Business Results for the year Ended March 31,2008

(unaudited)

Kuraray Co., Ltd.

Results of Operations

(1) Analysis of Results of Operations

Japan's economy grew steadily during fiscal 2007, ended March 31, 2008, supported by exports, and increases in corporate capital investment on the back of stronger earnings. There was, however, a sign of worldwide economic slowdown stemming from steeply rising prices of raw materials and fuels, and turbulence in the U.S. finance market. Our profit margins were squeezed by the escalating prices of raw materials and fuels. We took active steps against these severe conditions through measures such as adding value to products, revising prices, and reducing costs throughout the entire Kuraray Group. On October 1, 2007, the classification of Kuraray's stock on Tokyo and Osaka Stock Exchanges was changed from Textiles and Apparels to Chemicals. Consequently, the Kuraray Group thereafter aggressively pursued priority issues and policies identified by the GS-21 medium-term business plan (fiscal 2006 to 2008) as a specialty chemical company both in name and substance.

As a result, the Kuraray Group's consolidated net sales for the year ended March 31, 2008 increased ¥32,317 million, or 8.4%, compared with the previous fiscal year to ¥417,601 million. Operating income rose ¥7,910 million, or 19.7%, to ¥48,130 million, and net income improved by ¥3,142 million, or 14.0%, to ¥25,554 million.

<u>Results by Business Segment</u>

Chemicals and Resins Business

Sales and earnings increased in the Chemicals and Resins Business. Sales increased ¥42,563, or 21.2% year on year, to ¥243,784 million. Operating income grew ¥14,536 million, or 40.8%, to ¥50,180 million.

(i) The poval business saw increases in both sales and earnings. Factors contributing to this were as follows. Demand for poval resins expanded, and price revisions and an improvement of products portfolio substantially progressed. In January 2008, POVAL ASIA PTE LTD., a poval resin manufacturing company, became our wholly-owned subsidiary. Sales of optical-use poval film grew reflecting increased demand for LCDs for large-screen TVs and other devices. A new production line (30 million m^2), which will expand yearly production from 61 million m^2 to 91 million m^2, came into operation in the year under review at the Kurashiki plant. PVB film sales increased as applications in the construction industry in Europe remained robust.

(ii) Business of *EVAL*, an EVOH resin, recorded higher sales and earnings. However, earnings in real terms, excluding the effects of the closing date change made during the previous year, remained about level. Although *EVAL* price adjustments designed to offset raw material and fuels prices gradually took hold, our business in the United States was affected by troubles at the plant from which we procure materials. Sales for food packaging application were firm. Sales for gasoline tank application was low in the United States, but grew in the world as a whole on a volume basis.

(iii) Sales and profit of isoprene-related products increased overall, although earnings were impacted by elevated raw material and fuel prices. Kuraray worked to develop differentiated products, price adjustments and bring down costs of *SEPTON* thermoplastic elastomer. Sales of specialty chemicals were strong particularly in overseas markets, but conditions remained severe in the fine chemicals business, impacted by international intense competition in aroma chemicals and agricultural intermediates. We terminated a part of aroma chemicals business in March 2008, due to worsened business profitability.

(iv) While sales of methacrylic resins increased, price adjustments were not enough to offset high raw material and fuels costs, thus earnings declined. Demand for molding materials for light-guide plates remained strong.

Fibers and Textiles Business
The Fibers and Textiles Business recorded lower sales and earnings. Sales decreased ¥2,689 million, or 2.5% year on year, to ¥105,235 million, and operating income declined ¥1,128 million, or 14.1%, to ¥6,856 million.

(i) Sales of *KURALON* slightly increased, while earnings were flat. Although demand for *KURALON* as an alternative to asbestos for use in reinforcing cement remained favorable, the business was affected by high raw material and fuel prices. In response to further increased demand for *KURALON* for FRC (Fiber Reinforced Cement), we have decided to expand *KURALON* production with additional 5,000 tons of annual production capacity (scheduled to commence production in December 2008).

(ii) Although demand for *CLARINO* man-made leather for use in bags and accessories remained favorable, stagnant sales for shoe applications on top of the impact of high raw material and fuel prices resulted in waning sales and earnings in this business.

(iii) While nonwoven fabrics business recorded the same level of sales and slightly lower earnings, hook and loop fasteners business recorded higher sales but slightly lower earnings. Although both businesses were impacted by the high material and fuel prices, sales of nonwovens to the automotive industry were firm on a volume basis, and sales of hook and loop fasteners to applications in the industrial materials were strong.

(iv)Sales of *VECTRAN* high-strength fiber remained steady owing to application development mainly in the U.S. market. In November 2007, we strengthened the capacity of production to 1,000 tons annually, and started running at the new increased capacity.

(v)In the polyester business, sales declined, but earnings were flat. Steady progress was seen in sports clothing and other Kuraray specialty fields. The impact of high raw material and fuel prices was felt, leading Kuraray to take steps to shift the burden through price adjustments and cost cutting.

High-Performance Materials, Medical Products and Others
The High-Performance Materials, Medical Products and Others Business recorded lower sales and earnings. Sales decreased ¥7,556 million, or 9.9% year on year, to ¥68,581 million. Operating income decreased ¥1,707 million, or 21.5%, to 6,237 million.

(i) In the medical business, sales of dental materials expanded in the United States, Europe and other overseas regions. In October 2007, Kuraray merged its dialyzer business in Asahi Kasei Kuraray Medical Co., Ltd.

(ii) In high-performance materials, demand remained strong in Asian markets for the *GENESTAR* heat-resistant polyamide resin for use as a material in electronics. In order to meet this burgeoning demand, Kuraray is currently working on expanding *GENESTAR* production. Sales in activated carbon business increased, but earnings declined. Demand in water purification applications was stable, but the business was affected by the high raw material and fuel prices. With the exception of some engineering businesses, other related businesses remained sluggish overall, which forced lower earnings.

(iii) Owing to the cessation of opto-screen production as of December 2006 and the subsequent withdrawal from the opto-screen business, sales in this business declined.

Unallocatable operating expenses included in elimination or corporate increased by ¥3,647 million to ¥14,966 million.

Performance by Geographic Segment

Japan

Sales and earnings in Japan rose owing to increased orders for optical-use poval film, *EVAL*, *SEPTON,* and optical-use methacrylic resin, and our efforts to revise prices of PVA resin and other products. As a result, sales totaled ¥294,017 million, while operating income amounted to ¥55,311 million.

North America

Although *EVAL* price adjustments designed to offset raw material and fuels prices gradually took hold, the business in the United States was affected by troubles at the plant from which we procure materials. Sales for gasoline tank applications were low. On the other hand, sales of *SEPTON* and dental materials rose as their orders on a volume basis increased. As a result, sales and operating income in North America were both up to ¥31,551 million and ¥2,964 million, respectively.

Europe

Europe enjoyed increased sales and earnings, despite the impact of high raw material and fuel prices, seeing robust demand for PVB film for construction applications and poval resin. As a result, sales rose to ¥75,935 million, while operating income climbed to ¥4,931 million.

Asia

As a result of steady demand for *CLARINO* in bags and accessories applications as well as for poval resin on top of product price adjustments, earnings showed improvement. As a result, sales grew to ¥16,096 million, while operating income rose to ¥113 million.

Outlook for the Fiscal Year Ending March 31, 2009

In fiscal 2008, ending March 31, 2009, we expect the severity of the business environment to worsen because of a slowdown in the world economy arising from the turbulence in the U.S. finance market and continued high raw material and fuel prices. Based on the recognition of this circumstance, the Kuraray Group will pursue the following business initiatives.

In the Chemicals and Resins Business, Kuraray will expand production capacity of optical-use poval film and further enhance its functions. In poval resins, we will work to revise prices and increase sales of differentiated products. In PVB films, we will take steps to expand applications, particularly in the construction industry. In the *EVAL* business, we will work to spread price adjustments and accelerate market development in emerging countries such as Asian countries including China. In isoprene-related products, we will strive to speed up price revisions and expansion of overseas sales of new thermoplastic elastomers as well as market expansion for solvent specialty chemicals. In methacrylic resins, Kuraray will revise prices and further boost sales of high-performance products.

In the Fibers and Textiles Business, we will work to expand the number of specialized applications such as overseas FRC applications for *KURALON*. We will work to fully promote market expansion for *TIRRENINA* man-made leather, an eco-friendly variety of *CLARINO*. In nonwoven fabrics, we will take steps to accelerate market expansion by developing applications for our New-Type Nonwoven Fabric (Steam Jet Products), realized through Kuraray's steam jet technology, as well as focus on expanding applications for hook and loop fasteners for car and other industries in collaboration with specialty trading companies. We will reinforce the development of applications for *VECTRAN* high-strength fiber centering on exports to the United States. In the polyester business, we will expand sales of uniforms and other sportswear products.

In High-Performance Materials, Medical Products and Others, we will strengthen the sales of dental materials in Europe, the United States and other overseas markets. We will also increase the production capacity and broaden the use of *GENESTAR* as a material in electronics and speed up the development of its uses in automobiles. Concerning the Water Treatment Business, in addition to further expanding the activated carbon business, we will use Kuraray Aqua Co., Ltd., a joint venture incorporated in March 2008, as the driving force behind comprehensive measures spanning development and sales of materials, design of plant and equipment, and maintenance.

Our forecasts for the fiscal year ending March 31, 2009, are net sales of ¥450 billion, operating income of ¥51 billion, ordinary income of ¥48 billion and net income of ¥28 billion.

Forecasts for fiscal 2008 assume average exchanges rates of ¥105 to the U.S. dollar and ¥160 to the euro, as well as a price of ¥68 thousand per kiloliter for domestically produced naphtha.

(2) Analysis of Financial Position

(i) Assets, liabilities and net assets

Total assets stood at ¥490,365 million, ¥18,328 million decrease compared with the end of the previous fiscal year, on account of a decline in current assets. Total liabilities decreased by ¥4,569 million to ¥145,532 million. Net assets stood at ¥344,833 million, a decrease of ¥13,758 million, owing to the acquisition of treasury stock and dividends, partially offset by net income for the year under review. Total amount of treasury stock came to ¥341,889 million, and the equity ratio was 69.7%.

(ii) Cash flows

Cash flows and changes and balance in cash and cash equivalents were as follows:

(Unit: ¥million)

	Fiscal 2007	Fiscal 2006
Net cash provided by (used in) operating activities	56,456	38,961
Net cash provided by (used in) investment activities	(45,217)	(28,936)
Net cash provided by (used in) financing activities	(33,097)	(4,350)
Effect of exchange rate changes on cash and cash equivalents	(235)	272
Net increase (decrease) in cash and cash equivalents	(22,093)	5,947
Cash and cash equivalents, beginning of year	34,032	28,085

Increase in cash and cash equivalents from newly consolidated subsidiaries	112	–
Increase in cash and cash equivalents resulting from merger	137	–
Cash and cash equivalents, end of the year	12,189	34,032

Cash flow indicators for the Kuraray Group

	Fiscal 2004	Fiscal 2005	Fiscal 2006	Fiscal 2007
Equity ratio	68.8%	70.5%	70.0%	69.7%
Equity ratio (market basis)	77.2%	105.7%	92.1%	84.4%
Years to redemption of liabilities	0.7 year	0.8 year	0.7 year	0.6 year
Interest coverage ratio	132.5	84.2	92.8	69.8

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 redemption of liabilities:

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 2007 and 2008

The distribution of profits to shareholders is one of the Group's top management issues. Our target is a dividend payout ratio of 30% or more of consolidated net income for fiscal 2007, ended March 31, 2008, and to increase returns to shareholders through continuous improvements in performance. Under the GS-21 medium-term business plan, Kuraray has targeted a shareholder return ratio (defined as the sum of dividends paid and share buybacks as a percentage of net income) of 70% for fiscal 2006 – fiscal 2008 in an aim to improve capital efficiency. Based on these fundamental policies, a year-end dividend of ¥11 is planned for the fiscal year ended March 31, 2008. Added to the interim dividend, this will be a total of ¥22 per share for the fiscal year, up ¥3.5 from the previous fiscal year.

An annual dividend of ¥25 is planned for fiscal 2008, ending March 31, 2009, an increase of ¥3 per share, assuming a current term net income of ¥28 billion.

(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, 2008.

(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

The Kuraray Group is implementing a 10-Year Corporate Vision to indicate its long-term direction and its GS-21 medium-term business plan, a three-year plan from fiscal 2006 to fiscal 2008 designed to set Kuraray on a course to achieve its Vision.

The economic environment over the next decade 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 becomes increasingly imperative for chemical companies to shift their management focus from quantity to quality. Accordingly, the Kuraray Group will leverage its longstanding corporate culture that stresses "contributing to the world and individual well-being through actions that others are unable to produce," to promote exciting innovation and outstanding earnings recognized throughout the world with the aim of becoming a diversified specialty chemicals manufacturer attaining sustainable growth. Building on a foundation of competitive proprietary technologies in its core businesses, including vinyl acetate materials, isoprene chemicals and man-made leather, the Group will adopt a long-term growth policy that emphasizes stable and sustainable growth driven by continuous technology development on a global scale. Under its previous G-21 five-year medium term business plan that commenced in fiscal 2001, the Kuraray Group established a foothold in new growth areas including optical, automotive and energy-related materials. Going forward, we will continue to focus management resources in value-added businesses that exhibit high rates of profit growth. Furthermore, through structural improvements, we will secure competitive advantage in mature business and establish stable profit streams. Based on these measures, we will steadfastly pursue consolidated sales of ¥1 trillion in fiscal 2015.

In order to realize its 10-Year Corporate Vision, the Kuraray Group has identified five fundamental policies. Leveraging a corporate platform bolstered over many years, Kuraray will continue over the next decade to reinforce its core technologies that have produced the world's finest products and its global competitiveness (Core Competence), endeavor to create a continuous stream of highly profitable businesses by developing diversified technologies (Frontier), and strengthen global competitiveness by delivering the highest quality (Refinement). In the post industrial capitalist 21st century, a period during which corporate value is expected to focus more on the human factor as opposed to traditional capitalism, Kuraray will redouble efforts to promote a dynamic corporate culture (Vitality) and to become a high quality corporate Group that contributes to the global environment and a sustainable society (Sustainability).

Management Indicator Targets and Medium- to Long-Term Strategy

The GS-21 three-year medium-term business plan clarifies those strategies required to reach established commitments. Under the plan, the Kuraray Group has made the commitment to achieve net sales of ¥450 billion, operating income of ¥50 billion, ROA of 9% and ROE of 7% in fiscal 2008. The core business strategies and strategies by business segment of the plan are as follows.

(1) Core Business Strategies

(i) Through diversified technological innovation including processing techniques, enhance competitive quality in our internationally competitive core material businesses, such as vinyl acetate, isoprene, and man-made leather developed by Kuraray's unique technologies. In this manner, Kuraray will accelerate growth through efforts to expand global markets.

(ii) Having established a foothold in new growth fields such as optical materials, automobiles and energy materials through G-21, conduct concentrated investment of management resources to facilitate further expansion. In addition, launch new material businesses targeting promising industries to solidify the Company's position in next-generation platform businesses as a key supplier of high-quality innovative materials required by customers.

(iii) Reinforce product earnings power across the board, reorganize or withdraw from uncompetitive businesses

(iv) Improve management quality as a global company

(2) Strategies by Segment

Chemicals and Resins

Raise profit growth based on priority investments outlined under G-21

Kuraray's poval, *EVAL*, and isoprene businesses boast international competitiveness underpinned by the Company's proprietary technology. While maintaining competitive advantage based on global strategies, Kuraray will accelerate growth through innovation and new product development. At the same time, the Company will actively expand new growth fields such as optical materials. In the methacrylic resin business, Kuraray will establish a stable earnings structure by launching new products such as high-value-added optical materials and by reinforcing manufacturing bases in China.

Fibers and Textiles

Establish firm profitability in core materials, while strengthening and improving the product portfolio

Kuraray's *KURALON*, *KURALON K-II* and *CLARINO* are world-leading products. Responding to market needs, Kuraray will step up efforts to upgrade technologies, increase production capacity and invest in innovative processes to consolidate the platform for growth. The Kuraray Group will reinforce its earnings structure in the mature domestic market for *KURAFLEX* nonwoven fabrics, hook and loop fasteners and polyester by developing unique products through sophisticated processing technologies.

High-Performance Materials, Medical Products and Others

Actively expand new growth fields through speedy technology innovation for diversified products

In the *GENESTAR* and liquid crystalline polymer film businesses, Kuraray will accelerate technological innovation suited to customer needs to establish competitive advantage in new growth fields. Furthermore, Kuraray will enhance stability by leveraging its strengths as a leading manufacturer of dental materials and activated carbon in the domestic market, and developing unique products and global businesses. At the same time, Kuraray will implement strict measures to ensure management efficiency in engineering and other related businesses.

Issues to be Addressed

Under the GS-21 medium-term business plan, Kuraray established the following priority issues and policies.

(i) Accelerate the development of new businesses and new growth fields
- Focus on development themes with a demand-driven approach
- Promote the expansion and focus of research resources including introduction of outside resources

(ii) Pursue globally effective and speedy management
- Accelerate responsiveness to changing markets
- Implement reforms to in-house company system for greater resource efficiency
- Establish a global Group management structure
- Strengthen efficiency of headquarter functions and management information systems

(iii) Nurture and strengthen "human resources," the driving force for growth
- Establish a system to secure and educate personnel as purported by medium-term management strategy
- Reform personnel system to optimize employee assignments

(iv) Contribute to the global environment and strive for sustainable corporate growth

- Formulate global level environment initiatives and expand sales of eco-friendly products based upon the medium-term environmental plan (fiscal 2001-2010)
- Promote strengthening of manufacturing know-how and a thorough emphasis on safety, and establish an internal controls system to strengthen risk management

We will make every effort to address the priority issues listed above.

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	(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			***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

Year ended 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

Year ended 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**

Year ended 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. 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	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

Year ended 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**

Year ended 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. 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

Year ended 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%

Year ended 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%**

Year ended 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.

Per share information

(Unaudited)

Kuraray Co., Ltd. and its Consolidated Subsidiaries

Years ended March 31, 2008 and 2009	2008 Yen	2009 Yen	*2009 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 consolidated 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

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 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 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.