Business Results for the year Ended March 31, 2011

(unaudited)

Kuraray Co., Ltd.

Index of the Attachment

*Kuraray plans to hold a briefing for investors as follows. The materials, videos, Q&A, and other materials handed out in this briefing will be posted on Kuraray's website shortly after this briefing is held.

-April 27, 2011 (Wednesday)　　Earnings results briefing for institutional investors and analysts

1. Results of Operations

(1) Analysis of Results of Operations

The operating environment in the fiscal year ended March 31, 2011 saw a recovery in demand for Kuraray Group products in Europe and the United States as well as strong demand in emerging economies, chiefly China. On the other hand, uncertainties about the Japanese economy mounted due to the rapid appreciation of the yen, raw materials and fuel price hikes, and the impact of the Great East Japan Earthquake in the latter half of the period.

Amid these circumstances, Kuraray took proactive measures for further business growth stated in "GS-Twins," its medium-term action plan, and also cut back fixed costs to improve its earnings.

As a result, the Kuraray Group's consolidated net sales for the fiscal year ended March 31, 2011 (April 1, 2010 to March 31, 2011) grew ¥30,310 million, or 9.1%, compared with the previous fiscal year to ¥363,191 million. On the other hand, operating income jumped ¥22,643 million, or 74.4%, to ¥53,095 million, while ordinary income surged ¥22,137 million, or 76.5%, to ¥51,062 million, and net income soared ¥12,426 million, or 76.2%, to ¥28,742 million.

Results by Business Segment

Resins

Businesses of the Resin segment saw a strong demand in Asian countries as well as in Europe and the United States. As a result, sales in this segment rose 8.0% year on year to ¥147,429 million, while operating income grew 29.9% to ¥50,848 million.

(1) Sales of poval resin were brisk in Asian countries as well as in Europe. Given this, the Company decided to increase the annual production capacity at its European plant by 24,000 tons. The expanded plant will commence operations in the first quarter of fiscal 2013. Despite the impact of production adjustments undertaken by polarized film makers midway through the period under review, sales of optical-use poval film grew on the back of vigorous demand for LCD TVs. Spurred by this, the Company started to construct a new production line at the Saijo Plant aimed at increasing annual production by 20 million square meters. We plan for the new production line to commence operations in the first quarter of fiscal 2012. With regard to polyvinyl butyral (PVB) film, there were signs of gradual recovery in the European construction market and the market for automobile application, and demand for PVB film for use as an encapsulant for solar power generators has also expanded.

(2) Demand for *EVAL* ethylene vinyl alcohol copolymer (EVOH resin) expanded in emerging countries, with demand for the *EVAL*'s use in automobiles and food packaging showing particularly significant growth in Asian countries. In Europe and the United States, demand for the *EVAL* for use in food packaging and automobiles was stable. Furthermore, sales expanded both in Japan and overseas for its use in new applications, such as vacuum insulation panels used in refrigerators.

Chemicals

Although some businesses suspended production at the Kashima Plant due to the earthquake that struck on March 11, performance was strong overall. As a result, sales in this segment rose 13.5% year on year to ¥75,700 million, while operating income surged 323.5% year on year to ¥8,676 million.

(1) Demand for methacrylic resin was steady for use in molding materials and sheets. Overall sales also grew on the back of improved market conditions.

(2) As for isoprene chemicals, sales of *SEPTON* thermoplastic elastomer and *LIR* liquid rubber were brisk. Sales of chemicals and fine chemicals expanded, and there was an increase in sales of differentiated products, mainly in Japan and other Asian countries.

(3) In the Medical segment, sales of dental materials were healthy on the back of the introduction of new types of composite resins and bonds in the European and U.S. markets. With the aim of reinforcing and expanding the dental materials business, Kuraray Medical Inc. integrated the dental materials business with Noritake Dental Supply Co., Limited on April 1, 2011.

(4) Demand for *GENESTAR* heat-resistant polyamide resin were steady for applications for LED reflector and for electronics materials, including connectors.

Fibers and Textiles

In the Fibers and Textiles segment, almost all businesses, including *KURALON*, recovered in the period. As a result, sales in this segment grew 5.9% year on year to ¥61,595 million. The Fibers and Textiles segment recorded an operating loss of ¥221 million, showing an improvement from an operating loss of ¥2,819 million in the corresponding period of the previous fiscal year.

(1) Demand for *KURALON* expanded for use in automotive brake hoses and primary cell separators. In addition, demand for use as an asbestos substitute in FRC (fiber reinforced cement) showed recovery trend throughout the period under review.

(2) Sales of new eco-friendly processed *CLARINO* products expanded for use in footwear and gloves, while demand for conventional *CLARINO* man-made leather showed signs of recovery for use in high-value-added products. Amid a drastic business restructuring, the Company is transferring general-purpose product manufacturing to a Chinese joint venture, while promoting the integration of new processing procedures for high-value-added products in domestic plants.

(3) Sales of *KURAFLEX* nonwoven fabrics were stable for use in industrial wipers, although demand for use in commercial counter cloth and industrial masks was stagnant. Demand for *MAGIC TAPE* hook and loop fasteners were steady for use in industrial materials and medical and transport-related applications despite stagnant sales for use in automobile and housing-related applications.

Trading

The Trading segment saw market recovery in such fiber-related businesses as polyester (in apparel and materials fields), as well as in an increase in differentiated materials. On the back of steady demand, mainly in Asian countries, sales of resins, chemicals and chemical products expanded. As a result, sales in this segment grew 12.2% year on year to ¥115,161 million, while operating income surged 64.8% to ¥3,304 million.

Other Business

Sales of activated carbon for capacitors (electricity storage devices) and applications for environment-related products, etc. were steady, while other business showed signs of gradual recovery. As a result, sales in this segment climbed 17.4% to ¥58,894 million, while operating income rose 14.9% to ¥4,906 million.

Outlook for the Fiscal Year Ending March 31, 2012

We expect that our operating environment will suffer from remarkably higher prices of raw materials and fuel prices and exchange rate fluctuations in the next fiscal year. Also in Japan, we anticipate confusion in the supply chain from the procurement of raw materials and fuel, and parts, to product demand due to the impact of the Great East Japan Earthquake. As such, it can be said that the environment surrounding Kuraray is extremely uncertain. Under such circumstances, the Company will focus on revising prices of our products to cope with the higher prices of raw materials and fuel prices and enhancing the value-added in our products while giving top priority to the stabilization of product supply. Since the plant utilization ratio has risen for many of our businesses, we will make capital expenditure in facilities mainly to increase capacity.

Our forecasts for the year ending March 31, 2012, are net sales of ¥400 billion, operating income of ¥60 billion, ordinary income of ¥58.5 billion and net income of ¥34 billion. We assume average exchanges rates of ¥82 to the U.S. dollar and ¥115 to the euro, as well as a domestic naphtha price of ¥60 thousand per kiloliter.

The outlook for principal businesses for the next fiscal year is as follows.

For poval resin, demand in Asia will remain solid, and demand is expected to expand in Europe and the United States as well. Demand for optical-use poval film in the area of LCD-related products is expected to remain strong, and the launch of additional production lines is planned to cope with such strong demand. *EVAL* is expected to achieve significant growth, mainly for rapidly expanding automotive and food packaging applications in emerging markets, while demand in Europe and the United States is also expected to be steady.

As for isoprene chemicals, although *SEPTON* thermoplastic elastomer is expected to incur a loss due to partial work suspension at the Kashima Plant, demand is anticipated to be stable. Demand for methacrylic resin is anticipated to grow in Asia while in the case of *GENESTAR*, demand is anticipated to steadily expand for LED reflector applications and use in electronics materials, including connectors. In the medical segment, sales are expected to increase both in Japan and overseas due to business integration with Noritake Dental Supply Co., Limited.

Demand for *KURALON* for use in FRC is expected to show gradual recovery. As for *CLARINO*, the business restructuring which is underway now and further market cultivation and sales expansion for new environmentally friendly processed *CLARINO* products are expected to make progress.

Consolidated Forecast for Fiscal Year Ending March 31, 2012 (Results by Business Segment)

(¥100 million)

	Net sales		Operating income	
	Fiscal year ended March 31, 2011	Fiscal year ending March 31, 2012 (Forecast)	Fiscal year ended March 31, 2011	Fiscal year ending March 31, 2012 (Forecast)
Resins	1,474	1,650	508	565
Chemicals	757	900	86	100
Fibers and Textiles	615	600	(2)	5
Trading	1,151	1,200	33	35
Other Business	588	600	49	50
Adjustment	(955)	(950)	(144)	(155)
Total	3,631	4,000	530	600

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.

(2) Analysis of Financial Position

(i) Assets, Liabilities and Net Assets

Total assets increased ¥4,512 million from the end of the previous fiscal year to ¥507,328 million, owing to an increase in current assets. Total liabilities declined ¥4,493 million to ¥160,502 million owing to decreases in debt, and net assets rose ¥9,006 million to ¥346,825 million. Shareholders' equity stood at ¥343,105 million, for an equity ratio of 67.6%.

(ii) Cash Flows

Cash Flows from Operating Activities

Net cash provided by operating activities stood at ¥69,611 million at the end of the current fiscal year, a decrease of ¥10,927 million compared with the same period of the previous fiscal year. Major components included income before income taxes and minority interests of ¥45,895 million, depreciation and amortization of ¥33,536 million, an increase in notes and accounts receivable of ¥2,580 million, an increase in inventories of ¥6,767 million and income taxes paid of ¥10,648 million.

Cash Flows from Investing Activities

Net cash used in investing activities totaled ¥38,705 million. Major components included a net increase in marketable securities of ¥25,004 million and payments for the acquisition of property, plant and equipment and intangible assets worth ¥18,697 million.

Cash Flows from Financing Activities

Net cash used in financing activities was ¥16,355 million. Major components included a decrease in commercial paper of ¥6,000 million, repayment of long-term debt of ¥4,645 million, and dividends paid of ¥7,310 million.

Consequently, as a result of a total cash inflow of ¥14,550 million in the period under review, cash and cash equivalents at the end of the fiscal year increased ¥13,010 million from the end of the previous fiscal year to ¥29,423 million.

(¥ million)

	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
Net cash provided by (used in) operating activities	80,538	69,611
Net cash provided by (used in) investing activities	(107,525)	(38,705)
Net cash provided by (used in) financing activities	(2,792)	(16,355)
Effect of exchange rate changes on cash and cash equivalents	34	(1,539)
Net increase (decrease) in cash and cash equivalents	(29,745)	13,010
Cash and cash equivalents, beginning of the period	46,157	16,412
Cash and cash equivalents, end of the period	16,412	29,423

Cash flow indicators for the Kuraray Group

	Fiscal year ended March 31, 2008	Fiscal year ended March 31, 2009	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
Equity ratio	69.7%	68.2%	66.5%	67.6%
Equity ratio (market basis)	84.4%	61.6%	87.1%	73.6%
Years to redemption of liabilities	0.6 year	1.5 year	0.9 year	0.9 year
Interest coverage ratio	69.8 times	39.1 times	60.8 times	60.6 times

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 statements.
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 2010 and 2011

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 and take proactive measures for further business expansion and growth, 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 ¥14 per share is planned for the year ended March 31, 2011. Added to the interim dividend, this will be a total of ¥27 per share for the year ended March 31, 2011, and the dividend payout ratio will be 32.7%.

Assuming a consolidated net income for the year ending March 31, 2012 of ¥34 billion, an annual dividend of ¥33 per share is planned for the year ending March 31, 2012, which will be an increase of ¥6 per share from this fiscal year, and the dividend payout ratio will be 33.8%.

(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, 2011.

(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. Violent fluctuations in these raw material markets could significantly impact our production costs.

The Company is exposed to the risks that it will be forced to downsize or close down certain areas of main businesses the Company, which are caused by the changes in its 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.

In the event of accidents and disasters at suppliers who discharge such functions as providing important raw materials, facilities, maintenance parts and services, there are risks that could affect our product supply.

(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.

2. Consolidated Group as of March 31, 2011

Kuraray and its subsidiaries and affiliates are engaged in businesses related to five segments: "Resins," "Chemicals," "Fibers and Textiles," "Trading" and "Other Business." The products in these segments are wide-ranging. Among its subsidiaries and affiliates, 28 are consolidated subsidiaries, three are unconsolidated subsidiaries accounted for by the equity method, and one is an affiliate accounted for by the equity method. The position of Kuraray and its subsidiaries and affiliates in each business and their relationship with each segment are as follows:

Resins	:	Kuraray manufactures and markets poval resin and film and *EVAL* resin and film and others. (Kuraray America, Inc.) manufactures and markets *EVAL* resin in the United States. (Kuraray Europe GmbH) manufactures and markets poval resin and PVB resin and film in Europe. (EVAL Europe N.V.) manufactures and markets *EVAL* resin in Europe. (Kuraray Asia Pacific Pte., Ltd.) manufactures and markets poval resin in Asia.
Chemicals	:	Kuraray manufactures and markets isoprene chemical products, fine chemicals, methacrylic resin and resin-finished goods, *GENESTAR* heat-resistant polyamide resin, *SEPTON* thermoplastic elastomer and others. (Kuraray America, Inc.) manufactures and markets *SEPTON* and other chemicals. (Kuraray Medical Inc.) manufactures and markets dental materials. (Kyosei Chemical Co., Ltd.) manufactures and markets dyes and pigments from raw materials supplied by Kuraray.
Fibers and Textiles	:	Kuraray manufactures and markets *KURALON* and *CLARINO* man-made leather. (KURARAY KURAFLEX CO., LTD.) manufactures, processes, and markets *KURAFLEX* non-woven fabrics. (KURARAY FASTENING CO., LTD.) manufactures and markets *MAGIC TAPE* hook and loop fasteners and others. (KURARAY TAMASHIMA COMPANY LIMITED) manufactures polyester staple fibers. (Kuraray Hong Kong Co., Ltd.) markets man-made leather supplied by the Kuraray Group.
Trading	:	(KURARAY TRADING CO., LTD.) markets polyester filament fibers and others manufactured by KURARAY SAIJO CO., LTD., products of the Kuraray Group, products of other companies, and finished goods.
Other Business	:	Kuraray manufactures and markets high-performance membranes and others. (KURARAY CHEMICAL CO., LTD.) manufactures and markets activated carbon. (KURARAY PLASTICS CO., Ltd.) manufactures and markets rubber and resin-finished goods and others. (KURARAY

	ENGINEERING CO., LTD.) engages in design and installation of various plants. (Kuraray Techno Co., LTD.) engages in production-related business and contract logistics services. (Kuraray BUSINESS SERVICE CO., LTD.) offers information system business services. (OKAYAMA RINKOH Co., Ltd.) engages in warehousing and logistics and processing businesses. (TECHNO SOFT CO., LTD.) conducts consulting and other services to support the acquisition of ISO. (Kuraray Travel Service Corporation) offers business services in insurance and travel and others. (Iruma Country Club Co., Ltd.) operates golf courses. [THE KURASHIKI KOKUSAI HOTEL, LTD.] engages in the hotel business.

Note: The company names above presented in ( ) indicate “consolidated subsidiary” and in [ ] indicate “affiliate accounted for by the equity method.”

3. 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 reduction of expenses and costs (particularly reduction of the fixed cost);
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 for solar power generators, concentrating lens for solar power generation and others)
– hydrogen energy (element of fuel cells and others)

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 three-year execution of the above-mentioned measures, return to the profit structure envisioned under the "GS-21" measures, while preparing for sustainable growth as set forth in the "10-Year Corporate Vision."

<u>Issues to be Addressed</u>
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.

4. Consolidated Financial Statements

CONSOLIDATED BALANCE SHEETS

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

March 31, 2010 and 2011	Millions of yen Fiscal 2009	**Fiscal 2010**	(decrease)	*Thousands of U.S. dollars* ***Fiscal 2010***
ASSETS				
I Current assets:				
1 Cash and deposits	¥28,991	**¥34,221**	¥5,229	***$412,301***
2 Notes and accounts receivable - trade	75,923	**76,135**	212	***917,299***
3 Short-term investment securities	73,978	**127,128**	53,150	***1,531,673***
4 Merchandise and finished goods	38,829	**40,534**	1,705	***488,367***
5 Work-in-process	8,044	**8,122**	77	***97,860***
6 Raw materials and supplies	10,972	**12,732**	1,760	***153,400***
7 Deferred tax assets	5,824	**6,046**	221	***72,851***
8 Other	7,366	**6,475**	(891)	***78,012***
9 Allowance for doubtful accounts	(604)	**(802)**	(197)	***(9,663)***
Total current assets	249,326	**310,594**	61,268	***3,742,100***
II Noncurrent assets:				
1 Tangible fixed assets:				
(1) Buildings and structures (net)	34,880	**33,701**	(1,178)	***406,038***
(2) Machinery, equipment and vehicles (net)	96,170	**79,216**	(16,954)	***954,412***
(3) Land	18,230	**17,976**	(254)	***216,581***
(4) Construction in progress	11,560	**11,867**	307	***142,985***
(5) Other (net)	2,867	**2,477**	(390)	***29,847***
Total tangible fixed assets	163,709	**145,238**	(18,470)	***1,749,865***
2 Intangible fixed assets:				
(1) Goodwill	17,941	**12,725**	(5,215)	***153,321***
(2) Other	3,848	**2,842**	(1,005)	***34,252***
Total intangible fixed assets	21,790	**15,568**	(6,221)	***187,573***
3 Investments and other assets:				
(1) Investment securities	49,006	**19,577**	(29,428)	***235,871***
(2) Long-term loans receivable	1,279	**1,189**	(89)	***14,330***
(3) Deferred tax assets	6,570	**4,725**	(1,845)	***56,928***
(4) Prepaid pension cost	6,666	**6,243**	(423)	***75,218***
(5) Other	4,999	**4,378**	(621)	***52,747***
(6) Allowance for doubtful accounts	(532)	**(186)**	346	***(2,249)***
Total investments and other assets	67,989	**35,926**	(32,063)	***432,846***
Total noncurrent assets	253,489	**196,733**	(56,755)	***2,370,285***
TOTAL ASSETS	¥502,815	**¥507,328**	¥4,512	***$6,112,390***

CONSOLIDATED BALANCE SHEETS

(Unaudited)

	Millions of yen			*Thousands of U.S. dollars*
March 31, 2010 and 2011	Fiscal 2009	**Fiscal 2010**	(decrease)	***Fiscal 2010***
LIABILITIES				
I Current liabilities:				
1 Notes and accounts payable-trade	¥27,235	**¥30,308**	¥3,073	***$365,164***
2 Short-term loans payable	12,158	**12,738**	580	***153,481***
3 Commercial papers	6,000	**—**	(6,000)	***—***
4 Current portion of bonds	—	**10,000**	10,000	***120,481***
5 Accrued expenses	5,653	**5,193**	(460)	***62,568***
6 Income taxes payable	6,038	**10,369**	4,331	***124,938***
7 Provision for bonuses	6,129	**6,670**	540	***80,363***
8 Provision for disaster loss	—	**300**	300	***3,614***
9 Other provision	138	**1**	(136)	***16***
10 Other	13,196	**10,632**	(2,564)	***128,099***
Total current liabilities	76,550	**86,214**	9,664	***1,038,728***
II Noncurrent liabilities:				
1 Bonds payable	10,000	**—**	(10,000)	***—***
2 Long-term loans payable	46,502	**43,035**	(3,467)	***518,494***
3 Deferred tax liabilities	5,524	**4,918**	(605)	***59,254***
4 Provision for retirement benefits	14,248	**14,641**	393	***176,407***
5 Provision for directors' retirement benefits	167	**167**	0	***2,022***
6 Provision for environmental measures	1,275	**1,122**	(153)	***13,527***
7 Asset retirement obligations	812	**2,222**	1,410	***26,782***
8 Other	9,915	**8,179**	(1,735)	***98,549***
Total noncurrent liabilities	88,446	**74,288**	(14,157)	***895,039***
TOTAL LIABILITIES	164,996	**160,502**	(4,493)	***1,933,767***
NET ASSETS				
I Shareholders' equity:				
1 Capital stock	88,955	**88,955**	—	*1,071,751*
2 Capital surplus	87,192	**87,147**	(44)	*1,049,973*
3 Retained earnings	204,070	**225,743**	21,672	*2,719,800*
4 Treasury stock	(41,068)	**(40,856)**	211	***(492,252)***
Total shareholders' equity	339,150	**360,989**	21,839	*4,349,272*
II Accumulated other comprehensive income				
1 Valuation difference on available-for-sale securities	3,767	**2,280**	(1,487)	*27,472*
2 Deferred gains or losses on hedges	(103)	**(14)**	89	*(174)*
3 Foreign currency translation adjustment	(8,230)	**(19,916)**	(11,686)	*(239,962)*
4 Pension liability adjustment	—	**(233)**	(233)	*(2,808)*
Total accumulated other comprehensive income	(4,566)	**(17,884)**	(13,317)	*(215,472)*
III Subscription rights to shares	186	**560**	374	*6,753*
IV Minority interests	3,048	**3,159**	110	***38,068***
TOTAL NET ASSETS	337,818	**346,825**	9,006	***4,178,622***
TOTAL LIABILITIES AND NET ASSETS	¥502,815	**¥507,328**	¥4,512	***$6,112,390***

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

Kuraray Co., Ltd. and its Consolidated Subsidiaries

Years ended March 31, 2010 and 2011	Millions of yen Fiscal 2009	Fiscal 2010	(decrease)	Thousands of U.S. dollars Fiscal 2010
I Net sales	¥332,880	**¥363,191**	¥30,310	***$4,375,797***
II Cost of sales	237,198	**243,564**	6,366	***2,934,517***
Gross profit	95,682	**119,626**	23,944	***1,441,280***
III Selling, general and administrative expenses:				
1 Selling expenses	17,389	**18,663**	1,274	***224,862***
2 General and administrative expenses	47,841	**47,867**	25	***576,716***
Total Selling, general and administrative expenses	65,230	**66,531**	1,300	***801,579***
Operating income	30,451	**53,095**	22,643	***639,700***
IV Non-operating income:				
1 Interest income	407	**375**	(32)	***4,521***
2 Dividends income	1,553	**1,418**	(134)	***17,089***
3 Equity in earnings of affiliates	39	**18**	(20)	***227***
4 Rent income	334	**276**	(58)	***3,325***
5 Other	664	**818**	153	***9,859***
Total non-operating income	2,999	**2,906**	(92)	***35,023***
V Non-operating expenses:				
1 Interest expenses	1,364	**1,135**	(229)	***13,683***
2 Personnel expenses for seconded employees	585	**652**	67	***7,864***
3 Other	2,573	**3,150**	576	***37,960***
Total non-operating expenses	4,524	**4,939**	414	***59,508***
Ordinary income	28,925	**51,062**	22,137	***615,215***
VI Extraordinary income:				
1 Gain on transfer of business	657	**225**	(432)	***2,718***
Total extraordinary income	657	**225**	(432)	***2,718***
VII Extraordinary loss:				
1 Business structure improvement losses	1,834	**1,588**	(245)	***19,135***
2 Loss on adjustment for changes of accounting standard for asset retirement obligations	—	**1,548**	1,548	***18,656***
3 Disaster loss	—	**653**	653	***7,873***
4 Provision for disaster loss	—	**300**	300	***3,614***
5 Loss on valuation of investment securities	174	**574**	399	***6,915***
6 Loss on disposal of tangible fixed assets	—	**384**	384	***4,637***
7 Impairment loss	3,073	**343**	(2,729)	***4,141***
8 Provision for environmental measures	1,275	**—**	(1,275)	***—***
9 Loss on sales of tangible fixed assets	143	**—**	(143)	***—***
Total extraordinary loss	6,500	**5,392**	(1,108)	***64,973***
Income before income taxes	23,082	**45,895**	22,812	***552,960***
Income taxes - current	8,356	**15,115**	6,758	***182,110***
Income taxes - deferred	(1,676)	**1,915**	3,591	***23,081***
Total income taxes	6,680	**17,031**	10,350	***205,192***
Income before minority interests	—	**28,864**	—	***347,767***
Minority interests	87	**122**	(35)	***(1,472)***
Net income	¥16,315	**¥28,742**	¥12,426	***$346,295***

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

Kuraray Co., Ltd. and its Consolidated Subsidiaries

	Millions of yen			*Thousands of U.S. dollars*
Years ended March 31, 2010 and 2011	Fiscal 2009	**Fiscal 2010**	(decrease)	***Fiscal 2010***
I Income before minority interests	－	**¥28,864**	－	***$347,767***
II Other comprehensive income				
1 Valuation difference on available-for-sale securities	－	**(1,486)**	－	***$(17,914)***
2 Deferred gains or losses on hedges	－	**89**	－	***$1,078***
3 Foreign currency translation adjustment	－	**(11,686)**	－	***$(140,804)***
4 Pension liability adjustment	－	**11**	－	***$141***
5 Shares of other comprehensive incomr of associates accounted for	－	**0**	－	***$(5)***
Total other comprehensive income	－	**(13,072)**	－	***(157,504)***
III Comprehensive income	－	**15,791**	－	***190,263***
Comprehensive incme attributable to				
1 Owners of the parent	－	**15,669**	－	***188,790***
2 Minority interests	－	**122**	－	***1,472***

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(Unaudited)

Kuraray Co., Ltd. and its Consolidated Subsidiaries

	Millions of yen				
	Shareholders' equity				
Fiscal 2009 (As of 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 CHANGES IN NET ASSETS

(Unaudited)

Kuraray Co., Ltd. and its Consolidated Subsidiaries

	Millions of yen				
	Shareholders' equity				
Fiscal 2010 (As of March 31, 2011)	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total Shareholders' equity
Balance at March 31, 2010	**¥88,955**	**¥87,192**	**¥204,070**	**¥(41,068)**	**¥339,150**
Transfer to pension liability adjustment from retained earnings			**244**		**244**
Changes of items during the period					
Cash dividends			**(7,310)**		**(7,310)**
Net income			**28,742**		**28,742**
Purchase of treasury stock				**(13)**	**(13)**
Disposal of treasury stock		**(48)**		**225**	**176**
Transfer to capital surpuls from retained earnings		**3**	**(3)**		**—**
Other					
Net changes of items other than shareholders' equity					**—**
Total changes of items during the period	**—**	**(44)**	**21,427**	**211**	**21,594**
Balance at March 31, 2011	**¥88,955**	**¥87,147**	**¥225,743**	**¥(40,856)**	**¥360,989**

	Millions of yen							
	Other comprehensive income							
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Pension liability adjustment	Total Other comprehensive income	Subscription rights to shares	Minority interests	Total net assets
Balance at March 31, 2010	**¥3,767**	**¥(103)**	**¥(8,230)**	**—**	**¥(4,566)**	**¥186**	**¥3,048**	**¥337,818**
Transfer to pension liability adjustment from retained earnings				**¥(244)**	**¥(244)**			**—**
Changes of items during the period								
Cash dividends								**(7,310)**
Net income								**28,742**
Purchase of treasury stock								**(13)**
Disposal of treasury stock								**176**
Transfer to capital surpuls from retained earnings								**—**
Other								
Net changes of items other than shareholders' equity	**(1,487)**	**89**	**(11,686)**	**11**	**(13,072)**	**374**	**110**	**(12,587)**
Total changes of items during the period	**(1,487)**	**89**	**(11,686)**	**11**	**(13,072)**	**374**	**110**	**9,006**
Balance at March 31, 2011	**¥2,280**	**¥(14)**	**¥(19,916)**	**¥(233)**	**¥(17,884)**	**¥560**	**¥3,159**	**¥346,825**

	Thousands of U.S. dollars				
	Shareholders' equity				
	Capital stock	*Capital surplus*	*Retained earnings*	*Treasury stock*	*Total Shareholders' equity*
Balance at March 31, 2010	***$1,071,751***	***$1,050,508***	***$2,458,685***	***$(494,800)***	***$4,086,145***
Transfer to pension liability adjustment from retained earnings			***2,950***		***2,950***
Changes of items during the period					
Cash dividends			***(88,083)***		***(88,083)***
Net income			***346,295***		***346,295***
Purchase of treasury stock				***(164)***	***(164)***
Disposal of treasury stock		***(582)***		***2,712***	***2,129***
Transfer to capital surpuls from retained earnings		***47***	***(47)***		
Net changes of items other than shareholders' equity					
Total changes of items during the period	***-***	***(534)***	***258,163***	***2,547***	***260,176***
Balance at March 31, 2011	***$1,071,751***	***$1,049,973***	***$2,719,800***	***$(492,252)***	***$4,349,272***

	Thousands of U.S. dollars							
	Other comprehensive income							
	Valuation difference on available-for-sale securities	*Deferred gains or losses on hedges*	*Foreign currency translation adjustment*	Pension liability adjustment	Total Other comprehensive income	Subscription rights to shares	*Minority interests*	*Total net assets*
Balance at March 31, 2010	***$45,393***	***$(1,252)***	***$(99,158)***	***-***	***$(55,017)***	***$2,246***	***$36,731***	***$4,070,106***
Transfer to pension liability adjustment from retained earnings				***¥(2,950)***	***$(2,950)***			***-***
Changes of items during the period								
Cash dividends					***-***			***(88,083)***
Net income					***-***			***346,295***
Purchase of treasury stock					***-***			***(164)***
Disposal of treasury stock					***-***			***2,129***
Transfer to capital surpuls from retained earnings					***-***			***-***
Net changes of items other than shareholders' equity	***(17,920)***	***1,078***	***(140,804)***	***141***	***(157,505)***	***4,506***	***1,336***	***(151,661)***
Total changes of items during the period	***(17,920)***	***1,078***	***(140,804)***	***141***	***(157,505)***	***4,506***	***1,336***	***108,515***
Balance at March 31, 2011	***$27,472***	***$(174)***	***$(239,962)***	***¥(2,808)***	***$(215,472)***	***$6,753***	***$38,068***	***$4,178,622***

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

Kuraray Co., Ltd. and its Consoli

	Millions of yen	
Years ended March 31, 2010 and 2011	Fiscal 2009	**Fiscal 2010**
I Net cash provided by (used in) operating activities:		
1 Income before taxes and minority interests	¥23,082	**¥45,895**
2 Depreciation and amortization	36,489	**33,536**
3 Increase (decrease) in allowance for doubtful accounts	131	**(140)**
4 Increase (decrease) in provision for retirement benefits	277	**651**
5 Increase (decrease) in provision for disaster loss	—	**300**
6 Increase (decrease) in provision for environmental measures	1,275	**(153)**
7 Impairment loss	3,073	**343**
8 Loss on disposal of tangible fixed assets	—	**384**
9 Loss (gain) on sales of tangible fixed assets	143	—
10 Loss on adjustment for changes of accounting standard for asset retirement obligations	—	**1,548**
11 Loss on valuation of investment securities	174	**574**
12 Loss (gain) on transfer of business	(657)	**(225)**
13 Interest and dividends income	(1,960)	**(1,793)**
14 Interest expenses	1,364	**1,135**
15 Decrease (increase) in notes and accounts receivable - trade	(9,044)	**(2,580)**
16 Decrease (increase) in inventories	16,031	**(6,767)**
17 Increase (decrease) in notes and accounts payable - trade	3,539	**4,579**
18 Decrease (increase) in prepaid pension cost	462	**423**
19 Other, net	6,506	**1,309**
Sub-total	80,890	**79,023**
20 Interest and dividends income received	1,907	**1,818**
21 Interest expenses paid	(1,323)	**(1,148)**
22 Insurance income	—	**566**
23 Income taxes paid	(935)	**(10,648)**
Net cash provided by (used in) operating activities	80,538	**69,611**
II Net cash provided by (used in) investment activities:		
1 Net decrease (increase) in time deposits	(12,709)	**6,782**
2 Net decrease (increase) in short-term investment securities	(72,972)	**(25,004)**
3 Purchase of tangible fixed assets and intangible fixed assets	(21,639)	**(18,697)**
4 Payments for disposal of tangible fixed assets and intangible fixed assets	(167)	**(626)**
5 Proceeds from sales of tangible fixed assets and intangible fixed assets	541	**112**
6 Purchase of investment securities	(569)	**(459)**
7 Proceeds from sales and redemption of investment securities	12	**22**
8 Proceeds from transfer of business	1,157	**102**
9 Other, net	(1,178)	**(936)**
Net cash provided by (used in) investment activities	(107,525)	**(38,705)**
III Net cash provided by (used in) financing activities:		
1 Net increase (decrease) in short-term loans payable	(7,004)	**1,924**
2 Net increase (decrease) in commercial paper	3,000	**(6,000)**
3 Proceeds from long-term loans payable	12,000	—
4 Repayment of long-term loans payable	(4,054)	**(4,645)**
5 Cash dividends paid to minority shareholders	(27)	**(11)**
6 Proceeds from sales of treasury stock	60	**112**
7 Purchase of treasury stock	(48)	**(13)**
8 Cash dividends paid	(6,267)	**(7,310)**
9 Other, net	(449)	**(411)**
Net cash provided by (used in) financing activities	(2,792)	**(16,355)**
IV Effect of exchange rate changes on cash and cash equivalents	34	**(1,539)**
V Net increase (decrease) in cash and cash equivalents	(29,745)	**13,010**
VI Cash and cash equivalents, beginning of year	46,157	**16,412**
VII Cash and cash equivalents, end of year	¥16,412	**¥29,423**

(5) Notes regarding Going Concern Assumptions
None

(6) Basis of Presentation for Consolidated Financial Statements
Except for the (7) Significant Changes in Basis of Presentation for Consolidated Financial Statements, there is no material change comparing with the description in the Annual Report for the year ended March 31, 2010, where the detail of significant accounting policies is available.

(7) Significant Changes in Basis for Preparation of Consolidated Financial Statements
(Changes in Accounting Policies)
From the current consolidated fiscal year, Kuraray applied the "Accounting Standard for Asset Retirement Obligation" (ASBJ Statement No. 18, March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligati880639ons" (ASBJ Guidance No. 21, March 31, 2008).
This change has had no significant impact on the Company's operating income and ordinary income in the current consolidated fiscal year. Income before income taxes and minority interests decreased ¥1,550 million.
Asset retirement obligations of overseas subsidiaries, which were included in "Other" under long-term liabilities until the previous fiscal year, are now shown in "Asset retirement obligations", with a view to improving comparability.

(Changes in Presentation Methods)
Consolidated Balance Sheets
Due to the application of the "Accounting Standard for Presentation of Comprehensive Income (ASBJ Statement No. 25, June 30, 2010), from the current consolidated fiscal year, unrecognized actuarial differences related to the retirement benefits of the US subsidiary, which had been included in retained earnings until the previous fiscal year, is included in "Pension liability adjustment" under accumulated other comprehensive income, with a view to improving clarity on disclosure. The amount of the relevant item for the previous consolidated fiscal year was ¥244 million (debtor balance).

Consolidated Statements of Income

From the current consolidated fiscal year, Kuraray applied the Cabinet Office Ordinance (Cabinet Office Ordinance No. 5, March 24, 2009) which partially revises regulation on the financial statements, etc. based on the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, December 26, 2008). As a result, an item of "Income before minority interest" is included in the consolidated statements of income.

(8) Supplemental Information

(Impact of the Application of "Accounting Standard for Presentation of Comprehensive Income")

From the current consolidated fiscal year, the Company applied the "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, June 30, 2010). However, the amounts of "Accumulated other comprehensive income" and "Total accumulated other comprehensive income" for the previous consolidated fiscal year are stated at the amounts of "Valuation and translation adjustments" and "Total valuation and translation adjustments."

(9) Notes to Consolidated Financial Statements
(Consolidated Statements of Comprehensive Income)

Fiscal 2010 (April 1, 2010 to March 31, 2011)

1. Comprehensive income for the fiscal year immediately prior to the current consolidated fiscal year

	(¥ million)
Comprehensive income attributable to owners of the parent	19,121
Comprehensive income attributable to minority interests	87
Total	19,209

2. Other comprehensive income for the fiscal year immediately prior to the current consolidated fiscal year

	(¥ million)
Valuation difference on available-for-sale securities	942
Deferred gain or losses on hedges	52
Foreign currency translation adjustments	1,765
Pension liability adjustment	45
Share of other comprehensive income of associates accounted for using equity method	0
Total	2,806

(Segment Information, etc.)

(Segment Information)

1. Segment Overview

The business segments reported by Kuraray are the business units for which the Company is able to obtain respective financial information separately in order for the Board of Directors to conduct periodic investigations to determine distribution of management resources and evaluate their business results.

Kuraray adopts an in-house company system where each in-house company develops business activities and establishes its own comprehensive strategy, both for Japan and for overseas markets, in accordance with the products it handles. In addition, among Kuraray subsidiaries, Kuraray Trading Co., Ltd. independently conducts propriety planning and sales activities, including the processing and sale of Kuraray products as well as other companies' products. Consequently, Kuraray has created four business segments for reporting —"Resins," "Chemicals," "Fibers and Textiles" and "Trading"—categorized by product group based on the respective in-house companies and trading segments.

The Resins segment manufacturers and markets functional resins and film, including PVA, PVB and *EVAL*. The Chemicals segment produces and sells methacrylic resin, isoprene-related products, *GENESTAR*, and medical products. The Fibers and Textiles segment manufactures and sells synthetic fibers and textiles, man-made leather, non-woven fabrics and others. The trading segment conducts processing and sales activities for synthetic fibers and man-made leather, and it conducts planning and marketing for the products produced by the Kuraray Group and other companies.

2. Calculation Methods for Business Segments' Reported Results

The accounting method applied to reported business segments is the same as that stated in "Significant Matters that Form the Basis for Preparation of Consolidated Financial Statements." Profits from reported segments are operating income, and inter-segment income and transfers are based on the prevailing markets prices.

3. Business Segments' Reported Results

Fiscal 2009 (April 1, 2009 to March 31, 2010)

(¥ million)

	Reporting Segment					Other Business[1]	Total	Adjustment[2]	Consolidated Financial Statements[3]
	Resins	Chemicals	Fibers and Textiles	Trading	Total				
Net sales (1) Outside customers	111,961	43,309	39,226	99,521	294,019	38,860	332,880	—	332,880
(2) Inter-segment sales and transfers	24,596	23,370	18,924	3,121	70,013	11,305	81,319	(81,319)	—
Total	136,558	66,680	58,151	102,643	364,032	50,166	414,199	(81,319)	332,880
Segment income (loss)	39,153	2,048	(2,819)	2,005	40,388	4,271	44,660	(14,208)	30,451
Segment assets	161,900	79,572	56,016	33,388	330,879	39,229	370,108	132,706	502,815
Other items Depreciation and amortization (other than goodwill)	14,834	7,881	7,129	38	29,884	2,018	31,902	2,108	34,010
Impairment loss	—	573	2,117	—	2,691	154	2,845	227	3,073
Amortization of goodwill	2,479	—	—	—	2,479	—	2,479	—	2,479
Balance of goodwill at the end of current period	17,941	—	—	—	17,941	—	17,941	—	17,941
Investments in associates accounted for using equity method	—	—	143	—	143	299	442	—	442
Increase in tangible fixed assets and intangible fixed assets	8,879	3,386	4,946	4	17,217	968	18,186	1,693	19,879

Notes:

1. The "Other Business" category incorporates operations not included in business segment reporting, including activated carbon, environmental business and engineering.
2. Adjustment is as follows: Included within segment income (loss) of ¥14,208 million is the elimination of inter-segment transactions of ¥536 million and corporate expenses of ¥14,745 million. Corporate expenses mainly comprise headquarters' general and administrative expenses and the submitting company's basic research expenses.
3. Segment income is adjusted with operating income under consolidated statements of income.
4. Adjustment is as follows: Included within segment assets of ¥132,706 million is the elimination of intersegment transactions of ¥23,253 million and corporate assets of ¥155,960 million.

Fiscal 2010 (April 1, 2010 to March 31, 2011)

(¥ million)

	Reporting Segments					Other Business[1]	Total	Adjustment[2]	Consolidated Financial Statements[3]
	Resins	Chemicals	Fibers and Textiles	Trading	Total				
Net sales (1) Outside customers	116,905	47,312	42,813	111,932	318,963	44,227	363,191	—	363,191
(2) Inter-segment sales and transfers	30,524	28,387	18,782	3,229	80,924	14,666	95,590	(95,590)	—
Total	147,429	75,700	61,595	115,161	399,887	58,894	458,782	(95,590)	363,191
Segment income (loss)	50,848	8,676	(221)	3,304	62,608	4,906	67,515	(14,419)	53,095
Segment assets	150,556	76,627	52,927	35,278	315,389	43,053	358,443	148,885	507,328
Other items Depreciation and amortization (other than goodwill)	14,778	6,556	6,069	31	27,436	1,979	29,415	2,063	31,478
Impairment loss	—	264	20	—	284	—	284	59	343
Amortization of goodwill	2,057	—	—	—	2,057	—	2,057	—	2,057
Balance of goodwill at the end of current period	12,725	—	—	—	12,725	—	12,725	—	12,725
Investments in equity method affiliates	—	—	104	—	104	330	434	—	434
Increase in tangible fixed assets and intangible fixed assets	8,709	6,183	2,558	28	17,479	1,665	19,145	1,413	20,558

Notes:

1. The "Other Business" category incorporates operations not included in business segment reporting, including activated carbon, environmental business and engineering.
2. Adjustment is as follows: Included within segment income (loss) of ¥14,419 million is the elimination of intersegment transactions of ¥52 million and corporate expenses of ¥14,472 million. Corporate expenses mainly comprise headquarters' general and administrative expenses and the submitting company's basic research expenses.
3. Segment income is adjusted with operating income under consolidated statements of income.
4. Adjustment is as follows: Included within segment assets of ¥148,885 million is the elimination of intersegment transactions of ¥27,940 million and corporate assets of ¥176,825 million.
5. From the current consolidated fiscal year, Kuraray applied the "Accounting Standard for Asset Retirement Obligation" (ASBJ Statement No. 18, March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21, March 31, 2008). This change has had no significant impact on each segment.

(Supplemental Information)

From the current consolidated fiscal year, Kuraray has applied the “Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Statement No. 17 of March 27, 2009) and “Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Guidance No. 20 of March 21, 2008).

(Related Information)

Fiscal year 2010 (April 1, 2010 to March 31, 2011)

1. Information of Each Product and Service

(¥ million)

	Resins	Chemicals	Fibers and Textiles	Other Business	Total
Net sales for outside customers	149,813	77,108	81,997	54,271	363,191

Notes:

Principal products of each segment are as follows:

Resins : Poval resin and film, *EVAL* resin and others.

Chemicals : *SEPTON* thermoplastic elastomer, isoprene chemicals, methacrylic resin, *GENESTAR* heat-resistant polyamide resin, medical products and others.

Fibers and textiles: Vinylon, *CLARINO* man-made leather, *KURAFLEX* non-woven Fabrics, *MAGIC TAPE* hook and loop fasteners, polyeste and others.

Other Business : Activated carbon, environmental business and engineering and others.

2. Performance by Geographical Segment

(1) Net Sales (¥ million)

Japan	North America	Europe	Asia	Other area	Total
181,826	23,817	62,870	85,105	9,570	363,191

(2) Tangible fixed assets (¥ million)

Japan	United States	Other overseas	Total
105,538	18,456	21,244	145,238

3 Major Customers

No information is available as there is no single outside customer accounting for 10% or more of the Company's total net sales.

Per share information

(Unaudited)

Kuraray Co., Ltd. and its Consolidated Subsidiaries

Years ended March 31, 2010 and 2011	Fiscal 2009 Yen	Fiscal 2010 Yen	*Fiscal 2010* *U.S. dollars*
Net assets per share	961.24	**985.22**	***11.87***
Basic net income per share	46.86	**82.55**	***0.99***
Diluted net income per share	46.81	**82.40**	***0.99***

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

	Fiscal 2009 (From April 1, 2009 to March 31, 2010)	Fiscal 2010 (From April 1, 2010 to March 31, 2011)	
	Millions of yen	Millions of yen	Thousands of US. dollars
Basic net income per share			
Net income	16,315	28,742	346,289
Net income unallocated to common stock	—	—	—
Net income allocated to common stock	16,315	28,742	346289
Average number of common stock outstanding during the fiscal year (thounsands shares)	348,203	348,174	
Diluted net income per share			
Adjustment made on net income	—	—	
Increase of common stocks (thousands shares)	264	654	
(New subscription rights to shares (thousands shares))	(264)	(654)	
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.	—	—	

(Significant Subsequent Information)

(Transactions under Common Control)

Based on the resolution of the Board of Directors' Meeting held on January 28, 2011, the Company succeeded a part of the business of Kuraray Medical Inc. (hereinafter "Kuraray Medical"), a wholly-owned consolidated subsidiary through the corporate divestiture method, effective on April 1, 2011.

1. Name and description of the business, legal form of the business combination, name of the company after combination and outline of transactions including their purposes

(1) Name and description of the business and outline of transactions including their purposes

The Company succeeded the entire assets, liabilities, rights and obligations (including those related to the artificial bone graft business) except for those related to dental materials of Kuraray Medical, its wholly-owned consolidated subsidiary, with the aim to enhance Kuraray Medical's flexibility and competitiveness as an operating company specializing in the dental materials business

(2) Name of the company after the combination

Kuraray Co., Ltd.

(3) Legal form of business combination

The business combination was conducted in the form of an absorption-type split, with the Company being the successor.

2. Summary of accounting method implemented

The absorption-type split was treated as transactions under common control; all were eliminated completely as intra-company transactions. Therefore, the accounting treatment had no impact on the consolidated financial statements.

(Business Combination through Acquisition)

On January 28, 2011, Kuraray Co., Ltd. (hereinafter "Kuraray"), a 100% owner of Kuraray Medical Inc. (hereinafter "Kuraray Medical"), and NORITAKE CO., LIMITED (hereinafter "NORITAKE"), a 100% owner of Noritake Dental Supply Co., Limited (hereinafter "Noritake Dental") signed a basic agreement regarding the integration of the dental materials businesses of their respective wholly owned subsidiaries, with the aim of generating a

synergy effect from the establishment of a business alliance in the areas of development, production and sales in order to increase their market presence both in Japan and overseas.
Under the basic agreement, Kuraray and NORITAKE established a joint holding company on April 13, 2011, with Kuraray Medical and Noritake Dental becoming wholly-owned subsidiaries of the holding company. Under the holding company, the two subsidiaries are expected to enhance the partnership in the dental materials business. The three companies – the holding company, Kuraray Medial and Noritake Dental are planned to integrate on April 1, 2012.

1. Name and description of business of acquired company, date of business combination, legal form of business combination, name of the company after combination, percentage of voting rights acquired and major reasons for the decision on acquiring the company

(1) Name and description of business of acquired company

Name of acquired company	Noritake Dental Supply Co., Limited
Description of business of acquired company	Development, production and sales of ceramics for crowns, dental plaster and CAD/CAM devices

(2) Date of business combination
April 13, 2011

(3) Legal form of business combination
Establishment of an intermediate holding company through a joint share transfer

(4) Name of the company after the combination
Kuraray Noritake Dental Holdings Co., Ltd. (hereinafter "Holdings")

(5) Percentage of voting rights acquired
The percentage of parent companies' voting rights in the Holdings is as follows.

Kuraray	66.7%
NORITAKE	33.3%

(6) Major reasons for the decision on acquiring the company
As Kuraray, the shareholder of Kuraray Medical holds a majority of voting rights in the holding company (Holdings), the company is deemed as an

acquiring company, and Noritake Dental an acquired company from the standpoint of accounting for business combinations.

2. Acquisition costs of the acquired company and their breakdown

	(¥ million)
Acquisition value	2,250
Expenses directly required for acquisition	—
Total	2,250

3. Transfer ratios by share class, their calculation method, the number of shares allotted and their estimated value

(1) Transfer ratios by share class

0.83375 Holdings common stock was allotted per each (1.0) Kuraray Medical common stock, and 0.208125 Holdings common stock was allotted per each (1.0) Noritake Dental common stock.

(2) Calculation method for share transfer ratios

In calculating share transfer ratios, the comparable company method was employed for the estimation of share value. The value was determined after due consideration between relevant parties.

(3) The number of shares allotted and their estimated value

The number of shares exchanged	333 shares
Estimated value	¥2,250 million

4. Amount of goodwill recognized, generating factors and method and period for amortization of the goodwill

(1) Amount of goodwill ¥1,483 million

(2) Generation of factors of goodwill

The total net asset value of the acquired company as at the business combination was lower than the cost of acquisition, therefore the difference was recognized as goodwill.

(3) Method and period for amortization of goodwill

The goodwill will be amortized over 15 years using a straight-line method.

5. The amounts and breakdown of allocated assets and assumed liabilities on the date of business combination

(1) Assets

	(¥ million)
Current assets	784
Fixed assets	271
Total assets	1,055

(2) Liabilities

	(¥ million)
Current liabilities	276
Long-term liabilities	13
Total Liabilities	289

(Omission of Disclosure)

Disclosure of Non-consolidated Financial Statements and the notes related to the following items is omitted, as considered to be no great necessity for disclosing such items for earnings report.

- -Notes to consolidated balance sheets, consolidated statements of income, consolidated statements of changes in net assets and consolidated statements of cash flows
- -Notes to lease transactions
- -Notes to financial instruments
- -Notes to investment securities
- -Notes to derivatives transactions
- -Notes to retirement benefits
- -Notes to stock options
- -Notes to tax effect accounting
- -Notes to asset retirement obligation

5. Reference Information (Appendix for geographical segment information)
Fiscal 2010 (April 1, 2010 to March 31, 2011)

(¥ million)

	Japan	North America	Europe	Asia	Total	Eliminated on consolidation and corporate	Consolidated total
Net sales (1) Outside customers	261,363	25,770	57,944	18,112	363,191	—	363,191
(2) Inter-segment sales and transfers	26,611	6,329	3,799	4,037	40,778	(40,778)	—
Total	287,974	32,100	61,743	22,150	403,969	(40,778)	363,191
Operating income	58,799	4,358	4,391	336	67,886	(14,791)	53,095

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.…..The United States
   (2)Europe…………...Germany, Belgium
   (3)Asia………………Singapore, Hong Kong, China
3. The above reference information has not been audited by the independent auditors.