

To Our Shareholders

Message from the President



In this environment, the Kuraray Group actively implemented the business directives of the new GS-21 medium-term business plan launched in April 2006, expanded business operations in optics and other new growth fields, began realizing the contribution to sales from new facilities investment in our core businesses, and successfully made progress in integrating the higher raw materials prices into our product prices.

Our efforts enabled us to overcome the impact of the steep price increases for raw materials and fuels and post company records in sales and profits while extending the growth in both categories to five consecutive years. In fiscal 2006, Kuraray achieved net sales of ¥385.3 billion, operating income of ¥40.2 billion, and net income of ¥22.4 billion.

We will endeavor to make fiscal 2007, the second year of the GS-21 medium-term business plan, a year of steady progress toward achieving the targets of the plan. We intend to boldly address important issues such as dealing with the high raw materials and fuel prices, reaping concrete benefits from capital investment, ensuring that development themes contribute to earnings growth, and improving management efficiency. We have set a fiscal 2007 goal of attaining ¥415.0 billion in net sales, ¥45.0 billion in operating income, and ¥24.0 billion in net income as a key step to fulfilling our commitment to achieving the

The business climate remained generally favorable in Japan during the fiscal year under review, ended March 31, 2007, as corporate earnings continued improving and capital investment continued to rise. Several uncertain factors persisted however, including high raw material and fuel prices and concern of a slowing of the United States economy.

GS-21 fiscal 2008 targets of ¥450.0 billion in net sales and ¥50.0 billion in operating income.

Furthermore, Kuraray has revised its policy regarding distribution of profits to shareholders. We are targeting a dividend payout ratio of 30% or more of consolidated net income and aiming to increase returns to shareholders through continuous improvements in performance. Under the GS-21 medium-term business plan, Kuraray aims to improve capital efficiency by targeting a shareholder return (defined as the sum of dividends paid and share buybacks) of 70% over the plan's three fiscal years (2006–2008). Based on these fundamental policies, Kuraray distributed a year-end dividend of ¥10.0 for the fiscal year ended March 31, 2007. Combined with the interim dividend, this raised the total dividend for the fiscal year to ¥18.5 per share, an increase of ¥3.5 from the previous fiscal year.

We extend our sincere gratitude to all shareholders for their continued understanding and support.

August 2007

A handwritten signature in black ink that reads "Y. Wakui". The signature is written in a cursive, flowing style.

Yasuaki Wakui

Representative Director and President