

TO OUR SHAREHOLDERS



The business environment in our 129th fiscal term (from April 1, 2009, to March 31, 2010) included a measured recovery from the worldwide economic recession triggered by the collapse of Lehman Brothers Holdings, but continued to be unpredictable on the whole. Demand for Kuraray products is rebounding overall, but the degree of improvement varies widely by business and regional segment.

Faced with an extremely rapid deterioration in business conditions in fiscal 2009, our management strategies focused on “bolstering defenses” and “lowering the break-even point to match the low operating rate.” Measures implemented throughout the Group to improve the profit structure ranged from steep cuts in expenses and inventories to strict streamlining of capital investment and personnel expenses.

Consolidated net sales in fiscal 2009 declined 11.7% year on year to ¥332.9 billion due to stagnant demand and the strong yen. Despite this decline in sales, we achieved a higher consolidated profit, with operating income increasing 4.0% to ¥30.5 billion, ordinary income growing 7.9% to ¥28.9 billion, and net income rising 25.7% to ¥16.3 billion, as a result of the aforementioned measures. Income in each category exceeded our initial performance forecasts for the year even though net sales fell short of expectations.

Although we made significant progress in improving the profit structure, our performance still has not recovered to the level prior to the Lehman shock. Thus, in fiscal 2010, we will continue to advance the policy of the “GS-Twins” Medium-term Action

Plan (for the fiscal 2009-2011 period) to strengthen the profit structure at every level of the Company while aggressively implementing strategies for business expansion and growth. Through such efforts, we aim to achieve the performance targets of ¥360.0 billion in net sales, ¥43.0 billion in operating income, ¥41.0 billion in ordinary income, and ¥24.0 billion in net income in fiscal 2010. We believe that the aggressive implementation of growth strategies will also enable us to achieve our goal of ¥50.0 billion in operating income in fiscal 2011, the final year of the “GS-Twins” Medium-term Action Plan, and realize sustainable growth, as outlined in our “10-Year Corporate Vision.”

Profit distribution to shareholders is a top management priority at Kuraray. Our aim is to maintain a dividend payout ratio of 30% or more of consolidated net income, and to raise the dividend payout by improving our business performance.

The Company plans to distribute dividends of ¥8 per share at the end of fiscal 2009. The annual dividend payment, including interim dividends, will therefore amount to ¥16 per share, producing a dividend payout ratio of 34.1% for fiscal 2009.

In fiscal 2010, the Company plans to increase the annual dividend payment by ¥8, to ¥24 per share. Based on our target of ¥24.0 billion in net income for the year, this will raise the dividend payout ratio to 34.8% in fiscal 2010.

We are grateful to our shareholders for their continuing understanding and generous support.