Business Results for the year Ended March 31,2010

(unaudited)

Kuraray Co., Ltd.

Results of Operations

(1) Analysis of Results of Operations

The operating environment in the fiscal year ended March 31, 2010 remained unpredictable, though global economy is showing certain recovery from the recessionary phase following the "Lehman shock." While Kuraray product demand is on a recovery track as a whole, the degree of recovery varies depending on the business and region. Despite the fact that LCD- and LED-related materials fared well, the Fibers and Textiles business have remained weak. From a regional perspective, demand was strong in Asian markets, especially in China.

Since April 2009, Kuraray Group is initiating the "GS-Twins" action plan for venturing out into new growth as it seeks to become a "Specialty Chemical Company with a Global Presence", which is the aim of its 10-year corporate vision. Under the plan, the Group aims to restore its substantially impaired profit structure in three years time, create and expand new businesses and accelerate its global strategy for core businesses. Thus in the fiscal year under review, we have been particularly focusing on the improvement of our profit structure as the most urgent and high-priority issue and have been making an all-out Group effort to lower fixed costs, reduce capital expenditure and slash inventories.

As a result, the Kuraray Group's consolidated net sales for the fiscal year ended March 31, 2010 (April 1, 2009 – March 31, 2010) decreased ¥43,897 million, or 11.7%, compared with the previous fiscal year to ¥332,880 million, as affected by the stagnating demand and yen appreciation. On the other hand, operating income increased ¥1,171 million, or 4.0%, to ¥30,451 million, while ordinary income increased ¥2,128 million, or 7.9%, to ¥28,925 million, and net income increased ¥3,331 million, or 25.7%, to ¥16,315 million.

Consolidated business results by quarter are shown in the table below. Although our business performance showed some recovery from the damage sustained by the Lehman shock, full recovery is still some way off. Thus, during the next fiscal year ending March 31, 2011, we will keep focusing on our Group-wide effort for the improvement of our profit structure under the "GS-Twins," along with positive measures for business expansion and growth.

The period of this fiscal year for the Company's overseas subsidiaries runs from January 1, 2009 to December 31, 2009.

Consolidated Business Results (by quarter) (¥million)

	Fiscal Year Ended March 31, 2009				Fiscal Year Ended March 31, 2010			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net Sales	99,950	109,368	92,528	74,929	72,910	84,154	85,588	90,226
Operating Income	11,666	11,606	4,627	1,319	1,730	8,025	9,787	10,875
Ordinary Income	11,228	11,023	3,542	1,003	1,512	7,896	9,240	10,276
Net Income	6,535	6,872	2,705	(3,128)	138	5,082	6,923	4,170

Results by Business Segment

Chemicals and Resins

All businesses in the Chemicals and Resins segment rebounded steadily in Asian markets, including China. Although Europe and the United States remained sluggish during the first part of the period under review, they also showed gradual recovery in the latter part. As a result, sales were ¥202,855 million, down 9.6% year on year, and operating income totaled ¥42,963 million, up 15.9%.

(i) In the poval/PVB business, revenue declined while earnings increased. Sales of poval resins in Asia including China rebounded for fiber and textile processing agents and adhesive applications and demand started to pick up in Europe in the latter part of the period under review. Demand for optical-use poval film rebounded to a level exceeding the peak in the first half of fiscal year 2008, thanks to an increase in demand for LCD panels. Annual production capacity in this business expanded from 106 million square meters to 136 million square meters, thanks to the commencement of operation of additional lines at Kurashiki Plant in October 2009 and that at Saijo Plant in March 2010, by which annual production capacity was boosted by 15 million square meters at each plant. Sales of polyvinyl butyral (PVB) film remained sluggish in the construction market in Europe.

(ii) Business of *EVAL*, an EVOH resin, saw decreases in revenues while earnings remained flat. In Asia, there was further growth in demand for automotive applications in China, while business was steady for food packaging applications in Japan. Demand for both food packaging and automotive applications in the United States and Europe hit the rock bottom during the first part of the period, and is on its way to a gradual recovery.

(iii) In the methacrylic resin business, revenues were down while earnings remained flat. Demand for molding materials for PC light-guide plates grew, while sheet sales increased for the light-guide plates for LCD TVs equipped with LEDs, but continued to be slack for main applications such as signboard in Japan.

(iv) In the isoprene business, revenue declined while earnings increased. Sales of *SEPTON* thermoplastic elastomers remained firm while chemicals and fine chemicals staged a recovery in Japan and Asia.

Fibers and Textiles

Recovery was generally slow in the Fibers and Textiles segment where *CLARINO* man-made leather and *VECTRAN* high-strength polyarylate fibers performed particularly poorly. Restructuring is under way in both of these businesses. As a result, total sales in this segment declined 16.8% year on year to ¥79,983 million, resulting in an operating loss of ¥1,736 million (¥883 million operating income in the previous year).

(i) Although demand for *KURALON* for use in automotive brake hose applications was on a recovery track, that for use as an asbestos substitute in FRC (fiber reinforced cement) suffered from a slow recovery of demand in the construction market.

(ii) *CLARINO* man-made leather faced a continued severe slowdown for interior applications in the United States and apparel applications in Europe. However, use for school bag applications remained stable, while new environment-friendly man-made leather showed further growth in footwear and other applications. This business segment is undergoing a drastic restructuring, while the Okayama Plant is migrating over to new processes for high value-added products, and production of certain general-purpose products is being shifted over to the joint-venture company in China.

(iii) The performance of nonwoven fabric (*KURAFLEX*) rallied with higher demand for masks and other hygienic materials for protection against new strains of influenza. Hook and loop fastener (*MAGIC TAPE*) experienced weak demand on the back of distributor's inventory adjustments.

(iv) *VECTRAN* high-strength polyarylate fibers generally remained weak. Restructuring is under way in this business where demand for main applications such as ropes is experiencing particularly severe downturn.

High-Performance Materials, Medical Products and Others

Sales in this segment declined 11.2% year on year to ¥50,042 million, and operating income slipped 3.1% to ¥4,238 million.

(i) In the medical products business, dental materials sales remained solid thanks to reinforced sales organizations in the United States and Europe, along with brisk demand for new composite resins. In October 2009, business rights of therapeutic apheresis device business was transferred to Kawasumi Laboratories, Incorporated.

(ii) Demand for *GENESTAR* heat-resistant polyamide resin grew in LED reflector applications used in TVs, in contrast to the slow recovery in the demand in electric and electronic materials application.

(iii) The activated carbon business and other businesses remained steady.

Corporate operating expenses included in the "Elimination on consolidation and corporate" increased ¥2,069 million to ¥15,391 million.

<u>Performance by Geographic Segment</u>

Japan

Sales in Japan of optical-use poval film and *GENESTAR* for LCD-related materials increased, while sales of methacrylic resin used for its main applications and fibers and textilesbusinesses including *CLARINO* remained slow. As a result, sales fell to ¥238,556 million.

North America

While sales of *EVAL* and *SEPTON* are on the road to recovery, *CLARINO* lacked momentum and the strength of the yen caused sales to slide to ¥21,737 million.

Europe
Although poval resin and *EVAL* were on a recovery track, PVB film has been adversely affected by the stagnant construction market in the region. Because of a pronounced slump in the first part of the period under review and the effects of a strong yen, sales fell to ¥56,177 million.

Asia
There was an upswing in poval resin sales, but sales dropped to ¥16,407 million, reflecting a pronounced slump in the first part of the period under review.

Outlook for the Fiscal Year Ending March 31, 2011

We expect that our business will suffer the impact of the higher prices of raw materials and fuel prices and further yen appreciation in the next fiscal year. Under such circumstances, the Kuraray Group will focus on revising prices of our products to cope with the higher prices of raw materials and fuel prices, while enhancing the value-added in our products, in an effort to further improve our profit structure. Besides, we will continue our current effort in restructuring less profitable businesses and cutting costs. In view of the latest recovery trend in each business, our outlook for the next fiscal year is taking into account higher capacity utilization rates and expansion of sales, compared with the previous fiscal year.

Our forecasts for the year ending March 31, 2011, are net sales of ¥360 billion, operating income of ¥43 billion, ordinary income of ¥41 billion and net income of ¥24 billion.

We assume average exchanges rates of ¥90 to the U.S. dollar and ¥130 to the euro, as well as a price of ¥50 thousand per kiloliter for domestically produced naphtha.

Our forecast in each business for the next fiscal year is based on the following assumptions.

For poval resin, demand in Asia will remain solid, while recovery in Europe is estimated to be slow. Demand for optical-use poval film in the area of LCD panels is expected to remain strong, and launch of additional production lines are scheduled to cope with this. Demand for PVB films is expected to remain stagnant in the construction market which is the main stay for this product, despite the growth in its use as an encapsulate for solar power generation.

EVAL is expected to achieve significant growth in Asian markets, mainly for rapidly expanding automotive and food packaging applications in China, while recovery in Europe and the United States is also expected to gain momentum. Increase in demand for methacrylic resin and isoprene is expected in Asia. To cope with the higher prices of raw materials and fuel prices, we will be revising prices of our products while expanding the sales of new products as well as products with higher value-added.

Demand for *KURALON* for use in FRC is expected to show gradual recovery. *CLARINO* and *VECTRAN* are anticipated to show the effect of the restructuring which is under way now. Mass production plant for the environment-friendly *CLARINO* has started operation in autumn 2009, and marketing and sales of the product is expected to make progress.

Medical products business is anticipated to remain favorable both in Japan and overseas. For *GENESTAR*, growth in the LED reflector applications as well as recovery in electric and electronic materials applications are anticipated.

Consolidated Forecast for Fiscal Year Ending March 31, 2011
(Results by Business Segment) (¥100 million)

	Net Sales			Operating Income		
	First Half	Latter Half	Full Year	First Half	Latter Half	Full Year
Chemicals and Resins	1,100	1,150	2,250	245	275	520
Fibers and Textiles	400	450	850	(5)	15	10
High-Performance Materials, Medical Products and Others	250	250	500	20	30	50
Corporate or Elimination				(70)	(80)	(150)
Total	1,750	1,850	3,600	190	240	430

* The "first half" refers to the results of the cumulative six-month period.
* The "latter half" refers to the full year results less the results of the cumulative six-month period.

(2) Analysis of Financial Position

(i) Assets, Liabilities and Net Assets

Total assets increased ¥30,941 million from the end of the previous fiscal year to ¥502,815 million, owing to an increase in current assets. Total liabilities increased ¥18,138 million to ¥164,996 million owing to increases in debt. Net assets increased ¥12,802 million compared to the previous year, to ¥337,818 million. Shareholders' equity stood at ¥334,583 million, for an equity ratio of 66.5%.

(ii) Cash Flows

Net cash provided by (used in) operating activities

Net cash provided by operating activities increased ¥33,618 million to ¥80,538 million compared with the previous fiscal year. Major components included proceeds of income before income taxes and minority interests of ¥23,082 million, depreciation and amortization of ¥36,489 million, and a decrease in inventories of ¥16,031 million. Net cash used in operating activities included an increase in notes and accounts receivable-trade of ¥9,044 million.

Net cash provided by (used in) investing activities

Net cash used in investing activities amounted to ¥107,525 million. Major components included a net increase in short term investment securities of ¥72,972 million and purchase of intangible and tangible fixed assets worth ¥21,639 million.

Net cash provided by (used in) financing activities

Net cash used in financing activities amounted to ¥2,792 million. Major components included proceeds of ¥12,000 million for long-term loans payable, a net decrease in short-term loans payable of ¥7,004 million and ¥6,267 million in dividends paid.

Consequently, as a result of a total of ¥29,779 million in expenditures, cash and cash equivalents at the end of the fiscal year decreased ¥29,745 million from the end of the previous fiscal year to ¥16,412 million.

	Fiscal year 2009	Fiscal year 2008
		(¥million)
Net cash provided by (used in) operating activities	80,538	46,919
Net cash provided by (used in) investing activities	(107,525)	(42,428)
Net cash provided by (used in) financing activities	(2,792)	30,032
Effect of exchange rate changes on cash and cash equivalents	34	(1,242)
Net increase (decrease) in cash and cash equivalents	(29,745)	33,281
Cash and cash equivalents, beginning of year	46,157	12,189
Increase in cash and cash equivalents from newly consolidated subsidiaries	-	687
Cash and cash equivalents, end of the year	16,412	46,157

Cash flow indicators for the Kuraray Group

	Fiscal year 2006	Fiscal year 2007	Fiscal year 2008	Fiscal year 2009
Equity ratio	70.0%	69.7%	68.2%	66.5%
Equity ratio (market basis)	92.1%	84.4%	61.6%	87.1%
Years to redemption of liabilities	0.7 year	0.6 year	1.5 year	0.9 year
Interest coverage ratio	92.8	69.8	39.1	60.8

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 cash flow to interest-bearing liabilities ratio:

Interest-bearing liabilities/net cash provided by (used in) operating activities

Interest coverage ratio:

Net cash provided by (used in) 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 (used in) operating activities used in the above calculations is equivalent to the figure for "Net cash 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 Year 2009 and 2010

The distribution of profits to shareholders is one of the Group's top management issues. The global economic crisis that began in September 2008 significantly damaged Kuraray's earnings structure. To quickly revive it, Kuraray is currently carrying out its medium-term action plan called "GS-Twins" (fiscal year 2009 to 2011). Target of profit allocation during the period is to achieve 30% or more dividend payout ratio to consolidated net income, which we will materialize by focusing on the continuous improvement in our business performance.

A year-end dividend of ¥8 is planned for the year ended March 31, 2010. Added to the interim dividend, this will be a total of ¥16 per share for the year ended March 31, 2010., and the dividend payout ratio will be 34.1%.

Assuming a net income for theyear ending March 31, 2011 of ¥24 billion, an annual dividend of ¥24 per share is planned for the year ending March 31,2011, which will be an increase of ¥8 per share from this fiscal year, and the dividend payout ratio will be 34.8%.

(4) Risk Management

Risks that could have a significant 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, 2010.

(i) Risks associated with the changes in business environment

Kuraray Group has a diversified business portfolio and our products are geared to global markets with a variety of uses and applications. Many of our products are originally specialty chemical materials less susceptible to the fluctuations in the commodity markets compared with those in other industries, but in recent years more and more of our products are geared to the growing business areas including electric and electronic materials, automotive and environmental applications, on which our overall business performance is increasingly dependent. In these areas, market environment can undergo drastic changes as a result of reverse in industry de facto standards for final products, shorter product cycles, and worldwide competition in product development. Therefore, we may also face drastic changes in market environment and competitive conditions for our products.

Meanwhile, we manufacture products such as chemical products, synthetic resins, synthetic fibers and textiles out of the raw materials such as ethylene and other petro-chemical products that are susceptible to the fluctuations in the markets of crude oil and natural gas. In the procurement of these raw materials, there are risks that constraint of supply and violent fluctuations in the market could significantly impact our production costs and competitive conditions.

We are exposed to the risks that we will be forced to downsize or close down certain areas of our main businesses, as a result of an abrupt change in the demand and supply balance or violent fluctuations in the sales prices of our products or the prices of raw materials, which are caused by the changes in our business environment as described above.

(ii) Risks associated with accidents and disasters

Kuraray Group has manufacturing facilities in Japan, Europe, North America and Asia. Many of these are large-scale chemical plants. Although risk management is in place by geographically spreading the locations of important production plants and arranging property and casualty insurance on them, in the event of serious security incidents, release of pollutants or natural disasters, there are risks that could cause personal injury or property damage to employees or third parties, or damage to the assets of the Kuraray Group, or halt of manufacturing operations for long periods.

(iii) Risks associated with litigation and violation of laws and regulations
Kuraray Group is running quite a few businesses based on our proprietary technologies, posing the risks of serious infringement of our intellectual properties, or litigation involving our rights in the future.

Meanwhile, we are supplying many products that play significant roles in assuring the quality of the final products in the areas such as automotive products, electric and electronic materials, medical products and food packaging. As such, in the event of a large-scale product recall caused by defective quality, there are risks of major financial losses including liability losses that cannot be fully covered by the existing Product Liability insurance.

Also, despite our utmost effort of compliance with laws and regulations at each of our operation facility, there are risks that major breach of legal compliance could interrupt our business activities.

(iv) 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.

(v) Other risks
With the global development of our businesses, there are risks that fortuitous external events such as war, riot, terrorism and epidemic could disrupt our

business activities.

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.

Consolidated Group as of March 31, 2010

Information on the consolidated group is omitted because there has been no material changes in "Flowchart of Business Activities (description of business)" and the "Subsidiaries and Affiliates" in the latest Annual Securities Report (submitted to Financial Services Agency in Japan on June 19, 2009).

Management Policies

Fundamental Management Policies

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

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

Management Indicator Targets and Medium- to Long-Term Strategy

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

(1) Improvement of profit structure

The Company will continue to;

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

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

iii) improve cash flow (slash inventories);

iv) improve break-even point through thorough reduction of expenses and costs (particularly reduction of the fixed cost); and

v) downsize its organization and optimize its personnel.

(2) Creation and expansion of new business

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

i) In environmental areas:
water treatment business – sewage treatment and recycling, recovery of valuable resources in the sludge, ballast water

ii) In energy areas:
new energy – solar energy (an encapsulant of solar panels, etc.)
– hydrogen energy (element of fuel cells, etc.)

iii) In optical and electronic business areas:
LED devices, illumination parts, transparent conductive films, etc.

(3) Acceleration of global strategy for core businesses

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

The Company will, through the 3-year execution of the above-mentioned measures, return to the profit structure envisioned under the "GS-21" measures and achieve ¥50 billion of an operating income in fiscal year 2011, while preparing for sustainable growth as set forth in the "10-Year Corporate Vision."

Issues to be Addressed

The 10-Year Corporate Vision framed in fiscal year 2006 presented a clear image for growth with the goal of achieving ¥1 trillion in net sales as a cornerstone for establishing Kuraray's global presence as a chemical company. The worldwide economic crisis presents a formidable obstacle to achieving the vision. Although we may not accomplish our goal as early as we had envisioned, we are unwavering in our commitment to the philosophy that quality is the fundamental component for realizing sustainable growth. We will work to rapidly reform and reestablish the Company's profit structure and continue to progress toward fulfilling our corporate vision.
Kuraray believes its technological innovations can provide unique and effective contributions for resolving issues threatening our planet and living environment, including global warming, limited natural resources, insufficient water and food supplies, and environmental pollution. The Company also works to achieve a harmony with all of its corporate activities and the environment and society. We believe that these perspectives on our role and the contributions we can make to society are what will make it possible for Kuraray to achieve long-term sustainable growth. Each of the new fields in which the Company's is concentrating—the new energy-related business, the aqua business, and the environmentally friendly materials business—is related to the above global issues. We plan to maximize our growth capabilities by leveraging our cultivated technical and market knowledge and harness the value creation potential of the entire Group as we seek to achieve our net sales target of ¥1 trillion in 2018

Supplementary Material for Consolidated Business Results for the Year Ended March 31, 2010

1. Capital expenditure, depreciation and amortization, and R&D expenditures

(¥million)

	Fiscal Year Ended March 31, 2009	Fiscal Year Ended March 31, 2010	Fiscal Year Ending March 31, 2011 (Forecast)
Capital expenditure	38,925	19,879	22,000
Depreciation and amortization	37,147	36,489	34,500
R&D expenditures	16,358	15,292	16,500

2. Average exchange rate and domestically produced naphtha

	Fiscal Year Ended March 31, 2009	Fiscal Year Ended March 31, 2010	Fiscal Year Ending March 31, 2011 (Forecast)
Yen / Dollar	101	93	90
Yen / Euro	144	131	130
Domestically produced naphtha (¥ thou./kl)	69	36	50

CONSOLIDATED BALANCE SHEETS

(Unaudited)

Kuraray Co., Ltd. and its Consolidated Subsidiaries

	Millions of yen			*Thousands of U.S. dollars*
March 31, 2009 and 2010	2009	**2010**	(decrease)	***2010***
ASSETS				
I Current assets:				
1 Cash and deposits	¥37,527	**¥28,991**	¥(8,535)	***$311,741***
2 Notes and accounts receivable - trade	66,551	**75,923**	9,371	***816,378***
3 Short-term investment securities	9,499	**73,978**	64,478	***795,468***
4 Merchandise and finished goods	51,294	**38,829**	(12,464)	***417,519***
5 Work-in-process	10,145	**8,044**	(2,100)	***86,500***
6 Raw materials and supplies	12,112	**10,972**	(1,140)	***117,979***
7 Deferred tax assets	5,493	**5,824**	331	***62,633***
8 Other	9,248	**7,366**	(1,882)	***79,208***
9 Allowance for doubtful accounts	(514)	**(604)**	(90)	***(6,502)***
Total current assets	201,358	**249,326**	47,967	***2,680,927***
II Noncurrent assets:				
1 Tangible fixed assets:				
(1) Buildings and structures (net)	34,832	**34,880**	47	***375,055***
(2) Machinery and equipment (net)	102,536	**96,170**	(6,365)	***1,034,095***
(3) Land	18,918	**18,230**	(688)	***196,024***
(4) Construction in progress	21,188	**11,560**	(9,627)	***124,305***
(5) Other (net)	3,544	**2,867**	(677)	***30,833***
Total tangible fixed assets	181,020	**163,709**	(17,311)	***1,760,315***
2 Intangible fixed assets:				
(1) Goodwill	19,684	**17,941**	(1,743)	***192,919***
(2) Other	3,835	**3,848**	13	***41,383***
Total intangible fixed assets	23,520	**21,790**	(1,730)	***234,303***
3 Investments and other assets:				
(1) Investment securities	47,505	**49,006**	1,500	***526,949***
(2) Long-term loans receivable	983	**1,279**	295	***13,754***
(3) Prepaid pension cost	7,128	**6,666**	(462)	***71,680***
(4) Deferred tax assets	5,616	**6,570**	954	***70,654***
(5) Other	5,230	**4,999**	(230)	***53,763***
(6) Allowance for doubtful accounts	(490)	**(532)**	(42)	***(5,730)***
Total investments and other assets	65,974	**67,989**	2,015	***731,071***
Total noncurrent assets	270,515	**253,489**	(17,026)	***2,725,690***
TOTAL ASSETS	¥471,874	**¥502,815**	¥30,941	***$5,406,617***

The accompanying notes are integral part of the financial information.

CONSOLIDATED BALANCE SHEETS

(Unaudited)

March 31, 2009 and 2010	Millions of yen 2009	2010	(decrease)	Thousands of U.S. dollars 2010
LIABILITIES				
I Current liabilities:				
1 Notes and accounts payable-trade	¥23,438	**¥27,235**	¥3,796	***$292,855***
2 Short-term loans payable	18,464	**12,158**	(6,306)	***130,735***
3 Commercial papers	3,000	**6,000**	3,000	***64,516***
4 Accrued expenses	4,529	**5,653**	1,123	***60,791***
5 Income taxes payable	684	**6,038**	5,354	***64,932***
6 Provision for bonuses	5,753	**6,129**	376	***65,908***
7 Other provision	377	**138**	(238)	***1,486***
8 Other	12,793	**13,196**	402	***141,897***
Total current liabilities	69,041	**76,550**	7,508	***823,122***
II Noncurrent liabilities:				
1 Bonds payable	10,000	**10,000**	－	***107,526***
2 Long-term loans payable	39,280	**46,502**	7,222	***500,029***
3 Deferred tax liabilities	5,318	**5,524**	205	***59,397***
4 Provision for retirement benefits	13,933	**14,248**	315	***153,207***
5 Provision for directors' retirement benefits	171	**167**	(4)	***1,802***
6 Provision for environmental measures	－	**1,275**	1,275	***13,718***
7 Other	9,112	**10,727**	1,614	***115,351***
Total noncurrent liabilities	77,816	**88,446**	10,629	***951,033***
TOTAL LIABILITIES	146,858	**164,996**	18,138	***1,774,156***
NET ASSETS				
I Shareholders' equity:				
1 Capital stock	88,955	**88,955**	－	***956,509***
2 Capital surplus	87,215	**87,192**	(23)	***937,550***
3 Retained earnings	193,977	**204,070**	10,093	***2,194,311***
4 Treasury stock	(40,903)	**(41,068)**	(164)	***(441,595)***
Total shareholders' equity	329,244	**339,150**	9,905	***3,646,775***
II Valuation and translation adjustments				
1 Valuation difference on available-for-sale securities	2,825	**3,767**	942	***40,512***
2 Deferred gains or losses on hedges	(156)	**(103)**	52	***(1,118)***
3 Foreign currency translation adjustment	(9,995)	**(8,230)**	1,765	***(88,496)***
Total valuation and translation adjustments	(7,326)	**(4,566)**	2,759	***(49,101)***
III Subscription rights to shares	109	**186**	77	***2,005***
IV Minority interests	2,988	**3,048**	60	***32,782***
TOTAL NET ASSETS	325,016	**337,818**	12,802	***3,632,461***
TOTAL LIABILITIES AND NET ASSETS	¥471,874	**¥502,815**	¥30,941	***$5,406,617***

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, 2009 and 2010	2009	**2010**	(decrease)	***2010***
I Net sales	¥376,777	**¥332,880**	¥(43,897)	***$3,579,359***
II Cost of sales	275,912	**237,198**	(38,713)	***2,550,520***
Gross profit	100,865	**95,682**	(5,183)	***1,028,839***
III Selling, general and administrative expenses:				
1 Selling expenses	19,964	**17,389**	(2,575)	***186,980***
2 General and administrative expenses	51,620	**47,841**	(3,779)	***514,426***
Total Selling, general and administrative expenses	71,585	**65,230**	(6,354)	***701,407***
Operating income	29,280	**30,451**	1,171	***327,432***
IV Non-operating income:				
1 Interest income	463	**407**	(55)	***4,383***
2 Dividends income	2,010	**1,553**	(457)	***16,700***
3 Equity in earnings of affiliates	—	**39**	39	***423***
4 Rent income	283	**334**	51	***3,595***
5 Other	650	**664**	14	***7,146***
Total non-operating income	3,407	**2,999**	(408)	***32,248***
V Non-operating expenses:				
1 Interest expenses	1,259	**1,364**	105	***14,676***
2 Equity in loss of affiliates	13	—	(13)	—
3 Personnel expenses for seconded employees	608	**585**	(22)	***6,297***
4 Other	4,008	**2,573**	(1,434)	***27,676***
Total non-operating expenses	5,890	**4,524**	(1,365)	***48,650***
Ordinary income	26,797	**28,925**	2,128	***311,030***
VI Extraordinary income:				
1 Gain on transfer of business	—	**657**	657	***7,073***
2 Gain on sales of investment securities	1,264	—	(1,264)	—
Total extraordinary income	1,264	**657**	(606)	***7,073***
VII Extraordinary loss:				
1 Impairment loss	1,473	**3,073**	1,599	***33,043***
2 Business structure improvement losses	350	**1,834**	1,483	***19,721***
3 Provision for environmental measures	—	**1,275**	1,275	***13,718***
4 Loss on valuation of investment securities	1,382	**174**	(1,207)	***1,877***
5 Loss on sales of tangible fixed assets	—	**143**	143	***1,540***
6 Special operating losses	3,994	—	(3,994)	—
7 Loss on valuation of inventories	1,153	—	(1,153)	—
8 Loss on disposal of tangible fixed assets	185	—	(185)	—
Total extraordinary loss	8,538	**6,500**	(2,038)	***69,901***
Income before taxes and minority interests	19,523	**23,082**	3,559	***248,203***
Income taxes - current	4,632	**8,356**	3,723	***89,851***
Income taxes - deferred	1,756	**(1,676)**	(3,432)	***(18,023)***
Total income taxes	6,388	**6,680**	291	***71,828***
Minority interests	149	**87**	(62)	***936***
Net income	¥12,984	**¥16,315**	¥3,331	***$175,438***

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, 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**

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(Unaudited)

Kuraray Co., Ltd. and its Consolidated Subsidiaries

	Millions of yen				
	Shareholders' equity				
Year ended March 31, 2010	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total Shareholders' equity
Balance at March 31, 2009	**¥88,955**	**¥87,215**	**¥193,977**	**¥(40,903)**	**¥329,244**
Changes of items during the period					
Cash dividends			**(6,267)**		**(6,267)**
Net income			**16,315**		**16,315**
Purchase of treasury stock				**(253)**	**(253)**
Disposal of treasury stock		**(23)**		**88**	**65**
Other			**45**		**45**
Net changes of items other than shareholders' equity					**—**
Total changes of items during the period	**—**	**(23)**	**10,093**	**(164)**	**9,905**
Balance at March 31, 2010	**¥88,955**	**¥87,192**	**¥204,070**	**¥(41,068)**	**¥339,150**

	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, 2009	**¥2,825**	**¥(156)**	**¥(9,995)**	**¥(7,326)**	**¥109**	**¥2,988**	**¥325,016**
Changes of items during the period							
Cash dividends							**(6,267)**
Net income							**16,315**
Purchase of treasury stock							**(253)**
Disposal of treasury stock							**65**
Other							**45**
Net changes of items other than shareholders' equity	**942**	**52**	**1,765**	**2,759**	**77**	**60**	**2,896**
Total changes of items during the period	**942**	**52**	**1,765**	**2,759**	**77**	**60**	**12,802**
Balance at March 31, 2010	**¥3,767**	**¥(103)**	**¥(8,230)**	**¥(4,566)**	**¥186**	**¥3,048**	**¥337,818**

	Thousands of U.S. dollars				
	Shareholders' equity				
	Capital stock	*Capital surplus*	*Retained earnings*	*Treasury stock*	*Total Shareholders' equity*
Balance at March 31, 2009	***$956,509***	***$937,800***	***$2,085,775***	***$(439,824)***	***$3,540,260***
Changes of items during the period					
Cash dividends			***(67,396)***		***(67,396)***
Net income			***175,438***		***175,438***
Purchase of treasury stock				***(2,721)***	***(2,721)***
Disposal of treasury stock		***(250)***		***950***	***699***
Other			***494***		***494***
Net changes of items other than shareholders' equity					***—***
Total changes of items during the period	***—***	***(250)***	***108,535***	***(1,771)***	***106,514***
Balance at March 31, 2010	***$956,509***	***$937,550***	***$2,194,311***	***$(441,595)***	***$3,646,775***

	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, 2009	***$30,383***	***$(1,677)***	***$(107,481)***	***$(78,775)***	***$1,174***	***$32,136***	***$3,494,796***
Changes of items during the period							
Cash dividends							***(67,396)***
Net income							***175,438***
Purchase of treasury stock							***(2,721)***
Disposal of treasury stock							***699***
Other							***494***
Net changes of items other than shareholders' equity	***10,129***	***559***	***18,985***	***29,673***	***830***	***645***	***31,150***
Total changes of items during the period	***10,129***	***559***	***18,985***	***29,673***	***830***	***645***	***137,664***
Balance at March 31, 2010	***$40,512***	***$(1,118)***	***$(88,496)***	***$(49,101)***	***$2,005***	***$32,782***	***$3,632,461***

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, 2009 and 2010	2009	**2010**	***2010***
I Net cash provided by (used in) operating activities:			
1 Income before taxes and minority interests	¥19,523	**¥23,082**	***$248,203***
2 Depreciation and amortization	37,147	**36,489**	***392,364***
3 Increase (decrease) in allowance for doubtful accounts	83	**131**	***1,415***
4 Increase (decrease) in provision for retirement benefits	947	**277**	***2,987***
5 Increase (decrease) in provision for environmental measures	―	**1,275**	***13,718***
6 Impairment loss	1,473	**3,073**	***33,043***
7 Loss (gain) on sales of tangible fixed assets	―	**143**	***1,540***
8 Loss on disposal of tangible fixed assets	185	―	―
9 Loss (gain) on sales of investment securities	(1,264)	―	―
10 Loss on valuation of investment securities	1,382	**174**	***1,877***
11 Loss (gain) on transfer of business	―	**(657)**	***(7,073)***
12 Loss on valuation of inventories	1,153	―	―
13 Interest and dividends income	(2,473)	**(1,960)**	***(21,083)***
14 Interest expenses	1,259	**1,364**	***14,676***
15 Decrease (increase) in notes and accounts receivable - trade	25,454	**(9,044)**	***(97,252)***
16 Decrease (increase) in inventories	(7,831)	**16,031**	***172,378***
17 Increase (decrease) in notes and accounts payable - trade	(14,063)	**3,539**	***38,057***
18 Decrease (increase) in prepaid pension cost	411	**462**	***4,972***
19 Other, net	(4,570)	**6,506**	***69,965***
Sub-total	58,818	**80,890**	***869,791***
20 Interest and dividends income received	2,498	**1,907**	***20,506***
21 Interest expenses paid	(1,199)	**(1,323)**	***(14,234)***
22 Insurance income	1,834	―	―
23 Income taxes paid	(15,031)	**(935)**	***(10,056)***
Net cash provided by (used in) operating activities	46,919	**80,538**	***866,007***
II Net cash provided by (used in) investment activities:			
1 Net decrease (increase) in time deposits	50	**(12,709)**	***(136,666)***
2 Net decrease (increase) in short-term investment securities	―	**(72,972)**	***(784,648)***
3 Purchase of tangible fixed assets and intangible fixed assets	(38,780)	**(21,639)**	***(232,684)***
4 Payments for disposal of tangible fixed assets and intangible fixed assets	(822)	**(167)**	***(1,798)***
5 Proceeds from sales of tangible fixed assets and intangible fixed assets	178	**541**	***5,817***
6 Purchase of investment securities	(4,128)	**(569)**	***(6,120)***
7 Proceeds from sales and redemption of investment securities	1,534	**12**	***132***
8 Proceeds from transfer of business	―	**1,157**	***12,447***
9 Other, net	(461)	**(1,178)**	***(12,673)***
Net cash provided by (used in) investment activities	(42,428)	**(107,525)**	***(1,156,193)***
III Net cash provided by (used in) financing activities:			
1 Net increase (decrease) in short-term loans payable	4,343	**(7,004)**	***(75,321)***
2 Net increase (decrease) in commercial paper	3,000	**3,000**	***32,258***
3 Proceeds from long-term loans payable	32,266	**12,000**	***129,032***
4 Repayment of long-term loans payable	(1,000)	**(4,054)**	***(43,601)***
5 Cash dividends paid to minority shareholders	(35)	**(27)**	***(298)***
6 Proceeds from sales of treasury stock	50	**60**	***650***
7 Purchase of treasury stock	(107)	**(48)**	***(517)***
8 Cash dividends paid	(8,009)	**(6,267)**	***(67,396)***
9 Other, net	(475)	**(449)**	***(4,829)***
Net cash provided by (used in) financing activities	30,032	**(2,792)**	***(30,025)***
IV Effect of exchange rate changes on cash and cash equivalents	(1,242)	**34**	***366***
V Net increase (decrease) in cash and cash equivalents	33,281	**(29,745)**	***(319,845)***
VI Cash and cash equivalents, beginning of year	12,189	**46,157**	***496,320***
VII Increase in cash and cash equivalents from newly consolidated subsidiary	687	―	―
VIII Cash and cash equivalents, end of year	¥46,157	**¥16,412**	***$176,475***

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, 2009	Chemicals and resins	Fibers and textiles	High performance materials, medical products and others	Total	Eliminated on consolidation and corporate	Consolidated total
	Millions of yen					
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, 2010	Chemicals and resins	Fibers and textiles	High performance materials, medical products and others	Total	Eliminated on consolidation and corporate	Consolidated total
	Millions of yen					
I Net sales and operating income						
Net sales						
(1) Outside customers	**¥202,855**	**¥79,983**	**¥50,042**	**¥332,880**	**¥ −**	**¥332,880**
(2) Inter-segment	**163**	**498**	**7,003**	**7,666**	**(7,666)**	**−**
Total	**203,019**	**80,482**	**57,045**	**340,546**	**(7,666)**	**332,880**
Operating expenses	**160,055**	**82,218**	**52,807**	**295,081**	**7,347**	**302,429**
Operating income (loss)	**42,963**	**(1,736)**	**4,238**	**45,465**	**(15,014)**	**30,451**
II Identifiable assets, depreciation and amortization and capital expenditure						
Identifiable assets	**227,285**	**66,160**	**58,719**	**352,166**	**150,649**	**502,815**
Depreciation and amortization	**22,293**	**7,149**	**4,726**	**34,168**	**2,321**	**36,489**
Capital expenditure	**¥11,851**	**¥4,946**	**¥1,336**	**¥18,135**	**¥1,744**	**¥19,879**

Year ended March 31, 2010	*Chemicals and resins*	*Fibers and textiles*	*High performance materials, medical products and others*	*Total*	*Eliminated on consolidation and corporate*	*Consolidated total*
	Thousands of U.S. dollars					
I Net sales and operating income						
Net sales						
(1) Outside customers	***$2,181,237***	***$860,034***	***$538,087***	***$3,579,359***	***$ −***	***$3,579,359***
(2) Inter-segment	***1,763***	***5,363***	***75,308***	***82,435***	***(82,435)***	***−***
Total	***2,183,000***	***865,398***	***613,396***	***3,661,794***	***(82,435)***	***3,579,359***
Operating expenses	***1,721,025***	***884,070***	***567,821***	***3,172,917***	***79,009***	***3,251,927***
Operating income (loss)	***461,975***	***(18,672)***	***45,574***	***488,877***	***(161,444)***	***327,432***
II Identifiable assets, depreciation and amortization and capital expenditure						
Identifiable assets	***2,443,934***	***711,405***	***631,392***	***3,786,732***	***1,619,885***	***5,406,617***
Depreciation and amortization	***239,710***	***76,877***	***50,818***	***367,406***	***24,958***	***392,364***
Capital expenditure	***$127,439***	***$53,189***	***$14,376***	***$195,005***	***$18,757***	***$213,762***

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, resin-finished goods and others.

(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 ¥13,322 million and ¥15,391 million (165,504Thousands of U.S. dollars), for years ended March 31, 2009 and 2010 respectively.
The most significant portion of this expense relates to the fundamental research departments and the corporate division of the Companies.

4. Corporate assets included in the "Eliminated on consolidation and corporate" are ¥95,773 million and ¥152,266 million (1,637,274 Thousands of U.S. dollars) as of March 31,2009 and 2010 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 ¥3,073 million (33,043 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: ¥174million (1,879 Thousands of U.S. dollars) in "Chemicals and resins", ¥2,117 million (22,773 Thousands of U.S. dollars) in "Fibers and textiles", ¥553 million (5,948 Thousands of U.S. dollars) in "High performance materials, medical products and others", ¥227 million (2,441 Thousands of U.S. dollars) in "Eliminated on consolidation and corporate".
Assets in each respective segment decreased by the same amount.

Geographic segment information

(Unaudited)

Kuraray Co., Ltd. and its Consolidated Subsidiaries

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, 2010	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	**¥238,556**	**¥21,737**	**¥56,177**	**¥16,407**	**¥332,880**	**¥ —**	**¥332,880**
(2) Inter-segment	**22,390**	**3,462**	**2,619**	**1,837**	**30,310**	**(30,310)**	**—**
Total	**260,947**	**25,200**	**58,797**	**18,245**	**363,191**	**(30,310)**	**332,880**
Operating expenses	**220,270**	**23,105**	**56,251**	**18,207**	**317,835**	**(15,406)**	**302,429**
Operating income (loss)	**40,676**	**2,094**	**2,546**	**37**	**45,355**	**(14,904)**	**30,451**
II Identifiable assets	**¥247,278**	**¥31,589**	**¥70,439**	**¥13,233**	**¥362,539**	**¥140,275**	**¥502,815**

Year ended March 31, 2010	*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	***$2,565,127***	***$233,740***	***$604,064***	***$176,427***	***$3,579,359***	***$ —***	***$3,579,359***
(2) Inter-segment	***240,761***	***37,230***	***28,169***	***19,761***	***325,922***	***(325,922)***	***—***
Total	***2,805,888***	***270,970***	***632,233***	***196,189***	***3,905,282***	***(325,922)***	***3,579,359***
Operating expenses	***2,368,503***	***248,445***	***604,854***	***195,782***	***3,417,586***	***(165,658)***	***3,251,927***
Operating income (loss)	***437,385***	***22,525***	***27,379***	***406***	***487,696***	***(160,264)***	***327,432***
II Identifiable assets	***$2,658,905***	***$339,670***	***$757,409***	***$142,292***	***$3,898,278***	***$1,508,339***	***$5,406,617***

(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 included in the "Eliminated on consolidation and corporate" is the same as in "Note 3" of the "Industrial segment".
4. Corporate assets included in the “Eliminated on consolidation and corporate” are the same as in "Note 4" of the "Industrial segment".
5. The company posted an impairment loss of ¥3,073 million (33,043 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: ¥2,588 million (27,833 Thousands of U.S. dollars) in "Japan", ¥257 million (2,768 Thousands of U.S. dollars) in "North America", ¥227 million (2,441 Thousands of U.S. dollars) in "Eliminated on consolidation and corporate". Assets in each respective segment decreased by the same amount.

Overseas sales

(Unaudited)

Kuraray Co., Ltd. and its Consolidated Subsidiaries

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, 2010	Millions of yen North America	Europe	Asia	Other	Total
I Overseas sales	**¥20,579**	**¥60,128**	**¥71,046**	**¥7,615**	**¥159,368**
II Consolidated net sales	—	—	—	—	**332,880**
III Percentage of consolidated net sales	**6.2%**	**18.1%**	**21.3%**	**2.3%**	**47.9%**

Year ended March 31, 2010	*Thousands of U.S. dollars* *North America*	*Europe*	*Asia*	*Other*	*Total*
I Overseas sales	***$221,281***	***$646,542***	***$763,938***	***$81,882***	***$1,713,645***
II Consolidated net sales	—	—	—	—	***3,579,359***
III Percentage of consolidated net sales	***6.2%***	***18.1%***	***21.3%***	***2.3%***	***47.9%***

(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 France

(3) Asia .... Korea and China

(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

	2009	2010	*2010*
Years ended March 31, 2009 and 2010	Yen	Yen	*U.S. dollars*
Net assets per share	¥924.48	**¥961.24**	***$10.34***
Basic net income per share	37.29	**46.86**	***0.50***
Diluted net income per share	¥37.26	**¥46.81**	***$0.50***

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

	Fiscal 2008 (From April 1, 2008 to March 31, 2009)	Fiscal 2009 (From April 1, 2009 to March 31, 2010)	
	Millions of yen	Millions of yen	Thousands of U.S.dollars
Basic net income per share			
Net income	12,984	16,315	175,438
Net income unallocated to common stock	—	—	—
Net income allocated to common stock	12,984	16,315	175,438
Average number of common stock outstanding during the fiscal year (thousands shares)	348,236	348,203	
Diluted net income per share			
Adjustment made on net income	—	—	
Increase of common stocks (thousands shares)	264	386	
(New subscription rights to shares (thousands shares))	(264)	(386)	
Outline of the residual securities which were not included in the calculation of the diluted net income per share because there was no dilutive effect.	————	————	

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 YEN93=$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, 2009).

Significant Changes in Basis of Preparation for Consolidated Financial Statements

(Change in accounting methods)

Effective the current consolidated fiscal year, the Company adopted “Partial Amendments to Accounting Standard for Retirement Benefits (Part 3) (ASBJ Statement No. 19, issued on July 31, 2008).” In the meantime, this change has no impact on "operating income", "ordinary income" and "income before taxes and minority interests" in the current consolidated fiscal year.

(Change in presentation)

Matters related to consolidated income statement

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

(Additional information)

In the current consolidated fiscal year, the Company implemented a comprehensive survey related to PCB waste and other items, based on which a comprehensive disposal policy was determined. As a result, it became possible to obtain a reasonable estimate of disposal costs. The Company, therefore, recorded provision for environmental measures. As a result, income before taxes and minority interests for the current consolidated fiscal year decreased ¥1,275 million.