Business Results for the year Ended March 31,2009

(unaudited)

Kuraray Co., Ltd.

Results of Operations

(1) Analysis of Results of Operations

The business environment encompassing Kuraray during the fiscal year ended March 31, 2009, compelled it to drastically reduce production because the demand for almost all its products has sharply declined since October 2008 due to the unprecedented global recession triggered by the turbulence in the U.S. financial market. In order to tide over this crisis, Kuraray made its best efforts to quickly improve its business performance by taking emergency measures such as freezing new capital investment in principle, making production adjustments due to a drop in demand, further reducing manufacturing cost and SG&A expenses reducing inventories, and reducing remuneration of directors and executive officers.

As a result, the Kuraray Group's consolidated net sales for the fiscal year ended March 31, 2009 decreased ¥40,824 million, or 9.8%, compared with the previous fiscal year to ¥376,777 million. Operating income declined ¥18,850 million, or 39.2%, to ¥29,280 million, and net income fell ¥12,570 million, or 49.2%, to ¥12,984 million.

Results by Business Segment

Chemicals and Resins Business

Sales and earnings decreased in the Chemicals and Resins Business. Sales decreased ¥19,452 million, or 8.0% year on year, to ¥224,332 million. Operating income declined ¥13,115 million, or 26.1%, to ¥37,065 million.

(i) 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.

(ii) Business of *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.

(iii) 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.

(iv) 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.

Fibers and Textiles Business

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, and operating income declined ¥5,973 million, or 87.1%, to ¥883 million.

(i) 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.

(ii) 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.

(iii) 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.

(iv) 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.

High-Performance Materials, Medical Products and Others

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. Operating income decreased ¥1,861 million, or 29.8%, to ¥4,376 million.

(i) 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.

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

(iii) In the Water Purification Business, sales of activated carbon remained steadly mostly with respect to domestic filtration plants.

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

Undistributed operating expenses included in elimination or corporate decreased by ¥1,643 million to ¥13,322 million as a result of cost-reduction efforts.

<u>Performance by Geographic Segment</u>

Japan
Sales of almost all products including optical-use poval film and *CLARINO* have remained sluggish since October 2008. KURARAY ENGINEERING received significantly fewer orders for plants for private companies. As a result, its net sales and operating income decreased to ¥251,583 million and ¥33,372 million, respectively.

North America
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 decreased to ¥28,288 million and operating income fell to ¥2,251 million.

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 and operating income increased to ¥76,961 million and ¥5,458 million, respectively.

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 and operating income grew to ¥19,944 million and ¥335 million, respectively.

Outlook for the Fiscal Year Ending March 31, 2010

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 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.

(2) Analysis of Financial Position

(i) Assets, liabilities and net assets
Total assets stood at ¥471,874 million, a ¥18,491 million decrease compared with the end of the previous fiscal year, on account of a decline in fixed assets. Total liabilities increased by ¥1,326 million to ¥146,858 million. Net assets stood at ¥325,016 million, a decrease of ¥19,817 million. The principal factor

of the decrease was a drop in foreign currency translation adjustment and valuation difference on available-for-sale securities, while the principal factor of the increase was a rise in consolidated net income for the year under review. Total amount of treasury stock came to ¥321,918 million, and the equity ratio was 68.2%.

(ii) Cash flows

Looking at the cash flows for the current consolidated fiscal year, the net cash provided by (used in) operating activities was ¥46,919 million, net cash provided by (used in) investment activities was -¥42,428 million, and net cash provided by (used in) financing activities was ¥30,032 million. The balance of cash and cash equivalents at the end of the consolidated fiscal year increased by ¥33,968 million from the end of the previous consolidated fiscal year to ¥46,157 million. The details of individual cash flows provided by (used in) operating activities, investment activities, and financing activities are as follows:

Net cash provided by (used in) operating activities

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

Net cash provided by (used in) investment activities

The net cash provided by used in investment activities -¥42,428 million was calculated by deducting the expenditure, such as purchase of tangible and intangible fixed assets ¥38,780 million and purchase of investment securities ¥4,128 million, from proceeds from sales and redemption of investment ¥1,534 million.

Net cash provided by (used in) financing activities

The net cash provided by (used in) financing activities ¥30,032 million was calculated by deducting the expenditure, such as cash dividend paid ¥8,009 million, from the earnings such as short-term loans payable ¥4,343 million and long-term loans payable ¥32,266 million.

(Unit: ¥million)

	Fiscal 2008	Fiscal 2007
Net cash provided by (used in) operating activities	46,919	56,456
Net cash provided by (used in) investment activities	(42,428)	(45,217)

Net cash provided by (used in) financing activities	30,032	(33,097)
Effect of exchange rate changes on cash and cash equivalents	(1,242)	(235)
Net increase (decrease) in cash and cash equivalents	33,281	(22,093)
Cash and cash equivalents, beginning of year	12,189	34,032
Increase in cash and cash equivalents from newly consolidated subsidiaries	687	112
Increase in cash and cash equivalents resulting from merger	-	137
Cash and cash equivalents, end of the year	46,157	12,189

Cash flow indicators for the Kuraray Group

	Fiscal 2005	Fiscal 2006	Fiscal 2007	Fiscal 2008
Equity ratio	70.5%	70.0%	69.7%	68.2%
Equity ratio (market basis)	105.7%	92.1%	84.4%	61.6%
Years to redemption of liabilities	0.8 year	0.7 year	0.6 year	1.5 year
Interest coverage ratio	84.2	92.8	69.8	39.1

Notes:

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

Equity ratio (market basis):

Total market value of shares issued and outstanding/total assets

Years to cash flow to interest-bearing liabilities ratio:

Interest-bearing liabilities/net cash provided by operating activities

Interest coverage ratio:

Net cash provided by operating activities/interest expenses

1. All indicators are calculated using consolidated financial information.
2. The total market value of shares issued and outstanding was calculated by multiplying the closing price at the end of the fiscal year by the total number of shares issued and outstanding (after subtracting treasury stock) at the end of the fiscal year.
3. The figure for net cash provided by operating activities used in the above calculations is equivalent to the figure for "Net cash and cash equivalents provided by operating activities" published in the Company's consolidated statements of cash flows.
4. Interest-bearing liabilities are the total of short-term loans payable, commercial paper, long-term debt, and the Company's bonds. The amount

of interest expenses is equal to the amount of interest paid as stated in the Company's consolidated statements of cash flows.

(3) Kuraray's Fundamental Dividend Policy and Dividends for Fiscal 2008 and 2009

The distribution of profits to shareholders is one of the Group's top management issues. The global economic crisis that began in September 2008 significantly damaged Kuraray's earnings structure. To quickly revive it, Kuraray will carry out its medium-term action plan called "GS-Twins" (fiscal 2009 to 2011) keeping the dividend payout ratio to consolidated net income at 30% or more during the period. A year-end dividend of ¥10 is planned for the fiscal year ended March 31, 2009. Added to the interim dividend, this will be a total of ¥22 per share for the fiscal year, which is the same as the previous year.

Assuming a net income for the fiscal year 2009 of ¥10.5 billion, an annual dividend of ¥16 per share is planned for the fiscal year 2009

(4) 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.

(i) 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.

(ii) 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 will 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 will be adversely affected.

(iii) 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 charges in exchange rates. It is possible that the Kuraray Group will be affected negatively by exchange rate fluctuations if they exceed the scope of our assumption.

(iv) 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.

(v) 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.

(vi) Accidents, disasters, environmental measures, etc.
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 will 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.

Disclaimer: The Company bases its forecasts on information available at the date of announcement of this material. Actual results may differ from these forecasts due to various factors.

Management Policies

Fundamental Management Policies

In 2006, the Kuraray Group developed "10-Year Corporate Vision" which indicates its long-term direction.

The economic environment over the coming years is expected to undergo a long-term structural transformation as concerns grow regarding the global environment, resource conservation and the stalling of economies that remain centered on mass production and massive energy consumption. Other key issues that need to be addressed include the imbalance in the global economy, lower rates of economic growth, and increasing competition. As individual values evolve, issues also arise concerning diversifying market needs, higher levels of sophistication, and the rapid shift in demand trends. Furthermore, growing risks associated with Japan's fundamental structure such as its fiscal deficit, aging society, and declining birthrate pose additional problems. Against this backdrop, it is becoming increasingly imperative for chemical companies to shift their management focus from quantity to quality. Against this backdrop, the Kuraray Group will exploit its longstanding corporate culture that stresses "For the society and people, we do something which other people can not do " and aim to become a sustainably growing specialty chemical manufacturer as its 10-Year Corporate Vision.

Management Indicator Targets and Medium- to Long-Term Strategy

The Kuraray Group carried out "GS-21," a three-year medium-term business plan (fiscal 2006 to 2008) to achieve the abovementioned 10-Year Corporate Vision and accomplished a certain amount of results through steady-going implementation of measures, but the global economic crisis which has been continuing since the latter half of 2008 significantly damaged the Kuraray Group's earnings structure. Then the Kuraray Group embarked on "GS-Twins" a three-year medium-term action plan (fiscal 2009 to 2011), whose measures are described below.

(1) Improvement of profit structure

The Company will continue to;

i) improve the business portfolio (reduction of and withdrawal from less profitable business fields);

ii) make effective investments in facilities (selection of investment projects);

iii) improve cash flow (reduction of inventory);

iv) improve break-even point through thorough reduction of expenses and costs (particularly reduction of the fixed cost); and
v) downsize its organization and optimize its personnel.

(2) Creation and expansion of new business

The Company will invest its management resources into the highlighted fields in which its technological potential is maximized and create an environmental-oriented business.

i) In environmental areas:
water treatment business – sewage treatment and recycling, recovery of valuable resources in the sludge
ii) In energy areas:
new energy – solar energy (an encapsulation element of solar panels, etc.)
- hydrogen energy (element of fuel cells, etc.)
iii) In optical and electronic business areas:
(illumination parts and transparent conductive films etc.)

(3) Acceleration of global strategy for core businesses

In the internationally competitive core material businesses, such as the vinyl acetate business, the Company will regionally further expand its business by mergers and acquisitions, accelerating development in the emerging economic market and attacking the existing markets that the Company has not already exploited.

The Company will, through the 3-year execution of the above-mentioned measures, return to the profit structure envisioned under the GS-21 measures, and prepare for sustainable growth as set forth in the “10-Year Corporate Vision.”

Issues to be Addressed

The 10-Year Corporate Vision framed in fiscal 2006 presented a clear image for growth with the goal of achieving ¥1 trillion in net sales as a cornerstone for establishing Kuraray’s global presence as a chemical company.

The worldwide economic crisis presents a formidable obstacle to achieving the vision. Although we may not accomplish our goal as early as we had envisioned, we are unwavering in our commitment to the philosophy that quality is the fundamental component for realizing sustainable growth. We will work to rapidly reform and reestablish the Company’s profit structure and continue to progress toward fulfilling our corporate vision.

Kuraray believes its technological innovations can provide unique and effective contributions for resolving issues threatening our planet and living environment, including global warming, limited natural resources, insufficient water and food supplies, and environmental pollution. The Company also works to achieve a harmony with all of its corporate activities and the environment and society. We believe that these perspectives on our role and the contributions we can make to society are what will make it possible for Kuraray to achieve long-term sustainable growth. Each of the new fields in which the Company's is concentrating—the new energy-related business, the aqua business, and the environmentally friendly materials business—is related to the above global issues. We plan to maximize our growth capabilities by leveraging our cultivated technical and market knowledge and harness the value creation potential of the entire Group as we seek to achieve our net sales target of ¥1 trillion in 2018.

CONSOLIDATED BALANCE SHEETS

(Unaudited) Kuraray Co., Ltd. and its Consolidated Subsidiaries

March 31, 2008 and 2009	Millions of yen 2008	**2009**	(decrease)	*Thousands of U.S. dollars* ***2009***
ASSETS				
I Current assets:				
1 Cash and deposits	¥11,109	**¥37,527**	¥26,418	***$382,935***
2 Notes and accounts receivable - trade	95,472	**66,551**	(28,920)	***679,094***
3 Short-term investment securities	2,062	**9,499**	7,437	***96,936***
4 Merchandise and finished goods	50,834	**51,294**	460	***523,411***
5 Work-in-process	11,455	**10,145**	(1,310)	***103,522***
6 Raw materials and supplies	10,244	**12,112**	1,868	***123,597***
7 Deferred tax assets	7,362	**5,493**	(1,868)	***56,057***
8 Other	8,764	**9,248**	484	***94,373***
9 Allowance for doubtful accounts	(1,021)	**(514)**	507	***(5,246)***
Total current assets	196,282	**201,358**	5,076	***2,054,682***
II Noncurrent assets:				
1 Tangible fixed assets:				
(1) Buildings and structures (net)	33,853	**34,832**	979	***355,430***
(2) Machinery and equipment (net)	110,229	**102,536**	(7,692)	***1,046,291***
(3) Land	19,094	**18,918**	(176)	***193,047***
(4) Construction in progress	26,510	**21,188**	(5,322)	***216,208***
(5) Other (net)	2,674	**3,544**	870	***36,173***
Total tangible fixed assets	192,362	**181,020**	(11,341)	***1,847,151***
2 Intangible fixed assets:				
(1) Goodwill	28,596	**19,684**	(8,912)	***200,864***
(2) Other intangible fixed assets	5,411	**3,835**	(1,576)	***39,139***
Total intangible fixed assets	34,008	**23,520**	(10,488)	***240,003***
3 Investments and other assets:				
(1) Investment securities	51,590	**47,505**	(4,085)	***484,748***
(2) Long-term loans receivable	392	**983**	591	***10,033***
(3) Deferred tax assets	3,538	**5,616**	2,078	***57,311***
(4) Prepaid pension cost	7,540	**7,128**	(411)	***72,742***
(5) Other	4,962	**5,230**	268	***53,376***
(6) Allowance for doubtful accounts	(311)	**(490)**	(179)	***(5,005)***
Total investments and other assets	67,712	**65,974**	(1,737)	***673,206***
Total noncurrent assets	294,083	**270,515**	(23,567)	***2,760,361***
TOTAL ASSETS	¥490,365	**¥471,874**	¥(18,491)	***$4,815,043***

The accompanying notes are integral part of the financial information.

CONSOLIDATED BALANCE SHEETS

(Unaudited)

March 31, 2008 and 2009	Millions of yen 2008	2009	Increase (decrease)	Thousands of U.S. dollars 2009
LIABILITIES				
I Current liabilities:				
1 Notes and accounts payable-trade	¥39,170	**¥23,438**	¥(15,731)	***$239,172***
2 Short-term loans payable	11,997	**18,464**	6,467	***188,413***
3 Commercial papers	―	**3,000**	3,000	***30,612***
4 Accrued expenses	5,454	**4,529**	(924)	***46,224***
5 Income taxes payable	8,826	**684**	(8,141)	***6,983***
6 Provision for bonuses	6,716	**5,753**	(963)	***58,707***
7 Other provision	66	**377**	310	***3,847***
8 Other	16,841	**12,793**	(4,048)	***130,547***
Total current liabilities	89,074	**69,041**	(20,032)	***704,507***
II Noncurrent liabilities:				
1 Bonds payable	10,000	**10,000**	―	***102,040***
2 Long-term loans payable	11,954	**39,280**	27,325	***400,821***
3 Deferred tax liabilities	5,686	**5,318**	(367)	***54,268***
4 Provision for retirement benefits	12,959	**13,933**	974	***142,175***
5 Provision for directors' retirement benefits	191	**171**	(20)	***1,752***
6 Other	15,665	**9,112**	(6,552)	***92,987***
Total noncurrent liabilities	56,457	**77,816**	21,358	***794,045***
TOTAL LIABILITIES	145,532	**146,858**	1,326	***1,498,552***
NET ASSETS				
I Shareholders' equity:				
1 Capital stock	88,955	**88,955**	―	***907,707***
2 Capital surplus	87,228	**87,215**	(13)	***889,953***
3 Retained earnings	189,282	**193,977**	4,694	***1,979,358***
4 Treasury stock	(40,919)	**(40,903)**	15	***(417,384)***
Total shareholders' equity	324,547	**329,244**	4,696	***3,359,635***
II Valuation and translation adjustments				
1 Valuation difference on available-for-sale securities	6,895	**2,825**	(4,069)	***28,833***
2 Deferred gains or losses on hedges	18	**(156)**	(174)	***(1,591)***
3 Foreign currency translation adjustment	10,427	**(9,995)**	(20,423)	***(101,997)***
Total valuation and translation adjustments	17,341	**(7,326)**	(24,667)	***(74,756)***
III Subscription rights to shares	69	**109**	40	***1,114***
IV Minority interests	2,875	**2,988**	113	***30,497***
TOTAL NET ASSETS	344,833	**325,016**	(19,817)	***3,316,490***
TOTAL LIABILITIES AND NET ASSETS	¥490,365	**¥471,874**	¥(18,491)	***$4,815,043***

The accompanying notes are integral part of the financial information.

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

Kuraray Co., Ltd. and its Consolidated Subsidiaries

	Millions of yen			*Thousands of U.S. dollars*
	Year ended		Increase	***Year ended***
Years ended March 31, 2008 and 2009	2008	**2009**	(decrease)	***2009***
I Net sales	¥417,601	**¥376,777**	¥(40,824)	***$3,844,668***
II Cost of sales	295,220	**275,912**	(19,308)	***2,815,430***
Gross profit	122,381	**100,865**	(21,516)	***1,029,238***
III Selling, general and administrative expenses:				
1 Selling expenses	21,833	**19,964**	(1,869)	***203,715***
2 General and administrative expenses	52,417	**51,620**	(796)	***526,744***
Total Selling, general and administrative expenses	74,250	**71,585**	(2,665)	***730,460***
Operating income	48,130	**29,280**	(18,850)	***298,777***
IV Non-operating income:				
1 Interest income	714	**463**	(251)	***4,729***
2 Dividends income	1,681	**2,010**	329	***20,513***
3 Other	1,360	**933**	(426)	***9,527***
Total non-operating income	3,756	**3,407**	(348)	***34,770***
V Non-operating expenses:				
1 Interest expenses	835	**1,259**	424	***12,849***
2 Equity in loss of affiliates	20	**13**	(7)	***138***
3 Personnel expenses for seconded employees	811	**608**	(203)	***6,209***
4 Other	7,401	**4,008**	(3,392)	***40,907***
Total non-operating expenses	9,068	**5,890**	(3,178)	***60,103***
Ordinary income	42,817	**26,797**	(16,020)	***273,443***
VI Extraordinary income:				
1 Gain on sales of investment securities	1,589	**1,264**	(324)	***12,903***
Total extraordinary income	1,589	**1,264**	(324)	***12,903***
VII Extraordinary loss:				
1 Special operating losses	—	**3,994**	3,994	***40,755***
2 Impairment loss	2,256	**1,473**	(783)	***15,033***
3 Loss on valuation of investment securities	246	**1,382**	1,135	***14,104***
4 Loss on valuation of inventories	—	**1,153**	1,153	***11,774***
5 Business structure improvement losses	1,701	**350**	(1,351)	***3,573***
6 Loss on disposal of tangible fixed assets	269	**185**	(83)	***1,890***
7 Provision of allowance for doubtful accounts for loans to subsidiaries and affiliates	305	—	(305)	—
8 Loss on transfer from business divestitures	88	—	(88)	—
Total extraordinary loss	4,867	**8,538**	3,671	***87,131***
Income before income taxes	39,539	**19,523**	(20,016)	***199,215***
Income taxes - current	15,726	**4,632**	(11,094)	***47,271***
Income taxes - deferred	(1,839)	**1,756**	3,595	***17,921***
Total income taxes	13,887	**6,388**	(7,498)	***65,192***
Minority interests in income	97	**149**	(51)	***1,525***
Net income	¥25,554	**¥12,984**	¥(12,570)	***$132,497***

The accompanying notes are integral part of the financial information.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(Unaudited)

Kuraray Co., Ltd. and its Consolidated Subsidiaries

	Millions of yen				
	Shareholders' equity				
Year ended March 31, 2008	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 merge			**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 adjustment	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 merge							**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

(Unaudited)

Kuraray Co., Ltd. and its Consolidated Subsidiaries

	Millions of yen				
	Shareholders' equity				
Year ended March 31, 2009	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 adjustment	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 adjustment*	*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

(Unaudited)

Kuraray Co., Ltd. and its Consolidated Subsidiaries

	Millions of yen		*Thousands of U.S. dollars*
Years ended March 31, 2008 and 2009	2008	**2009**	***2009***
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 fixed assets	(44,413)	**(38,780)**	***(395,718)***
4 Payments for disposal of tangible fixed assets and intangible fixed assets	(2,171)	**(822)**	***(8,389)***
5 Proceeds from sales of tangible fixed assets and intangible fixed 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 integral part of the financial information.

SEGMENT INFORMATION

Industrial segment informatior

(Unaudited)

Kuraray Co., Ltd. and its Consolidated Subsidiaries

Net sales, operating income, identifiable assets, capital expenditure and depreciation and amortization

	Millions of yen					
Year ended March 31, 2008	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

	Millions of yen					
Year ended March 31, 2009	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**

	Thousands of U.S. dollars					
Year ended March 31, 2009	*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. Industrial segments above are split based upon for the classification of sales .

2. Principal products of each industrial 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 (135,946Thousands of U.S. dollars) 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 (977,284 Thousands of U.S. dollars) 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. The company posted an impairment loss of ¥1,473 million (15,033 Thousands of U.S. dollars) in respect to impairment losses as an extraordinary loss.

The details of the impairment loss recorded for each segment is as follows: ¥651million (6,648 Thousands of U.S. dollars) in "Chemicals and resins"; ¥130 million (1,328 Thousands of U.S. dollars) in "Fibers and textiles"; ¥293 million (2,998 Thousands of U.S. dollars) in "High performance materials and medical products"; ¥397 million (4,058 Thousands of U.S. dollars) in "Eliminated on consolidation and corporate".

Assets in each respective segment decreased by the same amount.

(Change in the accounting procedures)

6. Inventories, which the Company held for the ordinary purpose of sale, were mainly valued at cost using the weighted-average method conventionally, and those which had been held beyond a certain delinquent period were regularly written down. However, following the adoption of the “Accounting Standards for Valuation of Inventories (ASBJ Statement No. 9, issued on July 5, 2006)” starting from the current consolidated fiscal year, we mainly value these inventories at cost using the weighted-average method (the balance sheet amount is written down based on the decrease in profitability.).

The Company posted loss on disposal of inventories due to the decrease in profitability as non-operating expenses in the past. However, considering that the loss occurred inevitably in carrying out sales activities of the Company, we started to post it as cost of sales effective the current consolidated fiscal year with the adoption of the above-mentioned accounting standards.

As a result of this change, operating income in the current consolidated fiscal year decreased by ¥870 million (8,880 Thousands of U.S. dollars) in "Chemicals and resins", by ¥763 million (7,793 Thousands of U.S. dollars) in "Fibers and textiles",by ¥182 million (1,866 Thousands of dollars) in "High performance materials and medical products" and by ¥105 million (1,074 Thousands of U.S. dollars) in "Eliminated on consolidation and corporate" with the amount calculated using the conventional method.

7. Effective the current consolidated 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.

In the meantime, this change has only a minor impact on operating results in each business segment.

(Additional information)

8. The Company and part 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.

In the meantime, this change has only a minor impact on operating results in each business segment.

Geographic segment information

(Unaudited)

Kuraray Co., Ltd. and its Consolidated Subsidiaries

Year ended March 31, 2008	Japan	North America	Europe	Asia	Total	Eliminated on consolidation and corporate	Consolidated total
	Millions of yen						
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

Year ended March 31, 2009	Japan	North America	Europe	Asia	Total	Eliminated on consolidation and corporate	Consolidated total
	Millions of yen						
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**

Year ended March 31, 2009	*Japan*	*North America*	*Europe*	*Asia*	*Total*	*Eliminated on consolidation and corporate*	*Consolidated total*
	Thousands of U.S. dollars						
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. The company posted an impairment loss of ¥1,473 million (15,033 Thousands of U.S. dollars) 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 (10,975 Thousands of U.S. dollars) in "Japan" and ¥397 million (4,058 Thousands of U.S. dollars) in "Eliminated on consolidation and corporate" respectively. Assets in said segment decreased by the same amount.

(Changes in accounting procedures)

6. Inventories, which the Company held for the ordinary purpose of sale, were mainly valued at cost using the weighted-average method conventionally, and those which hadbeen held beyond a certain delinquent period were regularly written down. However, following the adoption of the "Accounting Standards for Valuation of Inventories (ASBJ Statement No. 9, issued on July 5, 2006)" starting from the current consolidated fiscal year, we mainly value these inventories at cost using the weighted-average method (the balance sheet amount is written down based on the decrease in profitability.).
   The Company posted loss on disposal of inventories due to the decrease in profitability as non-operating expenses in the past. However, considering that the loss occurred inevitably in carrying out sales activities of the Company, we started to post it as cost of sales effective the current consolidated 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 (18,539 Thousands of U.S. dollars) and that in "Eliminated on consolidation and corporate" by ¥105 million (1,074 Thousands of U.S. dollars) in the current consolidated fiscal year.

7. Effective the current consolidated 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.
   In the meantime, this change has only a minor impact on operating results in each business segment.

(Additional information)

8. The Company and part 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.
   In the meantime, this change has only a minor impact on operating results in each business segment.

Overseas sales

(Unaudited)

Kuraray Co., Ltd. and its Consolidated Subsidiaries

	Millions of yen				
Year ended March 31, 2008	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%

	Millions of yen				
Year ended March 31, 2009	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%**

	Thousands of U.S. dollars				
Year ended March 31, 2009	*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.

Per share information

(Unaudited)

Kuraray Co., Ltd. and its Consolidated Subsidiaries

	2008	2009	*2009*
Years ended March 31, 2008 and 2009	Yen	Yen	*U.S. dollars*
Net assets per share	¥981.82	**¥924.48**	***$9.43***
Basic net income per share	72.15	**37.29**	***0.38***
Diluted net income per share	¥71.99	**¥37.26**	***$0.38***

Notes to Consolidated Financial Statements

Amounts less than ¥1 million (or $1 thousand) have been omitted. As a result, the total shown in the consolidatec financial statements and notes there to do not necessarily agree with the sum of the individual account balances.

The United States dollar amounts represent translation of Japanese yen at the rate of YEN98=$1.

Events or circumstances that pose significant doubts to the assumption of a going concern

Not applicable.

Except for Significant Changes in Basis of Preparation for Consolidated Financial Statements,
Notes to Consolidated Financial Statements are omitted because there are no material changes to the description in the latest Annual Securities Report (submitted to Financial Service Agency in Japan on June 19, 2008).

Significant Changes in Basis of Preparation for Consolidated Financial Statements

(Change in accounting policies)

1. Inventories, which the Company held for the ordinary purpose of sale, were mainly valued at cost using the weighted-average method conventionally, and those which had been held beyond a certain delinquent period were regularly written down. However, following the adoption of the "Accounting Standards for Valuation of Inventories (ASBJ Statement No. 9, issued on July 5, 2006)" starting from the current consolidated fiscal year, we mainly value these inventories at cost using the weighted-average method (the balance sheet amount is written down based on the decrease in profitability).

   As a result, operating income and ordinary income in the current consolidated fiscal year decreased by ¥380 million (3,886 Thousands of U.S. dollars) each and income before income taxes by ¥1,534 million (15,661 Thousands of U.S. dollars) compared with those calculated using the conventional method.

   The Company posted loss on disposal of inventories due to the decrease in profitability as non-operating expenses in the past. However, considering that the loss occurred inevitably in carrying out sales activities of the Company, we started to post it as cost of sales effective the current consolidated fiscal year with the adoption of the above-mentioned accounting standards.

   As a result of this change, operating income in the current consolidated fiscal year decreased by ¥1,541 million (15,727 Thousands of U.S. dollars) compared with the amount calculated using the conventional method.
   In the meantime, there were no changes in ordinary income and income before income taxes during the same period.

2. Effective the current consolidated 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.
   In the meantime, this change has only a minor impact on operating income, ordinary income and income before income taxes in the current consolidated fiscal year.

3. Financial leases without transfer of ownership were accounted for on a basis similar to ordinary rental transactions conventionally. However, effective the current consolidated fiscal year, the Company had adopted the "Accounting Standard for the Lease Transactions (ASBJ Standard No. 13, issued on June 17, 1993 by Section 1 of the Business Accounting Deliberation Council, and revised on March 30, 2007)" and the "Implementation Guidance on the 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.
   In the meantime, this change has no impact on operating income, ordinary income and income before income taxes in the current consolidated fiscal year.

(Additional information)

1. 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.
   In the meantime, this change has only a minor impact on operating income, ordinary income and income before income taxes in the current consolidated fiscal year.

2. 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. With the change of Japanese tax regulation for dividend income from foreign subsidiaries in 2009,the Company has revised dividend policy so that dividend from some foreign subsidiaries, which would impose additional corporate taxes, would not be paid.
   In response to this, the Company reversed part of deferred tax liabilities, which was posted in the previous period, in the current consolidated fiscal year.
   As a result, net income in the current consolidated fiscal year increased by ¥1,471 million (15,019 Thousands of U.S. dollars) compared with the amount that would have been posted under the conventional method.

(Changes in presentation)

Matters related to consolidated balance sheet

1. In response to the adoption of the Cabinet 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” until the previous consolidated fiscal year are separately posted as “merchandise and finished goods”, “work-in-process” and “raw materials and supplies” in the current consolidated fiscal year.
   In the meantime, we also applied the change to the previous consolidated fiscal year to maintain the comparability between the current and the previous consolidated fiscal years.

Matters related to consolidated income statement

1. “Selling, general and administrative expenses”, which were posted collectively up until the previous consolidated fiscal year, are separately posted as “selling expenses” and “general and administrative expenses” effective the current consolidated fiscal year to improve the clarity of presentation in the consolidated income statement. In the meantime, we also applied the change to the previous consolidated fiscal year to maintain the comparability between the current and the previous consolidated fiscal years.

2. “Interest and dividends income”, which were posted collectively up until the previous consolidated fiscal year, are separately posted as “interest income” and “dividend income” effective the current consolidated fiscal year to improve the clarity of presentation in the consolidated income statement. In the meantime, we also applied the change to the previous consolidated fiscal year to maintain the comparability between the current and the previous consolidated fiscal years.

3. “Personnel expenses for seconded employees”, which was included in “other” in “non-operating expenses” up until the previous consolidated fiscal year, is separately posted in the current consolidated fiscal year since it exceeded one-tenth of the total amount of non-operating expenses in the period. In the meantime, we also applied the change to the previous consolidated fiscal year to maintain the comparability between the current and the previous consolidated fiscal years.