February 4, 2009
Kuraray Co., Ltd.

Consolidated Earnings Report for the Third Quarter of the Fiscal Year Ending March 31, 2009

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

Representative
Title: Representative Director and President
Name: Fumio Ito

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(Millions of yen rounded down unless otherwise stated)

1. Consolidated Financial Results for Third Quarter of the Fiscal Year Ending March 31, 2009 (April 1, 2008 to December 31, 2008)

(1) Business Performance (Cumulative)

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

	Net Sales		Operating Income		Net Income	
		(Change)		(Change)		(Change)
Fiscal 2008 3Q	301,847	—	27,956	—	16,113	—
Fiscal 2007 3Q	308,653	7.4%	35,403	23.8%	20,083	34.7%

	Net Income per Share (¥)	Fully Diluted Net Income per Share (¥)
Fiscal 2008 3Q	46.27	46.22
Fiscal 2007 3Q	56.38	56.25

(2) Financial Position (Consolidated)

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets per Share
			%	Yen
As of December 31, 2008	519,129	340,438	65.0	968.79
As of March 31, 2008	490,365	344,833	69.7	981.82

(Reference)
Shareholders' equity: As of December 31, 2008 ¥337,359 million
As of March 31, 2008 ¥341,889 million

2. Dividends

(Yen)

	Cash Dividends per Share				
Record Date	Jun. 30, 2008	Sept. 30, 2008	Dec. 31, 2008	Mar. 31, 2009	Annual
Fiscal 2007	—	11.00	—	11.00	22.00
Fiscal 2008	—	12.00	—	—	—
Fiscal 2008 (Forecast)	—	—	—	—	

Note: Revision to quarterly cash dividend forecast: Yes
A firm amount for the cash dividend of Fiscal 2008 is left undecided.

3. Forecasts of Consolidated Financial Results for the Fiscal Year Ending March 31, 2009 (April 1, 2008 to March 31, 2009)

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

	Net Sales		Operating Income		Net Income		Net Income per Share
		%		%		%	Yen
Full Fiscal Year	380,000	(9.0)	26,000	(46.0)	14,500	(43.3)	41.64

Note: Revisions to quarterly forecasts of consolidated financial results: Yes

4. Other

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

No

(2) Adoption of the Simplified Accounting Method and Special Accounting Practices in the Preparation of Quarterly Consolidated Financial Statements

Yes

(Note: Please refer to "4. Others" of "Qualitative Information and Financial Statements" on pages 3 and 4 for details.)

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

(Recorded under "Changes in Important Items Considered Fundamental to the Preparation of Quarterly Consolidated Financial Statements")

1. Changes in accordance with revisions to accounting standards and related practices: Yes
2. Changes in items other than 1. above: Yes

(Note: Please refer to "4. Others" of "Qualitative Information and Financial Statements" on page 4 for details)

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

1. Number of shares issued and outstanding (including treasury stock) as of the period-end:
   As of December 31, 2008 382,863,603 shares
   As of March 31, 2008 382,863,603 shares
2. Number of treasury stock as of the period-end:
   As of December 31, 2008 34,636,126 shares
   As of March 31, 2008 34,642,074 shares
3. Average number of shares for the period:
   As of December 31, 2008 348,241,255 shares
   As of December 31, 2007 356,200,548 shares

Cautionary Statement with respect to Forecasts of Consolidated Business Results

1. The dividends forecasts presented in this document are revised according to the information announced on April 30, 2008. For information on revisions, please refer to "Notice Concerning Revisions to Business Results Forecast and Dividends Forecast," issued today.
2. The results forecasts presented in this document are revised according to the information announced on October 30, 2008. For information on revisions, please refer to "Notice Concerning Revisions to Business Results Forecast and Dividends Forecast," issued today. Furthermore, the results forecasts presented in this document are based upon currently available information and assumptions deemed rational by management. A variety of factors could cause actual results to differ materially from forecasts.
3. Kuraray Co., Ltd. is applying Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12) and Guidance on Accounting Standard for Quarterly Financial Reporting (ASBJ Guidance No. 14) from the fiscal year ending March 31, 2009. Furthermore, the Company prepares quarterly consolidated financial statements according to quarterly consolidated financial statement rules.

Qualitative Information and Financial Statements

1. Qualitative Information and Overview of Consolidated Business Results

The operating environment in the cumulative nine-month period (April 1, 2008 to December 31, 2008) saw a precipitous decline in demand for almost all products from October 2008 due to the global recession triggered by turmoil in the U.S. financial market, and has been further impacted by the appreciation of the Japanese yen.

As a result, net sales for the third quarter declined 2.2% compared with the same period of the previous fiscal year to ¥301,847 million, operating income declined 21.0% to ¥27,956 million, and net income slumped 19.8% to ¥16,113 million, making unavoidable declines in both revenue and earnings.

The cumulative nine-month period for the Company's overseas subsidiaries runs from January 1, 2008 to September 30, 2008.

Note: Kuraray began applying new quarterly accounting standards from the current fiscal year. Consequently, rates of change from the same period of the previous fiscal year (or the yen amount of change from the same period of the previous fiscal year) are stated as reference for qualitative information with regard to business results.

The following section provides explanations of results by business segment and performance by geographical segment.

Results by Business Segment

Chemicals and Resins

Sales in the Chemicals and Resins segment were ¥183,253 million, up 1.3% year on year, and operating income totaled ¥33,843 million, down 7.1%.

In the poval business, the volume and production of optical-use poval films declined due to inventory adjustments for LCD displays for large-screen TVs and monitors. Sales of poval resins were brisk until September; from October, however, sales stagnated for fiber and textile processing and paper processing applications, and applications for polyvinyl chloride resin polymerization agents, mainly in Asia, including Japan, and China. Sales of polyvinyl butyral (PVB) film were robust throughout the period owing to interlayer films used in construction glass. Sales of *EVAL*, an ethylene vinyl alcohol polymer resin, were comparatively strong until September, but since the financial crisis and because of the impact of the deep downturn in the automotive industry, gas tank applications were in steep decline, with demand for food packaging applications also weakened.

The market environment for methacrylic resin changed abruptly from October, mainly for molding materials, with a sharp decline in demand which led to severe conditions.

In isoprene-related products, *SEPTON* thermoplastic elastomers enjoyed relatively healthy demand until September but from October were affected by sluggishness in the automotive field and in the Asian region, which reduced sales volume. Sales in the specialty chemicals business were flat due to sluggish sales of solvents and other products, while sales in the fine chemicals business were strong owing to vitamin precursors.

Fibers and Textiles

Sales in the Fibers and Textiles segment edged down 4.2% year on year to ¥74,827 million, and operating income fell 51.6% to ¥2,489 million.

Demand for *KURALON* remained steady overseas for use as an asbestos substitute in FRC (fiber reinforced cement) applications, although demand was weak for automotive brake hoses. *CLARINO* man-made leather declined due to reduced volumes of footwear and all other applications, necessitating a decline in production. The performance of nonwoven fabrics and hook and loop fasteners was firm, mainly owing to demand in Japan. Polyester did well in the sports field, although exports to the Middle East and Europe fell sharply on account of the surging strength of the yen.

High-Performance Materials, Medical Products and Others

In this segment, sales declined 11.8% year on year to ¥43,766 million, and operating income fell 44.1% to ¥2,666 million.

In the medical products business, sales of dental materials continued to be strong. In the high-performance materials business, sales volume of the *GENESTAR* heat-resistant polyamide resin fell significantly given a dramatic drop in demand for its primary applications, mobile phones and computers. Sales of other businesses stagnated mainly due to fewer construction work orders in the engineering business and low demand for activated carbon.

Unallocatable operating expenses included in elimination or corporate increased ¥694 million to ¥11,379 million.

Performance by Geographic Segment

Performance by geographic segment is stated as follows. The cumulative nine-month period for the Company’s overseas subsidiaries runs from January 1, 2008 to September 30, 2008.

Japan
Sales in Japan of optical-use poval film and *CLARINO* were sluggish from October, and Engineering business plant orders from private companies declined significantly. As a result, sales fell to ¥199,076 million.

North America
Sales of dental materials, *EVAL* and *SEPTON* were brisk, while those of *CLARINO* were sluggish. In addition, the appreciation of the yen against the dollar had a negative impact on sales when converted into yen. As a result, sales in North America decreased year on year, to ¥22,681 million.

Europe
Performance was robust for PVA resin and PVB films for construction applications. As a result, sales in Europe rose year on year to ¥63,308 million.

Asia
In January 2008, Kuraray made Poval Asia Pte., Ltd. (now Kuraray Asia Pacific Pte. Ltd.) a wholly owned subsidiary, and from the current fiscal year two China-based subsidiary companies—Kuraray (Shanghai) Co., Ltd. and Kuraray Trading (Shanghai) Co., Ltd.—were newly consolidated. As a result, sales in Asia rose year on year to ¥16,780 million.

2. Qualitative Information Regarding Changes in Consolidated Financial Position

Assets, Liabilities and Net Assets
Total assets increased ¥28,763 million from the end of the previous fiscal year to ¥519,129 million, owing to an increase in current assets. Total liabilities increased ¥33,159 million to ¥178,691 million on account of increases in long-term debt and commercial paper. Net assets decreased ¥4,395 million compared to the previous year, to ¥340,438 million. A major factor for the decrease was the decline in foreign currency translation adjustments. Also, the rise was a principal factor contributing to an increase in net income. Shareholders' equity stood at ¥337,359 million, for an equity ratio of 65.0%.

Cash Flows
Cash and cash equivalents in the third quarter increased ¥38,412 million from the end of the previous fiscal year to ¥50,601 million, as a result of ¥33,323 million provided by operating activities, ¥33,362 million used in investing activities and ¥38,691 million provided by financing activities.

Brief details of cash flows from operating, investing and financing activities are explained below.

Cash Flows from Operating Activities
Net cash provided by operating activities increased ¥33,323 million, a decline of ¥4,460 million compared with the same period of the previous fiscal year. Major components included proceeds of income before income taxes and minority interests of ¥25,089 million and depreciation and amortization of ¥27,056 million, which made up for an increase in inventories of ¥14,847 million and income taxes paid of ¥13,537 million.

Cash Flows from Investing Activities
Net cash used in investing activities increased ¥5,072 million compared with the corresponding period of the previous fiscal year to ¥33,362 million. Major components included purchase of fixed assets worth ¥28,745 million and purchase of investment securities of ¥3,989 million.

Cash Flows from Financing Activities
Cash outflows as represented by dividends paid of ¥8,009 million were more than offset by proceeds of ¥24,266 million from long-term debt, ¥12,887 million in short-term bank loans and the issue of ¥10,000 million in commercial paper. This resulted in ¥38,691 million in net cash provided by financing activities. In addition, unlike the same period of the previous fiscal year, when ¥30,144 million was used to acquire treasury stock, the absence of any such acquisitions in the period under review meant that actual net cash provided amounted to ¥69,797 million.

3. **Qualitative Information Regarding Consolidated Performance Forecasts**
   Kuraray is revising its performance forecasts for the fiscal year ending March 31, 2009 (April 1, 2008 to March 31, 2009), which were announced at the time of the interim period results issued on October 30, 2008. For information on revisions, please refer to "Notice Concerning Revisions to Business Results Forecast and Dividends Forecast," issued today.

4. **Others**

   (1) **Changes in Important Subsidiaries during the Period (Changes in Special Subsidiaries Involving Changes in the Scope of Consolidation):**
   No
   (2) **Adoption of the Simplified Accounting Method and Special**

Accounting Practices for Presenting Quarterly Consolidated Financial Statements:

Yes

(i) Simplified accounting method

Tax expenses related to certain consolidated subsidiaries that have no significant impact on Kuraray's quarterly consolidated financial statements are calculated by multiplying income before income taxes and minority interests for the period under review by the effective income tax rate after the application of the tax effect accounting in the consolidated statements of income for the previous fiscal year.

(ii) Special accounting practices used in the preparation of quarterly consolidated financial statements

No

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

(i) Kuraray began applying the Accounting Standards for Quarterly Financial Reporting (Accounting Standards Board of Japan [ASBJ] Statement No. 12) and the Guidance on the Accounting Standards for Quarterly Financial Reporting (ASBJ Guidance No. 14) from the fiscal year ending March 31, 2009. Also, Kuraray prepares quarterly consolidated financial statements according to the Regulations Concerning Terminology, Formats and Preparation Methods of Quarterly Consolidated Financial Statements (Cabinet Office Order No. 66 of 2002).

(ii) Previously, inventories held for the purpose of ordinary sales were evaluated at cost mainly using the total average method. Under this method, the book value of inventories held over a certain period of time was devalued at regular rates. However, Kuraray began to apply the Accounting Standards for Inventory Evaluation (ASBJ Standard No. 9, first implemented July 5, 2006) from the first quarter of the fiscal year ending March 31, 2009. Accordingly, Kuraray evaluates such inventories at cost mainly using the total average method and posts such securities at book value that is devalued in accordance with the deterioration of profitability.

As a result of the application of this policy, in the consolidated third quarter under review, operating income declined ¥296 million, while income before income taxes and minority interests declined ¥1,450 million.

In addition, loss on disposal of inventories, which was previously included in Non-Operating expenses, is now included in cost of sales from the first quarter in line with the application of the said standards as these inventories are inevitably generated in the normal course of Kuraray's operations.

As a result of the application of this policy, in the consolidated third quarter under review, operating income declined ¥383 million. In the same period, there was no material impact on operating income, and no impact on income before income taxes and minority interests.

(iii) From the first quarter of the fiscal year ending March 31, 2009, Kuraray began to apply the Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements (ASBJ Practical Issues Task Force No. 18), and has made necessary revisions in its consolidated financial statement.

In the consolidated third quarter under review, the application of this policy had no material impact on operating income, income before income taxes and minority interests.

(iv) From the first quarter of the fiscal year ending March 31, 2009, Kuraray began applying the Accounting Standards for Lease Transactions (Business Accounting Council, the 1st Committee Standard No. 13, first implemented June 17, 1993, last amended March 30, 2007) and the Guidance on the Accounting Standards for Lease Transactions (The Japanese Institute of Certified Public Accountants, Accounting Practice Committee Guidance No. 16, first implemented January 18, 1994, last amended March 30, 2007) from the first quarter of the fiscal year ending March 31, 2009. As the result of the application of this policy, the method of accounting for financial leases that do not transfer ownership changed from treating such leases as operating lease transactions to treating them as sales/purchase transactions. Lease assets are depreciated down to a residual value of zero, using the straight-line method with in their lease service life.

In the consolidated third quarter under review, the application of this policy had no impact on operating income, income before income taxes and minority interests.

(v) In line with revisions to the statutory useful life and classification of assets based on the amended Corporate Tax Law of Japan, from the period under review, Kuraray and some of its consolidated subsidiaries have partially revised the useful life applied to certain machinery and equipment.

In the consolidated third quarter under review, the application of this policy had no material impact on operating income, income before income taxes and minority interests.

5. Quarterly Consolidated Financial Statements
(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	December 31, 2008	March 31, 2008
ASSETS		
Current Assets		
Cash and cash equivalents	51,839	11,109
Notes and accounts receivable	81,055	95,472
Marketable securities	–	2,062
Merchandise and finished goods	60,032	50,834
Work in process	11,441	11,455
Raw materials and supplies	12,654	10,244
Deferred tax assets	4,461	7,362
Others	10,465	8,764
Allowance for doubtful accounts	(680)	(1,021)
Total current assets	231,569	196,282
Fixed Assets		
Tangible fixed assets		
Buildings and structures (net)	35,283	33,853
Machinery and equipment (net)	109,486	110,229
Land	19,076	19,094
Construction in progress	24,518	26,510
Others (net)	3,688	2,674
Total tangible fixed assets	192,053	192,362
Intangible fixed assets		
Goodwill	23,546	28,596
Others	4,466	5,411
Total intangible fixed assets	28,013	34,008
Investments and other assets		
Investment securities	49,592	51,590
Long-term loans	1,034	392
Deferred tax assets	4,718	3,538
Prepaid pension expenses	7,162	7,540
Others	5,305	4,962
Allowance for doubtful accounts	(320)	(311)
Total investments and other assets	67,492	67,712
Total fixed assets	287,559	294,083
Total	519,129	490,365

(Millions of yen)

	December 31, 2008	March 31, 2008
LIABILITIES		
Current Liabilities		
Notes and accounts payable	34,899	39,170
Short-term bank loans	24,725	11,997
Commercial paper	10,000	–
Accrued income taxes	1,817	8,826
Reserve for bonuses	3,752	6,716
Other provision	43	66
Other	24,401	22,296
Total current liabilities	99,640	89,074
Long-term liabilities		
Corporate bonds	10,000	10,000
Long-term debt	35,281	11,954
Deferred tax liabilities	6,032	5,686
Accrued retirement benefits	14,042	12,959
Accrued retirement benefits for directors and auditors	183	191
Others	13,510	15,665
Total long-term liabilities	79,050	56,457
Total liabilities	178,691	145,532
NET ASSETS		
Shareholders' equity		
Capital	88,955	88,955
Additional paid-in capital	87,217	87,228
Retained earnings	197,245	189,282
Treasury stock	(40,897)	(40,919)
Total shareholders' equity	332,521	324,547
Valuation and translation adjustments		
Unrealized gain on revaluation of securities	3,559	6,895
Deferred gain on hedges	(35)	18
Foreign currency translation adjustments	1,313	10,427
Total valuation and translation adjustments	4,837	17,341
Stock subscription rights	109	69
Minority interests	2,969	2,875
Total net assets	340,438	344,833
Total liabilities and net assets	519,129	490,365

(2) Quarterly Consolidated Statement of Income

(Millions of yen)

	Fiscal 2008 3Q (April 1, 2008 – December31, 2008)
Net sales	301,847
Cost of sales	218,583
Gross profit	83,264
Selling, general and administrative expenses	
Selling expenses	15,628
General and administrative expenses	39,679
Total selling, general and administrative expenses	55,307
Operating income	27,956
Non-operating income	
Interest received	344
Dividends received	1,119
Other, net	703
Total non-operating income	2,168
Non-operating expenses	
Interest paid	831
Equity in loss of affiliates	29
Other expenses	3,468
Total non-operating expenses	4,330
Extraordinary income	
Gain on sales of investment securities	1,264
Total extraordinary income	1,264
Extraordinary expenses	
Write-down of inventories	1,153
Write-down of investment securities	645
Loss on disposal of property, plant and equipment	107
Loss on valuation of investment securities	62
Total extraordinary expenses	1,968
Income before income taxes and minority interests	25,089
Current income taxes	5,260
Deferred income taxes	3,586
Total income taxes	8,846
Minority interests in net income of consolidated subsidiaries	129
Net income	16,113

(3) Quarterly Consolidated Statement of Cash Flows

(Millions of yen)

	Fiscal 2008 3Q (April 1, 2008 – December 31, 2008)
Cash flows from operating activities	
Income before income taxes and minority interests	25,089
Depreciation and amortization	27,056
Loss on disposal of property, plant and equipment	107
Loss on sales of investment securities	645
Loss (gain) on sales of investment securities	(1,264)
Loss (gain) on valuation of investment securities	62
Loss (gain) on valuation of inventories	1,153
Decrease (increase) in notes and accounts receivable-trade	12,864
Increase (decrease) in inventories	(14,847)
Decrease (increase) in notes and accounts payable-trade	(3,759)
Other, net	(2,641)
Sub-total	44,466
Income taxes paid	(13,537)
Others	2,395
Net cash provided by operating activities	33,323
Cash flows from investing activities	
Payments for acquisition of property, plant and equipment and intangible assets	(28,745)
Payment for purchase of investment securities	(3,989)
Proceeds from sales and redemption of marketable securities and investment securities	1,533
Other, net	(2,161)
Net cash used in investing activities	(33,362)
Cash flows from financing activities	
Increase in short-term bank loans	12,887
Increase in commercial paper	10,000
Proceeds from long-term debt	24,266
Dividends paid	(8,009)
Other, net	(453)
Net cash provided by financing activities	38,691
Effect of exchange rate changes on cash and cash equivalents	(928)
Net increase in cash and cash equivalents	37,724
Cash and cash equivalents, beginning of the period	12,189
Effect of changes in reporting entities	687
Cash and cash equivalents, end of the period	50,601

Kuraray began applying the Accounting Standards for Quarterly Financial Reporting (Accounting Standards Board of Japan [ASBJ] Statement No. 12) and the Guidance on the Accounting Standards for Quarterly Financial Reporting (ASBJ Guidance No. 14) from the fiscal year ending March 31, 2009. Also, Kuraray prepares quarterly consolidated financial statements according to the Regulations Concerning Terminology, Formats and Preparation Methods of Quarterly Consolidated Financial Statements (Cabinet Office Order No. 66 of 2002).

(4) Notes Regarding Going Concern Assumptions

None

(5) Segment Information

(i) Industrial segment information

Third Quarter of Fiscal 2008 (April 1, 2008 to December 31, 2008)

(¥ million)

	Chemicals and resins	Fibers and textiles	High-Performance materials, medical products and others	Total	Eliminated on consolidation and corporate	Consolidated total
Net sales						
(1) Outside customers	182,253	74,827	43,766	301,847	—	301,847
(2) Inter-segment sales and transfers	148	436	7,206	7,791	(7,791)	—
Total	183,401	75,264	50,973	309,639	(7,791)	301,847
Operating income	33,843	2,489	2,666	38,999	(11,042)	27,956

Notes:

1. Industry segments are aggregated into three segments based upon the classification of sales.

2. Principal products by business:

(1) Chemicals and Resins: *Poval* resin and film; PVB resin and film; ethylene vinyl alcohol polymer resin (*EVAL*); isoprene; fine chemicals; methacrylate resin; processed resin products; and others

(2) Fibers and Textiles: *KURALON*; man-made leather (*CLARINO*); dry-laid nonwoven fabric (*KURAFLEX*); hook and loop fastener (*MAGIC TAPE*); polyester; textiles; others

(3) High-Performance Materials, Medical Products and Others: medical products; high-performance materials; activated carbon; high-performance membrane; engineering services; others

3. Previously, inventories held for the purpose of ordinary sales were evaluated at cost mainly using a total average method. Under this method, book value of inventories held over a certain period of time was devaluated at regular rates. However, Kuraray began to apply the Accounting Standards for Inventory Evaluation (ASBJ Standard No. 9, first implemented July 5, 2006) from the first quarter of the fiscal year ending March 31, 2009. Accordingly, Kuraray evaluates such inventories at cost mainly using the total average method and posts their book value that is devaluated in accordance with the deterioration of their profitability.

In addition, loss on disposal of inventories attributable to deteriorated their profitability, which was previously included in extraordinary expenses, is now included in cost of sales from the quarter under review in line with the application of the said standards, as these inventories are inevitably generated in the normal course of Kuraray's operations.

The application of this policy has no material impact on performance of each segment.

4. From the first quarter of the fiscal year ending March 31, 2009, Kuraray began to apply the Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements (ASBJ Practical Issues Task Force No. 18), and has made necessary revisions in its consolidated financial statement.

The application of this policy had no material impact on performance of each segment.

5. In line with revisions to statutory useful life and classification of assets based on the amended Corporate Tax Law of Japan, from the quarter under review, Kuraray and some of its consolidated subsidiaries have partially revised the useful life applied to certain machinery and equipment.

The application of this policy has no material impact on performance of each segment.

(ii) Geographical segment information
Third Quarter of Fiscal 2008 (April 1, 2008 to December 31, 2008)

(¥ million)

	Japan	North America	Europe	Asia	Total	Elimination on consolidation and corporate	Consolidated
I Net sales and operating income							
Net sales							
(1) Outside customers	199,076	22,681	63,308	16,780	301,874	—	301,874
(2) Inter-segment	19,515	4,593	2,631	3,235	29,975	(29,975)	—
Total	218,591	27,274	65,940	20,016	331,823	(29,975)	301,847
Operating income (loss)	30,757	1,487	5,496	822	38,564	(10,607)	27,956

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 and Hong Kong

3. Previously, inventories held for the purpose of ordinary sales were evaluated at cost mainly using a total average method. Under this method, book value of inventories held over a certain period of time was devaluated at regular rates. However, Kuraray began to apply the Accounting Standards for Inventory Evaluation (ASBJ Standard No. 9, first implemented July 5, 2006) from the first quarter of the fiscal year ending March 31, 2009. Accordingly, Kuraray evaluates such inventories at cost mainly using the total average method and posts their book value that is devaluated in accordance with the deterioration of their profitability.

In addition, loss on disposal of inventories attributable to deteriorated their profitability, which was previously included in extraordinary expenses, is now included in cost of sales from the quarter under review in line with the application of the said standards, as these inventories are inevitably generated in the normal course of Kuraray's operations.

The application of this policy has no material impact on performance of each segment.

4. From the first quarter of the fiscal year ending March 31, 2009, Kuraray began to apply the Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements (ASBJ Practical Issues Task Force No. 18), and has made necessary revisions in its consolidated financial statement.

The application of this policy had no material impact on performance of each segment.

5. In line with revisions to statutory useful life and classification of assets based on the amended Corporate Tax Law of Japan, from the quarter under review, Kuraray and some of its consolidated subsidiaries have partially revised the useful life applied to certain machinery and equipment.

The application of this policy has no material impact on performance of each segment.

(iii) Foreign Sales
Third Quarter of Fiscal 2008 (April 1, 2008 to December 30, 2008)

(¥ million)

	North America	Europe	Asia	Other	Total
I Overseas sales	22,591	66,074	55,206	7,031	150,903
II Consolidated net sales	—	—	—	—	301,847
III Percentage of consolidated net sales (%)	7.5	219	18.3	2.3	50.0

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 South 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.

(6) Notes Regarding Substantial Changes in Shareholders' Equity

None

Attachments:

Consolidated Financial Statements for the First Quarter of the Previous Fiscal Year

Consolidated Financial Statements for
the First Quarter of the Previous Fiscal Year
(April 1, 2008 to December 31, 2008)

(1) Consolidated Statements of Income (Summary)

(Millions of yen)

	Fiscal 2007 3Q (April 1, 2008 – December 31, 2008)
Net sales	308,653
Cost of sales	218,302
Gross profit	90,351
Selling, general and administrative expenses	54,948
Operating income	35,403
Non-operating income	
Interest and dividends received	1,691
Equity in earnings of associated companies	9
Other, net	986
Total non-operating income	2,688
Non-operating expenses	
Interest paid	629
Other expenses	4,815
Total non-operating expenses	5,445
Extraordinary income	
Gain on sales of investment securities	228
Gain on changes in retirement benefits plan	68
Total extraordinary income	297
Extraordinary income	
Restructuring charges	694
Impairment loss on property, plant and equipment	194
Loss on disposal of property, plant and equipment	223
Loss on business transfer due to spin-off	88
Total extraordinary expenses	1,202
Income before income taxes	31,741
Current income taxes	11,200
Deferred income taxes	377
Total income taxes	11,578
Minority interests in net income of consolidated subsidiaries	80
Net income	20,083

(2) Consolidated Statements of Cash Flows (Summary)

(Millions of yen)

	Fiscal 2008 3Q (April 1, 2008 – December 31, 2008)
Cash flows from operating activities	
Income before income taxes and minority interests	31,741
Depreciation and amortization	22,674
Increase or decrease in allowance for doubtful accounts	(98)
Increase or decrease in accrued retirement benefits	197
Increase or decrease in reserve for bonuses	(2,515)
Impairment loss on property, plant and equipment	194
Loss on disposal of property, plant and equipment	223
Gain on sales of investment securities	(228)
Loss on business transfer due to spin-off	88
Interest and dividend income	(1,691)
Interest expenses	629
Increase or decrease in notes and accounts receivable	1,901
Increase or decrease in inventories	(3,275)
Increase or decrease in notes and accounts payable	(4,010)
Increase or decrease in prepaid pension expenses	(302)
Other, net	3,327
Sub-total	48,858
Interest and dividend received	1,596
Interest paid	(576)
Income taxes paid	(12,096)
Net cash provided by operating activities	37,784
Cash flows from investing activities	
Increase or decrease in time deposits	1,070
Increase or decrease in marketable securities	(56)
Payments for acquisition of property, plant, equipment and intangible assets	(32,721)
Proceeds from sales of property, plant and equipment	12
Payments for disposal of property, plant, equipment and intangible assets	(1,285)
Payments for purchase of investment securities	(313)
Proceeds from sales and redemption of investment securities	274
Payments of long-term prepaid expenses	(659)
Payments of premiums on insurance	(99)
Withdrawals from accumulated premiums on insurance	6,091
Other, net	(603)
Net cash used in investing activities	(28,289)
Cash flows from financing activities	

Increase or decrease in short-term bank loans	5,244
Proceeds from long-term debt	5,900
Repayments of long-term debt	(13)
Proceeds from sales of treasury stock	416
Payments for purchase of treasury stock	(30,144)
Dividends paid	(7,509)
Net cash used in financing activities	(31,106)
Effect of exchange rate changes on cash and cash equivalents	21
Net decrease in cash and cash equivalents	(21,588)
Cash and cash equivalents, beginning of the period	34,032
Effect of changes in reporting entities	111
Cash and cash equivalents, end of the period	12,556

(3) Segment Information
Industrial Segment Information
Third Quarter of Fiscal 2008 (April 1, 2008 to December 31, 2008)

(¥ million)

	Chemicals and resins	Fibers and textiles	High-Performance materials, medical products and others	Total	Eliminated on consolidation and corporate	Consolidated total
Net sales						
(1) Outside customers	57,806	25,677	17,337	100,822	—	100,822
(2) Inter-segment sales and transfers	162	133	4,697	4,992	(4,992)	—
Total	57,969	25,810	22,035	105,815	(4,992)	100,822
Operating expenses	46,582	23,836	19,869	90,287	(1,752)	88,535
Operating income	11,387	1,974	2,165	15,527	(3,239)	12,287