Q How would you summarize the business environment and Kuraray's activities in fiscal 2009 (ended March 31, 2010)?

Facing severe conditions that happen only once in 100 years, we bolstered our "defenses" and revamped our profit structure. Through these efforts, we were able to halt the downward trend in earning and regain profitability.

Within six months of the collapse of Lehman Brothers Holdings, our sales had fallen by 20-30%. The yen was simultaneously gaining strength in the foreign exchange markets, and it appreciated by about 25% against the euro and 20% against the U.S. dollar compared to the fiscal year before the Lehman Brothers bankruptcy. The impact was substantial, as our overseas sales revenue fell by roughly ¥30 billion. The double impact of slumping demand and the stronger yen created an unprecedented crisis, the kind that occurs only once in a century.

Under such conditions, the first priority of management is to implement measures to improve profitability. Our goal during the year was to reform the profit structure with emphasis on "bolstering our defenses" and "lowering the breakeven point to match the lower operating rate" to ensure profitability even if sales were just 70% of the normal level. Measures initiated to improve the profit structure included rationalizing production capacity, reducing fixed costs, and enforcing production cutbacks to lower inventory levels. Such measures proved effective, as the Company raised operating income over the previous fiscal year's level, to ¥30.5 billion in fiscal 2009, even as net sales fell to ¥332.9 billion. Management must remain vigilant, but our business performance has bottomed out. We are now emerging from a "defensive" period of protecting profits to an "offensive" era of dynamic business expansion.

"KURARAY is EMERGING from a "DEFENSIVE" PERIOD of PROTECTING PROFITS to an "OFFENSIVE" ERA CHARACTERIZED by DYNAMIC BUSINESS EXPANSION."

How will Kuraray stage an "offensive" in fiscal 2010?

We will accelerate implementation of the global strategy for the core vinyl acetate-related businesses, and continue to actively create new businesses.

Having successfully improved the profit structure in fiscal 2009, management will now begin implementing aggressive measures to expand earnings. In fiscal 2010, we will accelerate implementation of the global strategy for the core vinyl acetate-related businesses with the aim of maintaining Kuraray's position as the global leader in poval, PVB (polyvinyl butyral), and *EVAL* resins and films, and will continue to steadily expand operations of other businesses by developing new applications that provide effective solutions to meet customer needs.

The fundamental global strategy for the vinyl acetate-related businesses is to identify the specific demands in each of four regions—Japan, the United States, Europe, and Asia—and we are considering expanding production facilities and pursuing advantageous M&As with local enterprises.

We also anticipate a strong performance by our *GENESTAR* heat-resistant resin business. We began shipping *GENESTAR* resins as a component for LED-backlit LCD TVs in the spring of 2009. Demand for LED-backlit LCD TVs has been growing rapidly in recent years, and we anticipate substantial growth in demand in fiscal 2010 for components using *GENESTAR* as LED-backlit LCD TVs move into the mainstream. The market share for LED-backlit LCD TVs is forecast to expand from the current 2-3% to around 25% of the LCD TV market in fiscal 2012. We expect *GENESTAR*'s contribution to earnings to grow in tandem with the burgeoning sales of TVs.

We believe creating and developing new businesses will also be essential to diversifying the Company's revenue sources. In 2010, Kuraray will launch a ¥5.0 billion construction project to expand the Niigata Plant facilities for mass production of its highly touted new acrylic thermoplastic elastomer, which is attracting widespread attention as a highly transparent and flexible "pliable acrylic."

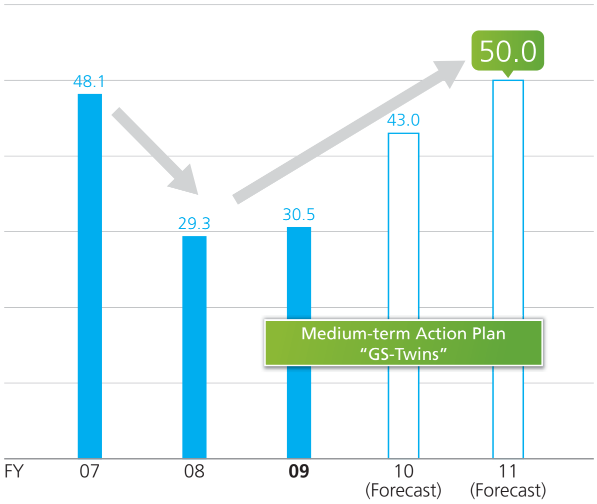
Q What is the Company's business plan for fiscal 2010 (ending March 31, 2011), and what are its medium- to long-term strategies for subsequent fiscal years?

In March 2012, the final year of the Medium-term Action Plan, we aim to achieve ¥50 billion in operating income.

In the future, we expect the decline in domestic demand to bottom out, enabling the achievement of sustained business growth through an expansion in exports in tandem with economic development in the emerging countries in Asia. Due to the volatility of the business conditions in recent years, we did not set quantitative earnings targets in the Medium-term Action Plan (fiscal year 2009 to 2011). However, now we have set the target of ¥50.0 billion in operating income for fiscal 2011, the final year of the three-year Medium-term Action Plan, and we are going to achieve this target. We have not set a specific target for net sales at this point, due to the instability in the foreign exchange market and other factors. However, we are still working to achieve net sales of ¥450 billion, which was the target of the previous plan. We view the Company's announced fiscal 2010 forecasts for net sales of ¥360.0 billion and operating income of ¥43.0 billion as passing points as we work to achieve even higher targets.

From fiscal 2012 onward, we will resume efforts to achieve the targets of our 10-Year Corporate Vision: net sales of ¥1 trillion, and a 15% operating margin. We believe the progress we have made in expanding existing businesses and developing new businesses, including commercialization of water treatment equipment and optical materials, has given us the ability to achieve close to ¥750.0 billion in net sales. We expect that contributions from commercialization of products currently in the research and development phase, as well as global business expansion through M&As and other measures centering on core businesses will put us into position to realistically aim for ¥1 trillion in net sales in fiscal 2018.

Targeting Operating Income of ¥50 Billion under "GS-Twins"



What is the Company's stance on shareholder return now that earnings are recovering so strongly?

We are firmly committed to maintaining a dividend payout ratio of 30% or more.

Under the "GS-21," the former Medium-term Business Plan (through fiscal 2008) we worked to achieve consolidated net income-based targets of a 30% or higher dividend payout ratio and a 70% or higher shareholder return ratio (including share buybacks).

Given the uncertain global economic conditions, we made a complete overhaul of the profit structure our top management priority. Accordingly, we are committed to maintaining a dividend payout ratio of 30% or more, and will take a cautious stance in buying back Company shares, giving adequate consideration to prevailing financial conditions. A substantial amount of funds will be needed to accelerate the global expansion of our core businesses, and to create and foster new businesses. When the Company regains financial flexibility, we will reexamine the dividend payment level and the advantages of buying back shares.