal 2011 or the final year of the action plan, Kuraray will try to restore the profit structure goal given in the GS-21 plan. With an eye to achieving a net sales target of ¥1 trillion as specified in our 10-year Corporate Vision, Kuraray would like to see the action plan leading to its sustainable growth toward a specialty chemical company featuring a strong presence.

Regarding distribution of profit, Kuraray plans to keep the dividend payout ratio at 30% or more of consolidated net income.

The dividend for the end of fiscal 2008 is planned at ¥10 per share. Annual dividend payments, including interim dividends, will total ¥22 per share, unchanged from the previous fiscal year.

We ask for the continued understanding and generous support of our shareholders.

Consolidated Financial Highlights

Kuraray Co., Ltd. and its Consolidated Subsidiaries

Years ended March 31	Millions of yen FY2008 2009	FY2007 2008	FY2006 2007	FY2005 2006	FY2004 2005	FY2003 2004	Millions of U.S. dollars (Note 1) FY2008 2009
Net sales	**¥ 376,777**	¥ 417,601	¥ 385,284	¥ 375,072	¥ 354,874	¥ 332,149	**$ 3,844**
Cost of sales	**275,912**	295,220	275,885	266,283	254,114	236,245	**2,815**
Selling, general and administrative expenses	**71,585**	74,250	69,178	70,512	67,572	67,857	**730**
Operating income	**29,280**	48,130	40,220	38,277	33,186	28,045	**298**
Net income	**12,984**	25,554	22,412	21,185	18,465	15,181	**132**
Capital expenditure	**38,925**	42,720	37,700	33,871	45,715	32,164	**397**
Depreciation and amortization	**37,147**	31,485	25,495	25,185	21,323	20,784	**379**
Gross cash flow	**50,131**	57,040	47,908	46,371	39,788	35,966	**511**
Total research and development expenses	**16,358**	15,250	13,021	14,068	13,873	13,683	**166**
Total assets	**471,874**	490,365	508,694	481,357	454,940	413,227	**4,815**
Total current assets	**201,358**	196,282	217,970	200,667	182,317	171,428	**2,054**
Total tangible fixed assets	**181,020**	192,362	174,151	159,396	158,293	137,867	**1,847**
Total current liabilities	**69,041**	89,074	94,404	79,228	84,856	75,165	**704**
Total noncurrent liabilities	**77,816**	56,457	55,697	60,646	54,900	37,689	**794**
Total shareholders' equity (Note 4)	**—**	—	—	339,127	312,929	300,306	**—**
Total net assets (Note 4)	**325,016**	344,833	358,592	—	—	—	**3,316**
Segment information							
Chemicals and Resins							
Net sales	**¥ 224,332**	¥ 243,784	¥ 201,221	¥ 190,753	¥ 167,264	¥ 155,920	**$ 2,289**
Operating income	**37,065**	50,180	35,643	31,868	28,420	25,203	**378**
Fibers and Textiles							
Net sales	**96,116**	105,235	107,924	109,106	109,828	106,003	**980**
Operating income	**883**	6,856	7,985	9,450	7,920	5,331	**9**
High-Performance Materials, Medical Products and Others							
Net sales	**56,327**	68,581	76,138	75,213	77,781	70,225	**574**
Operating income	**4,376**	6,237	7,945	8,456	7,332	8,000	**44**

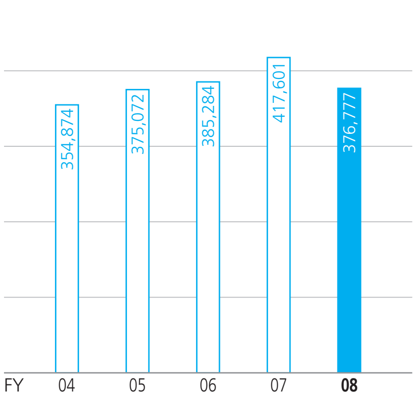
Amounts per share:	Yen						U.S. dollars (Note 1)
Net income:							
Primary	**¥ 37.29**	¥ 72.15	¥ 60.95	¥ 57.51	¥ 50.13	¥ 40.81	**$ 0.38**
Fully diluted	**37.26**	71.99	60.80	57.41	50.12	—	**0.38**
Cash dividends applicable to period	**22.00**	22.00	18.50	15.00	12.00	10.00	**0.22**
Total shareholders' equity	**924.48**	981.82	967.80	922.65	852.26	817.57	**9.43**
Financial ratios:							
Cost of sales ratio (%)	**73.2%**	70.7%	71.6%	71.0%	71.6%	71.1%	
Equity ratio (%)	**68.2**	69.7	70.0	70.5	68.8	72.7	
Return on equity (ROE) (%)	**3.9**	7.3	6.4	6.5	6.0	5.2	
Return on assets (ROA) (%) (Note 5)	**6.1**	9.6	8.1	8.2	7.6	6.7	
Payout ratio (%)	**59.0**	30.5	30.4	26.1	23.9	24.5	
Number of employees	**6,861**	6,770	6,812	6,842	6,919	6,760	

Notes: 1. The United States dollar amounts represent the translation of Japanese yen at the rate of ¥98 = $1.
2. Certain reclassifications of previously reported amounts have been made to conform with current classifications.
3. Since the year ended March 31, 2004, the "Amounts per share" figures have been calculated in accordance with the Japanese Financial Accounting Standard "Accounting for Earnings per Share."
4. Since the year ended March 31, 2007, the balance sheet is divided into sections on assets, liabilities, and net assets in accordance with Accounting Standards Board of Japan "Accounting Standard for Presentation of Net Assets in the Balance sheet" and "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet."
5. Return on assets=Operating income / Average total assets x 100 (%)

Figures rounded down to the nearest million of yen & US dollars.

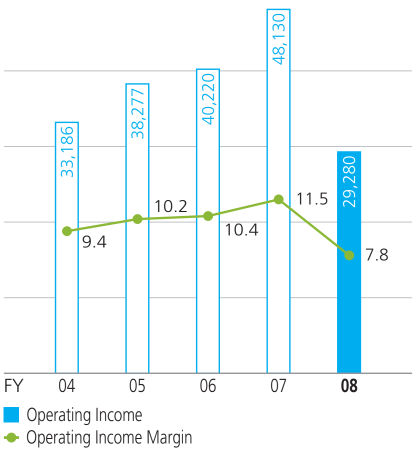
Net Sales

¥ Million



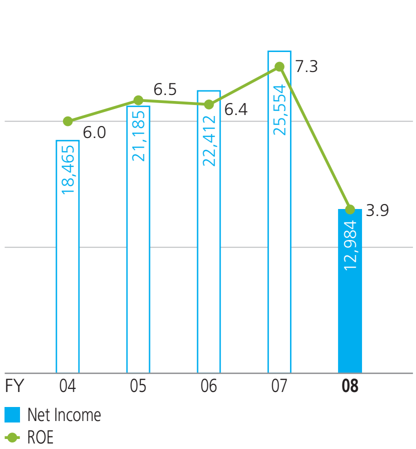
Operating Income & Operating Income Margin

¥ Million, %



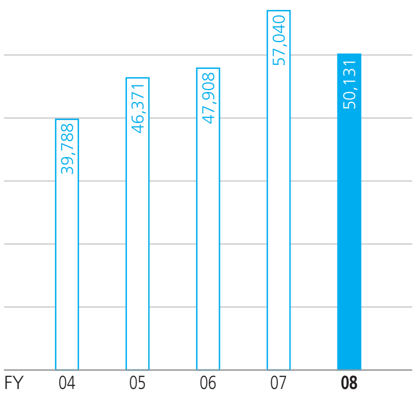
Net Income & ROE

¥ Million, %



Gross Cash Flow

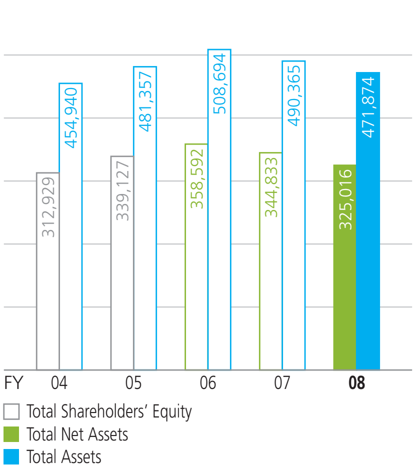
¥ Million



Gross Cash Flow = Net income + Depreciation and amortization

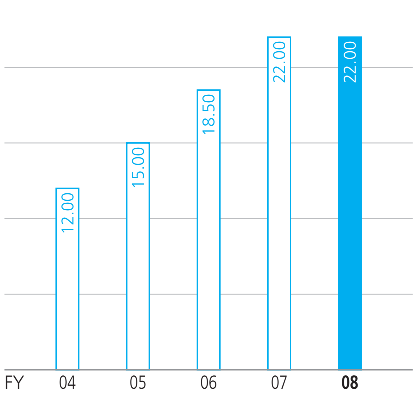
Total Shareholders' Equity, Total Net Assets & Total Assets

¥ Million



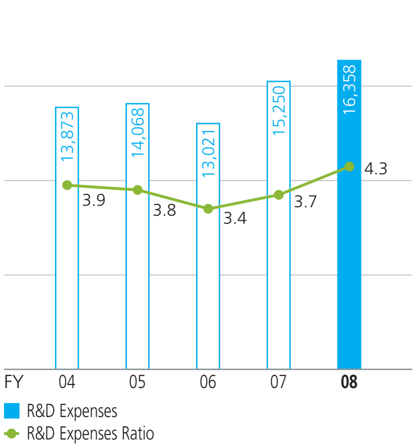
Cash Dividends per Share

¥



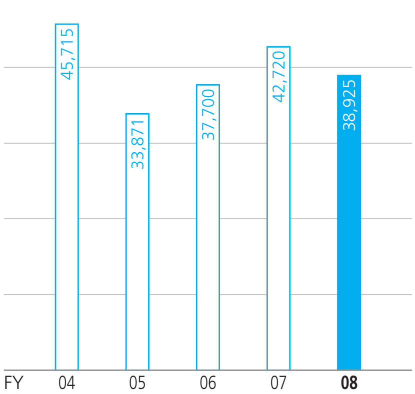
R&D Expenses & R&D Expenses Ratio

¥ Million, %



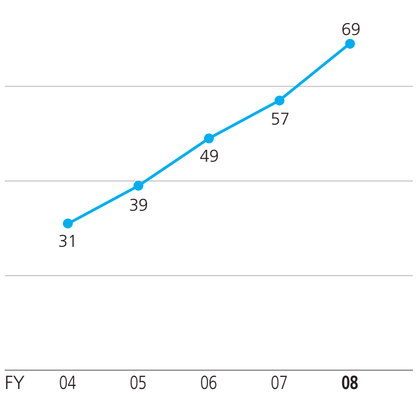
Capital Expenditure

¥ Million



The Domestic Naphtha

¥ Thousand/kl

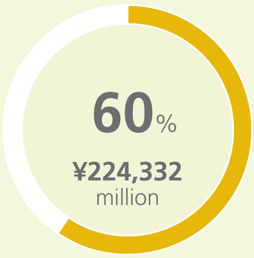


Figures are track record (average result) of Kuraray

Business Segment | **Results by Business Segment**

Chemicals and Resins

Net Sales

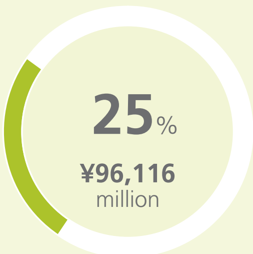


Operating Income*

Sales and earnings decreased in the Chemicals and Resins Business. Optical-use poval film was affected by an inventory correction of LCD panels. Sales of Poval resins for processing fibers and textiles, processing paper, and polymerization agent of vinyl chloride resin have been sluggish in Asia since October 2008. For PVB film, the demand for interlayers for architectural glass remained favorable. In business of *EVAL*, an EVOH resin, the sales for gasoline tank applications have significantly fallen and the demand for food packaging applications also declined. The sales volume of *SEPTON* thermoplastic elastomer decreased due to a drop in demand. Sales of specialty chemical remained sluggish. The business of methacrylic molding materials etc. saw a big drop in demand and more severe conditions since October 2008.

Fibers and Textiles

Net Sales

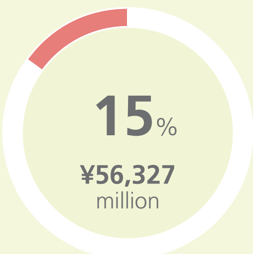


Operating Income*

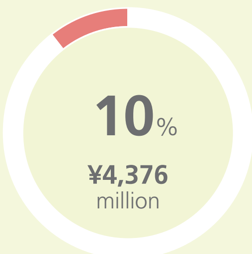
The Fibers and Textiles Business recorded lower sales and earnings. The overseas demand for *KURALON* for FRC (Fiber Reinforced Cement) as an alternative to asbestos remained firm, however, the demand for automobile brake hoses remained sluggish. In *CLARINO* man-made leather business, the sales volume for shoe and other applications decreased, which forced us to make a production cutback. The demand for nonwoven fabrics and hook and loop fasteners remained favorable mainly in Japan, but sales have been affected by the slump in industrial material applications.

High-Performance Materials, Medical Products and Others

Net Sales



Operating Income*



The High-Performance Materials, Medical Products and Others Business recorded lower sales and earnings. Sales of dental materials expanded in the United States, Europe and other overseas regions, however, sales decreased as a result of the transfer of the dialysis business to Asahi Kasei Kuraray Medical Co., Ltd. The sales volume of *GENESTAR* heat-resistant polyamide resin significantly decreased due to a sharp drop in demand of mobile phones and personal computers. In the Water Purification Business, sales of activated carbon remained steady mostly with respect to domestic filtration plants.

* The figures for operating income exclude ¥13,044 million which was incurred from the elimination on consolidation and from corporate-wide expenses.

Major Products / Primary Applications

≪ **POVAL, *MOWIOL* (PVA resin)**
Textiles, paper additives, adhesives, PVB resin precursor

≪ **PVA film**
Computers, LCD televisions, monitors

≪ ***MOWITAL* (PVB resin)**
Coating compunds, inks, ceramic binders

≪ ***TROSIFOL* (PVB film)**
Laminated safety glass

≪ ***EVAL* resin (EVOH resin) / *EVAL* film (EVOH film)**
Food packaging materials, plastic fuel tanks

≪ ***SEPTON, HYBRAR* (Thermoplastic elastomer)**
PVC and vulcanized rubber substitute, food packaging materials

≪ **Isoprene chemicals**
Pharmaceutical and agrichemical intermediates, vitamin precursor

≪ ***PARAPET* (Methacrylic resin) / Methacrylic sheets**
Resins for molding, light guides plates, synthetic marble / Signboards, displays

≪ ***KURALON* (PVA fiber) / *KURALON K-II* (New type of PVA fiber)**
Agriculture and fishery materials, civil engineering materials, Cement reinforcing agents / woven and knitted textiles

≪ ***CLARINO, AMARETTA* (Man-made leather)**
Shoes, bags, sporting goods, luxury clothing, interior furnishings

≪ ***KURAFLEX* (Dry-laid nonwoven fabric) / Melt-blown nonwoven fabric**
Wiping materials, wet wipes, surgical masks / Coffee bags, filters

≪ ***VECTRAN* (Polyarylate fiber)**
Rope, fishing nets, and other industrial products

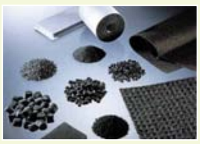
≪ ***MAGIC TAPE* (Hook and loop fastener)**
Clothing, shoes, car seats

≪ **Polyester staple / Polyester filament**
Materials for nonwoven fabrics and industrial materials / Woven and knitted textiles, tents, sheets

≪ ***GENESTAR* (Heat-resistant polyamide resin)**
Electronics parts, auto parts

≪ **High-performance membranes / PVA gel**
Water purification, wastewater treatment

≪ **Dental materials**
Dental adhesives, dental filling materials



≪ ***KURARAY COAL* (Activated carbon)**
Water purification facilities, gas separators, capacitor materials

Rebuilding the Profit Structure and aiming for Future Growth

Q What is the status of the 10-Year Corporate Vision?

A The 10-Year Corporate Vision we launched in fiscal 2006 sets a clear growth target of ¥1 trillion in net sales as the hallmark of our global presence as a specialty chemical company.

The worldwide economic crisis that materialized in the latter half of fiscal 2008 will undoubtedly delay the achievement of our quantitative goal. However, the economic conditions have no effect on our core values and determination to realize sustainable growth centered on quality. We are taking steps to quickly reconstruct the Company's profit structure to regain our momentum toward attaining ¥1 trillion in net sales.

Q Why ¥1 trillion in net sales?

A The target was set as an easily identifiable feature of a chemical company with a global presence. The distinctive features of Kuraray's businesses put us in a unique position for addressing environmental issues and other needs of society. The challenge to become a ¥1 trillion corporation is a manifestation of our desire to broaden the contribution we can make to society through our operations.

The ¥1 trillion figure is a vision for our Company as we would like it to be in the future and is not a growth target to be achieved solely by our current business segments. We intend to attain this goal primarily by expanding our core business globally and developing new business themes. We anticipate market growth overseas as newly emerging economies fill out their growth potential which will lessen the domestic percentage of our overall business while our operations expand in the North, Central and South America and across Asia.

Since Kuraray's inception, our corporate culture has centered on "contributing to the world and individual well-being through actions that others are unable to produce." We are seeking to achieve sustainable growth into the long-term by applying our innovative technologies to provide effective solutions for the environmental issues facing our planet today, such as global warming, the depletion of natural resources, water and food shortages, and environmental pollution, and to realize harmony between the environment and society in all business activities.

Each of the new business fields we are focusing on-new energy, water treatment, and environmentally friendly materials-focuses on specific aspects of these global issues. We aim to exercise our accumulated technical and market-related knowledge and maximize our value-creating potential to amplify our growth capabilities and fulfill our objective of becoming a trillion-yen corporation.

Q What are the main strategies of the "GS-Twins" medium-term action plan?

A The primary objectives of the "GS-Twins" plan are to reestablish the Company's profit structure, which eroded severely during the economic crisis, to set us back on track toward the targets set in the "GS-21" and to lay the essential groundwork for the key elements in Company's further growth: the development and expansion of new businesses and acceleration of the global strategies for the core business.

The key initiatives are the following.

1. Improve the Profit Structure

We are focusing on five key areas for improving the profit structure.

a) Improve the business portfolio (reduction of and withdrawal from less profitable business fields)

Each product field is under review, and we intend to eliminate any product field that does not show future promise. We are also examining whether products would be able to survive in shrinking markets.

b) Make effective investments in facilities (selection of investment projects)

We are applying zero-base budgeting to our capital investments and reviewing scrutinizing each investment in terms of necessity and urgency. We also plan to review our existing facilities and equipment in light of the market trends and will scale down our equipment inventories by retiring or disposing of equipment that will not be beneficial as our business evolves.

c) Improve cash flow (reduction of inventory)

A deteriorating balance sheet during a serious economic crisis is a sign that the company's sustainability is in danger. Rising inventories become a threat to bloat working capital and erode the financial position. Kuraray's inventories are currently in the ¥70~80 billion range. Reducing this amount by 25% would secure roughly ¥20 billion in cash. We are coordinating our production and sales activities to reduce inventories as much as possible. At the same time, we are maintaining strict control of inventories by closely monitoring sales trends and appropriately adjusting production activities.

d) Improve break-even point through thorough reduction of expenses and costs (particularly reduction of the fixed cost)

The plummet in demand has intensified market product competition. To remain competitive, we must radically reduce our overall business costs in all areas, including capital investment, personnel, and expenses. While taking steps to lower fixed costs, we are also aggressively implementing strategies to maximize profitability, such as reducing raw material and fuel costs and maintaining our product prices, with the aim of improving the break-even point ratio.

e) Downsize its organization and optimize its personnel

Although varying by business, our overall average utilization rates decreased by 50% in the fourth quarter of fiscal 2008. The sharp erosion in the break-even point ratio and the need to achieve profit from just 80% of sales requires that we act swiftly to optimize our human resources and apply the same intense scrutiny as with our equipment inventories.

2. Create and Expand New Businesses

We are applying management resources to key areas with high market growth and potential applications for the company's technologies with the aim of creating and developing the next generation of environment-related businesses.

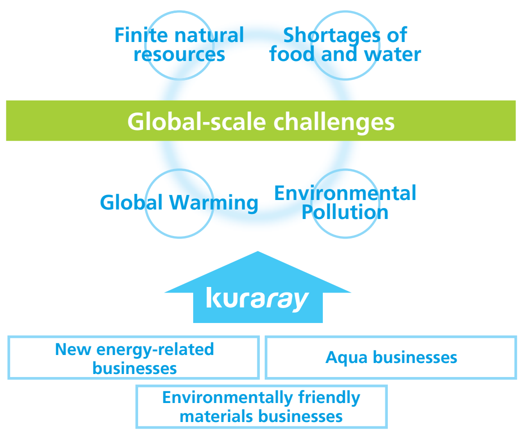
In the environment sector, we are focusing on and specializing in sewage treatment and recycling and the recovery of valuable materials. In the energy sector, we are concentrating on new energies, particularly solar energy (solar cell panel encapsulant, etc.) and hydrogen energy (fuel cell materials, etc.). Our focus in new optical and electronic materials is on lighting components, transparent conductive film, and other materials that we are aiming to rapidly bring to market.

We anticipate rapid growth in each of these important market sectors and are forming concrete strategies to expand our presence and develop the associated businesses into key Company operations. To this end, we are concentrating management resources and gathering the Group's strengths around these fields.

3. Accelerate the Global Core Businesses Strategies

We aim to expand our regional businesses for our vinyl acetate-related products and other globally competitive core materials by further cultivating our presence in currently existing markets and through M&A and accelerated business development in emerging markets.

In the vinyl acetate-related businesses, for example, we currently have no production base for polyvinyl alcohol (PVA)



Green & Safty :	Focus on environment and safety
Growth & Sustainability :	Pursue growth and sustainability

Year 2011 Restore the highly profitable structure emphasized in "GS-21"
Year 2018 Promote our growth to be a ¥1 trillion company



resin in the United States, and we have not yet established production bases for *EVAL* ethylene vinyl alcohol (EVOH) resin to supply the vast markets of India and China. At the same time, one of our specific objectives is to establish full-fledged production bases for Polyvinyl butyral (PVB) in Asia, North America, and Japan, since PVB is only produced in Europe.

In addition, we are highlighting "Safety" in our operations and have signified this priority with the S in the title of our GS-Twins medium-term action plan. Accidents and injuries are detrimental to the individual and the company and ultimately lead to a great loss. From now, such irregular activities as the subsequent reduction in output, redevelopment, production test and others are expected to increase. For the safety of our employees, we are placing special emphasis on verifying and reverifying the safety of all out operations.

Q What are the financial, capital, and shareholder return policies under GS-Twins?

A Improving capital and asset efficiency remain as important issues. Amid the current worldwide economic climate, our top priority is elevating operating income to the ¥50 billion level that was the objective of the previous GS-21 plan. Regaining this level of income will improve other indicators of capital and asset efficiency, indicated by ROE*1 and ROA*2.

We are also endeavoring to improve the balance sheet. Under the present economic conditions, we believe this can be best done by securing cash. Our financial standing is one of the Company's strong points and is such that we can maintain a healthy 50% equity ratio even if we were to procure as much as ¥200 billion through loans and other debt. We plan to leverage our strong financial position to conduct opportune and carefully selected investment, including M&A, to expand our business.

The GS-21 plan set specific targets of providing a dividend payout ratio of 30% or more and maintaining a 70% shareholder return ratio (combining dividends paid and share buybacks). The newly adopted GS-Twins plan reiterates our commitment to maintaining our 30% or more dividend payout ratio. In the current economic conditions, however, we believe it prudent to judiciously examine the financial situation when considering buying back Company shares. While giving full consideration will be given to our business performance, cash status, and other factors, we are concerning to maintain a suitable dividend amount as we recover from the recent plummet in business results and reestablish a growth trajectory for the Company.

Notes:
1. Return on equity (ROE) = Net income / Average shareholders' equity X 100 (%)
2. Return on assets (ROA) = Operating income / Average total assets X 100 (%)

Kuraray Asia Pacific Established

Kuraray Asia Pacific Pte. Ltd. was established on July 1, 2008, as a hub for Kuraray Group activities in the Asia Pacific region. The company will conduct a wide range of operations including the production and sale of polyvinyl alcohol (PVA) resin and the sale of a various chemical products including polyvinyl butyral (PVB) resin and film and related chemicals in the Asia Pacific region.

Kuraray Asia Pacific was established to advance the Group's objective to broaden operations beyond conventional general-purpose PVA resin products and promote higher value-added products to meet the increasingly sophisticated user needs. The company also expands the Group's business horizons beyond PVA resin to new businesses for PVB resin and film and related products. Kuraray Asia Pacific will serve as an operational hub for Kuraray Group and support the Group's development of the rapidly growing markets in Asia and Oceania, including China and India.

Kuraray Asia Pacific Pte. Ltd.

Overview of Kuraray Asia Pacific Pte. Ltd.

Company name:	Kuraray Asia Pacific Pte. Ltd.
Capital:	US$27,775,000 (Kuraray 100%)
President	Shinzo Takemura
Location:	Pulau Sakra, Singapore
Business activities:	Production of PVA resin Sale of PVA resin and other Kuraray Group products in the Asia Pacific Region
Production facilities:	PVA resin production facilities: 40,000 tons/year

2008 First Quarter

4 5 6

Earthquake Relief Funds Donated to Sichuan, China

Kuraray presented a ¥5 million monetary donation to help with relief following the large earthquake that struck Sichuan Province, China.

Dedication Ceremony Held for the New *GENESTAR* Production Facility

On June 4, 2008, Kuraray held a ceremony commemorating the completion of construction of new production facilities at the Kashima Plant in Kamisu City, Ibaraki Prefecture, for the heat-resistant polyamide resin *GENESTAR*. The new facility adds 5,500 tons of annual production output of *GENESTAR*.

Developed from proprietary Kuraray technologies and commercialized in 2000, the heat-resistant polyamide resin *GENESTAR* is receiving increased attention as a cutting-edge material enabling lead-free processes in the electric and electronic fields. In addition, it has the potential to attract increasing demand from the automobile parts manufacturing and other new fields.


New production facilities for resin *GENESTAR*


GENESTAR

	Production Facilities	Previous capacity	Expansion 2008 operation
GENESTAR	Kashima Plant		5,500
	KURARAY SAIJO CO.,LTD.	5,500	5,500
	Total	**5,500**	**11,000**
Monomer nonane-diamine	Kashima Plant	3,000	(shutdown) 7,000
	Total	**3,000**	**7,000**

Kuraray Homepage Redesigned and Enlarged

The newly designed Kuraray homepage at www.kuraray.co.jp/en/ was launched on August 21, 2008, with easier to use functions and an expanded information access. The new functionality includes scalable font sizes, categorized news and topics for easier information searches, and revised content and expanded information for investors.

Current web site


Former web site

Winners of the Sixth *PARCASSIO* Beautiful Legs Awards Announced

Kuraray announced the winners of the sixth *PARCASSIO* Beautiful Legs Award honoring women with healthy and beautiful legs. *PARCASSIO* is a premium man-made leather developed by Kuraray that enhances the features while maintaining the texture of natural leather. We advanced our tanning process technology for the material surface, enabling the achievement of subtle silhouettes that had been difficult to accomplish with natural leather while also giving the material durability that is ideally suited to shoes. The expanded possibilities for shoemaking that *PARCASSIO* offers has launched a new era of shoe design to enhance the beauty of legs.

The award and order-made *PARCASSIO* high-heel shoes were presented to actress Ryoko Hirosue, actress Asaka Seto, actress Miki Maya, and volleyball player Kaoru Sugayama.


Shoe of the recipients of the Beautiful Legs Awards

The award winners

7 8 9 Second Quarter

Dental Materials Sales Network Augmented in Europe

Kuraray and Kuraray Medical Inc. established new marketing bases in the Netherlands and Italy on July 1, 2008, to augment the dental materials sales network in Europe.

Dutch distributor made into wholly owned subsidiary

Kuraray acquired all outstanding shares of Acacia Dental Trade & Marketing, Kuraray Medical's distributor in Benelux countries, and converted the company to a wholly owned subsidiary of Kuraray Europe GmbH (KEG), Kuraray's European subsidiary. KEG assumed Acacia's local commercial rights, thereby bolstering its capabilities as the European marketing base for the Group's dental materials.

Italian subsidiary established

The Company established and launched activities at Kuraray Dental Italia S.r.l., a new wholly owned subsidiary of KEG, for marketing and technical services in Italy. Kuraray Medical terminated its agreement with its previous distributor in the country, and KEG began conducting direct sales in Italy in January 2009.

Kuraray Medical's core business is developing and marketing dental materials with focus on dental fillings and adhesives that are natural looking and durable. In recent years, Kuraray Medical has been leveraging its high level of expertise, honed in the demanding Japanese market, to drive its global business expansion. In the three years (FY2005-2007), Kuraray Medical has increased the overseas sales share of its dental materials business from 52% to 60%.

India Subsidiary Established

Kuraray established a subsidiary company in India to meet the accelerating development of the local market.

Company name:	Kuraray India Private Limited
Location:	Saket, New Delhi, India
Representative:	Shinichi Sato
Capital:	72 million rupees (Kuraray 100%)
Establishment:	September 19, 2008
Business activities:	Market development and sales of Kuraray Group products in India

PVB Resin-Related Intellectual Property Acquired

Kuraray Europe GmbH (KEG) entered into a contract to acquire PVB resin-related intellectual property from a subsidiary of German chemical maker Wacker Chemie AG. Under the contract, KEG will acquire patents, technical expertise, and brand name usage for its core PVB resin operation.

Intellectual property acquired:

1. Manufacturing and application patents for specialized PVB resins
2. Technical expertise for the manufacture and use of specialized PVB resins
3. The PIOLOFORM brand of PVB resins

10 Third Quarter 11 12

KURALON Fiber Manufacturing Facilities Completed and Commenced Operations

Kuraray completed the expansion construction and commenced operations at the Okayama Plant in December 2008. Production capacity was increased by 5,000 tons annually, raising the plant's *KURALON* (PVA fiber) production capacity to 40,000 tons annually.

With regulations worldwide coming into force limiting the use of asbestos, demand is growing for *KURALON* fiber-reinforced cement (FRC) materials for use as a building materials, such as for residential roofing. In addition to the existing markets centered on Western Europe and Japan, the market for *KURALON* is expected to expand substantially in Eastern Europe, Asia, and Central and South America.

Roofs and walls using *KURALON*

Kuraray Group Marketing Base Established in Northern Europe

Kuraray Europe GmbH (KEG) established a new subsidiary in Finland to reinforce the Group network in Europe and accelerate market development in Eastern Europe.

Company name:	Kuraray Nordic Ab Oy
Location:	Vantaa (Helsinki), Finland
Representative:	Keijo Oksanen
Capital:	€50 thousand (KEG 100%)
Establishment:	December 19, 2008
Business activities:	Marketing development and sales of Kuraray Group products in Northern Europe

Kuraray Selected as One of the Global 100 Most Sustainable Corporations in the World for the Fifth Consecutive Year

The Global 100 Most Sustainable Corporations in the World are selected by Canadian publisher Corporate Knights Inc. from approximately 1,800 leading corporations worldwide based on evaluations conducted by the U.S. investment research firm Innovest Strategic Value Advisors Inc. in such areas as environmental, social and corporate governance activities. Kuraray has been selected as one of the Global 100 Most Sustainable Corporations in the World in each of the five years of the existence of the list. Kuraray's continued selection to the list of the most sustainable large corporations in the world is in recognition of the Company's long-established balance of environmental, social, and corporate governance activities along with its commitment to corporate sustainability.

MOST SUSTAINABLE CORPORATIONS
GLOBAL 100

Global 100 logo

2009

1 Fourth Quarter 2 3

Kuraray Supports the Tetsuya Utsumi School Bag Foundation

Kuraray is a prominent supporter of the Tetsuya Utsumi School Bag (Randoseru) Foundation established by Yomiuri Giants, one of the Japanese Major League baseball team, pitcher Tetsuya Utsumi. Utsumi has pledged to donate one new school bag for each strikeout he records during the baseball season to children living in orphanages in the cities of Tokyo and Kawasaki who will be entering elementary school in the coming year. Kuraray, whose man-made leather *CLARINO* is widely used in the sturdy school bags, is supporting the philanthropic effort through special negotiations with manufacturers of the bags, assistance in the distribution, and other related activities.

Note: At a special ceremony to announce the establishment of the Tetsuya Utsumi School Bag Foundation in January 2009, Utsumi presented school bags to seven children entering elementary school in the spring.

Kuraray Receives Minister's Award at the 18th Global Environment Awards

At the Fujisankei Communications Group's 18th Global Environment Awards, Kuraray was honored with the Minister's Award from the Ministry of Education, Culture, Sports, Science and Technology for its contribution to environmental preservation through the development of a highly effective wastewater treatment system that has been highly acclaimed for its water purification and excess sludge reduction technology. The Kuraray Group is actively developing technologies and systems designed to address environmental issues, and the Minister's Award is a recognition of the advances we have achieved.

The Kuraray Saijo Plant's wastewater treatment facility utilizes the system

Corporate Governance

Basic Philosophy on Corporate Governance

Kuraray believes that the maintenance of appropriate relationships with various stakeholders including shareholders and the fulfillment of social responsibilities are consistent with Kuraray's objective of achieving long-term improvement in business results and sustainable growth as a global company. Kuraray believes it is a fundamental and important obligation to fulfill its social responsibilities by enhancing corporate governance and establishing highly transparent and fair corporate management.

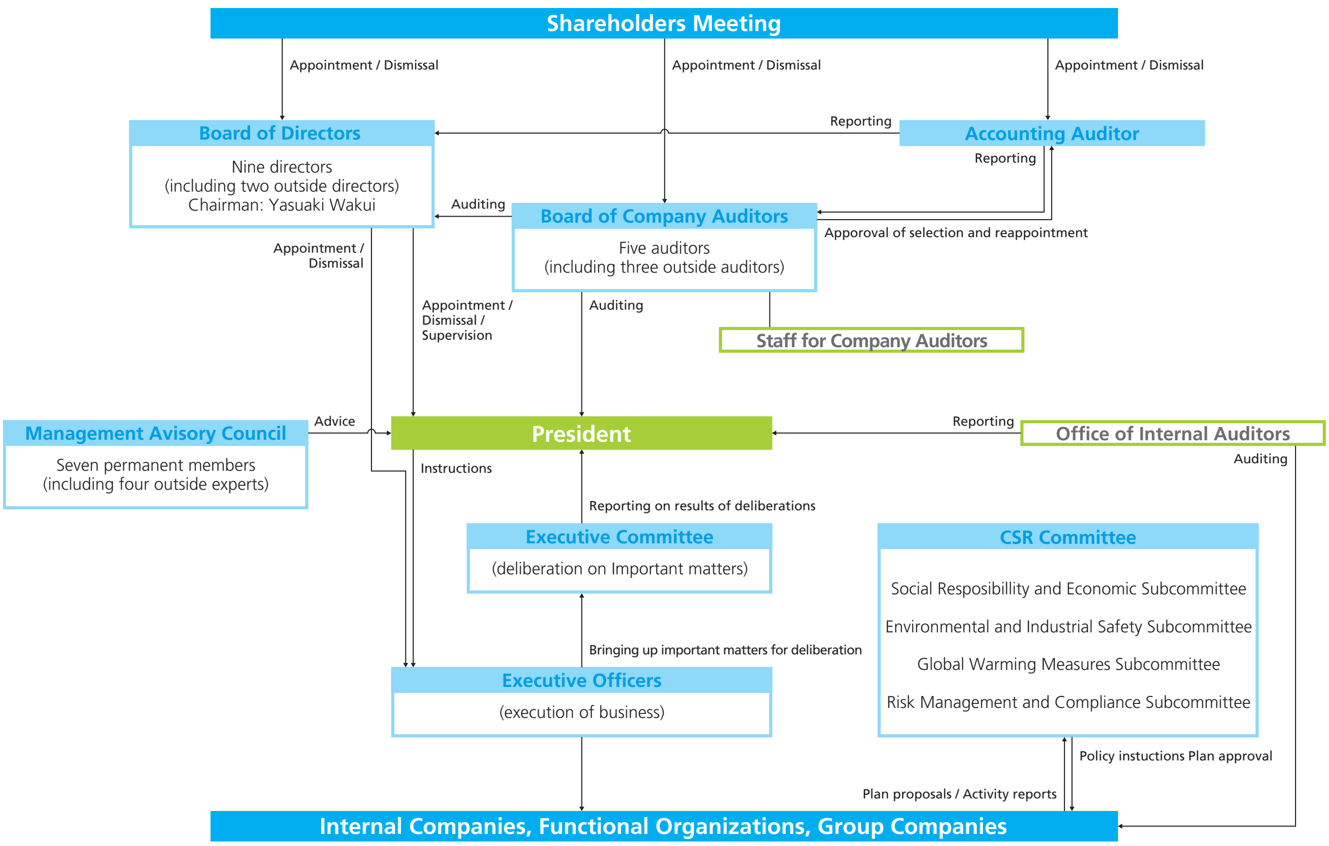
As a company with a Board of Company Auditors, Kuraray has established a corporate governance system centered on its board of directors and board of auditors to improve the effectiveness of supervisory and monitoring functions while maintaining management efficiency and to provide guidance for issues including management compensation, selection of new company officials, internal controls, and risk management.

Corporate Governance Systems

1. Board of Directors and Executive Organization

The Board of Directors establishes the Board of Directors' Regulations, deliberates and decides important management matters, including legal matters, and supervises the execution of business. The maximum number of directors is 10, and the term of office is one year. There are currently nine board members, including two outside directors. No personal, capital, transactional or other type of relationship that would present a conflict of interest exists between the company and outside directors.

Kuraray has entered into an agreement with each outside director, limiting their responsibility for damage compensation in accordance with Article 1, Paragraph 427 and Article 1, Paragraph 423 of the Japanese Company Act. Such agreement limits the liability to an amount provided by law. However, the limits on liability are only approved when the applicable outside director executed the duties that caused the liability without knowledge and gross negligence. As the chief executive responsible for business execution, the president appointed by the Board of Directors exercises control



over the execution of business in the Kuraray Group. Executive officers (one-year term of office) appointed by the Board of Directors are responsible for business execution in the various organizations of the Kuraray Group. As the heads of internal companies, divisions, and major functional organizations, the executive officers bear responsibility for operations and profit. Some Directors hold concurrent positions as executive officers.

The president establishes the Executive Committee (in principle, held twice a month) and other various councils and committees to deliberate and report on important matters concerning the Group's management policies and business execution.

2. Board of Company Auditors

The Board of Company Auditors consists of five company auditors, including a majority of three outside auditors independent from Kuraray Group. No personal, capital, transactional or other type of relationship that would present a conflict of interest exists between the company and the outside auditors. The company auditors attend meetings of the Board of Directors and other important meetings, and monitor the directors' performance of duties through inquiries conducted by such means as the examination of important documents and requests for explanations of the state of business affairs. In principle, the Board of Company Auditors convenes monthly. The company auditors regularly convene with accounting auditor, PricewaterhouseCoopers Aarata, and the Office of Internal Auditors (consisting of 12 members), which conducts internal audits. At these meetings, they receive reports on audit content and share information concerning audit planning, implementation, and related matters. The company auditors also serve as company auditors of core subsidiary companies to ensure subsidiary audits are performed appropriately and attend periodic Group Auditor Liaison Meetings consisting of the subsidiary auditors to deepen their understanding of each company.

Kuraray has entered into an agreement with each outside auditor, limiting their responsibility for damage compensation in accordance with Article 1, Paragraph 427 and Article 1, Paragraph 423 of the Japanese Corporate Law. Such agreement limits the liability to an amount provided by law. However, the limits on liability are only approved when the applicable outside auditor executed the duties that caused the liability without knowledge and gross negligence. Kuraray appoints staffs for company auditors (3 members) to assist the auditors in the performance of their duties.

3. Management Advisory Council

The company has established the Management Advisory Council to serve as a consultative body to the president from the perspectives of compliance, the protection of shareholder rights, and management transparency. The Council consists of five permanent members, consisting of one former president and four outside experts with wealth of experience in corporate management or corporate legal affairs. The Council convenes regularly to advise the president on such issues as important management policies and issues, succession of the president, selection of successor candidates, and compensation for the president.

4. Status of Accounting Auditor

No special interests exist between the Company and accounting auditor, PricewaterhouseCoopers Aarata, or the engagement partners of such auditing firm who audits Kuraray. In addition, such auditing firm voluntarily take steps to ensure the engagement partners are not involved in audits of the Company for longer than a prescribed period of time.

Internal Control

Basic Philosophy on Internal Control

The Kuraray Group recognizes that maintaining and implementing internal controls is an important management task. The Board of Directors implements internal controls under the following five categories based on the Basic Policy for Establishing Internal Controls as determined by the Board of Directors.

1. Systems for risk management and to ensure compliance with laws and regulations by directors and employees
2. Systems to ensure efficient execution of duties by the directors and the storage and management of information regarding such execution
3. Systems to ensure appropriate work practices of the corporate group
4. Systems to ensure effective application of the auditor duties
5. The internal control maintenance and operation is administered such that the Office of Internal Auditors conducts internal audits of the Kuraray Group and the corporate auditors conduct audit and oversight of the execution of duties by directors

Board of Directors, Corporate Auditors, and Executive Officers
(As of June 19, 2009)

BOARD OF DIRECTORS

Representative Director and Chairman

Yasuaki Wakui

Representative Director and President

Fumio Ito

Director

Yoichi Ninagawa
Primary Executive Officer,
Chief Technology Officer

Shiro Kataoka
Senior Executive Officer,
President of Chemicals and Medical Products Company

Hiroaki Yoshino
Senior Executive Officer,
President of Fibers and Textiles Company

Toshihide Sakai
Senior Executive Officer,
Responsible for Raw Material Department, Machinery and Supplies Department,
Logistics Department, Department of Global Business Development,
CSR Division, Plants

Kenzo Sawada
Senior Executive Officer,
President of Specialty Resin and Film Company

Kensaku Aomoto*1

Takafusa Shioya*1

CORPORATE AUDITORS

Standing Corporate Auditor

Junsuke Tanaka

Tadahiko Kujime

Corporate Auditor

Hiroo Onodera*2

Hiroki Yamada*2

Mie Fujimoto*2

*1. Directors Kensaku Aomoto and Takafusa Shioya are outside directors.
*2. Corporate Auditors Hiroo Onodera , Hiroki Yamada, Mie Fujimoto are outside corporate auditors.

EXECUTIVE OFFICERS

Senior Executive Officer

Takayoshi Ohsaki
General Manager of Okayama Plant

Mitsuaki Manabe
Responsible for Accounting Department, Finance Department

Executive Officer

Noboru Yanagida
General Manager of PVB Division

Katsuya Hashimoto
General Manager of Saijo Plant

Mitsuo Matsumoto
Assistant to the President

Kohei Maeda
General Manager of CSR Division,
General Manager, Office of Internal Auditors

Yuichi Kawarasaki
Responsible for Corporate Control Department, Corporate Communications Department

Keiji Murakami
General Manager of EVAL Division

Shinzo Takemura
General Manager of Poval Resin Division

Noritsugu Nagatomo
General Manager of Niigata Plant

Takaaki Fukumori
Responsible for General Affairs Department, H.R. Department,
Career Development Department

Kazuhiro Tenkumo
General Manager of Fibers and Industrial Materials Division

Yasuhiro Yamamoto
General Manager of Methacrylate Division

Matthias Gutweiler
President of Kuraray Europe GmbH

Jean-Marie Baetens
President of EVAL Europe N.V.

Nobuya Tomita
President of Kuraray America, Inc.

Osamu Yamada
General Manager of Kashima Plant

Takao Akagi
General Manager of New Business Development Division

Setsuo Yamasita
General Manager of Kurashiki Plant

Shuichi Takemoto
Responsible for Legal Department,
General Manager, Office of Corporate Strategy and Planning

Financial Section

Contents

Financial Review

Kuraray Co., Ltd. and its Consolidated Subsidiaries

The following section refers to the consolidated financial statements of the Kuraray Group for fiscal 2008 (from April 1, 2008 to March 31, 2009).

SALES

Consolidated net sales decreased 9.8%, or ¥40,824 million (US$416 million), to ¥376,777 million (US$3,844 million).

Sales decreased in the Chemicals and Resins Business by ¥19,452 million (US$198 million), or 8.0 % year on year, to ¥224,332 million (US$2,289 million).

The poval products saw decreases in both sales and earnings. Optical-use poval film was affected by an inventory correction of LCD TVs and liquid crystal panels and the demand for them has further dropped since November 2008, which forced us to make a production cutback. Sales of Poval resins were strong until September 2008. However, sales for processing fibers and textiles, processing paper, and polymerization agent of vinyl chloride resin have been sluggish in Asia including Japan and China since October 2008 due to the global economic slowdown. For PVB film, the demand for interlayers for architectural glass remained favorable throughout the year.

EVAL, an *EVOH* resin, recorded lower sales and earnings. Although the demand for the resin remained comparatively strong until September 2008, the sales for gasoline tank applications have significantly fallen due to remarkably sluggish sales of automobiles since the financial crisis and the demand for food packaging applications also declined.

Sales and profit of isoprene-related products decreased overall. The sales volume of *SEPTON* thermoplastic elastomer decreased due to a drop in demand which began in the Asian region in August 2008 and has expanded worldwide. Sales of specialty chemical remained sluggish due to lagging sales of solvents and other products.

Sales and earnings of methacrylic resin decreased. The business of molding materials etc. saw a big drop in demand and more severe conditions because the market environment has drastically changed since October 2008.

The Fibers and Textiles Business recorded lower sales and earnings. Sales decreased ¥9,118 million, or 8.7% year on year, to ¥96,116 million (US$980 million).

Sales of *KURALON* leveled off while earnings fell. Although the overseas demand for *KURALON* for FRC (Fiber Reinforced Cement) as an alternative to asbestos remained firm, however, the demand for applications such as automobile brake hoses remained sluggish.

Sales and earnings of *CLARINO* man-made leather fell. The sales volume for shoe and other applications decreased, which forced us to make a production cutback.

The demand for nonwoven fabrics and loop fasteners remained favorable mainly in Japan, but sales have been affected by the slump in demand for industrial material applications since October 2008.

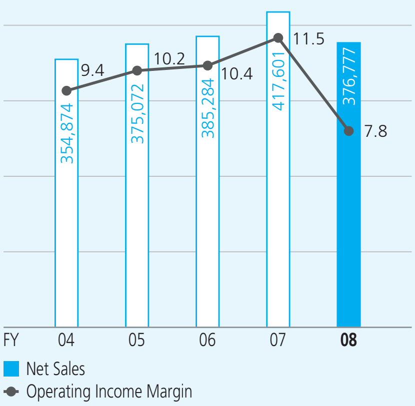
Sales of long-fiber polyester remained steady for sports clothing, but exports to the Middle East, Europe, and other regions declined due to a sharp appreciation of the yen in addition to a slump in sales of other clothing items. The decreasing demand also affected both the domestic demand and exports of short-fiber polyester.

The High-Performance Materials, Medical Products and Others Business recorded lower sales and earnings. Sales decreased ¥12,253 million, or 17.9% year on year, to ¥56,327 million (US$574 million).

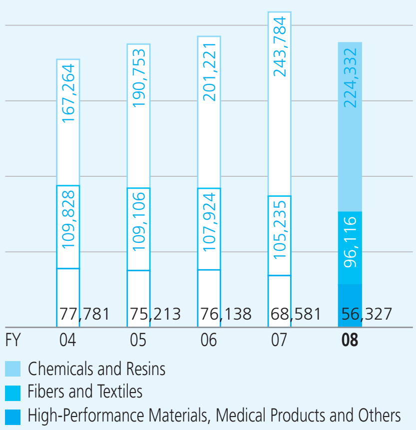
In the medical business, sales of dental materials expanded in the United States, Europe and other overseas regions, however, sales decreased as a result of the transfer of the dialysis business in October 2007 to Asahi Kasei Kuraray Medical Co., Ltd.

The sales volume of *GENESTAR* heat-resistant polyamide resin significantly decreased due to a sharp drop in demand of principal

Net Sales & Operating Income Margin ¥ Million, %



Net Sales by Business Segment ¥ Million



users for mobile phones and personal computers. As a result, Kuraray began to operate a facility to expand production (to an annual capacity of 11,000 tons from 5,500 tons), however, operations only lasted for a short period.

In the Water Purification Business, sales of activated carbon remained steady mostly with respect to domestic filtration plants.

Other businesses remained sluggish and sales dropped mainly due to decreasing external construction work in the engineering business.

Sales of almost all products including optical-use poval film and *CLARINO* in Japan have remained sluggish since October 2008. KURARAY ENGINEERING received significantly fewer orders for plants for private companies. As a result, its net sales decreased to ¥251,583 million (US$2,567 million), respectively.

Although sales of dental materials remained favorable, sales of *EVAL* for gasoline tank applications and *CLARINO* man-made leather remained sluggish throughout the year. Sales of *EVAL* for food packaging applications and *SEPTON* have also been affected by a drop in demand since October 2008. Net sales and operating income decreased on a yen conversion basis due to an appreciation of the yen against the dollar. As a result, sales in North America decreased to ¥28,288 million (US$288 million).

In Europe, although the demand for Poval resins and *EVAL* for food packaging applications has decelerated since October 2008, sales of PVB film for architectural glass, *KURALON* as an alternative to asbestos, and dental materials remained favorable throughout the year with an increase in sales. As a result, sales increased to ¥76,961 million (US$785 million), respectively.

In Asia, Kuraray took entire ownership of POVAL ASIA PTE LTD. (current Kuraray Asia Pacific Pte.Ltd.) in January 2008 and additionally consolidated two Chinese companies (Kuraray (Shanghai) Co., Ltd. and Kuraray Trading (Shanghai) Co., Ltd.) as subsidiaries. As a result, sales grew to ¥19,944 million (US$203 million), respectively.

OPERATING AND NET INCOME

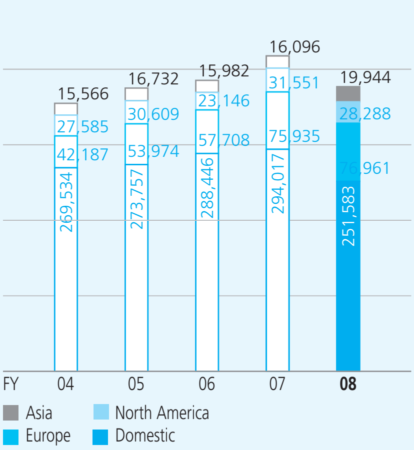
Cost of sales decreased 6.5% to ¥275,912 million (US$2,815 million), and rose as a percentage of sales to 73.2%, from the previous fiscal year's 70.7%. Selling, general, and administrative (SG&A) expenses decreased 3.6% to ¥71,585 million (US$730 million), up 1.2 percentage points year-on-year to 19.0% as a percentage of sales, despite to cost cutting efforts. As a result, operating income decreased 39.2% to ¥29,280 million (US$298 million). Operating margin worsened to 7.8% from 11.5% in fiscal 2007.

The substantial decline in production since October, 2008 due to the global recession, special operating losses of ¥3,994 million (US$40 million), and loss on valuation of inventories ¥1,153 million (US$11 million) have been recorded as extraordinary loss. These and other factors combined to a decrease in income before taxes and minority interest of 50.6% to ¥19,523 million (US$199 million). Taxes for the period came to ¥6,388 million (US$65 million), yielding an effective tax rate of 32.72%. Net income was down 49.2% to ¥12,984 million (US$132 million).

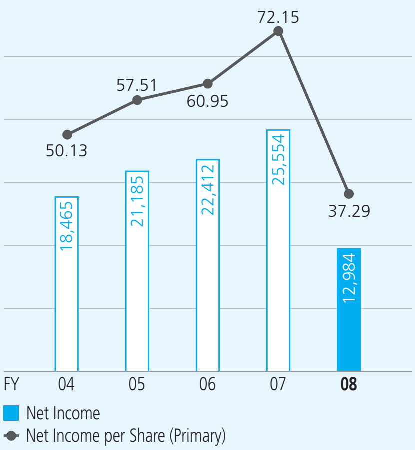
FINANCIAL POSITION

As of March 31, 2009, cash and cash equivalents rose ¥33,968 million (US$346 million) to ¥46,157 million (US$470 million). Notes and accounts receivable decreased ¥28,921 million (US$295 million) to ¥66,551 million (US$679 million). Lastly, inventories (merchandise and finished goods, work-in-progress, and raw materials and supplies) increased ¥1,017 million (US$10 million) to ¥73,552 million (US$750 million), and the number of months' sales in inventory was 2.3 months, a deterioration from what was recorded in fiscal 2007, which was at 2.1 months. As a result of these and other factors, current assets rose 2.6% to ¥201,358 million (US$2,054 million). Working capital (current assets less current liabilities) rose ¥25,108 million (US$256 million) to ¥132,317 million (US$1,350 million). The current ratio (current assets divided by current liabilities) rose to 291.6% from

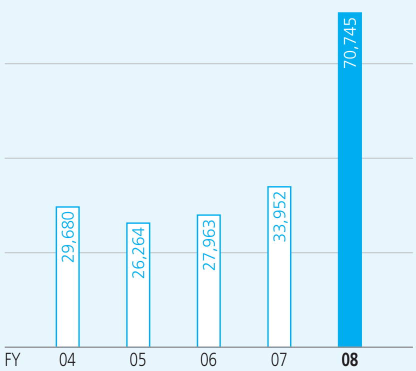
Net Sales by Geographic Segment ¥ Million



Net Income & Net Income per Share (Primary) ¥ Million, ¥



Interest-Bearing Dept ¥ Million



fiscal 2007's 220.4%. Tangible fixed assets decreased ¥11,342 million (US$115 million) or 5.9% to ¥181,020 million (US$1,847 million). This included factors such as a decrease in machinery and equipment, of ¥7,693 million (US$78 million), to ¥102,536 million (US$1,046 million) and a fall in construction-in-progress, of ¥5,322 million (US$54 million), to ¥21,188 million (US$216 million). Investments and other assets fell ¥1,738 million (US$17 million) to ¥65,974 million (US$673 million). Total assets decreased ¥18,491 million (US$188 million) to ¥471,874 million (US$4,815 million), and return on assets (operating income divided by average total assets for the period) was down by 3.5%, from last year to 6.1%.

Current liabilities decreased ¥20,033 million (US$204 million) to ¥69,041 million (US$704 million). A decrease of ¥15,732 million (US$160 million), to ¥23,438 million (US$239 million) in notes and accounts payable, along with other factors, was the cause of the current liability decrease. Noncurrent liabilities increased ¥21,359 million (US$217 million) to ¥77,816 million (US$794 million). Factors for the increase included an increase in long-term loans payable of ¥27,326 million (US$278 million), to ¥39,280 million (US$400 million), and an increase in provision for retirement benefits of ¥974 million (US$9 million), to ¥13,933 million (US$142 million). Lastly regarding net assets, from fiscal 2006 onward, Japanese accounting standards require presentation of net assets instead of shareholders' equity. Net assets decreased ¥19,817 million (US$202 million) to ¥325,016 million (US$3,316 million). The principal factor of the decrease was a drop in foreign currency translation adjustment and valuation difference on available-for-sale securities. Subtracting minority interests of ¥2,988 million (US$30 million) to yield shareholders' equity of ¥321,918 million (US$3,284 million), the equity ratio for the period was 68.2%, down 1.5% from fiscal 2007.

CASH FLOWS

Looking at the cash flows for the current fiscal year, the net cash provided by (used in) operating activities was ¥46,919 million (US$478 million), net cash provided by (used in) investment activities decreased ¥2,789 million (US$28 million) to ¥42,428 million (US$432 million), and net cash provided by (used in) financing activities was ¥30,032 million (US$306 million). The balance of cash and cash equivalents at the end of the consolidated fiscal year increased by ¥33,968 million (US$346 million) from the end of the previous consolidated fiscal year to ¥46,157 million (US$470 million).

The details of individual cash flows provided by (used in) operating activities, investment activities, and financing activities are as follows:

Net cash and cash equivalents provided by (used in) operating activities ¥46,919 million (US$478 million) was calculated by deducting the expenditure ¥15,031 million (US$153 million), such as payment of corporate taxes etc, from the earnings such as income before income taxes ¥19,523 million (US$199 million) and depreciation and amortization ¥37,147 million (US$379 million).

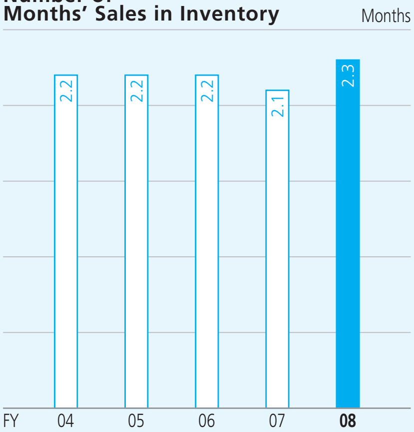
Net cash and cash equivalents provided by used in investment activities ¥42,428 million (US$432 million) was calculated by deducting the expenditure, such as purchase of tangible and intangible fixed assets ¥38,780 million (US$395 million) and purchase of investment securities ¥4,128 million (US$42 million), from proceeds from sales and redemption of investment ¥1,534 million (US$15 million).

Net cash and cash equivalents provided by (used in) financing activities ¥30,032 million (US$306 million) was calculated by deducting the expenditure, such as cash dividends paid ¥8,009 million (US$81 million), from the earnings such as short-term loans payable ¥4,343 million (US$44 million) and long-term loans payable ¥32,266 million (US$329 million).

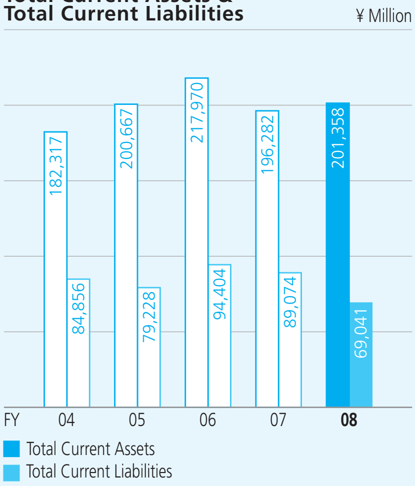
RESEARCH AND DEVELOPMENT

All division R&D and corporate R&D activities in each Kuraray segment, business division, and group companies are closely coordinated and guided by our corporate mission to open new

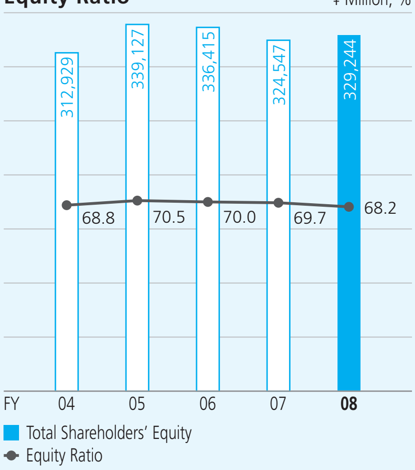
Number of Months' Sales in Inventory



Total Current Assets & Total Current Liabilities



Total Shareholders' Equity & Equity Ratio



fields of business using pioneering technology and contribute to improving the natural environment and quality of life.

The GS-21 Medium-term Business Plan implemented in fiscal years 2006 to 2008 aimed to "shift R&D emphasis from quantity to quality to transform Kuraray into a specialty chemicals company capable of sustainable growth." The plan outlined a companywide policy to concentrate business development on our highly refined, high-performance materials and components focused in the promising growth fields of optics, electrical and electronics, automobiles, environmental products, energy, and health care.

The Corporate R&D division administers operations of the Kurashiki Research Laboratories, Tsukuba Research Laboratories, and Kuraray Research and Technical Center (USA). Divisional R&D activities are headed by R&D departments located on-site at each in-house company, division, and consolidated subsidiary. Kuraray advances its manufacturing technology through the specialized activities of the Manufacturing Technology Development Center, which develops technology following the guideline of a "Fusing Science and On-site Sense." The R&D operations of the Kuraray Group (Kuraray and consolidated subsidiaries) employ 854 researchers and engineers.

R&D expenses totaled ¥16,358 million (US$166 million) in fiscal 2008. R&D expenses by segment were: Chemicals and Resins Business ¥5,054 million (US$51 million), Fibers and Textiles Business ¥2,832 million (US$28 million), and High-Performance Materials, Medical Products and Others Business ¥2,476 million (US$25 million). Corporate R&D expenses amounted to ¥5,995 million (US$61 million).

Chemicals and Resins

Kuraray is a global leader in the vinyl acetate chain products of polyvinyl alcohol (PVA), polyvinyl butyral (PVB), and *EVAL* ethylene vinyl alcohol (*EVOH* resin), and closely coordinates the worldwide operations of its domestic and overseas R&D departments with a focus on development of new product applications, new products, and new production technology.

In gas barrier materials, we are seeking to accelerate the development of application ranges for the newly developed gas barrier materials *EVAL* SP and *KURARISTER*. *EVAL* SP is a new *EVOH* resin offering a high level of flexibility, elasticity, and superior plasticity. *KURARISTER* is a new transparent barrier film for use in food packaging retorts. We are also developing markets for a variety of innovative products, such as super-barrier (scavenger) materials.

R&D activities in thermoplastic elastomers focus on developing new applications and products, such as the new *SEPTON Q* Series incorporating a new thermoplastic polymer suitable for designing polymer alloys that are lightweight and exhibit excellent resistance to abrasion, scratching, and hydrolysis. Kuraray has applied its exclusive polymerization technology to produce the world's first mass production techniques for new acrylic thermoplastic elastomer materials featuring superb transparency, weather resistance, and plasticity and is advancing toward product commercialization.

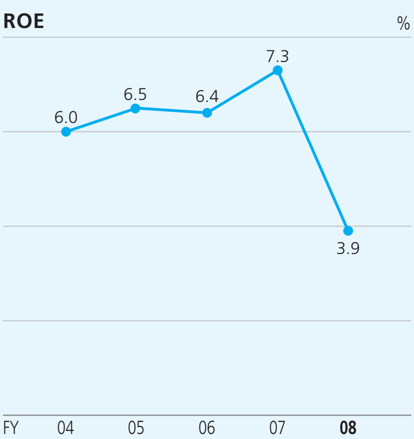
R&D in methacrylic resin concentrates on developing new products and applications emphasizing the distinctive properties of our polymers and in strategic areas for continuing business expansion in the electronic display industry.

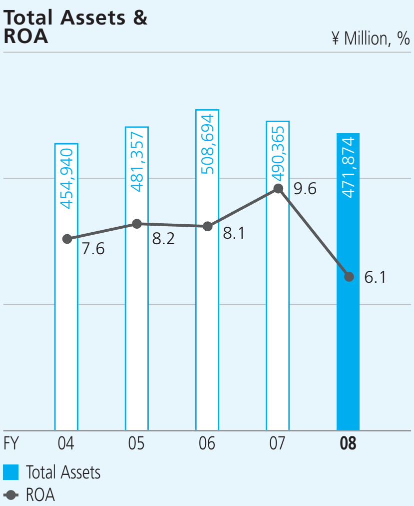
Fibers and Textiles

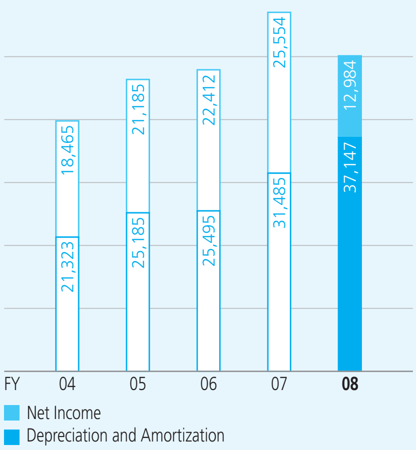
R&D activities in PVA fibers included R&D to develop broader applications for fiber-reinforced cement (FRC) and the start of operations in December 2008 of an expanded mass-production facility.

Research continued to develop new applications to exploit the high-strength, low water absorbency, abrasion resistance, cut resistance, and other characteristics of the high-performance polyarylate fiber *VECTRAN*.

R&D related to the man-made leather *CLARINO* focused on developing next-generation *TIRRENINA* products to be produced







using the Clarino Advanced Technology Systems (CATS), a completely new, environmentally friendly production process. Construction of a new mass production facility for *TIRRENINA* is advancing toward an autumn 2009 commencement of operations.

In new technologies, R&D continues to develop applications for the nonwoven fabric *Flextar*, which uses proprietary Kuraray textile materials, as an elastic, cushioning, and board material. While launching *Flextar* as an elastic autohesion wrap, we are also promoting it as a construction material and conducting presentations at construction industry events to exhibit its superior sound absorbency and insulation characteristics.

High-Performance Materials, Medical Products and Others

R&D related to the heat-resistant polyamide resin *GENESTAR* aims at developing new products and applications to meet the growing demand for electrical and electronic applications and to keep pace with our steadily growing business in the automobile industry.

In the medical products business, advances in development and toward commercialization continued for new orthopedic products.

We enhanced our presence in the water treatment field with the establishment in February 2007 of the joint venture KURARAY AQUA CO., LTD., with Nomura Micro Science Co., Ltd. The company incorporates Kuraray's water purification technology using high-polymer hollow-fiber membrane and PVA gel wastewater treatment system with Nomura Micro's engineering technology. KURARAY AQUA is positioned to meet diverse needs in the globally expanding water treatment market (Kuraray established the Aqua Business Promotion Department in fiscal 2009 to accelerate business growth and fortify the product development structure). Kuraray's *Zecrus* biological wastewater treatment system received the Minister's Award from the Ministry of Education, Culture, Sports, Science and Technology at the 18th Global Environment Awards in February 2009.

CAPITAL EXPENDITURE

The Kuraray Group's (Kuraray and consolidated subsidiaries) capital investment amounted to ¥38,925 million (US$397 million), in fiscal 2008. By segment, the Chemicals and Resins Business invested ¥18,985 million (US$193 million), mainly to expand production capacity optical-use poval film. The Fibers and Textiles Business invested ¥11,351 million (US$115 million), including construction of a new plant for mass production of environmentally-friendly man-made leather. The High-Performance Materials, Medical Products and Others Business invested ¥6,319 million (US$64 million), mainly to expand production capacity of *GENESTAR* heat-resistant polyamide resin. General (non-segment) capital investment amounted to ¥2,268 million (US$23 million).

OUTLOOK

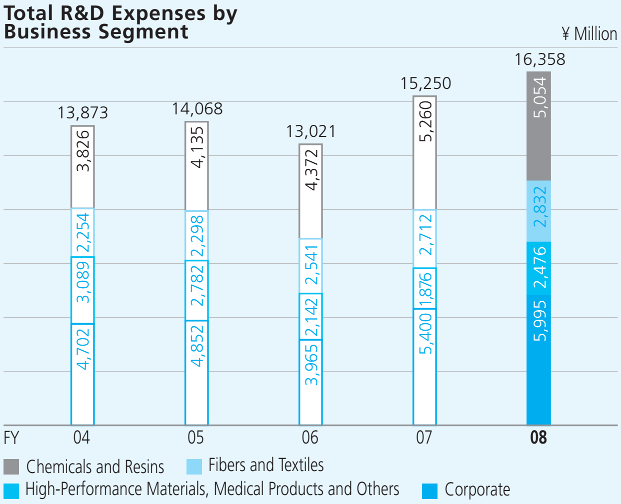
We expect that the global recession triggered by the turbulence in the financial market will continue for some time.

The Kuraray Group has embarked on "GS-Twins," a three-year medium-term action plan (fiscal 2009 to 2011) to quickly revive its earnings structure which has been damaged by the global economic crisis. By implementing this plan, Kuraray intends to generate growth so it can become a specialty chemical manufacturer company with a strong presence, which is an aim of its 10-Year Corporate Vision.

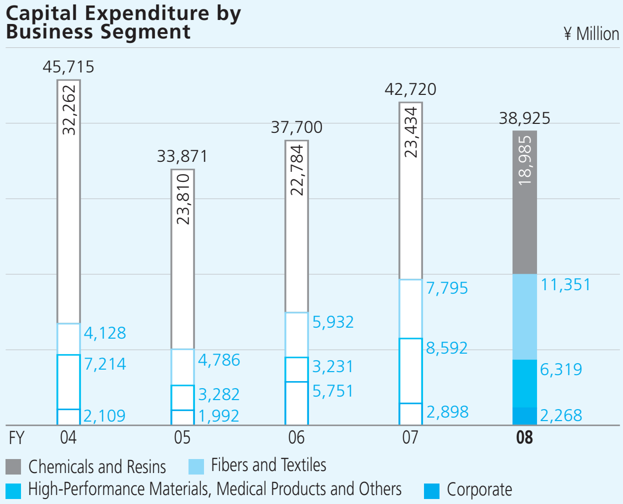
Our forecasts for the fiscal year ending March 31, 2010, are net sales of ¥340 billion, operating income of ¥20 billion, and net income of ¥10.5 billion.

We assume average exchanges rates of ¥100 to the U.S. dollar and ¥135 to the euro, as well as a price of ¥37 thousand per kiloliter for domestically produced naphtha.

Total R&D Expenses by Business Segment



Capital Expenditure by Business Segment



Risk Management

Significant risks that could have an impact on the Kuraray Group's performance (results of operations and financial position) are discussed below. Forward-looking statements in the following sentences represent the Kuraray Group's best judgment as of March 31, 2009.

1. Changes in the market environment

In the rapidly growing information and communication fields, the Kuraray Group supplies a broad variety of materials and components, notably film and molded resin products for flat-panel displays. The Group is strategically expanding net sales and profits in this field, where the market environment can undergo drastic changes within a short period as a result of reverses in industry de facto standards and changes in the supply-and-demand balance. If such events were to occur, sales volumes could contract, sales prices could fall, or businesses could be forced to downsize or withdraw from a market within a short time frame, with an adverse effect on the Kuraray Group's performance.

2. Procurement and price changes of raw materials and fuels

The Kuraray Group is primarily engaged in the manufacture and sales of chemical products, synthetic resins, synthetic fibers and textiles, and finished goods made from the aforementioned. The Group also purchases various raw materials and fuels from external companies, including special materials that can only be procured from limited supplier sources, and those supplied via pipeline from specific suppliers. Therefore, if those procured items became limited in supply or ceased being supplied by natural disasters or by accident at the supplier side, it is possible that the Kuraray Group's performance may be adversely affected.

In the business structure of the Group, the effects of raw materials and fuel prices on cost of sales are relatively large. If high market prices for crude oil, natural gas, or raw materials required for our products, such as ethylene and other chemical materials, cannot be offset by internal measures such as increases in productivity and passing costs along in sales prices, it is possible that the Kuraray Group's performance may be adversely affected.

3. 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, and Asia. 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 may be affected negatively by exchange rate fluctuations if they exceed the scope of our assumption.

4. Product defects

The Kuraray Group has instituted thorough product quality-control measures, and the Group carries liability insurance against product liability claims. However, the possibility exists that major product defects arising from unforeseeable causes could necessitate a large-scale product recall or large amount of compensation. Under such circumstances, recall expenses, compensation, indemnities of customers, legal costs thereof, and loss of public trust could adversely affect the performance of the Kuraray Group.

5. Litigation, official regulations, etc.

Engaged in a broad range of business activities, the Kuraray Group is subject to potential litigation across numerous fields. In the fiscal year under review, Kuraray did not face litigation of a material nature. In the event the Group is subject to future litigation, however, its performance could be adversely affected.

In the business fields of the Group, there are various official regulations on products, raw materials, etc. In the event that these regulations are tightened and a lot of time and expenses are needed to respond thereto, or customers' business policies change thereby, the performance of the Kuraray Group could be adversely affected.

6. Accidents, disasters and environmental measures

The Kuraray Group has manufacturing facilities in Japan, Europe, North America, and Asia. Many of these are large chemical plants that use a variety of chemicals. If an unexpected industrial accident or release of pollutants to the environment should occur, the loss of the lives and property of employees and third parties could result in claims against the assets of the Kuraray Group and halt manufacturing operations for long periods, adversely affecting the performance of the Kuraray Group.

The occurrence of earthquakes, floods, or other natural disasters, an epidemic of communicable disease or other medical incidents, wars, riots, terrorist attacks, trouble with information and communication systems, or information leaks could interfere with the business operations of the Kuraray Group, with an adverse impact on performance.

Because manufacturing bases of the Group use considerable amount of energy (electricity, steam, etc.), they emit a great deal of carbon dioxide, a global-warming gas. Although the Group is taking tiered measures to reduce carbon dioxide emissions, if tighter official restrictions on emission gas amount is enforced in the future and thereby our business operations are significantly restricted, it is possible that the performance of the Kuraray Group may be adversely affected.

Accidents or disasters such as those mentioned above could also interfere with the business operations of the Kuraray Group's customers and suppliers, with a similar adverse effect on the Kuraray Group's performance.

Consolidated Balance Sheets

Kuraray Co., Ltd. and its Consolidated Subsidiaries

March 31, 2008 and 2009	Millions of yen Fiscal 2007	Millions of yen Fiscal 2008	Thousands of U.S. dollars Fiscal 2008
ASSETS			
I Current assets:			
1 Cash and deposits	¥ 11,109	¥ 37,527	$ 382,935
2 Notes and accounts receivable - trade	95,472	66,551	679,094
3 Short-term investment securities	2,062	9,499	96,936
4 Inventories	72,534	—	—
5 Merchandise and finished goods	—	51,294	523,411
6 Work-in-process	—	10,145	103,522
7 Raw materials and supplies	—	12,112	123,597
8 Deferred tax assets	7,362	5,493	56,057
9 Other	8,764	9,248	94,373
10 Allowance for doubtful accounts	(1,021)	(514)	(5,246)
Total current assets	196,282	201,358	2,054,682
II Noncurrent assets:			
1 Tangible fixed assets:			
(1) Buildings and structures, net *2	33,853	34,832	355,430
(2) Machinery, equipment and vehicles *2	110,229	102,536	1,046,291
(3) Land *2	19,094	18,918	193,047
(4) Construction in progress *2	26,510	21,188	216,208
(5) Other, net	2,674	3,544	36,173
Total tangible fixed assets *1	192,362	181,020	1,847,151
2 Intangible assets:			
(1) Goodwill	28,596	19,684	200,864
(2) Other intangible assets	5,411	3,835	39,139
Total intangible assets	34,008	23,520	240,003
3 Investments and other assets:			
(1) Investment securities *3 and 5	51,590	47,505	484,748
(2) Long-term loans receivable	392	983	10,033
(3) Deferred tax assets	3,538	5,616	57,311
(5) Prepaid pension cost	7,540	7,128	72,742
(6) Other	4,962	5,230	53,376
(7) Allowance for doubtful accounts	(311)	(490)	(5,005)
Total investments and other assets	67,712	65,974	673,206
Total noncurrent assets	294,083	270,515	2,760,361
TOTAL ASSETS	¥ 490,365	¥ 471,874	$ 4,815,043

The accompanying notes are an integral part of these consolidated financial statements.

March 31, 2008 and 2009	Millions of yen Fiscal 2007	Fiscal 2008	Thousands of U.S. dollars Fiscal 2008
LIABILITIES			
I Current liabilities:			
1 Notes and accounts payable-trade	¥ 39,170	¥ 23,438	$ 239,172
2 Short-term loans payable	11,997	18,464	188,413
3 Commercial papers	—	3,000	30,612
4 Accrued expenses	—	4,529	46,224
5 Income taxes payable	8,826	684	6,983
6 Provision for bonuses	6,716	5,753	58,707
7 Other provision	66	377	3,847
8 Other	22,296	12,793	130,547
Total current liabilities	89,074	69,041	704,507
II Noncurrent liabilities:			
1 Bonds payable	10,000	10,000	102,040
2 Long-term loans payable	11,954	39,280	400,821
3 Deferred tax liabilities	5,686	5,318	54,268
4 Provision for retirement benefits	12,959	13,933	142,175
5 Provision for directors' retirement benefits	191	171	1,752
6 Other	15,665	9,112	92,987
Total noncurrent liabilities	56,457	77,816	794,045
TOTAL LIABILITIES	145,532	146,858	1,498,552
NET ASSETS			
I Shareholders' equity:			
1 Capital stock	88,955	88,955	907,707
2 Capital surplus	87,228	87,215	889,953
3 Retained earnings	189,282	193,977	1,979,358
4 Treasury stock	(40,919)	(40,903)	(417,384)
Total shareholders' equity	324,547	329,244	3,359,635
II Valuation and translation adjustments			
1 Valuation difference on available-for-sale securities	6,895	2,825	28,833
2 Deferred gains or losses on hedges	18	(156)	(1,591)
3 Foreign currency translation adjustment	10,427	(9,995)	(101,997)
Total valuation and translation adjustments	17,341	(7,326)	(74,756)
III Subscription rights to shares	69	109	1,114
IV Minority interests	2,875	2,988	30,497
TOTAL NET ASSETS	344,833	325,016	3,316,490
TOTAL LIABILITIES AND NET ASSETS	¥ 490,365	¥ 471,874	$ 4,815,043

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Income

Kuraray Co., Ltd. and its Consolidated Subsidiaries

Years ended March 31, 2008 and 2009	Millions of yen Fiscal 2007	Millions of yen Fiscal 2008	Thousands of U.S. dollars Fiscal 2008
I Net sales	¥ 417,601	¥ 376,777	$ 3,844,668
II Cost of sales *2	295,220	275,912	2,815,430
Gross profit	122,381	100,865	1,029,238
III Selling, general and administrative expenses:			
1 Selling expenses	21,833	19,964	203,715
2 General and administrative expenses *2	52,417	51,620	526,744
Total selling, general and administrative expenses *1	74,250	71,585	730,460
Operating income	48,130	29,280	298,777
IV Non-operating income:			
1 Interest income	714	463	4,729
2 Dividend income	1,681	2,010	20,513
3 Other	1,360	933	9,527
Total non-operating income	3,756	3,407	34,770
V Non-operating expenses:			
1 Interest expenses	835	1,259	12,849
2 Equity in loss of affiliates	20	13	138
3 Personnel expenses for seconded employees	—	608	6,209
4 Foreign exchange losses	1,341	—	—
5 Loss on disposal of inventories	1,236	—	—
6 Other	5,634	4,008	40,907
Total non-operating expenses	9,068	5,890	60,103
Ordinary income	42,817	26,797	273,443
VI Extraordinary income:			
1 Gain on sales of investment securities *3	1,589	1,264	12,903
Total extraordinary income	1,589	1,264	12,903
VII Extraordinary loss:			
1 Abnormally low utilization variance *4	—	3,994	40,755
2 Impairment loss *5	2,256	1,473	15,033
3 Loss on valuation of investment securities *6	246	1,382	14,104
4 Loss on valuation of inventories	—	1,153	11,774
5 Business structure improvement losses *7	1,701	350	3,573
6 Loss on disposal of tangible fixed assets *8	269	185	1,890
7 Provision of allowance for doubtful accounts for loans to subsidiaries and affiliates	305	—	—
8 Loss on transfer from business divestitures	88	—	—
Total extraordinary loss	4,867	8,538	87,131
Income before income taxes	39,539	19,523	199,215
Income taxes - current	15,726	4,632	47,271
Income taxes - deferred	(1,839)	1,756	17,921
Total income taxes	13,887	6,388	65,192
Minority interests in income	97	149	1,525
Net income	¥ 25,554	¥ 12,984	$ 132,497

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Changes In Net Assets

Kuraray Co., Ltd. and its Consolidated Subsidiaries

Fiscal 2007 (As of March 31, 2008)	Millions of yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at March 31, 2007	¥ 88,955	¥ 87,314	¥ 171,427	¥ (11,280)	¥ 336,415
Changes of items during the period					
Cash dividends			(7,509)		(7,509)
Net income			25,554		25,554
Changes in reporting entities			(216)		(216)
Increase by merger			8		8
Purchase of treasury stock				(30,165)	(30,165)
Disposal of treasury stock		(85)		527	442
Other			18		18
Net changes of items other than shareholders' equity					—
Total changes of items during the period	—	(85)	17,855	(29,638)	(11,868)
Balance at March 31, 2008	¥ 88,955	¥ 87,228	¥ 189,282	¥ (40,919)	¥ 324,547

	Millions of yen						
	Valuation and translation adjustments						
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Total valuation and translation adjustments	Subscription rights to shares	Minority interests	Total net assets
Balance at March 31, 2007	¥ 11,321	¥ (8)	¥ 8,410	¥ 19,723	¥ —	¥ 2,453	¥ 358,592
Changes of items during the period							
Cash dividends							(7,509)
Net income							25,554
Changes in reporting entities							(216)
Increase by merger							8
Purchase of treasury stock							(30,165)
Disposal of treasury stock							442
Other							18
Net changes of items other than shareholders' equity	(4,426)	27	2,017	(2,381)	69	422	(1,890)
Total changes of items during the period	(4,426)	27	2,017	(2,381)	69	422	(13,758)
Balance at March 31, 2008	¥ 6,895	¥ 18	¥ 10,427	¥ 17,341	¥ 69	¥ 2,875	¥ 344,833

Consolidated Statements of Changes In Net Assets

Kuraray Co., Ltd. and its Consolidated Subsidiaries

Fiscal 2008 (As of March 31, 2009)	Millions of yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at March 31, 2008	¥ 88,955	¥ 87,228	¥ 189,282	¥ (40,919)	¥ 324,547
Effect of changes in accounting policies applied to foreign subsidiaries			(125)		(125)
Changes of items during the period					
Cash dividends			(8,009)		(8,009)
Net income			12,984		12,984
Changes in reporting entities			91		91
Purchase of treasury stock				(107)	(107)
Disposal of treasury stock		(13)		123	109
Other			(247)		(247)
Net changes of items other than shareholders' equity					—
Total changes of items during the period	—	(13)	4,819	15	4,821
Balance at March 31, 2009	¥ 88,955	¥ 87,215	¥ 193,977	¥ (40,903)	¥ 329,244

	Millions of yen						
	Valuation and translation adjustments						
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Total valuation and translation adjustments	Subscription rights to shares	Minority interests	Total net assets
Balance at March 31, 2008	¥ 6,895	¥ 18	¥ 10,427	¥ 17,341	¥ 69	¥ 2,875	¥ 344,833
Effect of changes in accounting policies applied to foreign subsidiaries							(125)
Changes of items during the period							
Cash dividends							(8,009)
Net income							12,984
Changes in reporting entities							91
Purchase of treasury stock							(107)
Disposal of treasury stock							109
Other							(247)
Net changes of items other than shareholders' equity	(4,069)	(174)	(20,423)	(24,667)	40	113	(24,514)
Total changes of items during the period	(4,069)	(174)	(20,423)	(24,667)	40	113	(19,692)
Balance at March 31, 2009	¥ 2,825	¥ (156)	¥ (9,995)	¥ (7,326)	¥ 109	¥ 2,988	¥ 325,016

	Thousands of U.S. dollars				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total Shareholders' equity
Balance at March 31, 2008	$ 907,707	$ 890,090	$ 1,931,457	$ (417,543)	$ 3,311,711
Effect of changes in accounting policies applied to foreign subsidiaries			(1,278)		(1,278)
Changes of items during the period					
Cash dividends			(81,728)		(81,728)
Net income			132,497		132,497
Changes in reporting entities			935		935
Purchase of treasury stock				(1,096)	(1,096)
Disposal of treasury stock		(136)		1,255	1,118
Other			(2,525)		(2,525)
Net changes of items other than shareholders' equity					—
Total changes of items during the period	—	(136)	49,179	159	49,202
Balance at March 31, 2009	$ 907,707	$ 889,953	$ 1,979,358	$ (417,384)	$ 3,359,635

	Thousands of U.S. dollars						
	Valuation and translation adjustments						
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Total valuation and translation adjustments	Subscription rights to shares	Minority interests	Total net assets
Balance at March 31, 2008	$ 70,363	$ 189	$ 106,401	$ 176,953	$ 706	$ 29,342	$ 3,518,714
Effect of changes in accounting policies applied to foreign subsidiaries							(1,278)
Changes of items during the period							
Cash dividends							(81,728)
Net income							132,497
Changes in reporting entities							935
Purchase of treasury stock							(1,096)
Disposal of treasury stock							1,118
Other							(2,525)
Net changes of items other than shareholders' equity	(41,530)	(1,781)	(208,398)	(251,710)	408	1,155	(250,146)
Total changes of items during the period	(41,530)	(1,781)	(208,398)	(251,710)	408	1,155	(200,944)
Balance at March 31, 2009	$ 28,833	$ (1,591)	$ (101,997)	$ (74,756)	$ 1,114	$ 30,497	$ 3,316,490

Consolidated Statements of Cash Flows

Kuraray Co., Ltd. and its Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars
Years ended March 31, 2008 and 2009	Fiscal 2007	Fiscal 2008	Fiscal 2008
I Net cash provided by (used in) operating activities:			
1 Income before income taxes	¥ 39,539	¥ 19,523	$ 199,215
2 Depreciation and amortization	31,485	37,147	379,051
3 Increase (decrease) in allowance for doubtful accounts	484	83	849
4 Increase (decrease) in provision for retirement benefits	40	947	9,673
5 Impairment loss	2,256	1,473	15,033
6 Loss on disposal of tangible fixed assets	269	185	1,890
7 Loss (gain) on sales of investment securities	(1,589)	(1,264)	(12,903)
8 Loss on valuation of investment securities	246	1,382	14,104
9 Loss on valuation of inventories	—	1,153	11,774
10 Loss on transfer from business divestitures	88	—	—
11 Interest and dividends income	(2,395)	(2,473)	(25,242)
12 Interest expenses	835	1,259	12,849
13 Decrease (increase) in notes and accounts receivable - trade	2,043	25,454	259,743
14 Decrease (increase) in inventories	(218)	(7,831)	(79,909)
15 Increase (decrease) in notes and accounts payable - trade	(3,535)	(14,063)	(143,506)
16 Decrease (increase) in prepaid pension costs	(433)	411	4,196
17 Other, net	(674)	(4,570)	(46,637)
Sub-total	68,442	58,818	600,183
18 Interest and dividends income received	2,363	2,498	25,493
19 Interest expenses paid	(809)	(1,199)	(12,244)
20 Insurance income	—	1,834	18,717
21 Income taxes paid	(13,539)	(15,031)	(153,378)
Net cash provided by (used in) operating activities	56,456	46,919	478,772
II Net cash provided by (used in) investment activities:			
1 Net decrease (increase) in time deposits	970	50	513
2 Net decrease (increase) in short-term investment securities	(60)	—	—
3 Purchase of tangible fixed assets and intangible assets	(44,413)	(38,780)	(395,718)
4 Payments for disposal of tangible fixed assets and intangible assets	(2,171)	(822)	(8,389)
5 Proceeds from sales of tangible fixed assets and intangible assets	128	178	1,824
6 Purchase of investment securities	(13,263)	(4,128)	(42,127)
7 Proceeds from sales and redemption of investment securities	2,265	1,534	15,658
8 Purchase of investments in a subsidiary resulting in change in scope of consolidation	(2,282)	—	—
9 Purchase of insurance funds	(99)	—	—
10 Proceeds from cancellation of insurance funds	14,848	—	—
11 Other, net	(1,139)	(461)	(4,704)
Net cash provided by (used in) investment activities	(45,217)	(42,428)	(432,942)
III Net cash provided by (used in) financing activities:			
1 Net increase (decrease) in short-term loans payable	4,069	4,343	44,324
2 Net increase (decrease) in commercial paper	—	3,000	30,612
3 Proceeds from long-term loans payable	9,100	32,266	329,248
4 Repayment of long-term loans payable	(9,015)	(1,000)	(10,207)
5 Cash dividends paid to minority shareholders	(13)	(35)	(363)
6 Proceeds from sales of treasury stock	436	50	514
7 Purchase of treasury stock	(30,165)	(107)	(1,096)
8 Cash dividends paid	(7,509)	(8,009)	(81,728)
9 Other, net	—	(475)	(4,854)
Net cash provided by (used in) financing activities	(33,097)	30,032	306,450
IV Effect of exchange rate changes on cash and cash equivalents	(235)	(1,242)	(12,676)
V Net increase (decrease) in cash and cash equivalents	(22,093)	33,281	339,603
VI Cash and cash equivalents, beginning of year	34,032	12,189	124,378
VII Increase in cash and cash equivalents from newly consolidated subsidiary	112	687	7,016
VIII Increase in cash and cash equivalents resulting from merger	137	—	—
IX Cash and cash equivalents, end of year	¥ 12,189	¥ 46,157	$ 470,998

The accompanying notes are an integral part of these consolidated financial statements.

Segment Information

Kuraray Co., Ltd. and its Consolidated Subsidiaries

Industry segment information

Fiscal 2007 (From April 1, 2007 to March 31, 2008)	Millions of yen					
	Chemicals and resins	Fibers and textiles	High performance materials, medical products and others	Total	Eliminated on consolidation and corporate	Consolidated total
I Net sales and operating income						
Net sales						
(1) Outside customers	¥ 243,784	¥ 105,235	¥ 68,581	¥ 417,601	¥ —	¥ 417,601
(2) Inter-segment	840	652	18,387	19,880	(19,880)	—
Total	244,625	105,888	86,968	437,482	(19,880)	417,601
Operating expenses	194,444	99,031	80,730	374,206	(4,735)	369,471
Operating income (loss)	50,180	6,856	6,237	63,275	(15,144)	48,130
II Identifiable assets, depreciation and amortization and capital expenditure						
Identifiable assets	284,786	79,276	68,077	432,140	58,225	490,365
Depreciation and amortization	22,279	4,746	2,305	29,331	2,153	31,485
Capital expenditure	¥ 23,434	¥ 7,795	¥ 8,592	¥ 39,821	¥ 2,898	¥ 42,720

Fiscal 2008 (From April 1, 2008 to March 31, 2009)	Millions of yen					
	Chemicals and resins	Fibers and textiles	High performance materials, medical products and others	Total	Eliminated on consolidation and corporate	Consolidated total
I Net sales and operating income						
Net sales						
(1) Outside customers	¥ 224,332	¥ 96,116	¥ 56,327	¥ 376,777	¥ —	¥ 376,777
(2) Inter-segment	242	526	9,139	9,908	(9,908)	—
Total	224,574	96,643	65,467	386,686	(9,908)	376,777
Operating expenses	187,509	95,760	61,091	344,361	3,136	347,497
Operating income (loss)	37,065	883	4,376	42,324	(13,044)	29,280
II Identifiable assets, depreciation and amortization and capital expenditure						
Identifiable assets	239,332	76,298	62,208	377,839	94,034	471,874
Depreciation and amortization	24,458	6,140	4,058	34,657	2,489	37,147
Capital expenditure	¥ 18,985	¥ 11,351	¥ 6,319	¥ 36,656	¥ 2,268	¥ 38,925

Fiscal 2008 (From April 1, 2008 to March 31, 2009)	Thousands of U.S. dollars					
	Chemicals and resins	Fibers and textiles	High performance materials, medical products and others	Total	Eliminated on consolidation and corporate	Consolidated total
I Net sales and operating income						
Net sales						
(1) Outside customers	$ 2,289,110	$ 980,785	$ 574,772	$ 3,844,668	$ —	$ 3,844,668
(2) Inter-segment	2,469	5,372	93,265	101,107	(101,107)	—
Total	2,291,580	986,158	668,037	3,945,776	(101,107)	3,844,668
Operating expenses	1,913,363	977,144	623,382	3,513,890	32,000	3,545,891
Operating income (loss)	378,216	9,014	44,654	431,885	(133,108)	298,777
II Identifiable assets, depreciation and amortization and capital expenditure						
Identifiable assets	2,442,172	778,555	634,775	3,855,503	959,540	4,815,043
Depreciation and amortization	249,571	62,660	41,412	353,644	25,407	379,051
Capital expenditure	$ 193,732	$ 115,828	$ 64,487	$ 374,048	$ 23,147	$ 397,196

Notes: 1. Industry segments above are split based upon for the classification of sales.
2. Principal products of each industry segment.
(1) Chemicals and resins .... Poval resin and film, PVB resin and film, EVOH resin *EVAL*, isoprene chemicals, fine chemicals, methacrylic resin and resin-finished goods.
(2) Fibers and textiles .... *KURALON*, man-made leather *CLARINO*, non-woven fabrics *KURAFLEX*, hook and loop fasteners *MAGIC TAPE*, polyester, textiles and others.
(3) High performance materials, medical products and others...... Medical products, high-performance materials, activated carbon, high-performance membranes, engineering and others.
3. Corporate operating expenses included in the "Eliminated on consolidation and corporate" account totaled ¥14,966 million and ¥13,322 million (US$135,946 thousand) respectively, for years ended March 31, 2008 and 2009 respectively.
The most significant portion of this expense relates to the fundamental research departments and the corporate division of the Companies.
4. Corporate assets in the column "Eliminated on consolidation and corporate" are ¥64,846 million and ¥95,773 million (US$977,284 thousand) as of March 31,2008 and 2009 respectively. Corporate assets mainly represent surplus operating funds, long-term investment funds and assets held by the fundamental research departments and the corporate division of the Companies.
5. In accordance with the amendment of the Corporate Tax Law of Japan, the Company and its domestic consolidated subsidiaries changed the depreciation method of tangible fixed assets acquired on and after April 1, 2007 to the method based on the amended Corporate Tax Law of Japan. As a result, operating expenses for this fiscal year increased by ¥459 million in the chemicals and resins segment, ¥144 million in the fibers and textiles segment, ¥84 million in high performance materials, medical products segment, and ¥128 million in all other segments. Hence, each respective amount of operating income decreased in each segment.
6. In accordance with the amendment of the Corporate Tax Law of Japan, the Company and its domestic consolidated subsidiaries now depreciate the difference between 5% of the acquisition cost and the memorandum price of tangible fixed assets acquired on or before March 31, 2007. From the fiscal year following the fiscal year that a tangible fixed asset is depreciated to the previously allowable 5% limit using a method based on the Corporate Tax Law of Japan, this difference is depreciated evenly over 5 years and included in depreciation and amortization. The effect of this change in each segment is not material.
7. The Company and some of its consolidated subsidiaries changed the useful life of some of the machineries effective the current consolidated fiscal year following the revision of legal useful life and the asset classification in response to the reform of the Corporation Tax Act in 2008. The effect of this change in each segment is not material.
8. Inventories, which the Company held for sale in the ordinary course of business, were mainly valued at cost using the weighted-average method previously, and those which had been held beyond a certain period were regularly written down. However, following the adoption of the "Accounting Standards for Measurement of Inventories (ASBJ Statement No. 9, issued on July 5, 2006)" starting from the current fiscal year, we mainly value these inventories at the lower of cost or net realizable value. The Company recorded loss on disposal of inventories due to the decrease in profitability as non-operating expenses in the past. However, we started to record it as cost of sales effective the current fiscal year with the adoption of the above-mentioned accounting standards. As a result of this change, operating income in the current fiscal year decreased by ¥870 million (US$8,880 thousand) in "Chemicals and resins," by ¥763 million (US$7,793 thousand) in "Fibers and textiles," by ¥182 million (US$1,866 thousand) in "High performance materials medical products and others" and by ¥105 million (US$1,074 thousand) in "Eliminated on consolidation and corporate" with the amount calculated using the previous method.

9. Effective the current fiscal year, the Company adopted "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements (Practical Issues Task Force No. 18, issued on May 17, 2006)," and implemented modifications necessary for consolidated financial settlement. The effect of this change in each segment is not material.
10. For the fiscal year ended March 31, 2008, the Company recorded ¥2,256 million in respect to impairment losses as an extraordinary loss. The details of the impairment loss recorded for each segment is as follows: ¥1,151 million in "Chemicals and resins"; ¥438 million in "Fibers and textiles"; ¥667 million in "High performance materials, medical products and others." Assets in each respective segment decreased by the same amount.
11. For the fiscal year ended March 31, 2009, the company recorded an impairment loss of ¥1,473 million (US$15,033 thousand) in respect to impairment losses as an extraordinary loss. The details of the impairment loss recorded for each segment is as follows: ¥651million (US$6,648 thousand) in "Chemicals and resins"; ¥130 million (US$1,328 thousand) in "Fibers and textiles"; ¥293 million (US$2,998 thousand) in "High performance materials and medical products"; ¥397 million (US$4,058 thousand) in "Eliminated on consolidation and corporate." Assets in each respective segment decreased by the same amount.

Geographic segment information

Fiscal 2007 (From April 1, 2007 to March 31, 2008)	Millions of yen						
	Japan	North America	Europe	Asia	Total	Eliminated on consolidation and corporate	Consolidated total
I Net sales and operating income							
Net sales							
(1) Outside customers	¥ 294,017	¥ 31,551	¥ 75,935	¥ 16,096	¥ 417,601	¥ —	¥ 417,601
(2) Inter-segment	26,062	4,500	4,308	2,504	37,376	(37,376)	—
Total	320,080	36,052	80,243	18,601	454,978	(37,376)	417,601
Operating expenses	264,769	33,088	75,312	18,487	391,657	(22,186)	369,471
Operating income (loss)	55,311	2,964	4,931	113	63,320	(15,189)	48,130
II Identifiable assets	¥ 282,541	¥ 45,177	¥ 94,936	¥ 14,126	¥ 436,781	¥ 53,584	¥ 490,365

Fiscal 2008 (From April 1, 2008 to March 31, 2009)	Millions of yen						
	Japan	North America	Europe	Asia	Total	Eliminated on consolidation and corporate	Consolidated total
I Net sales and operating income							
Net sales							
(1) Outside customers	**¥ 251,583**	**¥ 28,288**	**¥ 76,961**	**¥ 19,944**	**¥ 376,777**	**¥ —**	**¥ 376,777**
(2) Inter-segment	**23,943**	**6,060**	**3,641**	**4,181**	**37,826**	**(37,826)**	**—**
Total	**275,526**	**34,349**	**80,602**	**24,126**	**414,604**	**(37,826)**	**376,777**
Operating expenses	**242,153**	**32,097**	**75,144**	**23,790**	**373,186**	**(25,689)**	**347,497**
Operating income (loss)	**33,372**	**2,251**	**5,458**	**335**	**41,417**	**(12,137)**	**29,280**
II Identifiable assets	**¥ 263,932**	**¥ 35,168**	**¥ 74,884**	**¥ 12,892**	**¥ 386,877**	**¥ 84,996**	**¥ 471,874**

Fiscal 2008 (From April 1, 2008 to March 31, 2009)	Thousands of U.S. dollars						
	Japan	North America	Europe	Asia	Total	Eliminated on consolidation and corporate	Consolidated total
I Net sales and operating income							
Net sales							
(1) Outside customers	**$ 2,567,174**	**$ 288,658**	**$ 785,316**	**$ 203,518**	**$ 3,844,668**	**$ —**	**$ 3,844,668**
(2) Inter-segment	**244,318**	**61,841**	**37,159**	**42,670**	**385,989**	**(385,989)**	**—**
Total	**2,811,492**	**350,500**	**822,475**	**246,189**	**4,230,658**	**(385,989)**	**3,844,668**
Operating expenses	**2,470,957**	**327,530**	**766,776**	**242,764**	**3,808,028**	**(262,137)**	**3,545,891**
Operating income (loss)	**340,535**	**22,970**	**55,699**	**3,424**	**422,629**	**(123,852)**	**298,777**
II Identifiable assets	**$ 2,693,184**	**$ 358,860**	**$ 764,124**	**$ 131,558**	**$ 3,947,728**	**$ 867,315**	**$ 4,815,043**

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 of America
   (2) Europe .... Germany and Belgium
   (3) Asia .... Singapore, Hong Kong and China
3. Corporate operating expenses in the column "Eliminated on consolidation and corporate" is the same as in "Note 3" of the "Industry segment."
4. Corporate assets in the column "Eliminated on consolidation and corporate" are the same as in "Note 4" of the Industry segment.
5. In accordance with the amendment of the Corporate Tax Law of Japan, the Company and its domestic consolidated subsidiaries changed the depreciation method of tangible fixed assets acquired on and after April 1, 2007 to the method based on the amended Corporate Tax Law of Japan. As a result, operating expenses for this fiscal year, included in "Japan," increased by ¥816 million, and operating income in the same segment decreased by the same amount.
6. In accordance with the amendment of the Corporate Tax Law of Japan, the Company and its domestic consolidated subsidiaries now depreciate the difference between 5% of the acquisition cost and the memorandum price of tangible fixed assets acquired on or before March 31, 2007. From the fiscal year following the consolidated fiscal year that a tangible fixed asset is depreciated to the previously allowable 5% limit using a method based on the Corporate Tax Law of Japan, this difference is depreciated evenly over 5 years and included in depreciation and amortization. The effect of this change in each segment is not material.
7. The Company and some of its consolidated subsidiaries changed the useful life of some of the machineries effective the current fiscal year following the revision of legal useful life and the asset classification in response to the reform of the Corporation Tax Act in 2008. The effect of this change in each segment is not material.
8. Inventories, which the Company held for sale in the ordinary course of business, were mainly valued at cost using the weighted-average method previously, and those which had been held beyond a certain period were regularly written down. However, following the adoption of the "Accounting Standards for Measurement of Inventories (ASBJ Statement No. 9, issued on July 5, 2006)" starting from the current fiscal year, we mainly value these inventories at the lower of cost or net realizable value. The Company recorded loss on disposal of inventories due to the decrease in profitability as non-operating expenses in the past. However, we started to record it as cost of sales effective the current fiscal year with the adoption of the above-mentioned accounting standards. As a result of this change, operating income in "Japan" decreased by ¥1,816 million (US$18,539 thousand) and that in "Eliminated on consolidation and corporate" by ¥105 million (US$1,074 thousand) in the current fiscal year.
9. Effective the current fiscal year, the Company adopted "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements (Practical Issues Task Force No. 18, issued on May 17, 2006)," and implemented modifications necessary for consolidated financial settlement. The effect of this change in each segment is not material.
10. For the fiscal year ended March 31, 2008, the Company recorded ¥2,256 million in respect to impairment losses as an extraordinary loss. Accordingly, ¥2,256 million of impairment loss was recorded under extraordinary loss in "Japan" assets in said segment decreased by the same amount.
11. For the fiscal year ended March 31, 2009, the company recorded an impairment loss of ¥1,473 million (US$15,033 thousand) in respect to impairment losses as an extraordinary loss. The detail of the impairment loss recorded for each segment is as follows: ¥1,075 million (US$10,975 thousand) in "Japan" and ¥397 million (US$4,058 thousand) in "Eliminated on consolidation and corporate" respectively. Assets in said segment decreased by the same amount.

Overseas Sales

Kuraray Co., Ltd. and its Consolidated Subsidiaries

Fiscal 2007 (From April 1, 2007 to March 31, 2008)	Millions of yen				
	North America	Europe	Asia	Other	Total
I Overseas sales	¥ 31,333	¥ 80,361	¥ 78,681	¥ 9,400	¥ 199,777
II Consolidated net sales	—	—	—	—	417,601
III Percentage of consolidated net sales	7.5%	19.2%	18.8%	2.3%	47.8%

Fiscal 2008 (From April 1, 2008 to March 31, 2009)	Millions of yen				
	North America	Europe	Asia	Other	Total
I Overseas sales	**¥ 28,195**	**¥ 81,283**	**¥ 66,369**	**¥ 8,503**	**¥ 184,350**
II Consolidated net sales	**—**	**—**	**—**	**—**	**376,777**
III Percentage of consolidated net sales	**7.5%**	**21.6%**	**17.6%**	**2.3%**	**48.9%**

Fiscal 2008 (From April 1, 2008 to March 31, 2009)	Thousands of U.S. dollars				
	North America	Europe	Asia	Other	Total
I Overseas sales	**$ 287,705**	**$ 829,424**	**$ 677,235**	**$ 86,766**	**$ 1,881,130**
II Consolidated net sales	**—**	**—**	**—**	**—**	**3,844,668**
III Percentage of consolidated net sales	**7.5%**	**21.6%**	**17.6%**	**2.3%**	**48.9%**

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 of America and Canada
(2) Europe .... Germany and United Kingdom
(3) Asia .... China and Korea
(4) Other .... Latin America and Africa
3. Overseas sales represent the total of all the sales achieved outside Japan by the Company and its consolidated subsidiaries.

(1) SIGNIFICANT ACCOUNTING POLICIES

Fiscal 2007 (From April 1, 2007 to March 31, 2008)	Fiscal 2008 (From April 1, 2008 to March 31, 2009)
1. Basis of presenting consolidated financial statements: The accompanying consolidated financial statements of Kuraray Co., Ltd. (the "Company") and its consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects to application and disclosure requirements of International Financial Reporting Standards, and are filed with the Japanese Ministry of Finance (the "MOF") as required by the Financial Instruments and Exchange Law of Japan. The accompanying consolidated financial statements are translation of those filed with the MOF. Each amount of the consolidated financial statements and notes is rounded down to the nearest 1 million.	**1. Basis of presenting consolidated financial statements:** The accompanying consolidated financial statements of Kuraray Co., Ltd. (the "Company") and its consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects to application and disclosure requirements of International Financial Reporting Standards, and are filed with the Japanese Ministry of Finance (the "MOF") as required by the Financial Instruments and Exchange Law of Japan. The accompanying consolidated financial statements are translation of those filed with the MOF. Each amount of the consolidated financial statements and notes is rounded down to the nearest 1 million yen (in the case of the translation into U.S. dollars, they have been rounded down to the nearest 1 thousand dollars). The United States dollar amounts included herein are provided solely for convenience of readers outside Japan and are stated, at the rate of ¥98=$1, the approximate exchange rate prevailing on March 31, 2009. The translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be, converted into United States dollars at this or any other rate.
2. Scope of consolidation (1) Number of consolidated subsidiaries: 34 (Major consolidated subsidiaries) KURARAY TRADING Co., LTD., KURARAY ENGINEERING CO., LTD., KURARAY CHEMICAL CO., LTD., Kuraray Plastics Co., Ltd., Kuraray Medical Inc., KURARAY FASTENING CO., LTD., KURARAY KURAFLEX CO., LTD., Kuraray Techno Co., Ltd., KURARAY FUDOSAN CO., LTD., KURARAYLIVING CO., LTD., Kuraray Interior Co., Ltd., TECHNO SOFT CO., LTD., Kuraray Travel Service Corporation, KURARAY BUSINESS SERVICE CO., LTD., KurarayKiko Co., Ltd., Iruma Country Club Co., Ltd., OKAYAMA RINKOH CO., LTD., Kuraray Luminas Co., Ltd., KURARAY SAIJO CO., LTD., KURARAY TAMASHIMA COMPANY.,LIMITED., Kyosei Chemical Co., Ltd., Kuraray Holdings U.S.A., Inc., Kuraray America, Inc., Eval Company of America, SEPTON Company of America, Kuraray Europe GmbH, EVAL Europe N.V., Kuraray Singapore Pte. Ltd., Kuraray Specialities Asia, Pte., Ltd., POVAL ASIA PTE LTD., Kuraray Hong Kong Co., Ltd., and other consolidated subsidiaries Kuraray Luminas Co., Ltd., formerly K·C Luminas Co., Ltd. which had been an unconsolidated subsidiary until the previous fiscal year, is consolidated from this fiscal year because it becomes materially significant.	**2. Scope of consolidation** (1) Number of consolidated subsidiaries: 34 (Major consolidated subsidiaries) KURARAY TRADING Co., LTD., KURARAY CHEMICAL CO., LTD., KURARAY ENGINEERING CO., LTD., Kuraray Luminas Co., Ltd., Kuraray Medical Inc., Kuraray Plastics Co., Ltd., KURARAYLIVING CO., LTD., Kuraray Techno Co., Ltd., KURARAY BUSINESS SERVICE CO., LTD., KURARAY KURAFLEX CO., LTD., KURARAY FASTENING CO., LTD., OKAYAMA RINKOH CO., LTD., TECHNO SOFT CO., LTD., Kuraray Travel Service Corporation, KURARAY FUDOSAN CO., LTD., Kuraray Interior Co., Ltd., KurarayKiko Co., Ltd., KURARAY SAIJO CO., LTD., KURARAY TAMASHIMA COMPANY., LIMITED., Iruma Country Club Co., Ltd., Kyosei Chemical Co., Ltd., Kuraray Holdings U.S.A., Inc., Kuraray America, Inc., Kuraray Europe GmbH, EVAL Europe N.V., Kuraray Hong Kong Co., Ltd., Kuraray Asia Pacific Pte. Ltd., Kuraray (Shanghai) Co., Ltd., and other consolidated subsidiaries Kuraray (Shanghai) Co., Ltd. and Kuraray Trading (Shanghai) Co., Ltd., which had been unconsolidated subsidiaries until the previous fiscal year, are consolidated from this fiscal year because they have become materially significant.

Fiscal 2007 (From April 1, 2007 to March 31, 2008)	Fiscal 2008 (From April 1, 2008 to March 31, 2009)

Fiscal 2007 (From April 1, 2007 to March 31, 2008)

POVAL ASIA PTE LTD., which had been an affiliated company accounted for using the equity method until the previous fiscal year, became a consolidated subsidiary from this fiscal year because all of its shares were purchased by the Group on January 31, 2008. Since the deemed acquisition date is set to the end of this fiscal year, only the balance sheet as of the year ended December 2007 is consolidated, and the Statements of income is prepared using the equity-method of accounting.

Kuraray America, Inc. merged by absorption with Eval Company of America and SEPTON Company of America on January 1, 2008.

(2) Names of major unconsolidated subsidiaries
(Major unconsolidated subsidiaries)
Kuraray Okayama Spinning CO., LTD.

(Reasons for excluding from the scope of consolidation)
The total assets, total sales and net income and loss (amount corresponding to the owned interest) and retained earnings (amount corresponding to the owned interest) of the unconsolidated subsidiary have no material effect on the consolidated financial statements.

3. Scope of application of equity method affiliates and subsidiaries

(1) Number of unconsolidated subsidiaries accounted for using the equity method: 4
(Major unconsolidated subsidiaries)
Kuraray Okayama Spinning CO., LTD.

Mitsukura Chemical Co., Ltd., which was a company accounted for using the equity method in the previous fiscal year, is excluded from the equity-method of accounting from this fiscal year due to the merger with KURARAY CHEMICAL CO., LTD.

(2) Number of affiliates accounted for using the equity method: 2
(Names of major affiliates)
THE KURASHIKI KOKUSAI HOTEL LTD.

POVAL ASIA PTE LTD., which had been an affiliated company accounted for using the equity method until the previous fiscal year, became a consolidated subsidiary from this fiscal year because all of its shares were purchased by the Group on January 31, 2008. Since the deemed acquisition date is set to the end of this fiscal year, only the balance sheet as of the year ended December 2007 is consolidated, and the statements of income is prepared using the equity-method of accounting.

Fiscal 2008 (From April 1, 2008 to March 31, 2009)

Eval Company of America and SEPTON Company of America are excluded from the scope of consolidation from this fiscal year because they were merged by absorption with Kuraray's consolidated subsidiary Kuraray America, Inc. in January 2008.

Both the consolidated subsidiaries, Kuraray Singapore Pte., Ltd. and Kuraray Specialities Asia Pte., Ltd. consolidated their business into Kuraray Asia Pacific Pte. Ltd., and a resolution was made in October 2008 to dissolve them.

(2) Names of major unconsolidated subsidiaries
(Major unconsolidated subsidiaries)
Same as Fiscal 2007

(Reasons for excluding from the scope of consolidation)
Same as Fiscal 2007

3. Scope of application of equity method affiliates and subsidiaries

(1) Number of unconsolidated subsidiaries accounted for using the equity method: 3
(Major unconsolidated subsidiaries)
Kuraray Okayama Spinning CO., LTD.

Nihonkai Acetylene Co., Ltd., which had been a company accounted for using the equity method until the previous fiscal year, is excluded from the equity method of accounting from this fiscal year because it was liquidated.

(2) Number of affiliates accounted for using the equity method: 2
(Names of major affiliates)
THE KURASHIKI KOKUSAI HOTEL LTD.

Fiscal 2007 (From April 1, 2007 to March 31, 2008)	**Fiscal 2008** (From April 1, 2008 to March 31, 2009)
(3) Unconsolidated subsidiaries (KURARAY (SHANGHAI) Co., Ltd. and other unconsolidated subsidiaries), and affiliates (Hexin Kuraray Micro Fiber Leather (Jiaxing) Co., Ltd., and other affiliates) have not accounted for using the equity method, because their net income and loss and retained earnings (amount corresponding to the owned interest) have no material effect on the consolidated financial statements.	(3) Unconsolidated subsidiaries (KURARAY AQUA CO., LTD. and other unconsolidated subsidiaries), and affiliates (Hexin Kuraray Micro Fiber Leather (Jiaxing) Co., Ltd., and other affiliates) have not accounted for using the equity method, because their net income and loss and retained earnings (amount corresponding to the owned interest) have no material effect on the consolidated financial statements.
(4) Accounting period of companies accounted for using the equity method In the case where the accounting period of companies accounted for using the equity method is different to the consolidated accounting period, consolidated financial statements are prepared using the relevant accounting period of such companies.	(4) —
4. Fiscal years of consolidated subsidiaries The fiscal year-end of the Company's foreign consolidated subsidiaries is December 31. The consolidated financial statements incorporate the accounts of these companies with adjustments for significant transactions arising during the period from December 31 to March 31. Kuraray Europe GmbH OOO TROSIFOL EVAL Europe N.V. Kuraray Singapore Pte., Ltd. Kuraray Specialities Asia Pte., Ltd. POVAL ASIA PTE LTD. Kuraray Hong Kong Co., Ltd. Kuraray Holdings U.S.A., Inc. Kuraray America, Inc. Eval Company of America SEPTON Company of America	**4. Fiscal years of consolidated subsidiaries** The fiscal year-end of the Company's foreign consolidated subsidiaries is December 31. The consolidated financial statements incorporate the accounts of these companies with adjustments for significant transactions arising during the period from December 31 to March 31. Kuraray Europe GmbH OOO TROSIFOL EVAL Europe N.V. Kuraray Asia Pacific Pte. Ltd. Kuraray Singapore Pte., Ltd. Kuraray Specialities Asia Pte., Ltd. Kuraray Hong Kong Co., Ltd. Kuraray (Shanghai) Co., Ltd. Kuraray Trading (Shanghai) Co., Ltd. Kuraray Holdings U.S.A., Inc. Kuraray America, Inc.
5. Accounting polices (1) Valuation standards and methods for significant assets a) Investments in securities Available-for-sale securities for which a market price is available are stated at fair value at a year-end. (Net unrealized gains or losses on these securities are recorded as a separate component of "Net assets", at the net of tax amount. The cost of securities sold is determined based on the moving average cost of all such securities held at the time of sale.) Other securities for which a market price is not available are stated at cost determined by the moving average method.	**5. Accounting polices** (1) Valuation standards and methods for significant assets a) Investments in securities Same as Fiscal 2007
b) Derivative financial instruments All derivatives are stated at fair value.	b) Derivative financial instruments Same as Fiscal 2007

Fiscal 2007 (From April 1, 2007 to March 31, 2008)	Fiscal 2008 (From April 1, 2008 to March 31, 2009)
c) Inventories Inventories other than supplies are principally stated at cost determined using the periodic average method. Supplies are principally stated at cost determined using the moving average method.	c) Inventories Finished goods, raw materials, and work-in-process are principally stated at the lower of cost or net realizable value. Supplies are principally stated at the lower of cost or net realizable value (Refer to Note (2)).
(2) Depreciation method of significant depreciable assets a) Tangible fixed assets Depreciation, except for buildings, is principally computed using the declining-balance method over the estimated useful lives of the assets. The depreciation method for buildings is principally computed using the straight-line method. The estimated useful lives of assets are primarily as follows: • Buildings and structures 31 to 50 years • Machinery and equipment 4 to 10 years (Change in accounting policies) In accordance with the amendment of the Corporate Tax Law of Japan, the Company and its domestic consolidated subsidiaries changed the depreciation method of tangible fixed assets acquired on and after April 1, 2007 to the method based on the amended Corporate Tax Law of Japan. As a result, operating income, ordinary income and income before income taxes decreased ¥816 million, ¥818 million and ¥818 million, respectively, compared with what would have been reported under the previous accounting policy. (Additional information) In accordance with the amendment of the Corporate Tax Law of Japan, the Company and its domestic consolidated subsidiaries now depreciate the difference between 5% of the acquisition cost and the memorandum price of tangible fixed assets acquired on or before March 31, 2007. From the fiscal year following the consolidated fiscal year that a tangible fixed asset is depreciated to the previously allowable 5% limit using a method based on the Corporate Tax Law of Japan, this difference is depreciated evenly over 5 years and included in depreciation and amortization. The effect of this change on operating income, ordinary income and income before income taxes is not material.	(2) Depreciation method of significant depreciable assets a) Tangible fixed assets (excluding lease assets) Depreciation, except for buildings, is principally computed using the declining-balance method over the estimated useful lives of the assets. The depreciation method for buildings is principally computed using the straight-line method. The estimated useful lives of assets are primarily as follows: • Buildings and structures 31 to 50 years • Machinery and equipment 4 to 9 years (Additional information) The Company and some of its consolidated subsidiaries changed the useful life of some of the machineries effective the current fiscal year following the revision of legal useful life and the asset classification in response to the reform of the Corporation Tax Act in 2008. The effect of this change on operating income, ordinary income and income before income taxes is not material.

Fiscal 2007 (From April 1, 2007 to March 31, 2008)	Fiscal 2008 (From April 1, 2008 to March 31, 2009)
b) Intangible assets Amortization is principally computed using the straight-line method. The numbers of years for amortization are primarily as follows: • Goodwill 15 years	b) Intangible assets (excluding lease assets) Amortization is principally computed using the straight-line method. The numbers of years for amortization are primarily as follows: • Goodwill 15 years However, minor amounts are charged or credited to income directly in the year of acquisition.
—	c) Lease assets Amortization is principally computed using the straight-line method.
(3) Accounting for significant allowances	(3) Accounting for significant allowances
a) Allowance for doubtful accounts The Company and its consolidated subsidiaries provide for doubtful accounts principally at an amount computed based on the historical bad debt ratio during a certain reference period plus an estimated uncollectible amount based on the analysis of certain individual accounts.	a) Allowance for doubtful accounts Same as Fiscal 2007
b) Provision for bonuses Provision for bonuses is stated at the estimated amount of the bonuses to be paid to employees based on their services provided for the fiscal year.	b) Provision for bonuses Same as Fiscal 2007
c) Provision for retirement benefits In order to provide for employee retirement benefits, a provision is made based on the retirement benefit liabilities as of the end of the fiscal year and the forecasted pension assets. The prior service cost is amortized on a straight-line basis over a certain period (mainly 15 years), which falls within the average remaining years of service of the eligible employees. Actuarial gains or losses are amortized on a straight-line basis over a certain period (mainly 15 years) which falls within the average remaining years of service of the eligible employees, allocated proportionately commencing the next year in which each respective gains or losses occurred.	c) Provision for retirement benefits Same as Fiscal 2007
d) Provision for directors' retirement benefits Some of the consolidated subsidiaries accrue the liabilities for their retirement benefits for directors and corporate auditors, which is, in general, based upon the amounts required by the subsidiaries' internal regulations.	d) Provision for directors' retirement benefits Same as Fiscal 2007
(4) Leases Leases that do not transfer ownership of the assets are accounted for as operating leases.	(4) —

Fiscal 2007 (From April 1, 2007 to March 31, 2008)	Fiscal 2008 (From April 1, 2008 to March 31, 2009)
(5) Significant hedge accounting	(5) Significant hedge accounting
a) Hedge accounting The Company and its consolidated subsidiaries adopt the method for hedging instruments whereby any gains or losses are deferred over the period of the hedging contract and are offset against the deferred losses or gains on the related hedged items. However, when an interest rate swap contract meets certain conditions, the net amount to be paid or received under the contract is added to or deducted from the interest on the hedged items.	a) Hedge accounting Same as Fiscal 2007
b) Hedging instruments and hedged items Hedging instruments: — Hedged items: Forward foreign exchange contracts — Future transactions in foreign currency Currency swap contracts — Future transactions in foreign currency Interest rate swap contracts — Interest expenses	b) Hedging instruments and hedged items Same as Fiscal 2007
c) Hedging policy The Company and its consolidated subsidiaries use financial instruments to hedge interest rate fluctuation and exchange fluctuation risks in accordance with their internal policies and procedures.	c) Hedging policy Same as Fiscal 2007
d) Assessment method for hedge effectiveness The Company and its consolidated subsidiaries evaluate the effectiveness of their hedging activities by reference to the accumulated gains or losses on the hedging instruments and the related hedged items. Interest rate swap contracts, which meet certain conditions, are evaluated for effectiveness at the commencement of the hedge.	d) Assessment method for hedge effectiveness Same as Fiscal 2007
(6) Other accounting policies	(6) Other accounting policies
a) Accounting for consumption tax Consumption tax on goods and services are not included in the revenue and expense amounts.	a) Accounting for consumption tax Same as Fiscal 2007

Hedging instruments:	Hedged items:
Forward foreign exchange contracts	Future transactions in foreign currency
Currency swap contracts	Future transactions in foreign currency
Interest rate swap contracts	Interest expenses

Fiscal 2007 (From April 1, 2007 to March 31, 2008)	Fiscal 2008 (From April 1, 2008 to March 31, 2009)
6. Valuation of assets and liabilities of consolidated subsidiaries Assets and liabilities of the consolidated subsidiaries are recorded at fair value at the time of acquisition.	**6. Valuation of assets and liabilities of consolidated subsidiaries** Same as Fiscal 2007
7. Amortization of goodwill and negative goodwill The Company amortizes goodwill and negative goodwill using the straight-line method over the estimated period of benefit with the exception of minor amounts, which are charged or credited to income directly in the year of acquisition. Foreign consolidated subsidiaries amortize goodwill and negative goodwill per the applicable accounting standard in each country.	**7. Amortization of goodwill and negative goodwill** The Company amortizes goodwill and negative goodwill using the straight-line method over the estimated period of benefit with the exception of minor amounts, which are charged or credited to income directly in the year of acquisition.
8. Cash and cash equivalents Cash and cash equivalents include all highly liquid investments with an original maturity of three months or less, that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value.	**8. Cash and cash equivalents** Same as Fiscal 2007

(2) SIGNIFICANT CHANGES IN ACCOUNTING POLICIES CONCERNING THE PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

Fiscal 2007 (From April 1, 2007 to March 31, 2008)	**Fiscal 2008** (From April 1, 2008 to March 31, 2009)
—	(Accounting standards for measurement of inventories) Inventories, which the Company held for sale in the ordinary course of business, were mainly valued at cost using the weighted-average method previously, and those which had been held beyond a certain period were regularly written down. However, following the adoption of the "Accounting Standards for Measurement of Inventories (ASBJ Statement No. 9, issued on July 5, 2006)" starting from the current fiscal year, we mainly value these inventories at the lower of cost or net realizable value. As a result, operating income and ordinary income in the current fiscal year decreased by ¥380 million (US$3,886 thousands) each and income before income taxes by ¥1,534 million (US$15,661 thousands) compared with those calculated using the previous method. The Company recorded loss on disposal of inventories due to the decrease in profitability as non-operating expenses in the past. However, we started to record it as cost of sales effective the current fiscal year with the adoption of the above-mentioned accounting standards. As a result of this change, operating income in the current fiscal year decreased by ¥1,541 million (US$15,727 thousands) compared with the amount calculated using the previous method. There was no impact on ordinary income and income before income taxes from the adoption of this standard during the same period. The effects on segment information are described in the relevant sections of this Annual Report.
—	(Practical solutions on unification of accounting policies applied to foreign subsidiaries) Effective the current fiscal year, the Company adopted "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements (Practical Issues Task Force No. 18, issued on May 17, 2006)," and implemented modifications necessary for consolidated financial statements. The effect of this change on operating income, ordinary income and income before income taxes is not material. The effects on segment information are described in the relevant sections of this Annual Report.

Fiscal 2007 (From April 1, 2007 to March 31, 2008)	Fiscal 2008 (From April 1, 2008 to March 31, 2009)
—	(Accounting standards for lease transactions) Financial leases without transfer of ownership were accounted for on a basis similar to ordinary rental transactions previously. However, effective the current fiscal year, the Company adopted the "Accounting Standard for Lease Transactions (ASBJ Statement No. 13, issued on June 17, 1993 by Section 1 of the Business Accounting Council, and revised on March 30, 2007)" and the "Guidance on Accounting Standard for Lease Transactions (ASBJ Guidance No. 16, issued on January 18, 1994 by the Accounting System Committee of the Japanese Institute of Certified Public Accountants, and revised on March 30, 2007)" and they are now accounted for on a basis similar to ordinary sales transactions. Depreciation on lease assets concerning financial leases transactions without transfer of ownership is calculated by the straight-line method that assumes a residual value of zero based on the estimated useful life that corresponds to the lease period. There was no impact on operating income, ordinary income and income before income taxes from the adoption of this standard.

(3) CHANGES IN PRESENTATION

Fiscal 2007 (From April 1, 2007 to March 31, 2008)	Fiscal 2008 (From April 1, 2008 to March 31, 2009)
—	(Consolidated balance sheets) In response to the adoption of the Cabinet Office Ordinance modifying the part of Regulations for Financial Statements (Cabinet Ordinance No. 50, issued on August 7, 2008), the items which were included in "Inventories" in the previous consolidated fiscal year are separately presented as "Merchandise and finished goods," "Work-in-process" and "Raw materials and supplies" in the current fiscal year. "Merchandise and finished goods," "Work-in-process" and "Raw materials and supplies" amounted to ¥50,834 million, ¥11,455 million and ¥10,244 million respectively in the previous fiscal year. "Accrued expenses," which had been included in "Other" of the current liabilities in the previous fiscal year, is presented separately in the current fiscal year in order to increase clarity of disclosure in the consolidated balance sheets. "Accrued expenses" was ¥5,454 million in the previous fiscal year.

Fiscal 2007 (From April 1, 2007 to March 31, 2008)	Fiscal 2008 (From April 1, 2008 to March 31, 2009)
(Consolidated statements of income) "Foreign exchange losses," which had been reported as "miscellaneous expenses" in the previous fiscal year, are presented separately since its amount exceeds 10/100 of non-operating expenses in the current fiscal year. "Foreign exchange losses" was ¥544 million in the previous fiscal year.	(Consolidated statements of income) "Foreign exchange losses," which had been presented separately in the previous fiscal year, is included in "Other" of non-operating expenses since its amount is 10/100 or less of non-operating expenses in the current fiscal year. "Foreign exchange losses" is ¥56 million (US$578 thousand) in the current fiscal year. "Personnel expenses for seconded employees," which had been presented as "Other" in Non-operating expenses in the previous fiscal year, are reported separately since its amount exceeds 10/100 of non-operating expenses in the current fiscal year. "Personnel expenses for seconded employees" was ¥811 million in the previous fiscal year.
(Consolidated statements of cash flows) "Purchase of long-term prepaid expenses," which had been reported separately in the "Net cash provided by (used in) investment activities" in the previous fiscal year, is presented as "Other, net" in the current fiscal year due to the significant decreese in its balance. "Purchase of long-term prepaid expenses" is ¥503 million in the current fiscal year.	—

(4) ADDITIONAL INFORMATION

Fiscal 2007 (From April 1, 2007 to March 31, 2008)	Fiscal 2008 (From April 1, 2008 to March 31, 2009)
—	The Company had previously posted deferred tax liabilities for the amount of taxes to be imposed in Japan on future dividend from retained earnings of foreign subsidiaries. A new Japanese tax exemption for dividends paid by foreign subsidiaries became effective for fiscal years beginning on or after April 1, 2009. Due to the new rule, dividends from certain foreign subsidiaries results in increasing tax expense as a whole, therefore the Company revised its dividend policy that these subsidiaries do not pay dividends to the Company. In response to this, the Company reversed part of deferred tax liabilities, which was recorded in the previous period, in the current fiscal year. As a result, net income in the current fiscal year increased by ¥1,471 million (US$15,019 thousand) compared with the amount that would have been posted under the previous method.

(5) NOTES TO CONSOLIDATED BALANCE SHEETS

Fiscal 2007 (From April 1, 2007 to March 31, 2008)	**Fiscal 2008** (From April 1, 2008 to March 31, 2009)
*1. Accumulated depreciation of tangible fixed assets: ¥447,253 million	*1. Accumulated depreciation of tangible fixed assets: ¥455,649 million (US$4,649,481 thousand)
*2. Accumulated amount of reduced-value entry as a result of receiving government subsidy, and so on that are subtracted from the acquisition price of tangible fixed assets Buildings: ¥1,186 million (including a ¥48 million deduction for this fiscal year) Structures: ¥526 million (including ¥4 million in the amount of subtraction for this fiscal year) Machinery: ¥413 million (including ¥171 million in the amount of subtraction for this fiscal year) Tools, instruments and fixtures: ¥30 million (including ¥11 million in the amount of subtraction for this fiscal year) Land: ¥1,257 million	*2. Accumulated amount of reduced-value entry as a result of receiving government subsidy, and so on that are subtracted from the acquisition price of tangible fixed assets Buildings and Structures: ¥1,992 million (US$20,330 thousand) (including a ¥279 million (US$2,848 Thousand) deduction for this fiscal year) Machinery, equipment and vehicles: ¥717 million (US$7,322 thousand) (including ¥309million (US$3,157 thousand) in the amount of subtraction for this fiscal year) Land: ¥1,257 million (US$12,830 thousand) Construction in progress: ¥75 million (US$765 thousand) (including ¥75 million (US$765 thousand) in the amount of subtraction for this fiscal year) Other: ¥35 million (US$362 thousand) (including ¥4 million (US$50 thousand) in the amount of subtraction for this fiscal year)
*3. Investments in unconsolidated subsidiaries and affiliates Investment securities: ¥3,414 million	*3. Investments in unconsolidated subsidiaries and affiliates Investment securities: ¥2,746 million (US$28,027 thousand)
4. Commitments and contingencies The Company is contingently liable for guarantees for bank loans of unconsolidated subsidiaries, affiliates and others. The company names and the guarantees of their liabilities are as follows: Social welfare corporation Ishii Kinen Aizenen (Joint and several guarantee): ¥2,202 million KURARAY MAGICTAPE (SHANGHAI) CO., LTD. and another company: ¥99 million (including foreign currency-denominated guarantees for 2 companies): CNY7,000,000 Total ¥2,302 million	4. Commitments and contingencies The Company is contingently liable for guarantees for bank loans of unconsolidated subsidiaries, affiliates and others. The company names and the guarantees of their liabilities are as follows: Social welfare corporation Ishii Kinen Aizenen (Joint and several guarantee): ¥2,071 million (US$21,137 thousand) KURARAY MAGICTAPE (SHANGHAI) CO., LTD. and another company: ¥86 million (US$879 thousand) (including foreign currency-denominated guarantees for 2 companies): CNY6,000,000 Total ¥2,157 million (US$22,016 thousand)
*5. Security assets and secured liabilities Investment securities ¥46 million The above investment securities have been provided as collateral for loans of Mizushima Eco-works Co., Ltd.	*5. Security assets and secured liabilities Investment securities ¥46 million (US$469 thousand) Same as Fiscal 2007.

(6) NOTES TO CONSOLIDATED STATEMENTS OF INCOME

Fiscal 2007 (From April 1, 2007 to March 31, 2008)	**Fiscal 2008** (From April 1, 2008 to March 31, 2009)
*1. Major items and the amounts under "Selling, general and administrative expenses" are as follows: Freight and storage ¥14,365 million Research and development ¥14,185 million Salaries and legal welfare expense ¥12,579 million Provision for bonuses ¥4,063 million Provision for retirement benefits for employees ¥678 million	*1. Major items and the amounts under "Selling, general and administrative expenses" are as follows: Freight and storage ¥13,072 million (US$133,389 thousand) Research and development ¥15,210 million (US$155,204 thousand) Salaries and legal welfare expense ¥12,485 million (US$127,399 thousand) Provision for bonuses ¥3,353 million (US$34,214 thousand) Provision for retirement benefits for employees ¥969 million (US$9,889 thousand)
*2. Research and development expenses included in general, administrative and current manufacturing expenses ¥15,250 million	*2. Research and development expenses included in general, administrative and current manufacturing expenses ¥16,358 million (US$166,920 thousand)
*3. The gain is incurred by the sales of stocks including those of the consolidated subsidiary.	*3. The gain is incurred by the sales of stocks.
*4. —	*4. The Kuraray Group reclassified unexpected utilization variance, which was caused by the extraordinary change in economic environment, from manufacturing expenses to extraordinary losses as "Abnormally low utilization variance." Since Group adopts standard costing and reviews standard cost every 6months, "Abnormally low utilization variance" is presented as extraordinary losses when actual utilization is significantly below the projected utilization during the 6 months in accordance with the Group's policy. Accordingly, "Abnormally low utilization variance" of ¥3,994 million (US$40,755 thousand) are recognized as extraordinary losses for the second half of the current fiscal year. The above mentioned amount includes 651 million (US$6,642 thousand) that was presented as manufacturing expenses in the quarterly report for the third quarter of the current fiscal year.
*5. Impairment loss (1) Identifying the cash-generating unit to which an asset belongs As a minimum unit for generating cash flow, business assets are grouped into sections used for management accounting, and leased assets, idle assets, and assets associated with discontinued or reorganized businesses are assessed individually. Other head office and research facilities are shared assets.	*5. Impairment loss (1) Identifying the cash-generating unit to which an asset belongs As a minimum unit for generating cash flow, business assets are grouped into sections used for management accounting, and lent assets, idle assets, and assets associated with discontinued or reorganized businesses are assessed individually. Other head office and research facilities are shared assets.

Fiscal 2007
(From April 1, 2007 to March 31, 2008)

(2) Significant components of impairment loss

The impairment loss is ¥2,256 million in total.

The impairment loss on business assets is ¥438 million and on assets associated with discontinued businesses is ¥1,818 million.

The significant components of impairment loss for the fiscal year ending March 31, 2008 are as follows:

Location	Assets	Usage	Type	Impairment loss
Tainai, Niigata Prefecture	Assets associated with discontinued or reorganized business	Plant and equipment for aroma chemicals	Plant and equip-ment	¥1,151 million
Kurashiki, Okayama Prefecture	Assets associated with discontinued or reorganized business	Plant and equipment for high-flux filter mem-branes for artificial kidneys	Plant and equip-ment	¥667 million

After separately examining the indications for impairment with respect to those businesses whose income from operations continue to be negative, and the recoverable amount falls short of the book value, the book value is to be reduced to the recoverable amount. The recoverable amount is measured based on the value in use and calculated with a 5% discount off the future cash flow.

Assets associated with discontinued or reorganized businesses held for sale can be converted for use in other businesses or discarded. For items to be sold or discarded, the net book value of the assets is to be reduced to their recoverable amount. The recoverable amount is measured based on the net sale price and is calculated by deducting the estimated disposal cost from the estimated sale price.

*6. The loss is mainly incurred due to the write-down of listed securities.

*7. The loss is mainly attributable to relocation costs of the Kurashiki Plant and the costs incurred by the stoppage of the aroma chemicals production.

*8. The loss is mainly attributable to the disposal of machinery.

Fiscal 2008
(From April 1, 2008 to March 31, 2009)

(2) Significant components of impairment loss

The impairment loss is ¥1,473 million (US$15,033 thousand) in total.

The impairment loss on assets associated with discontinued or reorganized businesses is ¥1,473 million (US$15,033 thousand).

The significant components of impairment loss for the fiscal year ending March 31, 2009 are as follows:

Location	Assets	Usage	Type	Impairment loss
Kamishu, Ibaragi Prefecture	Assets planned to be discontin-ued (that became unnec-essary due to the start of operations of new plant and/or equip-ment)	Plant and equipment for nonane-diamine	Plant and equip-ment	¥245 million (US$2,504 thousand)
Kurashiki, Okayama Prefecture	Assets planned to be discontin-ued (that became unnec-essary due to rearrangement of equipment)	Plant and equipment for fine chemicals	Plant and equip-ment	¥226 million (US$2,307 thousand)

Assets associated with discontinued or reorganized businesses held for sale can be converted for use in other businesses or discarded. For items to be sold or discarded, the net book value of the assets is to be reduced to their recoverable amount. The recoverable amount is measured based on the net sale price and is calculated by deducting the estimated disposal cost from the estimated sale price.

*6. The loss is incurred due to the write-down of stocks, including those of subsidiaries and affiliates.

*7. The loss is mainly attributable to the costs of liquidation of businesses occurred in subsidiaries and affiliates.

*8. The loss is mainly attributable to the disposal of machinery.

(7) NOTES TO CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

FISCAL 2007 (From April 1, 2007 to March 31, 2008)

1. Type and number of issued shares of common stock and treasury stock

	Number of shares as of March 31, 2007 (thousands of shares)	Increase in the number of shares (thousands of shares)	Decrease in the number of shares (thousands of shares)	Number of shares as of March 31, 2008 (thousands of shares)
Number of Outstanding shares				
Common stock	382,863	—	—	382,863
Total	382,863	—	—	382,863
Number of treasury stocks	—	—	—	—
Common stock (Notes 1, 2)	14,877	20,256	491	34,642
Total	14,877	20,256	491	34,642

Notes: 1. Treasury stock (common stock) increased by 20,136 thousand shares upon the resolution of the Board of Directors to acquire additional stock. In addition, there was an increase of 120 thousand shares attributable to the purchase of less-than-one unit shares.

2. The decrease in treasury stock (common stock) is attributable to a transfer of shares upon the exercise of subscription rights (481 thousand shares) and the acquisition of less-than-one-unit shares by the shareholders (10 thousand shares).

2. Subscription rights to shares

The Company granted its directors and executive officers the subscription rights to the Company shares as stock option. The balance of the subscription rights to shares as of March 31, 2008 is ¥69 million.

3. Dividends

(1) Amount of dividends paid

Resolution	Type of share	Amount of dividends (Millions of yen)	Dividend per share (yen)	Record date	Effective date
General shareholders' meeting held on June 20, 2007	Common stock	3,679	10.00	March 31, 2007	June 21, 2007
Board of directors held on October 30, 2007	Common stock	3,829	11.00	September 30, 2007	December 3, 2007

(2) Dividends whose effective date is after the end of Fiscal 2007 and record date is included in the Fiscal 2007.

Resolution	Type of share	Amount of dividends (Millions of yen)	Source of dividends	Dividend per share (yen)	Record date	Effective date
General shareholders' meeting held on June 19, 2008	Common Stock	3,830	Retained earnings	11.00	March 31, 2008	June 20, 2008

4. Increase in Retained earnings "Other" is due to the recognition of unrecognized pension liabilities in "Other comprehensive income."

(8) NOTES TO CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

FISCAL 2008 (From April 1, 2008 to March 31, 2009)

1. Type and number of issued shares of common stock and treasury stock

	Number of shares as of March 31, 2007 (thousands of shares)	Increase in the number of shares (thousands of shares)	Decrease in the number of shares (thousands of shares)	Number of shares as of March 31, 2008 (thousands of shares)
Number of Outstanding shares				
Common stock	382,863	—	—	382,863
Total	382,863	—	—	382,863
Number of treasury stocks	—	—	—	—
Common stock (Notes 1, 2)	34,642	109	104	34,647
Total	34,642	109	104	34,647

Notes: 1. The increase in treasury stock (common stock) is attributable to the purchase of less-than-one unit shares (109 thousand shares).
2. The decrease in treasury stock (common stock) is attributable to a transfer of shares upon the exercise of subscription rights (75 thousand shares) and the acquisition of less-than-one unit shares by the shareholders (29 thousand shares).

2. Subscription rights to shares

The Company granted its directors and executive officers the subscription rights to the Company shares as stock option. The balance of the subscription rights to shares as of March 31, 2009 is ¥109 million (US$1,114 thousand).

3. Dividends

(1) Amount of dividends paid

Resolution	Type of share	Amount of dividends (Millions of yen)	Dividend per share (yen)	Record date	Effective date
General shareholders' meeting held on June 20, 2007	Common stock	3,830	11.00	March 31, 2008	June 20, 2008
Board of directors held on October 30, 2007	Common stock	4,178	12.00	September 30, 2008	December 1, 2008

Resolution	Type of share	Amount of dividends (Thousands of U.S. dollars)	Dividend per share (U.S. dollars)	Record date	Effective date
General shareholders' meeting held on June 20, 2007	Common stock	39,086	0.10	March 31, 2008	June 20, 2008
Board of directors held on October 30, 2007	Common stock	42,642	0.12	September 30, 2008	December 1, 2008

(2) Dividends whose effective date is after the end of Fiscal 2008 and record date is included in the Fiscal 2008.

Resolution	Type of share	Amount of dividends (Millions of yen)	Source of dividends	Dividend per share (yen)	Record date	Effective date
General shareholders' meeting held on June 19, 2008	Common Stock	3,482	Retained earnings	11.00	March 31, 2009	June 22, 2009

Resolution	Type of share	Amount of dividends (Thousands of U.S. dollars)	Source of dividends	Dividend per share (U.S. dollars)	Record date	Effective date
General shareholders' meeting held on June 19, 2008	Common Stock	35,532	Retained earnings	0.10	March 31, 2009	June 22, 2009

4. Decrease in Retained earnings "Other" is mainly due to the recognition of unrecognized pension liabilities in "Other comprehensive income," which the Company's consolidated U.S. subsidiary recorded in compliance with the U.S. GAAP.

(9) NOTES TO CONSOLIDATED STATEMENTS OF CASH FLOWS

Fiscal 2007
(From April 1, 2007 to March 31, 2008)

1. Cash and cash equivalents as of the year-end are reconciled to the accounts reported in the consolidated balance sheets as follows:

	(As of March 31, 2008) Millions of Yen
Cash on hand and in banks	11,109
Time deposits with a deposit period of 3 months or more	(920)
Marketable securities with original maturities of three months or less	2,000
Cash and cash equivalents	12,189

2. Assets and liabilities of the company which became a consolidated subsidiary during Fiscal 2007 upon the acquisition of shares

The assets and liabilities, acquisition price of shares and expenses (net) for the company which became a consolidated subsidiary during Fiscal 2007 upon the acquisition of shares are as follows:

	(As of March 31, 2008) Millions of Yen
Current assets:	2,146
Noncurrent assets:	6,390
Goodwill:	644
Current liabilities:	(2,224)
Noncurrent liabilities:	(2,546)
Acquisition price of shares at fiscal year-end or value by the equity method at fiscal year-end:	(1,850)
Acquisition price of shares for fiscal 2007:	2,560
Cash and cash equivalents of the acquired company:	(278)
Balance: Expenses (net) upon acquisition:	2,282

Fiscal 2008
(From April 1, 2008 to March 31, 2009)

1. Cash and cash equivalents as of the year-end are reconciled to the accounts reported in the consolidated balance sheets as follows:

	(As of March 31, 2009) Millions of Yen	Thousands of U.S. dollars
Cash on hand and in banks	37,527	382,935
Time deposits with a deposit period of 3 months or more	(869)	(8,873)
Marketable securities with original maturities of three months or less	9,499	96,936
Cash and cash equivalents	46,157	470,998

2. —

(10) LEASES

Fiscal 2007 (From April 1, 2007 to March 31, 2008)	Fiscal 2008 (From April 1, 2008 to March 31, 2009)

Fiscal 2007

1. Leases that do not transfer ownership of the assets

(1) Lease transactions as a lessee:

1) Acquisition cost, accumulated depreciation, and net book value at the end of the fiscal year for the leased assets are as follows:

Year ended March 31, 2008	Millions of yen		
	Acquisition cost	Accumulated depreciation	Net
Machinery and equipment	283	169	113
Tools, fixtures and furniture	1,386	833	552
Total	1,670	1,003	666

Note: Acquisition costs are computed by including interest paid because the ratio of future lease payment obligations to the balance of tangible fixed assets at the end of the fiscal year is not material.

2) Future lease payment obligations are as follows:

	Millions of yen
Due within one year	296
Due after one year	369
Total	666

Note: Future lease payment obligations are computed by including interest paid because the ratio of future lease payment obligations to the balance of tangible fixed assets at the end of the fiscal year is not material.

3) Lease payments, depreciation expense for the fiscal year

	Millions of yen
Lease payments	398
Depreciation expense	398

4) Calculation method of depreciation

Straight-line method using lease term with a residual value of zero.

(For impairment loss)

No impairment loss is recognized in respect to leased assets.

Fiscal 2008

1. Finance Lease Transactions

(1) Lease transactions as a lessee:

Financial leases without transfer of ownership

1) Details of lease assets

a) Tangible fixed assets

Mainly, vehicles used at plants including forklifts ("Machinery and equipment"), OA equipment including personal computers and printers, and servers ("Other").

b) Intangible fixed assets

Software ("Other intangible fixed assets")

2) Depreciation method of lease assets

As described in the basis of presenting consolidated financial statements "5. Accounting policies (2) Depreciation method of significant depreciable assets."

Fiscal 2007 (From April 1, 2007 to March 31, 2008)	Fiscal 2008 (From April 1, 2008 to March 31, 2009)

Fiscal 2007 (From April 1, 2007 to March 31, 2008)

(2) Lease transactions as a lessor

1) Acquisition cost, accumulated depreciation, and net book value at the end of the fiscal year for leased assets are as follows:

Year ended March 31, 2008	Millions of yen		
	Acquisition cost	Accumulated depreciation	Net
Machinery and equipment	49	32	16
Total	49	32	16

2) Future lease payment obligations are as follows:

	Millions of yen
Due within one year	4
Due after one year	11
Total	16

Note: Future lease payment obligations are computed by including interest received because the ratio of future lease payment obligations and estimated salvage value to the balance of operating receivable at the end of the fiscal year is not material.

3) Lease revenue, depreciation expense for the fiscal year

	Millions of yen
Lease revenue	15
Depreciation expense	15

(For impairment loss)

No impairment loss is recognized for leased assets.

2. Operating leases

Lease transactions as a lessee:

Future lease payment obligations under operating leases are as follows:

	Millions of yen
Due within one year	525
Due after one year	3,692
Total	4,218

Fiscal 2008 (From April 1, 2008 to March 31, 2009)

(2) Lease transactions as a lessor

Financial lease transactions without transfer of ownership that commenced on or before March 31, 2008. are accounted for on a basis similar to ordinary sales transactions. The details of such transactions are as follows;

There were no lease transactions that commenced after April 1, 2008.

1) Acquisition cost, accumulated depreciation, and net book value at the end of the fiscal year for leased assets are as follows:

Year ended March 31, 2009	Millions of yen		
	Acquisition cost	Accumulated depreciation	Net
Building and structures	196	73	122
Machinery and equipment	49	36	12
Total	245	110	135

Year ended March 31, 2009	Thousands of U.S. dollars		
	Acquisition cost	Accumulated depreciation	Net
Building and structures	2,005	753	1,252
Machinery and equipment	502	370	131
Total	2,507	1,123	1,383

2) Future lease payment obligations are as follows:

	Millions of yen	Thousands of U.S. dollars
Due within one year	16	169
Due after one year	172	1,756
Total	188	1,925

Note: Future lease payment obligations are computed by including interest received because the ratio of future lease payment obligations and estimated salvage value to the balance of operating receivable at the end of the fiscal year is not material.

3) Lease revenue, depreciation expense for the fiscal year

	Millions of yen	Thousands of U.S. dollars
Lease revenue	22	232
Depreciation expense	7	78

(For impairment loss)

Same as Fiscal 2007

2. Operating leases

Lease transactions as a lessee:

Future lease payment obligations under operating leases are as follows:

	Millions of yen	Thousands of U.S. dollars
Due within one year	478	4,881
Due after one year	2,840	28,985
Total	3,319	33,867

(11) SECURITIES

FISCAL 2007 (From April 1, 2007 to March 31, 2008)

1. Available-for-sale securities with market value (As of March 31, 2008)

	Millions of yen		
	Cost	Book value (estimated fair value)	Net
Securities with book value exceeding their acquisition cost			
Equity securities	5,370	15,820	10,450
Bonds			
Government and municipal	—	—	—
Corporate	—	—	—
Others	—	—	—
Others	27,000	27,115	115
Subtotal	32,370	42,935	10,565
Securities with book value not exceeding their acquisition cost			
Equity securities	1,237	880	(357)
Bonds			
Government and municipal	—	—	—
Corporate	—	—	—
Others	—	—	—
Others	2,062	2,062	—
Subtotal	3,300	2,943	(357)
Total	35,670	45,878	10,207

2. Available-for-sale securities sold during Fiscal 2007 (From April 1, 2007 to March 31, 2008)

	Millions of yen
Proceeds from sales	1,428
Total gain	1,089
Total loss	—

3. Investments in securities without market value (As of March 31, 2008)

	Millions of yen
Investments in securities	
Investments in unlisted companies	4,359

4. Redemption schedule of the available-for-sale securities which have a maturity date (As of March 31, 2008)

	Millions of yen			
	Within one year	One to five years	Five to ten years	Over ten years
Bonds				
Government and municipal	—	—	—	—
Corporate	—	—	—	—
Others	—	—	—	—
Others	2,000	27,115	—	—
Total	2,000	27,115	—	—

FISCAL 2008 (From April 1, 2008 to March 31, 2009)

1. Available-for-sale securities with market value (As of March 31, 2009)

	Millions of yen			Thousands of U.S. dollars		
	Cost	Book value (estimated fair value)	Net	Cost	Book value (estimated fair value)	Net
Securities with book value exceeding their acquisition cost						
Equity securities	5,286	10,362	5,076	53,947	105,744	51,796
Bonds						
Government and municipal	—	—	—	—	—	—
Corporate	—	—	—	—	—	—
Others	—	—	—	—	—	—
Others	26,937	27,063	125	274,871	276,154	1,282
Subtotal	32,224	37,426	5,201	328,819	381,898	53,078
Securities with book value not exceeding their acquisition cost						
Equity securities	3,669	2,912	(756)	37,440	29,717	(7,723)
Bonds						
Government and municipal	—	—	—	—	—	—
Corporate	—	—	—	—	—	—
Others	499	499	—	5,099	5,099	—
Others	9,000	9,000	—	91,836	91,836	—
Subtotal	13,168	12,412	(756)	134,376	126,653	(7,723)
Total	45,393	49,838	4,444	463,196	508,551	45,355

2. Available-for-sale securities sold during Fiscal 2008 (From April 1, 2008 to March 31, 2009)

	Millions of yen	Thousands of U.S. dollars
Proceeds from sales	1,534	15,658
Total gain	1,264	12,903
Total loss	—	—

3. Investments in securities without market value (As of March 31, 2009)

	Millions of yen	Thousands of U.S. dollars
Investments in securities		
Investments in unlisted companies	4,420	45,105

4. Redemption schedule of the available-for-sale securities which have a maturity date (As of March 31, 2009)

	Millions of yen				Thousands of U.S. dollars			
	Within one year	One to five years	Five to ten years	Over ten years	Within one year	One to five years	Five to ten years	Over ten years
Bonds								
Government and municipal	—	—	—	—	—	—	—	—
Corporate	—	—	—	—	—	—	—	—
Others	500	—	—	—	5,102	—	—	—
Others	9,000	27,063	—	—	91,836	276,154	—	—
Total	9,500	27,063	—	—	96,938	276,154	—	—

(12) DERIVATIVE FINANCIAL INSTRUMENTS

FISCAL 2007 (From April 1, 2007 to March 31, 2008)

1. Outline of derivative transactions

(1) Types of transactions

The Company and its consolidated subsidiaries enter into forward foreign exchange contracts, currency swap contracts and interest rate swap contracts.

(2) Transaction policy

All derivative transactions are entered into to hedge risks of fluctuations of interest rates and foreign currency exchange rates incorporated within the Companies' business. The Company and the consolidated subsidiaries do not hold or issue derivative financial instruments for speculative or trading purposes.

(3) Purpose of transactions

The Company and its consolidated subsidiaries use derivative transactions to effectively manage market risk and avoid risks associated with fluctuations in the financial environment. The Company and its consolidated subsidiaries enter into forward foreign exchange contracts and currency swap contracts to reduce foreign exchange risks of receivables and payables denominated in foreign currencies and future transactions in foreign currencies. The Company and its consolidated subsidiaries enter into interest rate swap contracts to reduce the interest rate risk of interest expense.

Hedge accounting

The Company and its consolidated subsidiaries adopt the method for hedging instruments whereby any gains or losses are deferred over the period of the hedging contract and are offset against the deferred losses or gains on the related hedged items. However, when an interest rate swap contract meets certain conditions, the net amount to be paid or received under the contract is added to or deducted from the interest on the hedged items.

Hedging instruments and hedged items

Hedging instruments:	Hedged items:
Forward foreign exchange contracts	Future transactions in foreign currency
Currency swap contracts	Future transactions in foreign currency
Interest rate swap contracts	Interest expenses

Hedging policy

The Company and its consolidated subsidiaries use financial instruments to hedge interest rate fluctuation and exchange fluctuation risks in accordance with their internal policies and procedures.

Assessment method for hedge effectiveness

The Company and its consolidated subsidiaries evaluate the effectiveness of their hedging activities by reference to the accumulated gains or losses on the hedging instruments and the related hedged items. Interest rate swap contracts, which meet certain conditions, are evaluated for effectiveness at the commencement of the hedges.

(4) Risks of transactions

The Company and its consolidated subsidiaries estimate that credit risk is low as contracts are entered into with well-known and established financial institutions.

(5) Risk management of transactions

Derivative transactions are in accordance with internal policies which specify management policy, responsible department, usage purpose and practice standard for hedging.

(6) Additional explanation regarding transaction value

The notional amounts of swap contracts do not necessarily represent the amounts exchanged by the parties and, therefore, are not a direct measure of the market risk or credit risk exposure in connection with derivatives.

2. The forward foreign exchange contracts and currency swap contracts outstanding at March 31, 2008 are as follows:

Currencies

Category	Classification	Millions of yen: Notional amount	Notional amount over one year	Market value	Unrealized gain (loss)
Transactions other than market transactions	Currency swap contracts:				
	Yen into Euro obligation	10,637	8,487	(1,678)	(1,678)
	Forward foreign exchange contracts:				
	Yen into U.S. dollar obligation	11,476	1,402	693	693
	Yen into Euro obligation	11,951	4,271	(2,319)	(2,319)
	Yen into other currency obligation	30	—	1	1
	U.S. dollar into Yen obligation	1,698	—	(102)	(102)
	Euro into Yen obligation	367	—	0	0
	Other currency into Yen obligation	14	—	(0)	(0)
Total		36,177	14,161	(3,406)	(3,406)

Notes: 1. The amounts exclude derivative transactions to which hedge accounting is applied.

2. Market values of swap transactions at the end of the fiscal year are calculated using prices quoted by financial institutions. Market values of forward foreign exchange contracts at the end of the fiscal year are calculated using future quotations.

3. The amounts include currency swap contracts entered into in order to hedge inter-company transactions in foreign currency or forward foreign exchange contracts for accounts receivable and payable in foreign currency, which are not accounted for by hedge accounting, but by the primary method of accounting for the instruments in accordance with the Accounting Standard for Financial Instruments.

FISCAL 2008 (From April 1, 2008 to March 31, 2009)

1. Outline of derivative transactions

(1) Types of transactions

The Company and its consolidated subsidiaries enter into forward foreign exchange contracts, currency swap contracts and interest rate swap contracts.

(2) Transaction policy

All derivative transactions are entered into to hedge risks of fluctuations of interest rates and foreign currency exchange rates incorporated within the Companies' business. The Company and the consolidated subsidiaries do not hold or issue derivative financial instruments for speculative or trading purposes.

(3) Purpose of transactions

The Company and its consolidated subsidiaries use derivative transactions to effectively manage market risk and avoid risks associated with fluctuations in the financial environment. The Company and its consolidated subsidiaries enter into forward foreign exchange contracts and currency swap contracts to reduce foreign exchange risks of receivables and payables denominated in foreign currencies and future transactions in foreign currencies. The Company and its consolidated subsidiaries enter into interest rate swap contracts to reduce the interest rate risk of interest expense.

Hedge accounting

The Company and its consolidated subsidiaries adopt the method for hedging instruments whereby any gains or losses are deferred over the period of the hedging contract and are offset against the deferred losses or gains on the related hedged items. However, when an interest rate swap contract meets certain conditions, the net amount to be paid or received under the contract is added to or deducted from the interest on the hedged items.

Hedging instruments and hedged items

Hedging instruments:	Hedged items:
Forward foreign exchange contracts	Future transactions in foreign currency
Currency swap contracts	Future transactions in foreign currency
Interest rate swap contracts	Interest expenses

Hedging policy

The Company and its consolidated subsidiaries use financial instruments to hedge interest rate fluctuation and exchange fluctuation risks in accordance with their internal policies and procedures.

Assessment method for hedge effectiveness

The Company and its consolidated subsidiaries evaluate the effectiveness of their hedging activities by reference to the accumulated gains or losses on the hedging instruments and the related hedged items. Interest rate swap contracts, which meet certain conditions, are evaluated for effectiveness at the commencement of the hedges.

(4) Risks of transactions

The Company and its consolidated subsidiaries estimate that credit risk is low as contracts are entered into with well-known and established financial institutions.

(5) Risk management of transactions

Derivative transactions are in accordance with internal policies which specify management policy, responsible department, usage purpose and practice standard for hedging.

(6) Additional explanation regarding transaction value

The notional amounts of swap contracts do not necessarily represent the amounts exchanged by the parties and, therefore, are not a direct measure of the market risk or credit risk exposure in connection with derivatives.

2. The forward foreign exchange contracts and currency swap contracts outstanding at March 31, 2009 were as follows:

Currencies

		Millions of yen			
Category	Classification	Notional amount	Notional amount over one year	Market value	Unrealized gain (loss)
Transactions other than market transactions	Currency swap contracts:				
	Yen into Euro obligation	8,487	6,347	326	326
	Forward foreign exchange contracts:				
	Yen into U.S. dollar obligation	4,337	—	(44)	(44)
	Yen into Euro obligation	4,554	519	(483)	(483)
	U.S. dollar into Yen obligation	284	—	23	23
	Euro into Yen obligation	8	—	0	0
	U.S. dollar into Euro obligation	885	—	103	103
Total		18,558	6,867	(73)	(73)

Category	Classification	Thousands U.S. dollars Notional amount	Notional amount over one year	Market value	Unrealized gain (loss)
Transactions other than market transactions	Currency swap contracts:				
	Yen into Euro obligation	86,608	64,775	3,328	3,328
	Forward foreign exchange contracts:				
	Yen into U.S. dollar obligation	44,260	—	(449)	(449)
	Yen into Euro obligation	46,476	5,299	(4,934)	(4,934)
	U.S. dollar into Yen obligation	2,903	—	239	239
	Euro into Yen obligation	86	—	5	5
	U.S. dollar into Euro obligation	9,040	—	1,057	1,057
Total		189,376	70,074	(751)	(751)

Notes: 1. The amounts exclude derivative transactions to which hedge accounting is applied.

2. Market values of swap transactions at the end of the fiscal year are calculated using prices quoted by financial institutions. Market values of forward foreign exchange contracts at the end of the fiscal year are calculated using future quotations.

3. The amounts include currency swap contracts entered into in order to hedge inter-company transactions in foreign currency or forward foreign exchange contracts for accounts receivable and payable in foreign currency, which are not accounted for by hedge accounting, but by the primary method of accounting for the instruments in accordance with the Accounting Standard for Financial Instruments.

(13) RETIREMENT BENEFITS

1. Summary of retirement benefit plan

The Company and some of its domestic consolidated subsidiaries have retirement pension plans and lump-sum benefit plans. The Company has cash balance plans and defined contribution pension plans. Some of the domestic subsidiaries have tax-qualified pension plans, cash balance plans or defined contribution pension plans. Some foreign consolidated subsidiaries have defined benefit pension plans or defined contribution pension plans. Additional benefits may be granted to employees depending on the conditions under which termination of employment occurs.

Some consolidated subsidiary adopts a jointly-established employee pension fund plan (multi-employer plan), and record required contribution amounts as retirement benefit expenses.

The status of the multi-employer plan is as follows:

(1) Accumulated funds for the plan

	Fiscal 2007 (As of March 31, 2007) Millions of yen	Fiscal 2008 (As of March 31, 2008) Millions of yen	Fiscal 2008 (As of March 31, 2008) Thousands of U.S. dollars
Plan assets:	95,440	79,649	812,745
Amount of benefit obligation as a result of pension's financial calculation:	102,903	105,891	1,080,524
Difference:	(7,462)	(26,242)	(269,635)

(2) Ratio of total salaries of the consolidated subsidiary to total funds of the plan

(As of March 31, 2007) 1.9%

(As of March 31, 2008) 1.9%

(3) Supplementary explanation

The main reasons behind the difference in amounts described above in (1) are as follows. The method of depreciation of prior service cost in the current fiscal year is to evenly split principals thereof over a period of 10 years, and is scheduled to be terminated in March 2017.

	Fiscal 2007 (As of March 31, 2007) Millions of yen	Fiscal 2008 (As of March 31, 2008) Millions of yen	Fiscal 2008 (As of March 31, 2008) Thousands of U.S. dollars
Balance of prior service cost	14,896	13,844	141,273
Deficient amount carried forward	—	12,397	126,505
General reserve	7,433	—	—

The ratio in the above (2) does not match with the ratio of the actual burden of the consolidated subsidiary.

The numbers for the disclosure above were of the years previous to the corresponding fiscal year.

2. Retirement benefit obligations

Fiscal 2007
(From April 1, 2007 to March 31, 2008)

	Millions of yen
	Fiscal 2007 (As of March 31, 2008)
a. Retirement benefit obligations:	(41,268)
b. Plan assets:	26,650
c. Unfunded retirement benefit obligations: (a+b)	(14,618)
d. Unrecognized actuarial gains or losses:	10,073
e. Unrecognized prior service costs:	(873)
f. Net retirement benefit obligations recognized in the consolidated balance sheets: (c+d+e)	(5,418)
g. Prepaid pension costs:	7,540
h. Provision for retirement benefits: (f-g)	(12,959)

Note: Some domestic consolidated subsidiaries account for a simplified method in the calculation of retirement benefit obligations.

Fiscal 2008
(From April 1, 2008 to March 31, 2009)

	Millions of yen	Thousands of U.S. dollars
	Fiscal 2008 (As of March 31, 2009)	Fiscal 2008 (As of March 31, 2009)
a. Retirement benefit obligations:	(40,332)	(411,558)
b. Plan assets:	20,378	207,942
c. Unfunded retirement benefit obligations: (a+b)	(19,954)	(203,615)
d. Unrecognized actuarial gains or losses:	14,119	144,075
e. Unrecognized prior service costs:	(969)	(9,892)
f. Net retirement benefit obligations recognized in the consolidated balance sheets: (c+d+e)	(6,804)	(69,432)
g. Prepaid pension costs:	7,128	72,742
h. Provision for retirement benefits: (f-g)	(13,933)	(142,175)

Note: Some domestic consolidated subsidiaries account for a simplified method in the calculation of retirement benefit obligations.

3. Retirement benefit expenses

Fiscal 2007 (From April 1, 2007 to March 31, 2008)

	Millions of yen
	Fiscal 2007 (From April 1, 2007, to March 31, 2008)
a. Service costs: (Note 3)	1,401
b. Interest costs:	767
c. Expected return on plan assets:	(1,043)
d. Amortization of actuarial gains or losses:	616
e. Amortization of prior service costs:	(119)
f. Retirement benefit expenses: (a+b+c+d+e)	1,622
g. Defined contribution pension plans installment:	564
Total	2,187

Fiscal 2008 (From April 1, 2008 to March 31, 2009)

	Millions of yen	Thousands of U.S. dollars
	Fiscal 2008 (From April 1, 2008, to March 31, 2009)	Fiscal 2008 (From April 1, 2008, to March 31, 2009)
a. Service costs: (Note 3)	2,061	21,036
b. Interest costs:	781	7,972
c. Expected return on plan assets:	(857)	(8,753)
d. Amortization of actuarial gains or losses:	941	9,602
e. Amortization of prior service costs:	(91)	(928)
f. Retirement benefit expenses: (a+b+c+d+e)	2,839	28,929
g. Defined contribution pension plans installment:	562	5,743
Total	3,397	34,673

Notes: 1. In addition to the above retirement benefit expenses, additional retirement benefits amounting to ¥204 were paid and booked as extraordinary losses for Fiscal 2007.
2. The figures in the above table do not include the contributions made by employees with respect to the tax-qualified pension plan.
3. The retirement benefit expense for consolidated subsidiaries which adopt the simplified method is included in “Service costs.”

4. Assumptions used in accounting for the defined benefit plan for the year ended March 31, 2008 are as follows:

	Fiscal 2007 (As of March 31, 2008)	Fiscal 2008 (As of March 31, 2009)
a. Method of attributing the projected benefit obligations to periods of service	Straight-line	Same as Fiscal 2007
b. Discount rate	mainly 2.0%	Same as Fiscal 2007
c. Expected rate of return on plan assets	mainly 3.3%	Same as Fiscal 2007
d. Amortization period for prior service cost	mainly 15 years (On a straight-line basis over a certain period, which falls within the average remaining years of service of the eligible employees.)	Same as Fiscal 2007
e. Amortization period for actuarial gains and losses	mainly 15 years (On a straight-line basis over a certain period, which falls within the average remaining years of service of the eligible employees, allocated proportionally commencing the next year in which each respective gains or losses occurred.)	Same as Fiscal 2007

(Additional information)
Effective from fiscal 2007, the Company and its domestic consolidated subsidiaries adopt “Partial Amendments to Accounting Standard for Retirement benefits (Part 2)” (ASBJ Statement No. 14, May 15, 2007).

(14) STOCK-BASED COMPENSATION PLANS

FISCAL 2007 (From April 1, 2007 to March 31, 2008)

1. Item and amount of expenses for stock options in this fiscal year

Selling, general and administrative expenses: ¥74 million

2. Details including size and changes of stock options

(1) Stock options plans

	Stock options 2002	Stock options 2003	Stock options June 2007
Number of eligible persons by positions	Directors 18 Corporate auditors 3 Managers 396 Directors of subsidiaries 67 Corporate auditors of subsidiaries 4 Managers of subsidiaries 451	Employees 2,200 Employees of subsidiaries 3,422	Directors of the Company: 10 Executive officers of the Company (excluding those who concurrently serve as directors of the Company and those working overseas): 11
Total number and type of stocks granted	1,076,500 shares of common stock	2,811,000 shares of common stock	56,500 shares of common stock
Grant date	October 1, 2002	October 1, 2003	June 5, 2007
Prerequisite to be vested	Directors, corporate auditors and employees of the Company and its subsidiaries. Directors, corporate auditors and associate directors of the Company and presidents of the significant subsidiaries can exercise after they retire.	Directors, corporate auditors, executive officers and employees of the Company and its subsidiaries.	No vesting conditions are set.
Required service period	From October 1, 2002 to June 27, 2004	From October 1, 2003 to June 26, 2005	There is no provision for a required service period.
Exercise period	From June 28, 2004 to June 27, 2012	From June 27, 2005 to June 26, 2013	From June 6, 2007 to June 5, 2022; Provided that, if the final date of the exercise period is a holiday for the Company, the final date should be the business date immediately preceding the date.

Note: Significant subsidiaries are as follows:
KURARAY ENGINEERING CO., LTD., KURARAY CHEMICAL CO., LTD., KURARAY TRADING Co., Ltd., Kuraray Plastics Co., Ltd., KURARAY FUDOSAN CO., LTD., Kuraray Techno Co., Ltd., TECHNO SOFT CO., LTD., Kuraray America,Inc., Eval Company of America, (Merged with Kuraray America, Inc. in January, 2008) Kuraray Europe GmbH, EVAL Europe N.V., Kuraray Secialities Europe GmbH (Merged with Kuraray Europe GmbH in September, 2006)

(2) Size and changes of Stock options

Stock options which exist in this fiscal year are converted into shares.

1) Number of stock options

	Stock options 2002	Stock options 2003	Stock options June 2007
Unvested stock options (shares)			
At the beginning of the fiscal year	—	—	—
Granted	—	—	56,500
Forfeited	—	—	—
Vested	—	—	56,500
At the end of the fiscal year	—	—	—
Vested stock options (shares)			
At the beginning of the fiscal year	562,000	1,791,500	—
Vested	—	—	56,500
Exercised	162,000	315,500	4,000
Forfeited	2,000	21,500	—
At the end of the fiscal year	398,000	1,454,500	52,500

2) Price information

	Yen		
	Stock options 2002	Stock options 2003	Stock options June 2007
Exercise prices	825	918	1
Weight-average exercise date stock price	1,411	1,406	1,446
Fair value at the grant date	—	—	1,318

3. Method to estimate fair value of stock options

The fair value of the June 2007 stock options, which were granted in fiscal 2007, are estimated as follows.

1) Valuing method: Black-Scholes model

2) Major basic figures and estimating method

	Stock option June 2007
Stock price volatility (Note 1)	22%
Expected remaining life (Note 2)	2 years
Expected dividend (Note 3)	¥20/share
Risk-free interest rate (Note 4)	1.00%

Notes: 1. Calculated weekly based on the weekly stock price information over a period from the week that contains May 30, 2005 to the week that contains May 28, 2007.
2. Calculated by subtracting the average service years of incumbent directors from the average service years of directors who assumed office in and after 1985 and have resigned.
3. Expected dividend for the year ended March 2008.
4. Government bond yield over a period corresponding to the expected remaining life.

4. Method to estimate number of vested stock options

As a rational estimate of the forfeited number of stock options in the future is generally difficult, the Company adopts a method whereby only actual forfeited numbers are reflected.

FISCAL 2008 (From April 1, 2008 to March 31, 2009)

1. Item and amount of expenses for stock options in this fiscal year

Selling, general and administrative expenses: ¥99 million (US$1,010 thousand)

2. Details including size and changes of stock options

(1) Stock options plans

	Stock options 2002	Stock options 2003	Stock options June 2007	Stock options June 2008
Number of eligible persons by positions	Directors 18 Corporate auditors 3 Managers 396 Directors of subsidiaries 67 Corporate auditors of subsidiaries 4 Managers of subsidiaries 451	Employees 2,200 Employees of subsidiaries 3,422	Directors of the Company: 10 Executive officers of the Company (excluding those who concurrently serve as directors of the Company and those working overseas): 11	Directors of the Company: 10 Executive officers of the Company (excluding those who concurrently serve as directors of the Company and those working overseas): 16
Total number and type of stocks granted	1,076,500 shares of common stock	2,811,000 shares of common stock	56,500 shares of common stock	78,500 shares of common stock
Grant date	October 1, 2002	October 1, 2003	June 5, 2007	June 10, 2008
Prerequisite to be vested	Directors, corporate auditors and employees of the Company and its subsidiaries. Directors, corporate auditors and associate directors of the Company and presidents of the significant subsidiaries can exercise after they retire.	Directors, corporate auditors, executive officers and employees of the Company and its subsidiaries.	No vesting conditions are set.	No vesting conditions are set.
Required service period	From October 1, 2002 to June 27, 2004	From October 1, 2003 to June 26, 2005	There is no provision for a required service period.	There is no provision for a required service period.
Exercise period	From June 28, 2004 to June 27, 2012	From June 27, 2005 to June 26, 2013	From June 6, 2007 to June 5, 2022; provided that, if the final date of the exercise period is a holiday for the Company, the final date should be the business date immediately preceding the date.	From June 11, 2008 to June 10, 2023; provided that, if the final date of the exercise period is a holiday for the Company, the final date should be the business date immediately preceding the date.

Note: Significant subsidiaries are as follows:
KURARAY ENGINEERING CO., LTD., KURARAY CHEMICAL CO., LTD., KURARAY TRADING Co., LTD., Kuraray Plastics Co., Ltd., KURARAY FUDOSAN CO., LTD., Kuraray Techno Co., Ltd., TECHNO SOFT CO., LTD., Kuraray America, Inc., Eval Company of America, (Merged with Kuraray America, Inc. in January, 2008) Kuraray Europe GmbH, EVAL Europe N.V., Kuraray Specialities Europe GmbH (Merged with Kuraray Europe GmbH in September, 2006)

(2) Size and changes of Stock options

Stock options which exist in this fiscal year are converted into shares.

1) Number of stock options

	Stock options 2002	Stock options 2003	Stock options June 2007	Stock options June 2008
Unvested stock options (shares)				
At the beginning of the fiscal year	—	—	—	—
Granted	—	—	—	78,500
Forfeited	—	—	—	—
Vested	—	—	—	78,500
At the end of the fiscal year	—	—	—	—
Vested stock options (shares)				
At the beginning of the fiscal year	398,000	1,454,500	56,500	—
Vested	—	—	—	78,500
Exercised	17,000	12,000	20,000	26,000
Forfeited	3,000	27,000	—	—
At the end of the fiscal year	378,000	1,415,500	32,500	52,500

2) Price information

	Yen				U.S. dollars			
	Stock options 2002	Stock options 2003	Stock options June 2007	Stock options June 2008	Stock options 2002	Stock options 2003	Stock options June 2007	Stock options June 2008
Exercise prices	825	918	1	1	8.41	9.36	0.01	0.01
Weight-average exercise date stock price	1,187	1,226	1,266	1,266	12.11	11.48	12.91	12.91
Fair value at the grant date	—	—	1,318	1,264	—	—	13.44	12.89

3. Method to estimate fair value of stock options

The fair value of the June 2007 stock options, which were granted in fiscal 2007, are estimated as follows.

1) Valuing method: Black-Scholes model

2) Major basic figures and estimating method

	June 2008 stock option
Stock price volatility (Note 1)	23.3%
Expected remaining life (Note 2)	2 years
Expected dividend (Note 3)	¥23.50/share (US$0.23 /share)
Risk-free interest rate (Note 4)	0.96%

Notes: 1. Calculated weekly based on the weekly stock price information over a period from the week that contains June 5, 2006 to the week that contains June 2, 2008.

2. Calculated by subtracting the average period of service of directors and executive officers who are currently in office as of the day of grant from the past average period of service of directors and executive officers.

3. Based on the average of ¥22 (US$ 0.22), the dividend paid for the fiscal year ended March 2008, and ¥25 (US$ 0.25), the expected dividend for the fiscal year ended March 2009.

4. Government bond yield over a period corresponding to the expected remaining life.

4. Method to estimate number of vested stock options

The number of vested stock options is the same as the number of stock options granted, since the stock options were vested on the day following the day of the grant.

(15) INCOME TAXES

Fiscal 2007
(From April 1, 2007 to March 31, 2008)

1. The significant components of deferred tax assets and liabilities at March 31, 2008 are as follows:

(1) Current

	Millions of yen
Deferred tax assets	
Provision for bonuses	2,458
Write-down of inventories	1,813
Accrued fixed asset tax and other taxes	928
Other	2,662
Sub-total deferred tax assets	7,862
Valuation allowance	(472)
Total deferred tax assets	7,390
Total deferred tax liabilities	28
Net deferred tax assets	7,362

(2) Noncurrent

	Millions of yen
Deferred tax assets	
Provision for retirement benefits	4,777
Write-down of investment securities	1,672
Impairment loss on tangible fixed assets	3,014
Other	8,255
Sub-total deferred tax assets	17,721
Valuation allowance	(4,610)
Total deferred tax assets	13,111
Deferred tax liabilities	
Reserve for advanced depreciation of tangible fixed assets	3,170
Unrealized gain on revaluation of securities	3,197
Reserve for special depreciation of tangible fixed assets	149
Prepaid pension cost	3,035
Other	19
Total deferred tax liabilities	9,572
Net deferred tax assets	3,538

Fiscal 2008
(From April 1, 2008 to March 31, 2009)

1. The significant components of deferred tax assets and liabilities at March 31, 2009 are as follows:

(1) Current

	Millions of yen	Thousands of U.S. dollars
Deferred tax assets		
Provision for retirement benefits	5,105	52,096
Impairment loss	2,815	28,728
Provision for bonuses	2,032	20,743
Write-down of investment securities	1,997	20,386
Write-down of inventories	1,166	11,898
Other	11,402	116,354
Sub-total deferred tax assets	24,520	250,208
Valuation allowance	(5,562)	(56,762)
Total deferred tax assets	18,957	193,446
Deferred tax liabilities		
Prepaid pension cost	(2,872)	(29,316)
Provision for retirement benefits	(2,863)	(29,233)
Unrealized gain on revaluation of securities	(1,494)	(15,250)
Other	(5,934)	(60,555)
Total deferred tax liabilities	(13,165)	(134,345)
Net deferred tax assets (liabilities)	5,791	(59,101)

Net deferred tax assets is included in the following items in the consolidated balance sheets:

	Millions of yen	Thousands of U.S. dollars
Current assets:		
Deferred tax assets	5,493	56,057
Noncurrent assets:		
Deferred tax assets	5,616	57,311
Noncurrent liabilities:		
Deferred tax liabilities	(5,318)	(54,268)

Fiscal 2007 (From April 1, 2007 to March 31, 2008)	Fiscal 2008 (From April 1, 2008 to March 31, 2009)

	Millions of yen
Deferred tax liabilities	
Depreciation	4,526
Unrealized gain on revaluation of securities	0
Other	3,259
Total deferred tax liabilities	7,786
Deferred tax assets	
Provision for retirement benefits	16
Other	2,084
Total deferred tax assets	2,100
Net deferred tax liabilities	¥ 5,686

2. Reconciliation of the difference between the normal effective tax rate and the income tax rate in the accompanying consolidated statements of income is as follows:

	Fiscal 2007
Normal effective tax rate	40.3%
Non-taxable income	(0.8)
Tax credit primarily for research and development expenses	(2.0)
Loss incurred by consolidated subsidiaries and other	(2.4)
Income tax rate per statements of income	35.1%

3. The "Act on Interim Measures concerning Special Local Corporate Tax" in japan was promulgated on April 30, 2008, and will apply to fiscal years that begin on or after October 1, 2008. The impact on deferred tax assets and liabilities relating to temporary differences in the fiscal years applicable to this act will be not material.

2. Reconciliation of the difference between the normal effective tax rate and the income tax rate in the accompanying consolidated statements of income is as follows:

	Fiscal 2008
Normal effective tax rate	40.3%
Non-taxable income	(1.9)
Tax credit primarily for research and development expenses	(2.3)
Loss incurred by consolidated subsidiaries and other	(3.4)
Income tax rate per statements of income	32.7%

3. —

(16) BUSINESS COMBINATION

FISCAL 2007 (From April 1, 2007 to March 31, 2008)

Transactions under common control (absorption-type company split)

1. Names of combining companies or targeted businesses, details of the businesses, legal form of the business combination, name of the company after the business combination and overview of the transaction including the purpose of the transaction

   (1) Names of combining companies or targeted businesses, details of the businesses and overview of the transactions including the purpose of the transaction

   KURARAY SAIJO CO., LTD. and KURARAY TAMASHIMA COMPANY LIMITED, as production consignment subsidiaries (wholly owned consolidated subsidiaries) of the Company, mainly manufactured polyester fibers, non-woven fabrics, film, plastics and so on within the Company's plants.

   To improve operational efficiency and strengthen competitiveness of the Group as a whole, it was decided to transfer some of both firms' products to the Company. Accordingly, certain businesses of both firms were separated on October 1, 2007, and subsequently succeeded by the Company.

   — Businesses that the Company succeeded from KURARAY SAIJO CO., LTD.
   Production of Poval films, liquid crystalline polymer film, non-woven fabrics, PVA gel and related administrative operations.

   — Businesses that the Company succeeded from KURARAY TAMASHIMA COMPANY LIMITED
   Production of Poval films and related administrative operations.

   (2) Name of company after the business combination

   Kuraray Co., Ltd.

   (3) Legal form of business combination

   Absorption-type company split in which the Company became the successor company, whilst absorbing parts of the businesses of KURARAY SAIJO CO., LTD. and KURARAY TAMASHIMA COMPANY LIMITED.

2. Overview of accounting methods used

   Since the said absorption-type company split corresponded to a transaction under common control, that is, an internal transaction, all profits and losses were eliminated. Hence, this accounting method has no material effect on the consolidated financial statements.

Transactions under common control (absorption-type merger)

1. Names of combining companies or targeted businesses, details of the businesses, legal form of the business combination, name of the company after the business combination and overview of the transaction including the purpose of the transaction

   (1) Names of combining companies or targeted businesses, details of the businesses and overview of the transaction including the purpose of the transaction

   Kuraray Niigata Kasei Co., Ltd. (a wholly owned consolidated subsidiary of the Company) ceased the manufacture of methacrylic resin cast sheets in March 2007 due to the transfer of its production base to a subsidiary of the Company in China. Also, for the purpose of enhancing competitiveness through an integrated management of development and production, Kuraray Niigata Kasei's manufacture of synthetic marble was integrated into the Company in April 2007. Reflecting these developments, Kuraray Niigata Kasei Co., Ltd was absorbed by and merged into the Company on October 1, 2007.

   (2) Name of Company after the business combination

   Kuraray Co., Ltd.

   (3) Legal form of business combination

   Absorption-type merger in which the Company became the successor company, whilst Kuraray Niigata Kasei Co., Ltd. was dissolved.

2. Overview of accounting methods used

   Since the said merger by absorption corresponded to a transaction under common control, that is, an internal transaction, all profits and losses were eliminated. Hence, this accounting method has no material effect on the consolidated financial statements.

Transactions under common control (absorption-type merger)

As a merger between three consolidated subsidiaries of the Company, Kuraray America, Inc. absorbed Eval Company of America and SEPTON Company of America, effective January 1, 2008.

1. Names of combining companies or targeted businesses, details of the businesses, legal form of the business combination, name of the company after the business combination and overview of the transaction including the purpose of the transaction

(1) Names of combining companies and details of the businesses

Kuraray America, Inc.	Import and sale of Company products in the United States
Eval Company of America	Manufacture and sale of resin *EVAL* in the United States
SEPTON Company of America	Manufacture and sale of thermoplastic elastomer *SEPTON* in the United States

(2) Outline of transactions including reason for transaction

(Objectives)

Create an overall management function for the subsidiaries in the United States, ensure effective global human resource development and deployment, strengthen information systems, and improve operational effectiveness. Through these measures, the Company is further building a business structure for future growth.

(Outline)

Kuraray America, Inc., the successor company, absorbed Eval Company of America and SEPTON Company of America, the dissolved companies.

(3) Name of company after the business combination

Kuraray America, Inc.,

(4) Legal form of business combination

Merger

2. Overview of accounting methods used

Since the said merger by absorption corresponded to a transaction under common control, that is, an internal transaction, all profits and losses were eliminated. Hence, this accounting method has no material effect on the consolidated financial statements.

Business divestiture transaction (absorption-type company split)

1. Names of companies divested into, details of businesses divested, major reason for business divestiture, the date of business divestiture and overview of the business divestiture including legal form

(1) Names of companies divested into, details of the businesses divested, major reason for business divestiture and the date of business divestiture

The dialysis business of Kuraray Medical Inc. (a wholly owned consolidated subsidiary of the Company) and the dialysis and blood purification businesses of Asahi Kasei Medical Co., Ltd. were integrated as described below, in order to enhance the base of these businesses.

On October 1, 2007, Asahi Kasei Medical Co., Ltd. was renamed Asahi Kasei Kuraray Medical Co., Ltd. The businesses of Asahi Kasei Medical, other than the dialysis and blood purification businesses, were transferred to a newly established company through an incorporation-type split business, and Asahi Kasei Kuraray Medical Co., Ltd. succeeded the dialysis business of Kuraray Medical Inc. through separation and absorption.

(2) Overview of the business divestiture including legal form

Absorption-type company split in which Asahi Kasei Kuraray Medical Co., Ltd. became the successor company, while absorbing parts of the businesses of Kuraray Medical Inc.

2. Overview of accounting methods used

(1) Amount of gains and losses transferred

Loss on transfer from business divestitures of ¥88 million

(2) Appropriate book values of assets and liabilities, associated with the businesses transfer, and breakdown of such assets and liabilities

	Millions of yen
Current assets:	906
Noncurrent assets:	492
Total assets:	1,398
Current liabilities:	—
Total liabilities:	—

(3) Name of classifications that included divested businesses within the business segments

High performance materials, medical products and others segment

3. Estimated gains and losses from the divested businesses in the consolidated statements of income for this fiscal year

The amounts of gains and losses from the divested businesses are not material

FISCAL 2008 (From April 1, 2008 to March 31, 2009)

Transactions under common control (absorption-type company split)

1. Names of combining companies or targeted businesses, details of the businesses, legal form of the business combination, name of company after the business combination and overview of the transaction including the purpose of the transaction

(1) Names of combining companies or targeted businesses, details of the businesses and overview of the transactions including the purpose of the transaction

The Company resolved to succeed the PET (polyethylene terephtalate) resins business of KURARAY TRADING Co., LTD., a wholly owned consolidated subsidiary of the Company, by absorption-type company split with the purpose of improving operational efficiency and strengthening competitiveness of the Group as a whole on July 1, 2008.

(2) Name of company after the business combination

Kuraray Co., Ltd.

(3) Legal form of business combination

Absorption-type company split in which the Company became the successor company, and absorbed parts of the businesses of KURARAY TRADING Co., LTD.

2. Overview of accounting methods used

Since the said absorption-type company split corresponded to a transaction under common control, that is, an internal transaction, all profits and losses were eliminated. Hence, this accounting method has no material effect on the consolidated financial statements.

(17) RELATED PARTY DISCLOSURES

FISCAL 2007 (From April 1, 2007 to March 31, 2008)

Not applicable.

FISCAL 2008 (From April 1, 2008 to March 31, 2009)

Not applicable.

(Additional information)

From the current fiscal year, the Company adopted "Accounting Standard for Related Party Disclosures (ASBJ Statement No. 11, October 17, 2006)" and "Guidance on Accounting Standard for Related Party Disclosures (ASBJ Guidance No. 13, October 17, 2006)."

There were no changes in the scope of disclosure due to this application.

(18) PER SHARE INFORMATION

Fiscal 2007 (From April 1, 2007 to March 31, 2008)	
	Yen
Net assets per share	981.82
Basic net income per share	72.15
Diluted net income per share	71.99

Fiscal 2008 (From April 1, 2008 to March 31, 2009)		
	Yen	U.S dollars
Net assets per share	924.48	9.43
Basic net income per share	37.29	0.38
Diluted net income per share	37.26	0.38

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

	Fiscal 2007 (From April 1, 2007 to March 31, 2008)	Fiscal 2008 (From April 1, 2008 to March 31, 2009)	
	Millions of yen	Millions of yen	Thousands of U.S.dollars
Basic net income per share			
Net income	25,554	12,984	132,497
Net income unallocated to common stock	—	—	—
Net income allocated to common stock	25,554	12,984	132,497
Average number of common stock outstanding during the fiscal year (thousands shares)	354,204	348,236	
Diluted net income per share			
Adjustment made on net income	—	—	
Increase of common stocks (thousands shares)	757	264	
(New subscription rights to shares (thousands shares))	(757)	(264)	
Outline of the residual securities which were not included in the calculation of the diluted net income per share because there was no dilutive effect.	—	—	

(19) SUBSEQUENT EVENTS

Fiscal 2007
(From April 1, 2007 to March 31, 2008)

1. At the meetings the Board of Directors held on May 20, 2008 and June 9, 2008, the Company resolved to grant directors and executive officers of the Company stock acquisition rights as a stock option in accordance with Article 238, Paragraphs 1 and 2, and Article 240, Paragraph 1 of the Corporate Law.

Details are described below

Resolution date	Resolutions of Board of Directors Meeting held on May 20, 2008
Number of people and office of people receiving grant	Directors: 10 Officers: 16 (excluding individuals serving concurrently as directors of the Company and overseas employee)
Classification of shares allocated for the stock acquisition rights	Common stock
Number of shares	78,500
Pay-in amount upon exercise of the stock acquisition rights	1 yen per share
Exercise period of the stock acquisition rights	From June 11, 2008 to June 10, 2023 Note: If the final day of the exercise period falls on a Company holiday, the last normal business day before that date shall become the final day
Conditions to exercise stock acquisition rights	Note 1
Matters concerning the transfer of stock acquisition rights	Acquiring stock acquisition rights by transfer is conditional upon approval by a resolution at a meeting of the Board of Directors
Matters concerning proxy payment	—
Matters concerning the granting of stock acquisition rights in accordance with acts of corporate reorganization	Note 2

Fiscal 2008
(From April 1, 2008 to March 31, 2009)

1. At the meetings the Board of Directors held on May 19, 2009 and June 8, 2009, the Company resolved to grant directors and executive officers of the Company stock acquisition rights as a stock option in accordance with Article 238, Paragraphs 1 and 2, and Article 240, Paragraph 1 of the Corporate Law.

Details are described below

Resolution date	Resolutions of Board of Directors Meeting held on May 19, 2009
Number of people and office of people receiving grant	Directors: 9 Officers: 15 (excluding individuals serving concurrently as directors of the Company and overseas employee)
Classification of shares allocated for the stock acquisition rights	Common stock
Number of shares	86,500
Pay-in amount upon exercise of the stock acquisition rights	1 yen per share
Exercise period of the stock acquisition rights	From June 10, 2009 to June 9, 2024 Note: If the final day of the exercise period falls on a Company holiday, the last normal business day before that date shall become the final day
Conditions to exercise stock acquisition rights	Note 1
Matters concerning the transfer of stock acquisition rights	Acquiring stock acquisition rights by transfer is conditional upon approval by a resolution at a meeting of the Board of Directors
Matters concerning proxy payment	—
Matters concerning the granting of stock acquisition rights in accordance with acts of corporate reorganization	Note 2

Fiscal 2007
(From April 1, 2007 to March 31, 2008)

Notes: 1. The exercise of stock acquisition rights is subject to the following conditions:

(1) If the holder of stock acquisition rights loses their position as director, if they are a director, or executive officer, if they are an executive officer, they may exercise their stock acquisition rights providing it is in a 10 day period that begins on the next day of the day they lost their position (hereinafter the "Rights Exercise Start Date").

(2) If the holder of stock acquisition rights, regardless of the above (1), does not qualify for a Rights Exercise Start Date before May 11, 2023, they may exercise their stock acquisition rights providing it is in a period that begins on the next business day after May11, 2023, and ends on the expiry day of the above-mentioned exercise period of the stock acquisition rights.

(3) If, by resolution at the General Meeting of Shareholders, or the meeting of the Board of Directors, the Company decides to acquire the stock acquisition rights without compensation, Note 1-1 the holder of stock acquisition rights may exercise their stock acquisition rights providing it is in the period prescribed separately at a meeting of the Board of Directors and before the date of the acquisition without compensation.

(4) If a holder of stock acquisition rights dies, the person who inherits the stock acquisition rights may exercise their stock acquisition rights in accordance with the conditions stated in the "Stock Acquisition Rights Allotment Agreement" described in (5) below.

(5) Any other conditions pertaining to the exercise of rights shall be determined by the "Stock Acquisition Rights Allotment Agreement" concluded between the Company and the holder of stock acquisition rights.

1-1. In the event a resolution is approved at the General Meeting of Shareholders for a merger agreement whereby the Company becomes a non-surviving company, an absorption-type company split agreement whereby the Company splits into multiple companies, or plan for an incorporation-type company split; or a share transfer agreement whereby the Company becomes a wholly owned subsidiary of another company, or for a share exchange plan (if a resolution at the General Meeting of Shareholders is not required, when a resolution is approved at a meeting of the Company's Board of Directors), the Company may acquire, without compensation, all stock acquisition rights remaining on a day specified separately at a meeting of the Company's Board of Directors.

2. Matters concerning the granting of stock acquisition rights in accordance with acts of corporate reorganization

If the Company is involved in a merger (limited to when the Company becomes the non-surviving company from the merger), an absorption-type company split, a plan for an incorporation-type company split, a share exchange, or a share transfer (hereinafter "Act of Corporate Reorganization"), the holders of the stock acquisition rights outstanding at the date that the Act of Corporate Reorganization becomes effective shall be granted stock acquisition rights of a stock company of one of the types listed in Article 236, Paragraph 1.(viii).(a) to 1.(viii).(e) of the Corporate Law (hereinafter the "Reorganized Company") based on the following conditions.

Fiscal 2008
(From April 1, 2008 to March 31, 2009)

Notes: 1. The exercise of stock acquisition rights is subject to the following conditions:

(1) If the holder of stock acquisition rights loses their position as director, if they are a director, or executive officer, if they are an executive officer, they may exercise their stock acquisition rights providing it is in a 10 day period that begins on the next day of the day they lost their position (hereinafter the "Rights Exercise Start Date").

(2) If the holder of stock acquisition rights, regardless of the above (1), does not qualify for a Rights Exercise Start Date before May 10, 2024, they may exercise their stock acquisition rights providing it is in a period that begins on the next business day after May10, 2024, and ends on the expiry day of the above-mentioned exercise period of the stock acquisition rights.

(3) If, by resolution at the General Meeting of Shareholders, or the meeting of the Board of Directors, the Company decides to acquire the stock acquisition rights without compensation, Note 1-1 the holder of stock acquisition rights may exercise their stock acquisition rights providing it is in the period prescribed separately at a meeting of the Board of Directors and before the date of the acquisition without compensation.

(4) If a holder of stock acquisition rights dies, the person who inherits the stock acquisition rights may exercise their stock acquisition rights in accordance with the conditions stated in the "Stock Acquisition Rights Allotment Agreement" described in (5) below.

(5) Any other conditions pertaining to the exercise of rights shall be determined by the "Stock Acquisition Rights Allotment Agreement" concluded between the Company and the holder of stock acquisition rights.

1-1. In the event a resolution is approved at the General Meeting of Shareholders for a merger agreement whereby the Company becomes a non-surviving company, an absorption-type company split agreement whereby the Company splits into multiple companies, or plan for an incorporation-type company split; or a share transfer agreement whereby the Company becomes a wholly owned subsidiary of another company, or for a share exchange plan (if a resolution at the General Meeting of Shareholders is not required, when a resolution is approved at a meeting of the Company's Board of Directors), the Company may acquire, without compensation, all stock acquisition rights remaining on a day specified separately at a meeting of the Company's Board of Directors.

2. Matters concerning the granting of stock acquisition rights in accordance with acts of corporate reorganization

If the Company is involved in a merger (limited to when the Company becomes the non-surviving company from the merger), an absorption-type company split, a plan for an incorporation-type company split, a share exchange, or a share transfer (hereinafter "Act of Corporate Reorganization"), the holders of the stock acquisition rights outstanding at the date that the Act of Corporate Reorganization becomes effective shall be granted stock acquisition rights of a stock company of one of the types listed in Article 236, Paragraph 1.(viii).(a) to 1.(viii).(e) of the Corporate Law (hereinafter the "Reorganized Company") based on the following conditions.

Fiscal 2007 (From April 1, 2007 to March 31, 2008)	Fiscal 2008 (From April 1, 2008 to March 31, 2009)
When this case arises, the outstanding stock acquisition rights are extinguished and the Reorganized Company grants those holders stock acquisition rights of the Reorganized Company, the granting of stock acquisition rights of the Reorganized Company in accordance with the following conditions is limited to only the cases of absorption-type merger agreement, incorporation-type company merger agreements, absorption-type company split agreements, incorporation-type company split plan, share transfer agreements, and share transfer plans. (1) Number of stock acquisition rights granted by the Reorganized Company The number of granted stock acquisition rights will be the same as the number of stock acquisition rights held by the respective holders of outstanding stock acquisition rights. (2) Classification of stock of the Reorganized Company allocated for stock acquisition rights Shares of common stock of the Reorganized Company (3) Number of shares of the Reorganized Company allocated for stock acquisition rights To be decided by taking into account the conditions etc. of the Act of Corporate Reorganization. (4) Value of assets contributed upon the exercise of stock acquisition rights The post-reorganization pay-in amount per one share of the Reorganized Company's stock granted upon exercise of stock acquisition rights shall be 1 yen, and the value of assets contributed shall be obtained by multiplying this by the number of shares of the Reorganized Company's stock allocated for the stock acquisition rights as determined by (3) above. (5) Exercise period of stock acquisition rights The exercise period of stock acquisition rights shall begin on the day that the Act of Corporate Reorganization takes effect and end on the expiry date of the above mentioned exercise period of the stock acquisition rights. (6) Amount of capital increase when there is an issue of shares upon the exercise of stock acquisition rights Shall be half the amount of the increase limit for capital and so on, contributed in accordance with Article 40 Paragraph 1 of the Corporate Accounting Rules and when digits that are fractions of 1 yen occur as a result of the calculation, these digits are discarded. (7) Limitation on acquiring stock acquisition rights by transfer Acquiring stock acquisition rights by transfer is conditional upon approval by resolution at a meeting of the Board of Directors of the Reorganized Company. (8) Matters concerning acquisition of stock acquisition rights Determined by the above Note 1-1. (9) Other conditions for the exercise of stock acquisition rights Determined by the above Note 1.	When this case arises, the outstanding stock acquisition rights are extinguished and the Reorganized Company grants those holders stock acquisition rights of the Reorganized Company, the granting of stock acquisition rights of the Reorganized Company in accordance with the following conditions is limited to only the cases of absorption-type merger agreement, incorporation-type company merger agreements, absorption-type company split agreements, incorporation-type company split plan, share transfer agreements, and share transfer plans. (1) Number of stock acquisition rights granted by the Reorganized Company The number of granted stock acquisition rights will be the same as the number of stock acquisition rights held by the respective holders of outstanding stock acquisition rights. (2) Classification of stock of the Reorganized Company allocated for stock acquisition rights Shares of common stock of the Reorganized Company (3) Number of shares of the Reorganized Company allocated for stock acquisition rights To be decided by taking into account the conditions etc. of the Act of Corporate Reorganization. (4) Value of assets contributed upon the exercise of stock acquisition rights The post-reorganization pay-in amount per one share of the Reorganized Company's stock granted upon exercise of stock acquisition rights shall be 1 yen, and the value of assets contributed shall be obtained by multiplying this by the number of shares of the Reorganized Company's stock allocated for the stock acquisition rights as determined by (3) above. (5) Exercise period of stock acquisition rights The exercise period of stock acquisition rights shall begin on the day that the Act of Corporate Reorganization takes effect and end on the expiry date of the above mentioned exercise period of the stock acquisition rights. (6) Amount of capital increase when there is an issue of shares upon the exercise of stock acquisition rights Shall be half the amount of the increase limit for capital and so on, contributed in accordance with Article 40 Paragraph 1 of the Corporate Accounting Rules and when digits that are fractions of 1 yen occur as a result of the calculation, these digits are discarded. (7) Limitation on acquiring stock acquisition rights by transfer Acquiring stock acquisition rights by transfer is conditional upon approval by resolution at a meeting of the Board of Directors of the Reorganized Company. (8) Matters concerning acquisition of stock acquisition rights Determined by the above Note 1-1. (9) Other conditions for the exercise of stock acquisition rights Determined by the above Note 1.

Fiscal 2007 (From April 1, 2007 to March 31, 2008)	Fiscal 2008 (From April 1, 2008 to March 31, 2009)
2. Transactions under common control (absorption-type company split) At the meeting the Board of Directors held on April 30, 2008, the Company resolved to succeed the *PET* (polyethylene terephtalate) resins business of KURARAY TRADING Co., LTD., a wholly owned consolidated subsidiary of the Company, by absorption-type company split with the purpose of improving operational efficiency and strengthening competitiveness of the Group as a whole on July 1, 2008. (1) Details of business of the company which is split Details of business: *PET* (polyethylene terephtalate) resins business Net sales in the business to be succeeded (for the year ended March 2008): ¥2,146 million (2) Form of company split Absorption-type company split in which the Company is to become the successor company, while absorbing parts of the businesses of KURARAY TRADING Co., LTD. (3) Outline of the company which is split and the company which is a successor (As of March 31, 2008) *Company which is split* Name: KURARAY TRADING Co., LTD. Capital stock: ¥2,200 million Net assets: ¥12,147 million Total assets: ¥45,989 million Number of employees: 328 *Company which is a successor* Name: Kuraray Co., Ltd. Capital stock: ¥88,955 million Net assets: ¥281,770 million Total assets: ¥379,463 million Number of employees: 2,931	2. —

(20) SUPPLEMENTARY SCHEDULE

Supplementary schedule of bonds payable

Issuer	Name of bond	Issuance date	Balance as of March 31, 2008 (Millions of Yen)	Balance as of March 31, 2009 (Millions of Yen)	Interest rate	Type	Date of maturity
Kuraray, Co., Ltd.	3rd unsecured bonds	January 31, 2005	10,000	10,000 (US$102,040 thousand)	0.99%	—	December 20, 2011
	Total	—	10,000	10,000 (US$102,040 thousand)	—	—	—

Note: Repayment of bond principals is scheduled as follows.

	Millions of yen	Thousands of U.S. dollars
Maturity within 1 year	—	—
Maturity after 1 year but within 2 years	—	—
Maturity after 2 years but within 3 years	10,000	102,040
Maturity after 3 years but within 4 years	—	—
Maturity after 4 years but within 5 years	—	—

Supplementary schedule of loans payable

Category	Balance as of March 31, 2008 (Millions of Yen)	Balance as of March 31, 2009 (Millions of Yen)	Average interest rate (%)	Due date
Short-term loans	10,997	14,414 (US$147,084 thousand)	1.8	—
Commercial papers	—	3,000 (US$30,612 thousand)	0.7	—
Current portion of long-term loans due within one year	1,000	4,050 (US$41,329 thousand)	0.9	—
Current portion of long-term lease due within one year (Note 2)	—	404 (US$4,129 thousand)	—	From September 2009 to March, 2022
Long-term loans (Excluding current portion) (Note 3)	11,954	39,280 (US$400,821 thousand)	1.7	From September 2010 to March, 2015
Lease liabilities (Excluding current portion) (Note 2, 3)	—	618 (US$6,314 thousand)	—	
Total	23,952	61,768 (US$630,291 thousand)	—	

Notes: 1. The average interest rate is calculated based on the interest rate and the ending balance.

2. The average interest rate on lease liabilities is not reported, since interest payment equivalents included in total lease payments are allocated to each consolidated fiscal year using the straight-line method.

3. Repayments of long-term loans and lease liabilities (excluding those due within one year) within five years after the consolidated balance sheet date are as follows:

	Due after 1 year but within 2 years (Millions of Yen)	Due after 2 year but within 3 years (Millions of Yen)	Due after 3 year but within 4 years (Millions of Yen)	Due after 4 year but within 5 years (Millions of Yen)
Long-term loans	4,670	3,441	1,364	23,900
Lease liabilities	312	197	84	20

	Due after 1 year but within 2 years (Thousands of U.S. dollars)	Due after 2 year but within 3 years (Thousands of U.S. dollars)	Due after 3 year but within 4 years (Thousands of U.S. dollars)	Due after 4 year but within 5 years (Thousands of U.S. dollars)
Long-term loans	47,662	35,118	13,921	243,881
Lease liabilities	3,187	2,014	862	210

(21) OTHER

QUARTERLY INFORMATION IN FISCAL 2008

	First quarter From April 1 to June 30, 2008	Second quarter From July 1 to September 30, 2008	Third quarter From October 1 to December 31, 2008	Fourth quarter From January 1 to March 31, 2009
Net sales (Millions of Yen)	99,950	109,368	92,528	74,929
Income (loss) before income taxes (Millions of Yen)	10,863	11,183	3,043	(5,566)
Net income (loss) (Millions of Yen)	6,535	6,872	2,705	(3,128)
Net income (loss) per share (Yen)	18.77	19.74	7.77	(8.98)

	First quarter From April 1 to June 30, 2008	Second quarter From July 1 to September 30, 2008	Third quarter From October 1 to December 31, 2008	Fourth quarter From January 1 to March 31, 2009
Net sales (Thousands of U.S. dollars)	1,019,904	1,116,008	944,166	764,589
Income (loss) before income taxes (Thousands of U.S. dollars)	110,853	114,112	31,052	(56,803)
Net income (loss) (Thousands of U.S. dollars)	66,685	70,130	27,604	(31,922)
Net income (loss) per share (U.S. dollars)	0.19	0.20	0.07	(0.09)

Report of Independent Auditors

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers Aarata
Shin-Marunouchi Bldg., 32nd Floor
1-5-1 Marunouchi
Chiyoda-ku, Tokyo 100-6532
Japan
Telephone : +81 (3) 5427 6555
Facsimile : +81 (3) 5427 6556
www.pwc.com/jp/aarata

To the Board of Directors of Kuraray Co., Ltd.

We have audited the accompanying consolidated balance sheet of Kuraray Co., Ltd. ("the Company") and its subsidiaries as of March 31, 2009, and the related consolidated statements of income, changes in net assets, cash flows and supplementary schedules for the year then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company and its subsidiaries as of March 31, 2009, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

As described in Notes to Consolidated Financial Statements (2) SIGNIFICANT CHANGES IN ACCOUNING POLICIES CONCERNING THE PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS, "Accounting Standards for Measurement of Inventories (ASBJ Statement No.9, issued on July 5, 2006)" became effective from the fiscal year ended March 31, 2009, the Company and its domestic consolidated subsidiaries adopted them and reclassified loss on disposal of inventories from non-operating expenses to cost of sales accordingly.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2009 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

PricewaterhouseCoopers Aarata

July 27, 2009

Consolidated Companies

(As of July 1, 2009)

Company	Head office	Capital (¥ million)	Activities
JAPAN			
KURARAY TRADING Co., LTD.*1	Osaka	¥ 2,200	Import, export, manufacture, and sales of textile products, chemicals, etc.
KURARAY CHEMICAL CO., LTD.*1	Osaka	600	Manufacture and sales of activated carbon and related products
KURARAY ENGINEERING CO., LTD.*1	Osaka	450	Plant design and construction
Kuraray Luminas Co., Ltd.*1	Tokyo	400	Development of inorganic EL materials
Kuraray Medical Inc.*1	Tokyo	300	Manufacture and sales of medical products
Kuraray Plastics Co., Ltd.*1	Osaka	180	Manufacture and sales of plastics
KURARAYLIVING CO., LTD.*1	Osaka	101.8	Manufacture and sales of packaging materials
Kuraray Techno Co., Ltd.*1	Osaka	100	Production subcontracting, Temporary personnel service
KURARAY BUSINESS SERVICE CO., LTD.*1	Osaka	100	Information system service
KURARAYKURAFLEX CO., LTD.*1	Osaka	100	Manufacture and sales of nonwoven fabric products
KURARAY FASTENING CO., LTD.*1	Osaka	100	Manufacture and sales of *MAGIC TAPE*
OKAYAMA RINKOH CO., LTD.*1	Okayama	98	Warehousing, distribution, and processing
TECHNO SOFT CO., LTD.*1	Osaka	50	Consulting for improved management
Kuraray Travel Service Corporation*1	Osaka	20	Travel and insurance agency
KURARAY FUDOSAN CO., LTD.*1	Osaka	10	Real estate leasing and management
KurarayKikou CO., LTD.*1	Ehime	10	Manufacture of machinery parts
KURARAY SAIJO CO., LTD.*1	Ehime	10	Manufacture of synthetic fiber
KURARAY TAMASHIMA COMPANY LIMITED*1	Okayama	10	Manufacture of synthetic fiber
Iruma Country Club Co., Ltd.*1	Saitama	40	Golf course management
Kyosei Chemical Co., Ltd.*1	Tokyo	50	Manufacture of pigments and dyes
OKAYAMA RINKOH WAREHOUSE AND TRANSPORT CO., LTD.*1	Okayama	20	Forwarding (transportation)
Ibuki Kosan Co., Ltd.*1	Gifu	10	Manufacture, processing and packaging of plastic products
Kuraray Okayama Spinning CO., LTD.*2	Okayama	50	Manufacture of synthetic fiber
KURAFLEX IBARAKI CO., LTD.*2	Ibaraki	30	Manufacture of nonwoven fabric products
KC Processing Co., Ltd.*2	Okayama	20	Processing of activated carbon
THE KURASHIKI KOKUSAI HOTEL, LTD.*2	Okayama	450	Hotel management
KURARAY AQUA CO., LTD.*3	Tokyo	100	Sales of materials for water treatment; design, construction and sales of water treatment plants and facilities
OVERSEAS			
Kuraray Holdings U.S.A., Inc.*1	Texas, U.S.A.	US$55.0 million	Holding company, coordination of U.S. subsidiaries
Kuraray America, Inc.*1	Texas, U.S.A.	US$10.1 million	Import and sales of Kuraray products in the U.S., Manufacture and sales of *EVAL* resins and *SEPTON*
Kuraray Europe GmbH*1	Frankfurt, Germany	€31.1 million	Import and sales of Kuraray products in Europe, Manufacture and sales of poval and butyral resins and PVB film
EVAL Europe N.V.*1	Antwerp, Belgium	€29.7 million	Manufacture and sales of *EVAL* resins in Europe
Kuraray Asia Pacific Pte. Ltd.*1	Singapore	US$27.7 million	Manufacture and sales of poval resins
OOO TROSIFOL*1	Nizhniy Novgorod, Russia	RUR78.9 million	Manufacture and sales of PVB film
Kuraray Hong Kong Co., Ltd.*1	Hong Kong, China	HK$4.6 million	Processing and sales of Kuraray products in China and Southeast Asia
Kuraray (Shanghai) Co., Ltd.*1	Shanghai, China	US$5.0 million	Import and sales of Kuraray products in China
Kuraray Magictape (Shanghai) Co., Ltd.*3	Shanghai, China	US$0.8 million	Manufacture and sales of fastening materials
Kuraray Methacrylate (Zhang Jia Gang) Co., Ltd.*3	Jiangsu, China	US$9.6 million	Manufacture and sales of methacrylic resin sheet
Kuraray Chemical (Ningxia) Environmental Industry Co., Ltd.*3	Ningxia, China	¥498 million	Manufacture and sales of activated carbon
Kuraray Trading (Shanghai) Co., Ltd.*1	Shanghai, China	US$0.6 million	Import, export, and sales of fiber and textile products and chemicals
Hexin Kuraray Micro Fiber Leather (Jiaxing) Co., Ltd.*3	Zhejiang, China	US$10.5 million	Manufacture and sales of Man-made leather
Kuraray India Private Limited*3	Delhi, India	Rupees60.1 million	Import and sales of Kuraray products in India and market development
Kuraray Nordic Ab Oy*3	Vantaa, Finland	€50,000	Import and sales of Kuraray products in Northern Europe and market development
Kuraray Dental Benelux B.V.*3	IJmuiden, Netherlands	€1.8 million	Import and sales of medical products in Benelux countries and market development
Kuraray Dental Italia S.r.l.*3	Milano, Italy	€10,000	Import and sales of medical products in Italy and market development

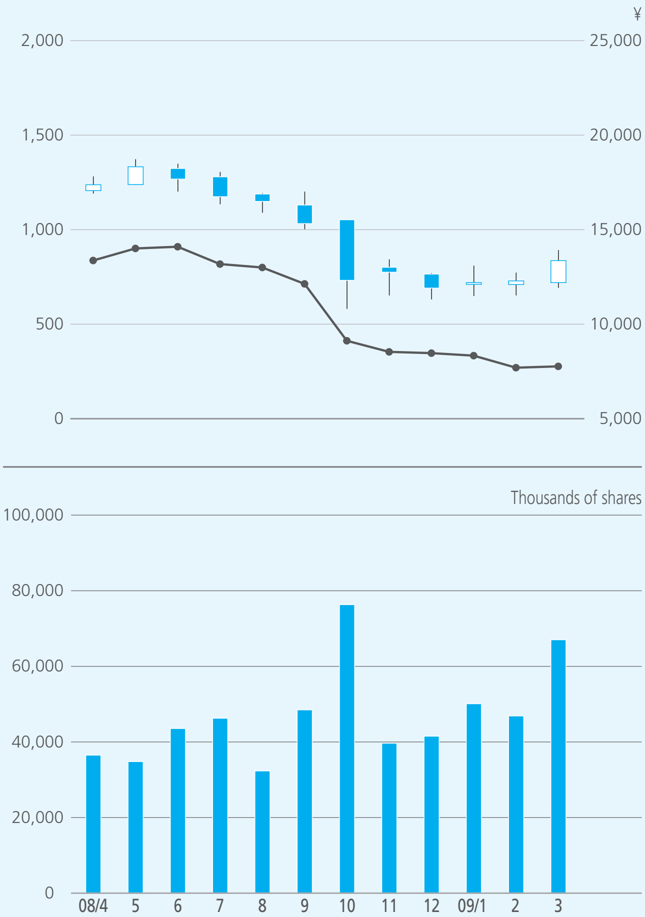
*1 Consolidated subsidiary
*2 Equity method affiliate
*3 Non-consolidated subsidiary not accounted for by the equity method

Investor Information

KURARAY CO., LTD.

Established:	June 24, 1926
Capital:	¥88,955 million
Shares Authorized:	1,000,000,000 shares
Issued:	382,863,603 shares
Number of Shareholders:	28,516
Head Offices:	Tokyo, Osaka

Share Price Movement



Share prices according to the market price on the Tokyo Stock Exchange

Shareholder Register Agent for Common Stock

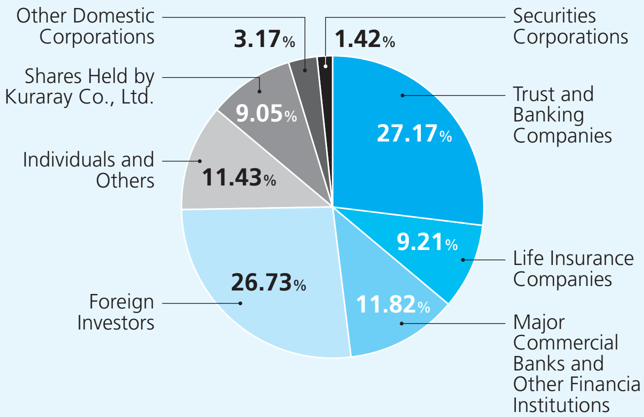
The Sumitomo Trust and Banking Co., Ltd.
4-5-33, Kitahama, Chuo-Ku, Osaka 540-8639, Japan

Principal Shareholders

Name or company name	Number of Shares Held (thousands)	Percentage of Shares Held
Japan Trustee Services Bank, Ltd. (Trust Account)	35,438	9.26%
The Master Trust Bank of Japan, Ltd. (Trust Account)	27,153	7.09%
Japan Trustee Services Bank, Ltd. (Trust Account)	17,956	4.69%
National Mutual Insurance Federation of Agricultural Cooperatives	13,695	3.58%
Nippon Life Insurance Company	13,061	3.41%
Meiji Yasuda Life Insurance Company	8,066	2.11%
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	7,303	1.91%
The Dai-ichi Mutual Life Insurance Company	5,352	1.40%
STATE STREET BANK AND TRUST COMPANY 505225	5,128	1.34%
BNP Paribas Securities (Japan) Ltd.	4,750	1.24%

Note: Kuraray Co., Ltd holds 34,647,544 shares of treasury stock.

Breakdown of Issued Shares by Type



(As of March 31, 2009)

KURARAY CO., LTD.

TOKYO HEAD OFFICE
Ote Center Bldg., 1-1-3, Otemachi,
Chiyoda-ku, Tokyo 100-8115, Japan
tel. +81-3-6701-1000 fax. +81-3-6701-1005

OSAKA HEAD OFFICE
Shin-Hankyu Bldg., 1-12-39, Umeda,
Kita-ku, Osaka 530-8611, Japan
tel. +81-6-6348-2111 fax. +81-6-6348-2165

PRINTED WITH SOY INK ™

made from 100% elemental chlorine free (ECF) pulp.