

The following section refers to the consolidated financial statements of the Kuraray Group for fiscal 2009 (from April 1, 2009 to March 31, 2010).

BUSINESS ENVIRONMENT

The operating environment in the fiscal year ended March 31, 2010 remained unpredictable, though the global economy is showing signs of 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 has 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 expenditures and slash inventories.

SALES

Consolidated net sales for the fiscal year ended March 31, 2010 (April 1, 2009 - March 31, 2010) decreased ¥43,897 million (\$472 million), or 11.7%, compared with the previous fiscal year to ¥332,880 million (\$3,579 million), affected by the stagnating

demand and the yen's appreciation. On the other hand, operating income increased ¥1,171 million (\$12 million), or 4.0%, to ¥30,451 million (\$327 million), while ordinary income increased ¥2,128 million (\$22 million), or 7.9%, to ¥28,925 million (\$311 million), and net income increased ¥3,331 million (\$35 million), or 25.7%, to ¥16,315 million (\$175 million).

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.

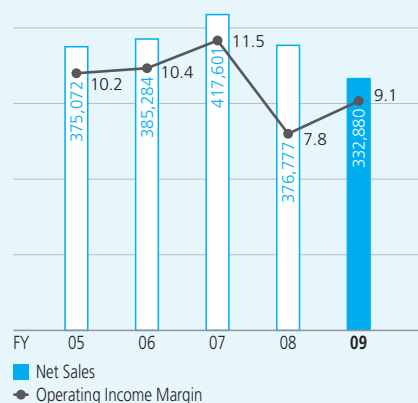
Results by Business Segment

Chemicals and Resins

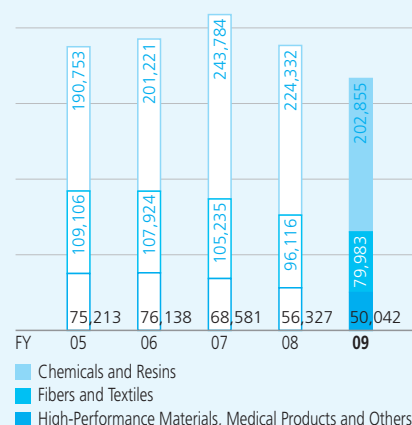
All businesses in the Chemicals and Resins segment rebounded steadily in Asian markets, including China. Although Europe and the United States remained sluggish during the first part of the period under review, they also showed gradual recovery in the latter part. As a result, sales were ¥202,855 million (\$2,181 million), down 9.6% year on year, and operating income totaled ¥42,963 million (\$461 million), up 15.9%.

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

Net Sales & Operating Income Margin ¥ Million, %



Net Sales by Business Segment ¥ Million



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 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.

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.

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 signboards in Japan.

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 (\$860 million),

resulting in an operating loss of ¥1,736 million (\$18 million).

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.

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.

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.

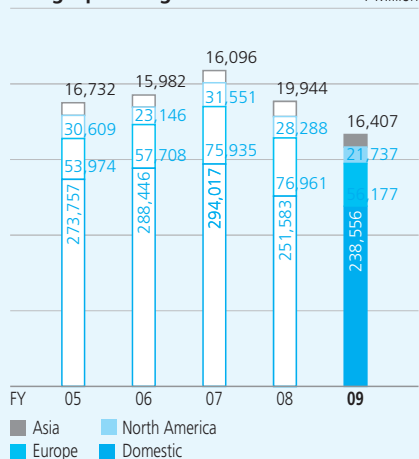
VECTRAN high-strength polyarylate fibers generally remained weak. Restructuring is under way in this business where demand for main applications such as ropes is experiencing a particularly severe downturn.

High-Performance Materials, Medical Products and Others

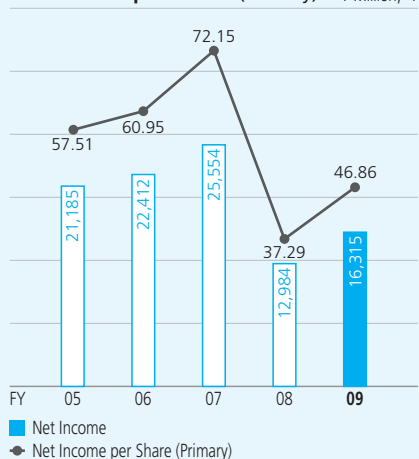
Sales in this segment declined 11.2% year on year to ¥50,042 million (\$538 million), and operating income slipped 3.1% to ¥4,238 million (\$45 million).

In the medical products business, dental materials sales remained solid thanks to reinforced sales organizations in the United States and

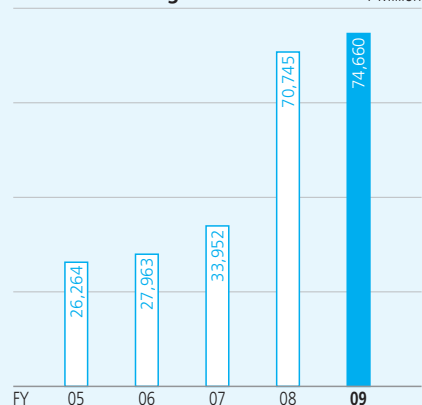
Net Sales by Geographic Segment ¥ Million



Net Income & Net Income per Share (Primary) ¥ Million, ¥



Interest-Bearing Debt ¥ Million



Europe, along with brisk demand for new composite resins. In October 2009, business rights of the therapeutic apheresis device business was transferred to Kawasumi Laboratories, Incorporated.

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.

The activated carbon business and other businesses remained steady.

Corporate operating expenses included in the "Elimination on consolidation and corporate" account increased ¥2,069 million (\$22 million) to ¥15,391 million (\$165 million).

Performance by Geographic Segment

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 the fibers and textiles business, including *CLARINO*, remained slow. As a result, sales fell to ¥238,556 million (\$2,565 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 (\$233 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 (\$604 million).

Asia

There was an upswing in poval resin sales, but sales dropped to ¥16,407 million (\$176 million), reflecting a pronounced slump in the first part of the period under review.

OPERATING AND NET INCOME

Cost of sales decreased 14.0% to ¥237,198 million (\$2,550 million), and decreased as a percentage of sales to 71.3%, from the previous fiscal year's 73.2%. Selling, general, and administrative (SG&A) expenses decreased 8.9% to ¥65,230 million (\$701 million), up 0.6 percentage point year-on-year to 19.6% as a percentage of sales, despite cost-cutting efforts. As a result, operating income increased 4.0% to ¥30,451 million (\$327 million). Operating margin improved to 9.1% from 7.8% in fiscal 2008.

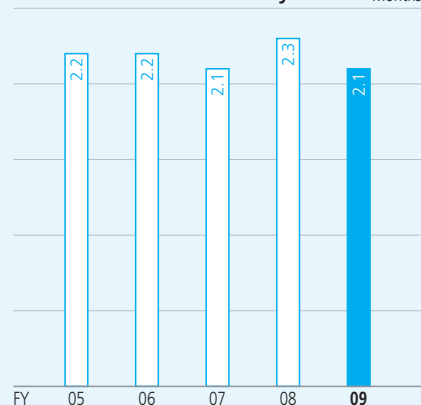
The Company recorded a total extraordinary loss of ¥6,500 million (\$69 million) for the year, which included a ¥1,834 million (\$19 million) extraordinary loss related to structural reform. The amount represents a substantial decrease from the total extraordinary loss of ¥8,538 million (\$91 million) in fiscal 2008, which included special operating losses of ¥3,994 million (\$42 million) and a ¥1,153 million (\$12 million) loss on valuation of inventories.

These and other factors contributed to an increase in income before taxes and minority interest of 18.2% to ¥23,082 million (\$248 million). Taxes for the period came to ¥6,680 million (\$71 million), yielding an effective tax rate of 28.9%. Net income was up 25.7% to ¥16,315 million (\$175 million).

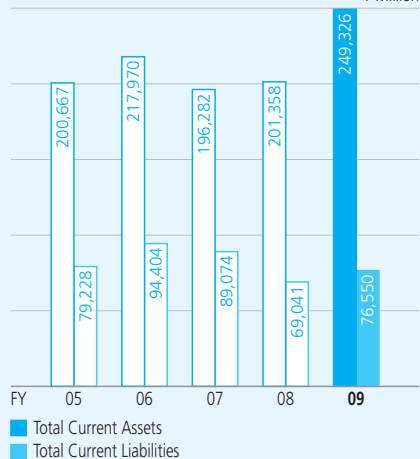
FINANCIAL POSITION

As of March 31, 2010, cash and cash equivalents decreased ¥29,745 million (\$319 million) to ¥16,412 million (\$176 million). Notes and accounts

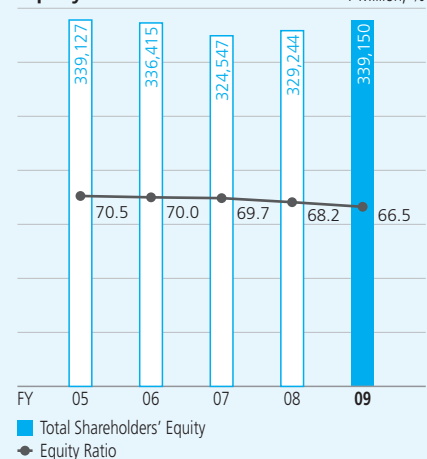
Number of Months' Sales in Inventory Months



Total Current Assets & Total Current Liabilities ¥ Million



Total Shareholders' Equity & Equity Ratio ¥ Million, %



receivable increased ¥9,372 million (\$100 million) to ¥75,923 million (\$816 million). Lastly, inventories (merchandise and finished goods, work-in-progress, and raw materials and supplies) decreased ¥15,707 million (\$168 million) to ¥57,845 million (\$621 million), and the number of months' sales in inventory was 2.1 months. As a result of these and other factors, current assets rose 23.8% to ¥249,326 million (\$2,680 million).

Working capital (current assets less current liabilities) increased ¥40,459 million (\$435 million) to ¥172,776 million (\$1,857 million). The current ratio (current assets divided by current liabilities) rose to 325.7% from fiscal 2008's 291.6%. Tangible fixed assets decreased ¥17,311 million (\$186 million) or 9.6% to ¥163,709 million (\$1,760 million). This included factors such as a decrease in machinery and equipment, of ¥6,366 million (\$68 million), to ¥96,170 million (\$1,034 million) and a fall in construction-in-progress, of ¥9,627 million (\$103 million), to ¥11,560 million (\$124 million). Investments and other assets grew by ¥2,015 million (\$21 million) to ¥67,989 million (\$731 million). Total assets increased ¥30,941 million (\$332 million) to ¥502,815 million (\$5,406 million), and return on assets (operating income divided by average total assets for the period) was up 0.1%, from last year to 6.2%.

Current liabilities increased ¥7,509 million (\$80 million) to ¥76,550 million (\$823 million), due primarily to an increase of ¥3,797 million (\$40 million), to ¥27,235 million (\$292 million) in notes and accounts payable.

Noncurrent liabilities increased ¥10,630 million (\$114 million) to ¥88,446 million (\$951 million). Factors for the increase included an increase in long-term loans payable of ¥7,222 million (\$77 million), to ¥46,502 million (\$500 million), and an increase in provision for retirement benefits of ¥315 million (\$3 million), to ¥14,248 million (\$153 million). Lastly regarding net assets, from fiscal 2006 onward,

Japanese accounting standards require presentation of net assets instead of shareholders' equity.

Net assets increased ¥12,802 million (\$137 million) to ¥337,818 million (\$3,632 million). Subtracting minority interests of ¥3,048 million (\$32 million) to yield shareholders' equity of ¥334,584 million (\$3,597 million), the equity ratio for the period was 66.5%, down 1.7% from fiscal 2008.

CASH FLOWS

Net cash provided by (used in) operating activities

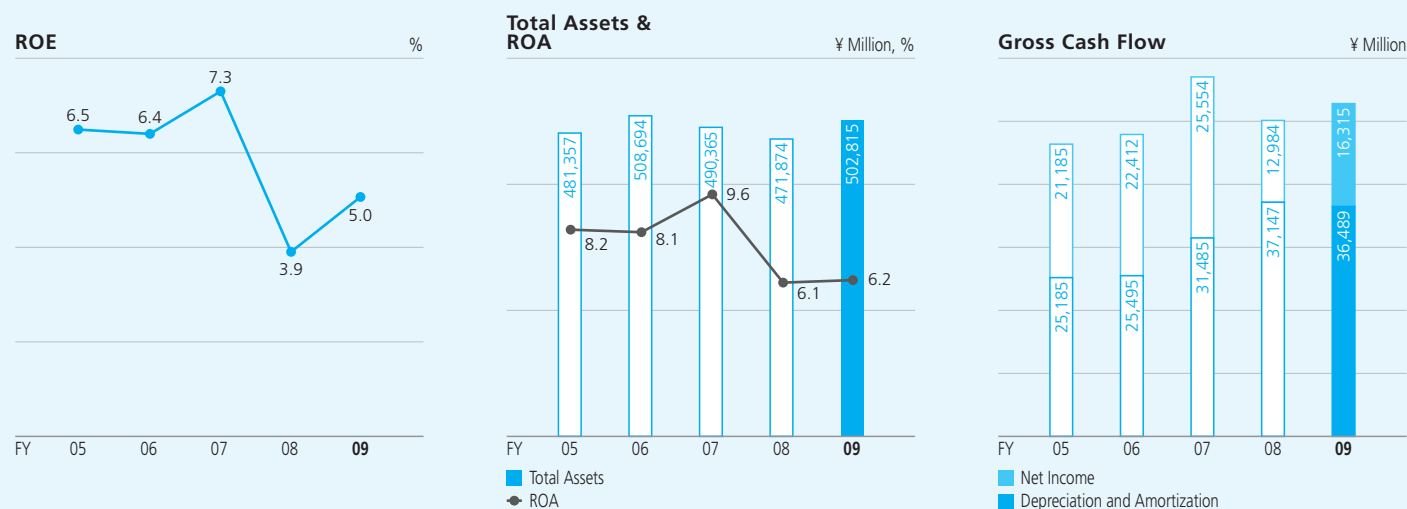
Net cash provided by operating activities increased ¥33,618 million (\$361 million) to ¥80,538 million (\$866 million) compared with the previous fiscal year. Major components included proceeds of income before income taxes and minority interests of ¥23,082 million (\$248 million), depreciation and amortization of ¥36,489 million (\$392 million), and a decrease in inventories of ¥16,031 million (\$172 million). Net cash used in operating activities included an increase in notes and accounts receivable-trade of ¥9,044 million (\$97 million).

Net cash provided by (used in) investing activities

Net cash used in investing activities amounted to ¥107,525 million (\$1,156 million). Major components included a net increase in short-term investment securities of ¥72,972 million (\$784 million) and the purchase of intangible and tangible fixed assets worth ¥21,639 million (\$232 million).

Net cash provided by (used in) financing activities

Net cash used in financing activities amounted to ¥2,792 million (\$30 million). Major components included proceeds of ¥12,000 million (\$129 million) for long-term loans payable, a net decrease in



short-term loans payable of ¥7,004 million (\$75 million) and ¥6,267 million (\$67 million) in dividends paid. Consequently, as a result of a total of ¥29,779 million (\$320 million) in expenditures, cash and cash equivalents at the end of the fiscal year decreased ¥29,745 million (\$319 million) from the end of the previous fiscal year to ¥16,412 million (\$176 million).

CAPITAL EXPENDITURE

Capital investment by the Kuraray Group (Kuraray and consolidated subsidiaries) amounted to ¥19,879 million (\$213 million) in fiscal 2009, a decrease of ¥19,045 million (\$204 million) from the previous fiscal year. The decline primarily reflects the Group-wide effort placing urgent and top priority specifically on “reducing capital expenditures” as part of the three-year “GS-Twins” Medium-term Action Plan to rapidly recover from the significant damage to the Group’s earnings structure caused by the worldwide economic crisis.

By segment, capital investment amounted to ¥11,851 million (\$127 million) in the Chemicals and Resins segment, ¥4,946 million (\$53 million) in the Fibers and Textiles segment, ¥1,336 million (\$14 million) in the High-Performance Materials, Medical Products and Others segment. General (non-segment) capital investment amounted to ¥1,744 million (\$18 million).

OUTLOOK

We expect that our business will suffer from the impact of the higher prices of raw materials and fuel prices and further yen appreciation in the next fiscal year. Under such circumstances, we 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. In addition,

we will continue our current efforts 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 (\$3,870 million), operating income of ¥43 billion (\$462 million), ordinary income of ¥41 billion (\$440 million) and net income of ¥24 billion (\$2,580 million). We assume average exchange 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 commencement 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.

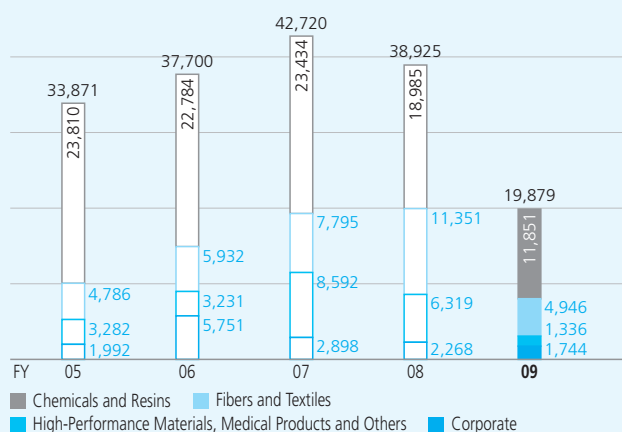
EVAL is expected to achieve significant growth in Asian markets, mainly for rapidly expanding automotive and food packaging applications in China, while recovery in Europe and the United States is also expected to gain momentum. Increase in demand for methacrylic resin and isoprene is expected in Asia. To cope with the higher prices of raw materials and fuel prices, we will be revising the 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 effects of the restructuring which is under way now. The mass production plant for the environment-friendly CLARINO started operation in autumn 2009, and marketing and sales of the product are expected to make progress.

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

Capital Expenditure by Business Segment

¥ Million



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.

1. Risks associated with changes in the 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, the market environment can undergo drastic changes as a result of the reversal 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 raw materials such as ethylene and other petrochemical products that are susceptible to the fluctuations in the price of crude oil and natural gas. In the procurement of these raw materials, there are risks that constraint of supply and violent fluctuations in demand could significantly impact our production costs and competitive conditions.

We are exposed to the risk 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.

2. 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 the halt of manufacturing operations for long periods.

3. 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 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 facilities, there are risks that major breach of legal compliance could interrupt our business activities.

4. 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 changes 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.

5. 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.

CONSOLIDATED BALANCE SHEETS

KURARAY CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES

March 31, 2009 and 2010	Millions of yen		Thousands of U.S. dollars
	Fiscal 2008	Fiscal 2009	Fiscal 2009
ASSETS			
I Current assets:			
1 Cash and deposits	¥ 37,527	¥ 28,991	\$ 311,741
2 Notes and accounts receivable - trade	66,551	75,923	816,378
3 Short-term investment securities	9,499	73,978	795,468
4 Merchandise and finished goods	51,294	38,829	417,519
5 Work-in-process	10,145	8,044	86,500
6 Raw materials and supplies	12,112	10,972	117,979
7 Deferred tax assets	5,493	5,824	62,633
8 Other	9,248	7,366	79,208
9 Allowance for doubtful accounts	(514)	(604)	(6,502)
Total current assets	201,358	249,326	2,680,927
II Noncurrent assets:			
1 Tangible fixed assets:			
(1) Buildings and structures (net) * ²	34,832	34,880	375,055
(2) Machinery, equipment and vehicles, net * ²	102,536	96,170	1,034,095
(3) Land * ²	18,918	18,230	196,024
(4) Construction in progress * ²	21,188	11,560	124,305
(5) Other (net) * ²	3,544	2,867	30,833
Total tangible fixed assets * ¹	181,020	163,709	1,760,315
2 Intangible fixed assets:			
(1) Goodwill	19,684	17,941	192,919
(2) Other	3,835	3,848	41,383
Total intangible fixed assets	23,520	21,790	234,303
3 Investments and other assets:			
(1) Investment securities * ^{3 and 5}	47,505	49,006	526,949
(2) Long-term loans receivable	983	1,279	13,754
(3) Prepaid pension cost	7,128	6,666	71,680
(4) Deferred tax assets	5,616	6,570	70,654
(5) Other	5,230	4,999	53,763
(6) Allowance for doubtful accounts	(490)	(532)	(5,730)
Total investments and other assets	65,974	67,989	731,071
Total noncurrent assets	270,515	253,489	2,725,690
TOTAL ASSETS	¥ 471,874	¥ 502,815	\$ 5,406,617

The accompanying notes are an integral part of the financial information.

March 31, 2009 and 2010

	Millions of yen		Thousands of U.S. dollars
	Fiscal 2008	Fiscal 2009	Fiscal 2009
LIABILITIES			
I Current liabilities:			
1 Notes and accounts payable-trade	¥ 23,438	¥ 27,235	\$ 292,855
2 Short-term loans payable	18,464	12,158	130,735
3 Commercial papers	3,000	6,000	64,516
4 Accrued expenses	4,529	5,653	60,791
5 Income taxes payable	684	6,038	64,932
6 Provision for bonuses	5,753	6,129	65,908
7 Other provision	377	138	1,486
8 Other	12,793	13,196	141,897
Total current liabilities	69,041	76,550	823,122
II Noncurrent liabilities:			
1 Bonds payable	10,000	10,000	107,526
2 Long-term loans payable	39,280	46,502	500,029
3 Deferred tax liabilities	5,318	5,524	59,397
4 Provision for retirement benefits	13,933	14,248	153,207
5 Provision for directors' retirement benefits	171	167	1,802
6 Provision for environmental measures	—	1,275	13,718
7 Other	9,112	10,727	115,351
Total noncurrent liabilities	77,816	88,446	951,033
TOTAL LIABILITIES	146,858	164,996	1,774,156
NET ASSETS			
I Shareholders' equity:			
1 Capital stock	88,955	88,955	956,509
2 Capital surplus	87,215	87,192	937,550
3 Retained earnings	193,977	204,070	2,194,311
4 Treasury stock	(40,903)	(41,068)	(441,595)
Total shareholders' equity	329,244	339,150	3,646,775
II Valuation and translation adjustments			
1 Valuation difference on available-for-sale securities	2,825	3,767	40,512
2 Deferred gains or losses on hedges	(156)	(103)	(1,118)
3 Foreign currency translation adjustment	(9,995)	(8,230)	(88,496)
Total valuation and translation adjustments	(7,326)	(4,566)	(49,101)
III Subscription rights to shares			
	109	186	2,005
IV Minority interests			
	2,988	3,048	32,782
TOTAL NET ASSETS	325,016	337,818	3,632,461
TOTAL LIABILITIES AND NET ASSETS	¥ 471,874	¥ 502,815	\$ 5,406,617

The accompanying notes are an integral part of the financial information.

CONSOLIDATED STATEMENTS of INCOME

KURARAY CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES

Years ended March 31, 2009 and 2010	Millions of yen		Thousands of U.S. dollars
	Fiscal 2008	Fiscal 2009	Fiscal 2009
I Net sales	¥ 376,777	¥ 332,880	\$ 3,579,359
II Cost of sales *2	275,912	237,198	2,550,520
Gross profit	100,865	95,682	1,028,839
III Selling, general and administrative expenses:			
1 Selling expenses	19,964	17,389	186,980
2 General and administrative expenses *2	51,620	47,841	514,426
Total Selling, general and administrative expenses *1	71,585	65,230	701,407
Operating income	29,280	30,451	327,432
IV Non-operating income:			
1 Interest income	463	407	4,383
2 Dividends income	2,010	1,553	16,700
3 Equity in earnings of affiliates	—	39	423
4 Rent income	283	334	3,595
5 Other	650	664	7,146
Total non-operating income	3,407	2,999	32,248
V Non-operating expenses:			
1 Interest expenses	1,259	1,364	14,676
2 Equity in loss of affiliates	13	—	—
3 Personnel expenses for seconded employees	608	585	6,297
4 Other	4,008	2,573	27,676
Total non-operating expenses	5,890	4,524	48,650
Ordinary income	26,797	28,925	311,030
VI Extraordinary income:			
1 Gain on transfer of business *3	—	657	7,073
2 Gain on sales of investment securities *4	1,264	—	—
Total extraordinary income	1,264	657	7,073
VII Extraordinary loss:			
1 Impairment loss *5	1,473	3,073	33,043
2 Business structure improvement losses *6	350	1,834	19,721
3 Provision for environmental measures	—	1,275	13,718
4 Loss on valuation of investment securities *7	1,382	174	1,877
5 Loss on sales of tangible fixed assets *8	—	143	1,540
6 Special operating losses *9	3,994	—	—
7 Loss on valuation of inventories	1,153	—	—
8 Loss on disposal of tangible fixed assets *10	185	—	—
Total extraordinary loss	8,538	6,500	69,901
Income before taxes and minority interests	19,523	23,082	248,203
Income taxes - current	4,632	8,356	89,851
Income taxes - deferred	1,756	(1,676)	(18,023)
Total income taxes	6,388	6,680	71,828
Minority interests	149	87	936
Net income	¥ 12,984	¥ 16,315	\$ 175,438

The accompanying notes are an integral part of the financial information.

CONSOLIDATED STATEMENTS of CHANGES in NET ASSETS

KURARAY CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES

Fiscal 2008 (As of March 31, 2009)	Millions of yen				
	Shareholders' equity				
	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

Fiscal 2008 (As of March 31, 2009)	Millions of yen						
	Valuation and translation adjustments				Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Total valuation and translation adjustments			
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

KURARAY CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES

Fiscal 2009 (As of March 31, 2010)	Millions of yen				
	Shareholders' equity				
	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

Fiscal 2009 (As of March 31, 2010)	Millions of yen						
	Valuation and translation adjustments				Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Total valuation and translation adjustments			
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

Fiscal 2009 (As of March 31, 2010)	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

Fiscal 2009 (As of March 31, 2010)	Thousands of U.S. dollars						
	Valuation and translation adjustments				Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Total valuation and translation adjustments			
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

KURARAY CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES

Years ended March 31, 2009 and 2010	Millions of yen		Thousands of U.S. dollars
	Fiscal 2008	Fiscal 2009	Fiscal 2009
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 an integral part of the financial information.

SEGMENT INFORMATION

KURARAY CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES

Industry segment information

Fiscal 2008 (From April 1, 2008 to March 31, 2009)	Millions of yen					
	Chemicals and resins	Fibers and textiles	High performance materials, medical products and others	Total	Eliminated on consolidation and corporate	Consolidated total
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

Fiscal 2009 (From April 1, 2009 to March 31, 2010)	Millions of yen					
	Chemicals and resins	Fibers and textiles	High performance materials, medical products and others	Total	Eliminated on consolidation and corporate	Consolidated total
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

Fiscal 2009 (From April 1, 2009 to March 31, 2010)	Thousands of U.S. dollars					
	Chemicals and resins	Fibers and textiles	High performance materials, medical products and others	Total	Eliminated on consolidation and corporate	Consolidated total
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. Industry segments above are split based upon for the classification of sales.

2. Principal products of each Industry segment.

(1) Chemicals and resins Poval resin and film, PVB resin and film, EVOH resin *EVVAL*, 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 totalled ¥13,322 million and ¥15,391 million (165,504 thousands 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" account 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. For the fiscal year ended March 31, 2010, 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" account.

Assets in each respective segment decreased by the same amount.

Geographic segment information

Fiscal 2008 (From April 1, 2008 to March 31, 2009)	Millions of yen						Eliminated on consolidation and corporate	Consolidated total
	Japan	North America	Europe	Asia	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

Fiscal 2009 (From April 1, 2009 to March 31, 2010)	Millions of yen						Eliminated on consolidation and corporate	Consolidated total
	Japan	North America	Europe	Asia	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

Fiscal 2009 (From April 1, 2009 to March 31, 2010)	Thousands of U.S. dollars						Eliminated on consolidation and corporate	Consolidated total
	Japan	North America	Europe	Asia	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" account is the same as in "Note 3" of the "Industry segment."

4. Corporate assets included in the "Eliminated on consolidation and corporate" account are the same as in "Note 4" of the "Industry segment."

5. For the fiscal year ended March 31, 2010, 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" account.

Assets in each respective segment decreased by the same amount.

OVERSEAS SALES

KURARAY CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES

Fiscal 2008 (From April 1, 2008 to 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%

Fiscal 2009 (From April 1, 2009 to 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%

Fiscal 2009 (From April 1, 2009 to 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.

NOTES to CONSOLIDATED FINANCIAL STATEMENTS

KURARAY CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES / YEARS ENDED MARCH 31, 2010 AND 2009

(1) SIGNIFICANT ACCOUNTING POLICIES

Fiscal 2008 (From April 1, 2008 to March 31, 2009)	Fiscal 2009 (From April 1, 2009 to March 31, 2010)
<p>1. Basis of presenting consolidated financial statements: The accompanying consolidated financial statements of Kuraray Co., Ltd. (the "Company") and its consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects to application and disclosure requirements of International Financial Reporting Standards, and are filed with the Japanese Ministry of Finance (the "MOF") as required by the Financial Instruments and Exchange Law of Japan. The accompanying consolidated financial statements are translation of those filed with the MOF.</p> <p>Each amount of the consolidated financial statements and notes is rounded down to the nearest 1 million yen (in the case of the translation into U.S. dollars, they have been rounded down to the nearest 1 thousand dollars).</p> <p>The United States dollar amounts included herein are provided solely for convenience of readers outside Japan and are stated, at the rate of ¥98=\$1, the approximate exchange rate prevailing on March 31, 2009. The translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be, converted into United States dollars at this or any other rate.</p> <p>2. Scope of consolidation (1) Number of consolidated subsidiaries: 34 (Major consolidated subsidiaries) KURARAY TRADING Co., LTD., KURARAY CHEMICAL CO., LTD., KURARAY ENGINEERING CO., LTD., Kuraray Luminas Co., Ltd., Kuraray Medical Inc., Kuraray Plastics Co., Ltd., KURARAYLIVING CO., LTD., Kuraray Techno Co., Ltd., KURARAY BUSINESS SERVICE CO., LTD., KURARAYKURAFLEX CO., LTD., KURARAY FASTENING CO., LTD., OKAYAMA RINKOH CO., LTD., TECHNO SOFT CO., LTD., Kuraray Travel Service Corporation, KURARAY FUDOSAN CO., LTD., Kuraray Interior Co., Ltd., KurarayKiko Co., Ltd., KURARAY SAIJO CO., LTD., KURARAY TAMASHIMA COMPANY, LIMITED., Iruma Country Club Co., Ltd., Kyosei Chemical Co., Ltd., Kuraray Holdings U.S.A., Inc., Kuraray America, Inc., Kuraray Europe GmbH, EVAL Europe N.V., Kuraray Hong Kong Co., Ltd., Kuraray Asia Pacific Pte. Ltd., Kuraray (Shanghai) Co., Ltd., and other consolidated subsidiaries.</p> <p>Kuraray (Shanghai) Co., Ltd. and Kuraray Trading (Shanghai) Co., Ltd., which had been unconsolidated subsidiaries until the previous fiscal year, are consolidated from this fiscal year because they have become materially significant.</p>	<p>1. Basis of presenting consolidated financial statements: The accompanying consolidated financial statements of Kuraray Co., Ltd. (the "Company") and its consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects to application and disclosure requirements of International Financial Reporting Standards, and are filed with the Japanese Ministry of Finance (the "MOF") as required by the Financial Instruments and Exchange Law of Japan. The accompanying consolidated financial statements are translation of those filed with the MOF.</p> <p>Each amount of the consolidated financial statements and notes is rounded down to the nearest 1 million yen (in the case of the translation into U.S. dollars, they have been rounded down to the nearest 1 thousand dollars).</p> <p>The United States dollar amounts included herein are provided solely for convenience of readers outside Japan and are stated, at the rate of ¥93=\$1, the approximate exchange rate prevailing on March 31, 2010. The translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be, converted into United States dollars at this or any other rate.</p> <p>2. Scope of consolidation (1) Number of consolidated subsidiaries: 33 (Major consolidated subsidiaries) KURARAY TRADING Co., LTD., KURARAY CHEMICAL CO., LTD., KURARAY ENGINEERING CO., LTD., Kuraray Medical Inc., Kuraray Plastics Co., Ltd., KURARAYLIVING CO., LTD., Kuraray Techno Co., Ltd., KURARAY BUSINESS SERVICE CO., LTD., KURARAYKURAFLEX CO., LTD., KURARAY FASTENING CO., LTD., OKAYAMA RINKOH CO., LTD., TECHNO SOFT CO., LTD., Kuraray Travel Service Corporation, KURARAY FUDOSAN CO., LTD., Kuraray Interior Co., Ltd., KurarayKiko Co., Ltd., KURARAY SAIJO CO., LTD., KURARAY TAMASHIMA COMPANY, LIMITED., Iruma Country Club Co., Ltd., Kyosei Chemical Co., Ltd., Kuraray Holdings U.S.A., Inc., Kuraray America, Inc., Kuraray Europe GmbH, EVAL Europe N.V., Kuraray Hong Kong Co., Ltd., Kuraray Asia Pacific Pte. Ltd., Kuraray (Shanghai) Co., Ltd., and other consolidated subsidiaries.</p> <p>Kuraray Luminas Co., Ltd., which had been a consolidated subsidiary until the previous fiscal year, is excluded from the scope of consolidation from this fiscal year because it was merged by absorption with the Company in February 2010.</p>

Fiscal 2008 (From April 1, 2008 to March 31, 2009)	Fiscal 2009 (From April 1, 2009 to March 31, 2010)
<p>Eval Company of America and SEPTON Company of America are excluded from the scope of consolidation from this fiscal year because they were merged by absorption with Kuraray's consolidated subsidiary Kuraray America, Inc. in January 2008.</p> <p>Both the consolidated subsidiaries, Kuraray Singapore Pte., Ltd. and Kuraray Specialities Asia Pte., Ltd. consolidated their business into Kuraray Asia Pacific Pte. Ltd., and a resolution was made in October 2008 to dissolve them.</p> <p>(2) Names of major unconsolidated subsidiaries (Major unconsolidated subsidiaries) Kuraray Okayama Spinning CO., LTD.</p> <p>(Reasons for excluding from the scope of consolidation) The total assets, total sales and net income and loss (amount corresponding to the owned interest) and retained earnings (amount corresponding to the owned interest) of the unconsolidated subsidiary have no material effect on the consolidated financial statements.</p>	<p>Both the consolidated subsidiaries, Kuraray Singapore Pte., Ltd. and Kuraray Specialities Asia Pte., Ltd. consolidated their business into Kuraray Asia Pacific Pte. Ltd., and a resolution was made in October 2008 to dissolve them.</p> <p>In March 2010, a resolution was made to dissolve Kuraray Interior Co., Ltd., which had been a consolidated subsidiary.</p> <p>(2) Names of major unconsolidated subsidiaries (Major unconsolidated subsidiaries) Same as Fiscal 2008</p> <p>(Reasons for excluding from the scope of consolidation) Same as Fiscal 2008</p>
<p>3. Scope of application of equity method affiliates and subsidiaries</p> <p>(1) Number of unconsolidated subsidiaries accounted for using the equity method: 3 (Major unconsolidated subsidiaries) Kuraray Okayama Spinning CO., LTD. Nihonkai Acetylene Co., Ltd., which had been a company accounted for using the equity method until the previous fiscal year, is excluded from the equity method of accounting from this fiscal year because it was liquidated.</p> <p>(2) Number of affiliates accounted for using the equity method: 2 (Names of major affiliates) THE KURASHIKI KOKUSAI HOTEL LTD.</p> <p>(3) Unconsolidated subsidiaries (KURARAY AQUA CO., LTD. and other unconsolidated subsidiaries), and affiliates (Hexin Kuraray Micro Fiber Leather (Jiaxing) Co., Ltd., and other affiliates) have not been accounted for using the equity method, because their net income and loss and retained earnings (amount corresponding to the owned interest) have no material effect on the consolidated financial statements.</p>	<p>3. Scope of application of equity method affiliates and subsidiaries</p> <p>(1) Number of unconsolidated subsidiaries accounted for using the equity method: 3 (Major unconsolidated subsidiaries) Kuraray Okayama Spinning CO., LTD. —</p> <p>(2) Number of affiliates accounted for using the equity method: 2 (Names of major affiliates) THE KURASHIKI KOKUSAI HOTEL LTD. In May 2009, a resolution was made to dissolve Hikari Shoes Co., Ltd., which was an affiliated company accounted for using the equity method until the previous fiscal year.</p> <p>(3) Same as Fiscal 2008</p>

Fiscal 2008 (From April 1, 2008 to March 31, 2009)	Fiscal 2009 (From April 1, 2009 to March 31, 2010)
<p>4. Fiscal years of consolidated subsidiaries</p> <p>The fiscal year-end of the Company's foreign consolidated subsidiaries is December 31. The consolidated financial statements incorporate the accounts of these companies with adjustments for significant transactions arising during the period from December 31 to March 31.</p> <p>Kuraray Europe GmbH OOO TROSIFOL EVAL Europe N.V. Kuraray Asia Pacific Pte., Ltd. Kuraray Singapore Pte., Ltd. Kuraray Specialities Asia Pte., Ltd. Kuraray Hong Kong Co., Ltd. Kuraray (Shanghai) Co., Ltd. Kuraray Trading (Shanghai) Co., Ltd. Kuraray Holdings U.S.A., Inc. Kuraray America, Inc.</p> <p>5. Accounting policies</p> <p>(1) Valuation standards and methods for significant assets</p> <p>a) Investments in securities</p> <p>Available-for-sale securities for which a market price is available are stated at fair value at the year-end.</p> <p>(Net unrealized gains or losses on these securities are recorded as a separate component of "Net assets," at the net of tax amount. The cost of securities sold is determined based on the moving average cost of all such securities held at the time of sale.)</p> <p>Other securities for which a market price is not available are stated at cost determined by the moving average method.</p> <p>b) Derivative financial instruments</p> <p>All derivatives are stated at fair value.</p> <p>c) Inventories</p> <p>Finished goods, raw materials, and work-in-process are principally stated at the lower of cost or net realizable value.</p> <p>Supplies are principally stated at the lower of cost or net realizable value (Refer to Note (2)).</p>	<p>4. Fiscal years of consolidated subsidiaries</p> <p>Same as Fiscal 2008</p> <p>5. Accounting policies</p> <p>(1) Valuation standards and methods for significant assets</p> <p>a) Investments in securities</p> <p>Same as Fiscal 2008</p> <p>b) Derivative financial instruments</p> <p>Same as Fiscal 2008</p> <p>c) Inventories</p> <p>Same as Fiscal 2008</p>

Fiscal 2008 (From April 1, 2008 to March 31, 2009)	Fiscal 2009 (From April 1, 2009 to March 31, 2010)
<p>(2) Depreciation method of significant depreciable assets</p> <p>a) Tangible fixed assets (excluding lease assets)</p> <p>Depreciation, except for buildings, is principally computed using the declining-balance method over the estimated useful lives of the assets. The depreciation method for buildings is principally computed using the straight-line method.</p> <p>The estimated useful lives of assets are primarily as follows:</p> <ul style="list-style-type: none"> • Buildings and structures 31 to 50 years • Machinery and equipment 4 to 9 years <p>(Additional information)</p> <p>The Company and some of its consolidated subsidiaries changed the useful life of some of the machineries effective the current fiscal year following the revision of legal useful life and the asset classification in response to the reform of the Corporation Tax Act in 2008. The effect of this change on operating income, ordinary income and income before income taxes is not material.</p> <p>b) Intangible assets (excluding lease assets)</p> <p>Amortization is principally computed using the straight-line method.</p> <p>The numbers of years for amortization are primarily as follows:</p> <ul style="list-style-type: none"> • Goodwill 15 years <p>However, minor amounts are charged or credited to income directly in the year of acquisition.</p> <p>c) Lease assets</p> <p>Amortization is principally computed using the straight-line method.</p> <p>(3) Accounting for significant allowances</p> <p>a) Allowance for doubtful accounts</p> <p>The Company and its consolidated subsidiaries provide for doubtful accounts principally at an amount computed based on the historical bad debt ratio during a certain reference period plus an estimated uncollectible amount based on the analysis of certain individual accounts.</p> <p>b) Provision for bonuses</p> <p>Provision for bonuses is stated at the estimated amount of the bonuses to be paid to employees based on services provided for the fiscal year.</p>	<p>(2) Depreciation method of significant depreciable assets</p> <p>a) Tangible fixed assets (excluding lease assets)</p> <p>Same as Fiscal 2008</p> <p>—</p> <p>b) Intangible assets (excluding lease assets)</p> <p>Same as Fiscal 2008</p> <p>c) Lease assets</p> <p>Same as Fiscal 2008</p> <p>(3) Accounting for significant allowances</p> <p>a) Allowance for doubtful accounts</p> <p>Same as Fiscal 2008</p> <p>b) Provision for bonuses</p> <p>Same as Fiscal 2008</p>

Fiscal 2008 (From April 1, 2008 to March 31, 2009)	Fiscal 2009 (From April 1, 2009 to March 31, 2010)
<p>c) Provision for retirement benefits</p> <p>In order to provide for employee retirement benefits, a provision is made based on the retirement benefit liabilities as of the end of the fiscal year and the forecasted pension assets.</p> <p>The prior service cost is amortized on a straight-line basis over a certain period (mainly 15 years), which falls within the average remaining years of service of the eligible employees. Actuarial gains or losses are amortized on a straight-line basis over a certain period (mainly 15 years) which falls within the average remaining years of service of the eligible employees, allocated proportionately commencing the next year in which each respective gain or loss occurred.</p> <p>d) Provision for directors' retirement benefits</p> <p>Some of the consolidated subsidiaries accrue the liabilities for their retirement benefits for directors and corporate auditors, which is, in general, based upon the amounts required by the subsidiaries' internal regulations.</p> <p>e) —</p> <p>(4) Significant hedge accounting</p> <p>a) Hedge accounting</p> <p>The Company and its consolidated subsidiaries adopt the method for hedging instruments whereby any gains or losses are deferred over the period of the hedging contract and are offset against the deferred losses or gains on the related hedged items. However, when an interest rate swap contract meets certain conditions, the net amount to be paid or received under the contract is added to or deducted from the interest on the hedged items.</p>	<p>c) Provision for retirement benefits</p> <p>Same as Fiscal 2008</p> <p>(Change in accounting policies)</p> <p>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.</p> <p>d) Provision for directors' retirement benefits</p> <p>Same as Fiscal 2008</p> <p>e) Provision for environmental measures</p> <p>In order to provide for payments on disposal of wastes of polychlorinated biphenyl (PCB) removed from the noncurrent assets and stored, a provision is made based on the estimated disposal cost.</p> <p>(4) Significant hedge accounting</p> <p>a) Hedge accounting</p> <p>Same as Fiscal 2008</p>

Fiscal 2008 (From April 1, 2008 to March 31, 2009)	Fiscal 2009 (From April 1, 2009 to March 31, 2010)								
<p>b) Hedging instruments and hedged items</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; border-bottom: 1px solid black;">Hedging instruments:</td> <td style="width: 50%; border-bottom: 1px solid black;">Hedged items:</td> </tr> <tr> <td style="border-bottom: 1px solid black;">Forward foreign exchange contracts</td> <td style="border-bottom: 1px solid black;">Future transactions in foreign currency</td> </tr> <tr> <td style="border-bottom: 1px solid black;">Currency swap contracts</td> <td style="border-bottom: 1px solid black;">Future transactions in foreign currency</td> </tr> <tr> <td>Interest rate swap contracts</td> <td>Interest expenses</td> </tr> </table> <p>c) Hedging policy The Company and its consolidated subsidiaries use financial instruments to hedge interest rate fluctuation and exchange fluctuation risks in accordance with their internal policies and procedures.</p> <p>d) Assessment method for hedge effectiveness The Company and its consolidated subsidiaries evaluate the effectiveness of their hedging activities by reference to the accumulated gains or losses on the hedging instruments and the related hedged items. Interest rate swap contracts, which meet certain conditions, are evaluated for effectiveness at the commencement of the hedge.</p> <p>(5) Other accounting policies Accounting for consumption tax Consumption tax on goods and services are not included in the revenue and expense amounts.</p> <p>6. Valuation of assets and liabilities of consolidated subsidiaries Assets and liabilities of the consolidated subsidiaries are recorded at fair value at the time of acquisition.</p> <p>7. Amortization of goodwill and negative goodwill The Company amortizes goodwill and negative goodwill using the straight-line method over the estimated period of benefit with the exception of minor amounts, which are charged or credited to income directly in the year of acquisition.</p> <p>8. Cash and cash equivalents Cash and cash equivalents include all highly liquid investments with an original maturity of three months or less, that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value.</p>	Hedging instruments:	Hedged items:	Forward foreign exchange contracts	Future transactions in foreign currency	Currency swap contracts	Future transactions in foreign currency	Interest rate swap contracts	Interest expenses	<p>b) Hedging instruments and hedged items Same as Fiscal 2008</p> <p>c) Hedging policy Same as Fiscal 2008</p> <p>d) Assessment method for hedge effectiveness Same as Fiscal 2008</p> <p>(5) Other accounting policies Accounting for consumption tax Same as Fiscal 2008</p> <p>6. Valuation of assets and liabilities of consolidated subsidiaries Same as Fiscal 2008</p> <p>7. Amortization of goodwill and negative goodwill Same as Fiscal 2008</p> <p>8. Cash and cash equivalents Same as Fiscal 2008</p>
Hedging instruments:	Hedged items:								
Forward foreign exchange contracts	Future transactions in foreign currency								
Currency swap contracts	Future transactions in foreign currency								
Interest rate swap contracts	Interest expenses								

(2) SIGNIFICANT CHANGES IN ACCOUNTING POLICIES CONCERNING THE PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS.

Fiscal 2008 (From April 1, 2008 to March 31, 2009)	Fiscal 2009 (From April 1, 2009 to March 31, 2010)
<p>(Accounting standards for measurement of inventories)</p> <p>Inventories, which the Company held for sale in the ordinary course of business, were mainly valued at cost using the weighted-average method previously, and those which had been held beyond a certain period were regularly written down. However, following the adoption of the "Accounting Standards for Measurement of Inventories (ASBJ Statement No.9, issued on July 5, 2006)" starting from the current fiscal year, we mainly value these inventories at the lower of cost or net realizable value.</p> <p>As a result, operating income and ordinary income in the current fiscal year decreased by ¥380 million each and income before income taxes declined by ¥1,534 million compared with those calculated using the previous method.</p> <p>The Company recorded a loss on disposal of inventories due to the decrease in profitability as non-operating expenses in the past. However, we started to record it as cost of sales effective the current fiscal year with the adoption of the above-mentioned accounting standards.</p> <p>As a result of this change, operating income in the current fiscal year decreased by ¥1,541 million compared with the amount calculated using the previous method.</p> <p>There was no impact on ordinary income and income before income taxes from the adoption of this standard during the same period.</p> <p>The effects on segment information are described in the relevant sections of this Annual Report.</p>	—
<p>(Practical solutions on unification of accounting policies applied to foreign subsidiaries)</p> <p>Effective the current fiscal year, the Company adopted "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements (Practical Issues Task Force No. 18, issued on May 17, 2006)," and implemented modifications necessary for consolidated financial statements.</p> <p>The effect of this change on operating income, ordinary income and income before income taxes is not material.</p> <p>The effects on segment information are described in the relevant sections of this Annual Report.</p>	—

Fiscal 2008 (From April 1, 2008 to March 31, 2009)	Fiscal 2009 (From April 1, 2009 to March 31, 2010)
<p>(Accounting standards for lease transactions)</p> <p>Financial leases without transfer of ownership were accounted for on a basis similar to ordinary rental transactions previously. However, effective the current fiscal year, the Company adopted the "Accounting Standard for Lease Transactions (ASBJ Statement No.13, issued on June 17, 1993 by Section 1 of the Business Accounting Council, and revised on March 30, 2007)" and the "Guidance on Accounting Standard for Lease Transactions (ASBJ Guidance No. 16, issued on January 18, 1994 by the Accounting System Committee of the Japanese Institute of Certified Public Accountants, and revised on March 30, 2007)" and they are now accounted for on a basis similar to ordinary sales transactions. Depreciation on lease assets concerning financial lease transactions without transfer of ownership is calculated by the straight-line method that assumes a residual value of zero based on the estimated useful life that corresponds to the lease period.</p> <p>There was no impact on operating income, ordinary income and income before income taxes from the adoption of this standard.</p>	—

(3) CHANGES IN PRESENTATION

Fiscal 2008 (From April 1, 2008 to March 31, 2009)	Fiscal 2009 (From April 1, 2009 to March 31, 2010)
<p>(Consolidated balance sheets)</p> <p>In response to the adoption of the Cabinet Office Ordinance modifying the part of Regulations for Financial Statements (Cabinet Ordinance No. 50, issued on August 7, 2008), the items which were included in "Inventories" in the previous consolidated fiscal year are separately presented as "Merchandise and finished goods," "Work-in-process" and "Raw materials and supplies" in the current fiscal year. "Merchandise and finished goods," "Work-in-process" and "Raw materials and supplies" amounted to ¥50,834 million, ¥11,455 million and ¥10,244 million respectively in the previous fiscal year.</p> <p>"Accrued expenses," which had been included in "Other" of the current liabilities in the previous fiscal year, is presented separately in the current fiscal year in order to increase clarity of disclosure in the consolidated balance sheets. "Accrued expenses" was ¥5,454 million in the previous fiscal year.</p>	—

Fiscal 2008 (From April 1, 2008 to March 31, 2009)	Fiscal 2009 (From April 1, 2009 to March 31, 2010)
<p>(Consolidated statements of income)</p> <p>“Foreign exchange losses,” which had been presented separately in the previous fiscal year, is included in “Other” of non-operating expenses since its amount is 10/100 or less of non-operating expenses in the current fiscal year. “Foreign exchange losses” is ¥56 million in the current fiscal year.</p> <p>“Personnel expenses for seconded employees,” which had been presented as “Other” in non-operating expenses in the previous fiscal year, are reported separately since its amount exceeds 10/100 of non-operating expenses in the current fiscal year. “Personnel expenses for seconded employees” was ¥811 million in the previous fiscal year.</p>	<p>(Consolidated statements of income)</p> <p>“Rent income,” which had been presented as “Other” in non-operating income in the previous fiscal year, is reported separately since its amount exceeds 10/100 of non-operating income in the current fiscal year. “Rent income” was ¥283 million in the previous fiscal year.</p>

(4) ADDITIONAL INFORMATION

Fiscal 2008 (From April 1, 2008 to March 31, 2009)	Fiscal 2009 (From April 1, 2009 to March 31, 2010)
<p>The Company had previously posted deferred tax liabilities for the amount of taxes to be imposed in Japan on future dividend from retained earnings of foreign subsidiaries. A new Japanese tax exemption for dividends paid by foreign subsidiaries became effective for fiscal years beginning on or after April 1, 2009. Due to the new rule, dividends from certain foreign subsidiaries results in increasing tax expense as a whole, therefore the Company revised its dividend policy that these subsidiaries do not pay dividends to the Company.</p> <p>In response to this, the Company reversed part of deferred tax liabilities, which was recorded in the previous period, in the current fiscal year.</p> <p>As a result, net income in the current fiscal year increased by ¥1,471 million (US\$ 15,019 thousand) compared with the amount that would have been posted under the previous method.</p>	<p>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.</p> <p>And it became possible to obtain a reasonable estimate of disposal costs. The Company, therefore, recorded provision for environmental measures.</p> <p>As a result, income before taxes and minority interests for the current fiscal year decreased ¥1,275 million. (US\$ 13,718 thousands)</p>

(5) NOTES TO CONSOLIDATED BALANCE SHEETS

Fiscal 2008 (From April 1, 2008 to March 31, 2009)	Fiscal 2009 (From April 1, 2009 to March 31, 2010)
<p>*1. Accumulated depreciation of tangible fixed assets: ¥455,649 million</p> <p>*2. Accumulated amount of reduced-value entry as a result of receiving government subsidies, and so on that are subtracted from the acquisition price of tangible fixed assets</p> <p style="padding-left: 20px;">Buildings and Structures: ¥1,992 million (including a ¥279 million deduction for this fiscal year)</p> <p style="padding-left: 20px;">Machinery, equipment and vehicles: ¥717 million (including ¥309 million in the amount of subtraction for this fiscal year)</p> <p style="padding-left: 20px;">Land: ¥1,257 million</p> <p style="padding-left: 20px;">Construction in progress: ¥75 million (including ¥75 million in the amount of subtraction for this fiscal year)</p> <p style="padding-left: 20px;">Other: ¥35 million (including ¥4 million in the amount of subtraction for this fiscal year)</p> <p>*3. Investments in unconsolidated subsidiaries and affiliates</p> <p style="padding-left: 20px;">Investment securities: ¥2,746 million</p> <p>4. Commitments and contingencies</p> <p>The Company is contingently liable for guarantees for bank loans of unconsolidated subsidiaries, affiliates and others. The company names and the guarantees of their liabilities are as follows:</p> <p style="padding-left: 20px;">Social welfare corporation Ishii Kinen Aizenen (Joint and several guarantee): ¥2,071 million</p> <p style="padding-left: 20px;">KURARAY MAGICTAPE (SHANGHAI) CO., LTD. and another company: ¥86 million (including foreign currency-denominated guarantees for 2 companies): CNY6,000,000</p> <hr style="width: 100%;"/> <p style="padding-left: 40px;">Total ¥2,157 million</p> <p>*5. Security assets and secured liabilities</p> <p style="padding-left: 20px;">Investment securities: ¥46 million</p> <p>The above investment securities have been provided as collateral for loans of Mizushima Eco-works Co., Ltd.</p>	<p>*1. Accumulated depreciation of tangible fixed assets: ¥486,188 million (US\$ 5,227,829 thousand)</p> <p>*2. Accumulated amount of reduced-value entry as a result of receiving government subsidies, and so on that are subtracted from the acquisition price of tangible fixed assets</p> <p style="padding-left: 20px;">Buildings and Structures: ¥2,019 million (US\$ 21,719 thousand) (including a ¥27 million (US\$ 296 thousand) deduction for this fiscal year)</p> <p style="padding-left: 20px;">Machinery, equipment and vehicles: ¥925 million (US\$ 9,954 thousand) (including ¥209 million (US\$ 2,252 thousand) in the amount of subtraction for this fiscal year)</p> <p style="padding-left: 20px;">Land: ¥1,257 million (US\$ 13,520 thousand)</p> <p style="padding-left: 20px;">Other: ¥36 million (US\$ 390 thousand) (including ¥0 million (US\$ 7 thousand) in the amount of subtraction for this fiscal year)</p> <p>*3. Investments in unconsolidated subsidiaries and affiliates</p> <p style="padding-left: 20px;">Investment securities: ¥3,083 million (US\$ 33,153 thousand)</p> <p>4. Commitments and contingencies</p> <p>The Company is contingently liable for guarantees for bank loans of unconsolidated subsidiaries, affiliates and others. The company names and the guarantees of their liabilities are as follows:</p> <p style="padding-left: 20px;">Social welfare corporation Ishii Kinen Aizenen (Joint and several guarantee): ¥1,939 million (US\$ 20,859 thousand)</p> <p style="padding-left: 20px;">KURARAY MAGICTAPE (SHANGHAI) CO., LTD. and another company: ¥68 million (US\$ 732 thousand) (including foreign currency-denominated guarantees for 2 companies): CNY5,000,000</p> <hr style="width: 100%;"/> <p style="padding-left: 40px;">Total ¥2,008 million (US\$ 21,591 thousand)</p> <p>*5. Security assets and secured liabilities</p> <p style="padding-left: 20px;">Investment securities ¥46 million (US\$ 494 thousand)</p> <p>Same as Fiscal 2008.</p>

(6) NOTES TO CONSOLIDATED STATEMENTS OF INCOME

Fiscal 2008 (From April 1, 2008 to March 31, 2009)		Fiscal 2009 (From April 1, 2009 to March 31, 2010)																															
*1. Major items and the amounts under "Selling, general and administrative expenses" are as follows:		*1. Major items and the amounts under "Selling, general and administrative expenses" are as follows:																															
Freight and storage	¥13,072 million	Freight and storage	¥11,334 million (US\$ 121,878 thousand)																														
Research and development	¥15,210 million	Research and development	¥14,102 million (US\$ 151,642 thousand)																														
Salaries and legal welfare expense	¥12,485 million	Salaries and legal welfare expense	¥12,186 million (US\$ 131,036 thousand)																														
Provision for bonuses	¥3,353 million	Provision for bonuses	¥3,352 million (US\$ 36,047 thousand)																														
Provision for retirement benefits for employees	¥969 million	Provision for retirement benefits for employees	¥1,017 million (US\$ 10,945 thousand)																														
*2. Research and development expenses included in general, administrative and current manufacturing expenses	¥16,358 million	*2. Research and development expenses included in general, administrative and current manufacturing expenses	¥15,292 million (US\$ 164,435 thousand)																														
*3.	—	*3. The gain is mainly attributable to the transfer of business rights of therapeutic apheresis device business.																															
*4. The gain is incurred by the sales of stocks.		*4. —																															
*5. Impairment loss		*5. Impairment loss																															
(1) Identifying the cash-generating unit to which an asset belongs As a minimum unit for generating cash flow, business assets are grouped into sections used for management accounting, and lent assets, idle assets, and assets associated with discontinued or reorganized businesses are assessed individually. Other head office and research facilities are shared assets.		(1) Identifying the cash-generating unit to which an asset belongs As a minimum unit for generating cash flow, business assets are grouped into sections used for management accounting, and lent assets, idle assets, and assets associated with discontinued or reorganized businesses are assessed individually. Other head office and research facilities are shared assets.																															
(2) Significant components of impairment loss The impairment loss is ¥1,473 million in total. The impairment loss on assets associated with discontinued or reorganized businesses is ¥1,473 million. The significant components of impairment loss for the fiscal year ending March 31, 2009 are as follows:		(2) Significant components of impairment loss The impairment loss is ¥3,073 million (US\$ 33,043 thousand) in total. The impairment loss on business assets is ¥522 million (US\$ 5,616 thousand) and on assets associated with discontinued or reorganized businesses is ¥2,550 million (US\$ 27,427 thousand). The significant components of impairment loss for the fiscal year ending March 31, 2010 are as follows:																															
<table border="1"> <thead> <tr> <th>Location</th> <th>Assets</th> <th>Usage</th> <th>Type</th> <th>Impairment loss</th> </tr> </thead> <tbody> <tr> <td>Kamishu, Ibaraki Prefecture</td> <td>Assets planned to be discontinued (that became unnecessary due to the start of operations of new plant and/or equipment)</td> <td>Plant and equipment for nonanedi-amine</td> <td>Plant and equipment</td> <td>¥245 million</td> </tr> <tr> <td>Tainai, Niigata Prefecture</td> <td>Assets planned to be discontinued (that became unnecessary due to rearrangement of equipment)</td> <td>Plant and equipment for fine chemicals</td> <td>Plant and equipment</td> <td>¥226 million</td> </tr> </tbody> </table>	Location	Assets	Usage	Type	Impairment loss	Kamishu, Ibaraki Prefecture	Assets planned to be discontinued (that became unnecessary due to the start of operations of new plant and/or equipment)	Plant and equipment for nonanedi-amine	Plant and equipment	¥245 million	Tainai, Niigata Prefecture	Assets planned to be discontinued (that became unnecessary due to rearrangement of equipment)	Plant and equipment for fine chemicals	Plant and equipment	¥226 million		<table border="1"> <thead> <tr> <th>Location</th> <th>Assets</th> <th>Usage</th> <th>Type</th> <th>Impairment loss</th> </tr> </thead> <tbody> <tr> <td>Okayama, Minami-Ku</td> <td>Assets expected to become unnecessary due to the business reorganization</td> <td>Plant and equipment for man-made leather</td> <td>Plant and equipment</td> <td>¥1,492 million (US\$ 16,051 thousand)</td> </tr> <tr> <td>Kurashiki, Okayama Prefecture</td> <td>Business assets</td> <td>Plant and equipment for polyester</td> <td>Plant and equipment</td> <td>¥367 million (US\$ 3,954 thousand)</td> </tr> </tbody> </table>	Location	Assets	Usage	Type	Impairment loss	Okayama, Minami-Ku	Assets expected to become unnecessary due to the business reorganization	Plant and equipment for man-made leather	Plant and equipment	¥1,492 million (US\$ 16,051 thousand)	Kurashiki, Okayama Prefecture	Business assets	Plant and equipment for polyester	Plant and equipment	¥367 million (US\$ 3,954 thousand)	
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Fiscal 2008 (From April 1, 2008 to March 31, 2009)	Fiscal 2009 (From April 1, 2009 to March 31, 2010)
<p>Assets associated with discontinued or reorganized businesses held for sale can be converted for use in other businesses or discarded. For items to be sold or discarded, the net book value of the assets is to be reduced to their recoverable amount. The recoverable amount is measured based on the net sale price and is calculated by deducting the estimated disposal cost from the estimated sale price.</p> <p>*6. The loss is mainly attributable to the costs of liquidation of businesses, which occurred in subsidiaries and affiliates.</p> <p>*7. The loss is incurred due to the write-down of stocks, including those of subsidiaries and affiliates.</p> <p>*8. —</p> <p>*9. The Kuraray Group reclassified unexpected utilization variance, which was caused by the extraordinary change in economic environment, from manufacturing expenses to extraordinary losses as “Abnormally low utilization variance.”</p> <p>Since Group adopts standard costing and reviews standard cost every 6 months, “Abnormally low utilization variance” is presented as extraordinary losses when actual utilization is significantly below the projected utilization during the 6 months in accordance with the Group’s policy.</p> <p>Accordingly, “Abnormally low utilization variance” of ¥3,994 million are recognized as extraordinary losses for the second half of the current fiscal year.</p> <p>The above mentioned amount includes 651 million that was presented as manufacturing expenses in the quarterly report for the third quarter of the current fiscal year.</p> <p>*10. The loss is mainly attributable to the disposal of machinery.</p>	<p>After separately examining the indications for impairment with respect to those business whose income from operations continue to be negative, and the recoverable amount falls short of the book value, the book value is to be reduced to the recoverable amount. The recoverable amount is measured based on the value in use and calculated with a 4% discount off the future cash flow.</p> <p>Assets associated with discontinued or reorganized business are categorized into “assets held for sale,” “assets which can be converted for use into other business” and “assets to be discarded” and for items to be sold or discarded, the net book value of the assets is to be reduced to their recoverable amount. The recoverable amount of the assets to be used for certain future years is measured based on the value of use during the estimated residual useful life and is calculated by discounting future cash flows by 4% and the recoverable amount of the assets to be discarded is measured based on the net sale price and calculated by deducting the estimated disposal cost from the estimated sale price.</p> <p>*6. The loss is mainly attributable to the additional cost due to the temporary freezing of reemployment of the retired employees.</p> <p>*7. The loss is incurred due to the write-down of stocks.</p> <p>*8. The loss is incurred due to a sale of land.</p> <p>*9. —</p> <p>*10. —</p>

(7) NOTES TO CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

FISCAL 2008 (From April 1, 2008 to March 31, 2009)

1. Type and number of issued shares of common stock and treasury stock

	Number of shares as of March 31, 2008 (thousands of shares)	Increase in the number of shares (thousands of shares)	Decrease in the number of shares (thousands of shares)	Number of shares as of March 31, 2009 (thousands of shares)
Number of Outstanding shares				
Common stock	382,863	—	—	382,863
Total	382,863	—	—	382,863
Number of treasury stocks				
Common stock (Notes 1, 2)	34,642	109	104	34,647
Total	34,642	109	104	34,647

Notes: 1. The increase in treasury stock (common stock) is attributable to the purchase of less-than-one unit shares (109 thousand shares).

2. The decrease in treasury stock (common stock) is attributable to a transfer of shares upon the exercise of subscription rights (75 thousand shares) and the acquisition of less-than-one unit shares by the shareholders (29 thousand shares).

2. Subscription rights to shares

The Company granted its directors and executive officers the subscription rights to the Company shares as stock option. The balance of the subscription rights to shares as of March 31, 2009 is ¥109 million.

3. Dividends

(1) Amount of dividends paid

Resolution	Type of share	Amount of dividends (Millions of yen)	Dividend per share (yen)	Record date	Effective date
General shareholders' meeting held on June 19, 2008	Common stock	3,830	11.00	March 31, 2008	June 20, 2008
Board of directors held on October 30, 2008	Common stock	4,178	12.00	September 30, 2008	December 1, 2008

(2) Dividends whose effective date is after the end of Fiscal 2008 and record date is included in Fiscal 2008.

Resolution	Type of share	Amount of dividends (Millions of yen)	Source of dividends	Dividend per share (yen)	Record date	Effective date
General shareholders' meeting held on June 19, 2009	Common Stock	3,482	Retained earnings	11.00	March 31, 2009	June 22, 2009

4. Decrease in retained earnings "other" is mainly due to the recognition of unrecognized pension liabilities in "other comprehensive income," which the Company's consolidated U.S. subsidiary recorded in compliance with the U.S. GAAP.

(8) NOTES TO CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

FISCAL 2009 (From April 1, 2009 to March 31, 2010)

1. Type and number of issued shares of common stock and treasury stock

	Number of shares as of March 31, 2009 (thousands of shares)	Increase in the number of shares (thousands of shares)	Decrease in the number of shares (thousands of shares)	Number of shares as of March 31, 2010 (thousands of shares)
Number of Outstanding shares				
Common stock	382,863	—	—	382,863
Total	382,863	—	—	382,863
Number of treasury stocks				
Common stock (Notes 1, 2)	34,647	217	74	34,790
Total	34,647	217	74	34,790

Notes: 1. The increase in treasury stock (common stock) is attributable to the purchase of shares from shareholders whose addresses are unknown (170 thousand shares) and the purchase of less-than-one unit shares (46 thousand shares).

2. The decrease in treasury stock (common stock) is attributable to a transfer of shares upon the exercise of subscription rights (73 thousand shares) and the acquisition of less-than-one unit shares by the shareholders (1 thousand shares).

2. Subscription rights to shares

The Company granted its directors and executive officers the subscription rights to the Company shares as stock option. The balance of the subscription rights to shares as of March 31, 2010 is ¥186 million (US\$ 2,005 thousand).

3. Dividends

(1) Amount of dividends paid

Resolution	Type of share	Amount of dividends (Millions of yen)	Dividend per share (yen)	Record date	Effective date
General shareholders' meeting held on June 19, 2009	Common stock	3,482	10.00	March 31, 2009	June 22, 2009
Board of directors held on November 5, 2009	Common stock	2,785	8.00	September 30, 2009	December 1, 2009

Resolution	Type of share	Amount of dividends (Thousands of U.S. dollars)	Dividend per share (U.S. dollars)	Record date	Effective date
General shareholders' meeting held on June 19, 2009	Common stock	37,442	0.10	March 31, 2009	June 22, 2009
Board of directors held on November 5, 2009	Common stock	29,954	0.08	September 30, 2009	December 1, 2009

(2) Dividends whose effective date is after the end of Fiscal 2009 and record date is included in the Fiscal 2009.

Resolution	Type of share	Amount of dividends (Millions of yen)	Source of dividends	Dividend per share (yen)	Record date	Effective date
General shareholders' meeting held on June 24, 2010	Common Stock	2,784	Retained earnings	8.00	March 31, 2010	June 25, 2010

Resolution	Type of share	Amount of dividends (Thousands of U.S. dollars)	Source of dividends	Dividend per share (U.S. dollars)	Record date	Effective date
General shareholders' meeting held on June 24, 2010	Common Stock	29,941	Retained earnings	0.08	March 31, 2010	June 25, 2010

4. Increase in retained earnings "other" is due to the recognition of unrecognized pension liabilities in "other comprehensive income," which the Company's consolidated U.S. subsidiary recorded in compliance with the U.S. GAAP.

(9) NOTES TO CONSOLIDATED STATEMENTS OF CASH FLOWS

Fiscal 2008 (From April 1, 2008 to March 31, 2009)	Fiscal 2009 (From April 1, 2009 to March 31, 2010)	
1. Cash and cash equivalents as of the year-end are reconciled to the accounts reported in the consolidated balance sheets as follows:	1. Cash and cash equivalents as of the year-end are reconciled to the accounts reported in the consolidated balance sheets as follows:	
(As of March 31, 2009) Millions of Yen	(As of March 31, 2010) Millions of Yen	Thousands of U.S. dollars
Cash on hand and in banks	37,527	311,741
Time deposits with a deposit period of 3 months or more	(869)	(146,017)
Marketable securities with original maturities of three months or less	9,499	10,751
Cash and cash equivalents	46,157	176,475

(10) LEASES

Fiscal 2008 (From April 1, 2008 to March 31, 2009)	Fiscal 2009 (From April 1, 2009 to March 31, 2010)
1. Finance Lease Transactions	1. Finance Lease Transactions
(1) Lease transactions as a lessee:	(1) Lease transactions as a lessee:
Financial leases without transfer of ownership	Financial leases without transfer of ownership
1) Details of lease assets	1) Details of lease assets
a) Tangible fixed assets	a) Tangible fixed assets
Mainly, vehicles used at plants including forklifts ("Machinery and equipment"), OA equipment including personal computers and printers, and servers ("Other").	Same as Fiscal 2008.
b) Intangible fixed assets	b) Intangible fixed assets
Software ("Other intangible fixed assets")	Same as Fiscal 2008.
2) Depreciation method of lease assets	2) Depreciation method of lease assets
As described in the basis of presenting consolidated financial statements "5. Accounting policies (2) Depreciation method of significant depreciable assets."	Same as Fiscal 2008.

Fiscal 2008
(From April 1, 2008 to March 31, 2009)

(2) Lease transactions as a lessor

Financial lease transactions without transfer of ownership that commenced on or before March 31, 2008, are accounted for on a basis similar to operating lease. The details of such transactions are as follows;

There were no lease transactions that commenced after April 1, 2008.

1) Acquisition cost, accumulated depreciation, and net book value at the end of the fiscal year for leased assets are as follows:

Year ended March 31, 2009	Millions of yen		
	Acquisition cost	Accumulated depreciation	Net
Building and structures	196	73	122
Machinery and equipment	49	36	12
Total	245	110	135

2) Future lease payment obligations are as follows:

	Millions of yen
Due within one year	16
Due after one year	172
Total	188

Note: Future lease payment obligations are computed by including interest received because the ratio of future lease payment obligations and estimated salvage value to the balance of operating receivable at the end of the fiscal year is not material.

3) Lease revenue, depreciation expense for the fiscal year

	Millions of yen
Lease revenue	22
Depreciation expense	7

(For impairment loss)

No impairment loss is recognized for leased assets.

2. Operating leases

Lease transactions as a lessee:

Future lease payment obligations under operating leases are as follows:

	Millions of yen
Due within one year	478
Due after one year	2,840
Total	3,319

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

(2) Lease transactions as a lessor

Same as Fiscal 2008.

1) Acquisition cost, accumulated depreciation, and net book value at the end of the fiscal year for leased assets are as follows:

Year ended March 31, 2010	Millions of yen		
	Acquisition cost	Accumulated depreciation	Net
Building and structures	196	77	118
Machinery and equipment	49	39	9
Total	245	116	128

Year ended March 31, 2010	Thousands of U.S. dollars		
	Acquisition cost	Accumulated depreciation	Net
Building and structures	2,112	835	1,277
Machinery and equipment	529	422	107
Total	2,642	1,257	1,384

2) Future lease payment obligations are as follows:

	Millions of yen	Thousands of U.S. dollars
Due within one year	14	160
Due after one year	150	1,614
Total	165	1,774

Note: Future lease payment obligations are computed by including interest received because the ratio of future lease payment obligations and estimated salvage value to the balance of operating receivable at the end of the fiscal year is not material.

3) Lease revenue, depreciation expense for the fiscal year

	Millions of yen	Thousands of U.S. dollars
Lease revenue	23	249
Depreciation expense	6	73

(For impairment loss)

No impairment loss is recognized for leased assets.

2. Operating leases

Lease transactions as a lessee:

Future lease payment obligations under operating leases are as follows:

	Millions of yen	Thousands of U.S. dollars
Due within one year	994	10,689
Due after one year	4,392	47,229
Total	5,386	57,919

(11) FINANCIAL INSTRUMENTS

FISCAL 2009 (From April 1, 2009 to March 31, 2010)

1. Outline of financial instruments

(1) Policy for financial instruments

The Group raises funds necessary to conduct its business mainly through bank loans or issuance of bonds. Temporary cash surpluses, if any, are invested in low risk financial assets. Derivatives are used, not for speculative purposes, but to manage exposure to financial risks as described below.

(2) Nature and extent of risks arising from financial instruments

Receivables such as notes and accounts receivables-trade are exposed to customer credit risk. Trade receivables denominated in foreign currencies are exposed to foreign currency exchange fluctuation risk.

Short-term investment securities and investment securities, mainly consisting of beneficiary securities on investment trusts, certificates of deposit and others held for management of capital surpluses and stocks in companies that have business relationship are exposed to the risk of market price fluctuations.

Payment terms of payables, such as notes and accounts payable-trade, are mostly less than one year. Payables in foreign currencies incurred mainly from import of raw materials are exposed to foreign currency exchange fluctuation risk, those risks are mostly offset by receivable balances denominated in the same foreign currency.

Loans, bonds and lease obligations related to finance lease transactions, used to raise funds for working capital and capital expenditures have maturities of at the longest 9 years from the balance sheet date. The debts bearing floating interest rates are exposed to interest rate fluctuation risk, although a part of the exposure is hedged through use of derivatives (interest rate swaps).

Derivative transactions include forward foreign currency contracts and currency swaps for the purpose of hedging foreign currency exchange fluctuation risk resulting from receivables and payables denominated in foreign currencies and interest rate swaps for the purpose of hedging interest rate fluctuation risk resulting from variable interest expenses on debts. Please refer to "(5) Significant hedge accounting" under "5. Accounting policies" for a description of the Company's accounting policy relating to hedging activities.

(3) Risk management for financial instruments

a. Credit Risk Management (customers' default risk)

The Company manages and mitigates customer credit risk from trade receivables on the basis of internal rules concerning credit management, which include monitoring of payment terms and balances of customers to identify default risk at an early stage. With respect to loan receivables and liability guarantee agreements, the Company manages its exposure to credit risk by periodically identifying the financial position of the debtors. With respect to financial assets held for managing capital surplus, its credit risk is minimal because the investments are limited to issuers with high credit ratings in accordance with internal rules concerning fund management.

The Company enters into derivative transactions only with financial institutions that have high credit ratings in order to mitigate counterparty risks.

b. Market Risk Management (foreign currency exchange and interest rate fluctuation risks)

The Company and certain consolidated subsidiaries principally use forward foreign exchange contracts to hedge foreign currency exchange fluctuation risk exposure in connection with trade receivables and payables denominated in foreign currencies. Depending on foreign currency exchange rates conditions, trade receivables and payables denominated in foreign currencies that are firmly expected to be generated based on export and import forecasts are hedged using forward foreign exchange contracts with limited contract periods of around half a year.

In addition, the Company uses currency swap and interest rate swap contracts to mitigate foreign currency exchange fluctuation risk exposure in connection with long-term loans receivable in foreign currencies and interest rate fluctuation risk exposure in connection with long-term loans payable.

With respect to short-term investment securities and investment securities, the Company periodically monitors fair values or financial status of the related issuers. With respect to stocks in companies that have a business relationship, the Company checks necessity for holding them, taking into account the business relationship.

The Company manages derivative transactions in accordance with internal rules that regulate delegation of authority concerning derivative transactions.

c. *Liquidity Risk Management on Fund Raising*

Liquidity risk comprises the risk that the Group cannot meet its contractual obligations in full at the respective maturity dates. The Group manages its liquidity risk by diversifying its fund raising instruments, obtaining commitment lines from several financial institutions and adjusting short-term and long-term funding balances in consideration of market environments.

(4) Supplementary explanation concerning fair values of financial instruments

Fair values of financial instruments comprise values determined based on market prices and values determined reasonably when there is no market price. Since variable factors are incorporated in computing the relevant fair values, such fair values may vary depending on the different assumptions. The notional amounts and other information described in the note "DERIVATIVE FINANCIAL INSTRUMENTS" are not indicative of market risk exposure to derivative transactions.

2. Fair values of financial instruments

Carrying amount, fair value and unrealized gain/loss of the financial instruments as of March 31, 2010 are as follows:

Financial instruments whose fair values are not readily determinable are excluded from the following table:

	Millions of yen		
	Carrying amount	Fair value	Unrealized gain (loss)
(1) Cash and deposits	28,991	28,991	—
(2) Notes and accounts receivable - trade	75,923		
Allowance for doubtful accounts	(604)		
	75,318	75,318	—
(3) Short-term investment securities and investment securities			
Available-for-sale securities	115,811	115,811	—
Total assets	220,121	220,121	—
(4) Notes and accounts payable - trade	27,235	27,235	—
(5) Long-term loans payable (*1)	51,147	52,333	1,185
Total liabilities	78,383	79,569	1,185
Derivative transactions (*2)	196	196	—

	Thousands of U.S.dollars		
	Carrying amount	Fair value	Unrealized gain (loss)
(1) Cash and deposits	311,741	311,741	—
(2) Notes and accounts receivable - trade	816,378		
Allowance for doubtful accounts	(6,502)		
	809,876	809,876	—
(3) Short-term investment securities and investment securities			
Available-for-sale securities	1,245,282	1,245,282	—
Total assets	2,366,899	2,366,899	—
(4) Notes and accounts payable - trade	292,855	292,855	—
(5) Long-term loans payable (*1)	549,977	562,725	12,747
Total liabilities	842,832	855,580	12,747
Derivative transactions (*2)	2,108	2,108	—

(*1) Long-term loans payable include the current portion of long-term loans payable.

(*2) Receivables and payables incurred as a result of derivative transactions are presented on a net basis. Net payables are presented in parenthesis.

Notes: 1. Calculation method of fair values of financial instruments and securities and derivative transactions

Assets:

(1) Cash and deposits and (2) Notes and accounts receivable - trade

These assets are recorded using book values because fair values approximate book values because of their short-term maturities.

(3) Short-term investment securities and investment securities

The fair values of these assets are determined using the quoted market price on applicable stock exchanges. Other instruments are determined using the quoted price obtained from financial institutions.

Liabilities:

(1) Notes and accounts payable - trade

These payables are recorded using book values because fair values approximate book values because of their short-term maturities.

(2) Long-term loans payable

The fair values of long-term loans payable are determined by discounting the aggregated values of the principal and interest using an assumed interest rate based on the interest rate that would be applied to a new loan of a similar nature.

Long-term loans payable bearing floating interest rates are hedged using interest rate swap contracts and the fair values of these loans payable are determined by discounting the aggregated values of the principal and interest accounted for together with the related interest rate swap contracts using a reasonably estimated interest rate based on the interest rate that would be applied to a new loan of a similar nature.

2. Financial instruments whose fair values are not readily determinable

Category	Carrying amount	
	Millions of yen	Thousands of U.S.dollars
Unlisted equity securities	7,173	77,135

These items are not included in "(3) Short-term investment securities and investment securities," because there is no market price, future cash flows cannot be estimated and it is very difficult to identify fair values.

3. Redemption schedule of monetary assets and securities with contractual maturities

	Millions of yen			
	Within one year	One to five years	Five to ten years	Over ten years
Cash and deposits	28,991	—	—	—
Notes and accounts receivable - trade	75,923	—	—	—
Short-term investment securities and investment securities:				
o/w securities with contractual maturities:				
(1) Bonds (Corporate)	2,000	—	—	—
(2) Bonds (Others)	17,000	—	—	—
(3) Others	55,000	27,250	—	—
Total	178,915	27,250	—	—

	Thousands of U.S.dollars			
	Within one year	One to five years	Five to ten years	Over ten years
Cash and deposits	311,741	—	—	—
Notes and accounts receivable - trade	816,378	—	—	—
Short-term investment securities and investment securities:				
o/w securities with contractual maturities:				
(1) Bonds (Corporate)	21,505	—	—	—
(2) Bonds (Others)	182,795	—	—	—
(3) Others	591,397	293,017	—	—
Total	1,923,818	293,017	—	—

4. Redemption schedule of bonds, long-term loans payable and lease obligations after the balance sheet date:

Please refer to note "21. SUPPLEMENTARY SCHEDULE."

(Additional information)

Effective this fiscal year, the Company adopted the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, issued on March 10, 2008) and "Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, issued on March 10, 2008).

(12) SECURITIES

FISCAL 2008 (From April 1, 2008 to March 31, 2009)

1. Available-for-sale securities with market value (As of March 31, 2009)

	Millions of yen		
	Cost	Book value (estimated fair value)	Net
Securities with book value exceeding their acquisition cost			
Equity securities	5,286	10,362	5,076
Bonds			
Government and municipal	—	—	—
Corporate	—	—	—
Others	—	—	—
Others	26,937	27,063	125
Subtotal	32,224	37,426	5,201
Securities with book value not exceeding their acquisition cost			
Equity securities	3,669	2,912	(756)
Bonds			
Government and municipal	—	—	—
Corporate	—	—	—
Others	499	499	—
Others	9,000	9,000	—
Subtotal	13,168	12,412	(756)
Total	45,393	49,838	4,444

2. Available-for-sale securities sold during Fiscal 2008 (From April 1, 2008 to March 31, 2009)

	Millions of yen
Proceeds from sales	1,534
Total gain	1,264
Total loss	—

3. Investments in securities without market value (As of March 31, 2009)

	Millions of yen
Investments in securities	4,420
Investments in unlisted companies	

4. Redemption schedule of the available-for-sale securities which have a maturity date (As of March 31, 2009)

	Millions of yen			
	Within one year	One to five years	Five to ten years	Over ten years
Bonds				
Government and municipal	—	—	—	—
Corporate	—	—	—	—
Others	500	—	—	—
Others	9,000	27,063	—	—
Total	9,500	27,063	—	—

FISCAL 2009 (From April 1, 2009 to March 31, 2010)

1. Available-for-sale securities with market value (As of March 31, 2010)

	Millions of yen			Thousands of U.S. dollars		
	Book value (estimated fair value)	Cost	Net	Book value (estimated fair value)	Cost	Net
Securities with book value exceeding their acquisition cost						
Equity securities	12,214	5,984	6,229	131,338	64,352	66,985
Bonds						
Government and municipal	—	—	—	—	—	—
Corporate	—	—	—	—	—	—
Others	3,998	3,997	0	42,994	42,988	5
Others	27,250	26,937	313	293,017	289,649	3,367
Subtotal	43,463	36,920	6,543	467,349	396,991	70,358
Securities with book value not exceeding their acquisition cost						
Equity securities	2,367	2,976	(608)	25,458	32,005	(6,546)
Bonds						
Government and municipal	—	—	—	—	—	—
Corporate	2,000	2,000	—	21,505	21,505	—
Others	12,980	12,983	(3)	139,571	139,611	(40)
Others	55,000	55,000	—	591,397	591,397	—
Subtotal	72,347	72,960	(612)	777,933	784,520	(6,587)
Total	115,811	109,880	5,930	1,245,282	1,181,511	63,771

Note: Unlisted equity securities amounting to ¥4,090 million (US\$ 43,981 thousand) are excluded from the above table, because there is no market price and it is very difficult to identify fair values.

2. Impairment loss on securities

The Group recognized impairment loss on securities (equity securities under available-for-sale securities) in an amount of ¥174 million (US\$ 1,877 thousand).

The Group recognizes impairment loss when the fair value declines more than 50 % of its acquisition cost and when the fair value declines between 30% and 50% of the acquisition cost, the amount considered to be necessary considering the recoverability is recognized as impairment loss.

(13) DERIVATIVE FINANCIAL INSTRUMENTS

FISCAL 2008 (From April 1, 2008 to March 31, 2009)

1. Outline of derivative transactions

(1) Types of transactions

The Company and its consolidated subsidiaries enter into forward foreign exchange contracts, currency swap contracts and interest rate swap contracts.

(2) Transaction policy

All derivative transactions are entered into to hedge risks of fluctuations of interest rates and foreign currency exchange rates incorporated within the Companies' business. The Company and the consolidated subsidiaries do not hold or issue derivative financial instruments for speculative or trading purposes.

(3) Purpose of transactions

The Company and its consolidated subsidiaries use derivative transactions to effectively manage market risk and avoid risks associated with fluctuations in the financial environment. The Company and its consolidated subsidiaries enter into forward foreign exchange contracts and currency swap contracts to reduce foreign exchange risks of receivables and payables denominated in foreign currencies and future transactions in foreign currencies. The Company and its consolidated subsidiaries enter into interest rate swap contracts to reduce the interest rate risk of the interest expense.

Hedge accounting

The Company and its consolidated subsidiaries adopt the method for hedging instruments whereby any gains or losses are deferred over the period of the hedging contract and are offset against the deferred losses or gains on the related hedged items.

However, when an interest rate swap contract meets certain conditions, the net amount to be paid or received under the contract is added to or deducted from the interest on the hedged items.

Hedging instruments and hedged items

Hedging instruments:	Hedged items:
Forward foreign exchange contracts	Future transactions in foreign currency
Currency swap contracts	Future transactions in foreign currency
Interest rate swap contracts	Interest expenses

Hedging policy

The Company and its consolidated subsidiaries use financial instruments to hedge interest rate fluctuation and exchange fluctuation risks in accordance with their internal policies and procedures.

Assessment method for hedge effectiveness

The Company and its consolidated subsidiaries evaluate the effectiveness of their hedging activities by reference to the accumulated gains or losses on the hedging instruments and the related hedged items. Interest rate swap contracts, which meet certain conditions, are evaluated for effectiveness at the commencement of the hedges.

(4) Risks of transactions

The Company and its consolidated subsidiaries estimate that credit risk is low as contracts are entered into with well-known and established financial institutions.

(5) Risk management of transactions

Derivative transactions are in accordance with internal policies which specify management policy, responsible department, usage purpose and practice standard for hedging.

(6) Additional explanation regarding transaction value

The notional amounts of swap contracts do not necessarily represent the amounts exchanged by the parties and, therefore, are not a direct measure of the market risk or credit risk exposure in connection with derivatives.

2. The forward foreign exchange contracts and currency swap contracts outstanding at March 31, 2009 were as follows:

Currencies

Category	Classification	Millions of yen			
		Notional amount	Notional amount over one year	Market value	Unrealized gain (loss)
Transactions other than market transactions	Currency swap contracts:				
	Yen into Euro obligation	8,487	6,347	326	326
	Forward foreign exchange contracts:				
	Yen into U.S. dollar obligation	4,337	—	(44)	(44)
	Yen into Euro obligation	4,554	519	(483)	(483)
	U.S. dollar into Yen obligation	284	—	23	23
	Euro into Yen obligation	8	—	0	0
U.S. dollar into Euro obligation	885	—	103	103	
Total		18,558	6,867	(73)	(73)

Notes: 1. The amounts exclude derivative transactions to which hedge accounting is applied.

2. Market values of swap transactions at the end of the fiscal year are calculated using prices quoted by financial institutions. Market values of forward foreign exchange contracts at the end of the fiscal year are calculated using future quotations.

3. The amounts include currency swap contracts entered into in order to hedge inter-company transactions in foreign currency or forward foreign exchange contracts for accounts receivable and payable in foreign currency, which are not accounted for by hedge accounting, but by the primary method of accounting for the instruments in accordance with the Accounting Standard for Financial Instruments.

FISCAL 2009 (From April 1, 2009 to March 31, 2010)

1. Derivative transactions to which hedge accounting is not applied:

(1) Currencies

		Millions of yen			
Category	Classification	Notional amount	Notional amount due after one year	Market value	Unrealized gain (loss)
Transactions other than market transactions	Currency swap contracts:				
	Yen into Euro obligation	6,347	4,554	511	511
	Forward foreign exchange contracts:				
	Yen into Euro obligation	499	—	(25)	(25)
Total		6,847	4,554	485	485

		Thousands of U.S.dollars			
Category	Classification	Notional amount	Notional amount due after one year	Market value	Unrealized gain (loss)
Transactions other than market transactions	Currency swap contracts:				
	Yen into Euro obligation	68,257	48,977	5,496	5,496
	Forward foreign exchange contracts:				
	Yen into Euro obligation	5,372	—	(271)	(271)
Total		73,630	48,977	5,224	5,224

Notes: 1. Market values of swap transactions at the end of the fiscal year are calculated using prices quoted by financial institutions. Market values of forward foreign exchange contracts at the end of the fiscal year are calculated using forward exchange rate.

2. The amounts include currency swap contracts entered into in order to hedge inter-company transactions for loan transactions, which are not accounted for by hedge accounting, but by the primary method of accounting for the instruments in accordance with the Accounting Standard for Financial Instruments.

2. Derivative transactions to which hedge accounting is applied

(1) Currencies

Hedge accounting method	Classification	Major hedged items	FISCAL 2009 (As of March 31, 2010)					
			Millions of yen			Thousands of U.S. dollars		
			Notional amount	Notional amount over one year	Market value	Notional amount	Notional amount over one year	Market value
Primary method	Forward foreign exchange contracts:							
	Yen into U.S. dollar obligation	Accounts receivable - trade	4,439	—	(112)	47,733	—	(1,214)
	Yen into Euro obligation	Accounts receivable - trade	1,658	—	(11)	17,834	—	(126)
	U.S. dollar into Yen obligation	Accounts payable - trade	5	—	0	63	—	3
	Euro into Yen obligation	Accounts payable - trade	104	—	(1)	1,118	—	(12)
	U.S. dollar into Euro obligation	Accounts receivable - trade	212	—	10	2,283	—	107
Total			6,420	—	(115)	69,032	—	(1,242)

Note: Market values of forward foreign exchange contracts at the end of the fiscal year are calculated using forward exchange rate.

Hedge accounting method	Classification	Major hedged items	FISCAL 2009 (As of March 31, 2010)					
			Millions of yen			Thousands of U.S. dollars		
			Notional amount	Notional amount over one year	Market value	Notional amount	Notional amount over one year	Market value
Receivables or payables are translated using forward foreign exchange contract rates.	Forward foreign exchange contracts:							
	Yen into U.S. dollar obligation	Accounts receivable - trade	589	—	Note	6,339	—	Note
	Yen into Euro obligation	Accounts receivable - trade	141	—	Note	1,525	—	Note
	U.S. dollar into Yen obligation	Accounts payable - trade	142	—	Note	1,530	—	Note
	Euro into Yen obligation	Accounts payable - trade	35	—	Note	382	—	Note
Total			909	—	Note	9,778	—	Note

Note: With respect to forward foreign exchange contracts whose exchange rates are used for translating accounts receivable or payable - trade, market values of forward foreign exchange contracts are included in the market values of the relevant accounts receivable or payable - trade, since they are used for recording accounts receivable or payable - trade as hedged items.

Hedge accounting method	Classification	Major hedged items	FISCAL 2009 (As of March 31, 2010)					
			Millions of yen			Thousands of U.S. dollars		
			Notional amount	Notional amount over one year	Market value	Notional amount	Notional amount over one year	Market value
Cash flow hedges for forecasted transactions	Currency swap contracts:							
	Yen into U.S. dollar obligation	Forecasted transactions in foreign currencies	6,347	4,554	(181)	68,257	48,977	(1,950)
	Forward foreign exchange contracts:							
	Yen into U.S. dollar obligation	Forecasted transactions in foreign currencies	1,536	—	(2)	16,525		(26)
	Yen into Euro obligation	Forecasted transactions in foreign currencies	705	—	0	7,584		0
	U.S. dollar into Yen obligation	Forecasted transactions in foreign currencies	344	—	9	3,707		104
	Euro into Yen obligation	Forecasted transactions in foreign currencies	0	—	0	9		0
Total			8,935	4,554	(174)	96,084	48,977	(1,872)

Note: Market values of swap transactions at the end of the fiscal year are calculated using prices quoted by financial institutions. Market values of forward foreign exchange contracts at the end of the fiscal year are calculated using forward exchange rate.

(2) Interest rate

Hedge accounting method	Classification	Major hedged items	FISCAL 2009 (As of March 31, 2010)					
			Millions of yen			Thousands of U.S. dollars		
			Notional amount	Notional amount over one year	Market value	Notional amount	Notional amount over one year	Market value
Interest rate swaps meeting certain conditions	Interest rate swaps:							
	Floating rate into fixed rate	Long-term loans payable	3,699	2,499	Note	39,774	26,871	Note

Note: With respect to interest rate swap contracts which meet certain conditions, market values of the interest rate swap contracts are included in the market values of the relevant long-term loans payable, since they are used for recording long-term loans payable as hedged items.

(14) RETIREMENT BENEFITS

1. Summary of retirement benefit plan

The Company and some of its domestic consolidated subsidiaries have retirement pension plans and lump-sum benefit plans. The Company has cash balance plans and defined contribution pension plans. Some of the domestic subsidiaries have tax-qualified pension plans, cash balance plans or defined contribution pension plans. Some foreign consolidated subsidiaries have defined benefit pension plans or defined contribution pension plans. Additional benefits may be granted to employees depending on the conditions under which termination of employment occurs.

Some consolidated subsidiary adopts a jointly-established employee pension fund plan (multi-employer plan), and record required contribution amounts as retirement benefit expenses.

The status of the multi-employer plan is as follows:

(1) Accumulated funds for the plan

	Fiscal 2008 (As of March 31, 2009)	Fiscal 2009 (As of March 31, 2010)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Plan assets:	79,649	56,798	610,731
Amount of benefit obligation as a result of pension's financial calculation:	105,891	104,558	1,124,280
Difference:	(26,242)	(47,760)	(513,548)

(2) Ratio of total salaries of the consolidated subsidiary to total funds of the plan

(As of March 31, 2008)	1.9%
(As of March 31, 2009)	1.9%

(3) Supplementary explanation

The main reasons behind the difference in amounts described above in (1) are as follows. The method of depreciation of prior service cost in the current fiscal year is to evenly split principals thereof over a period of 10 years, and is scheduled to be terminated in March 2017.

	Fiscal 2008 (As of March 31, 2008)	Fiscal 2009 (As of March 31, 2009)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Balance of prior service cost	13,844	12,243	131,651
Deficient amount carried forward	12,397	35,516	381,897
General reserve	—	—	—

The ratio in the above (2) does not match with the ratio of the actual burden of the consolidated subsidiary.

The numbers for the disclosure above were of the years previous to the corresponding fiscal year.

2. Retirement benefit obligations

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	
	Fiscal 2008 (As of March 31, 2009)	Fiscal 2009 (As of March 31, 2010)	Fiscal 2009 (As of March 31, 2010)	
a. Retirement benefit obligations:	(40,332)	(38,796)	(417,166)	
b. Plan assets:	20,378	20,651	222,058	
c. Unfunded retirement benefit obligations: (a+b)	(19,954)	(18,145)	(195,108)	
d. Unrecognized actuarial gains or losses:	14,119	11,429	122,893	
e. Unrecognized prior service costs:	(969)	(866)	(9,311)	
f. Net retirement benefit obligations recognized in the consolidated balance sheets: (c+d+e)	(6,804)	(7,582)	(81,527)	
g. Prepaid pension costs:	7,128	6,666	71,680	
h. Provision for retirement benefits: (f-g)	(13,933)	(14,248)	(153,207)	
Note: Some domestic consolidated subsidiaries account for a simplified method in the calculation of retirement benefit obligations.				

3. Retirement benefit expenses

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
	Fiscal 2008 (From April 1, 2008, to March 31, 2009)	Fiscal 2009 (From April 1, 2009, to March 31, 2010)	Fiscal 2009 (From April 1, 2009, to March 31, 2010)
a. Service costs: (Note 2)	2,061	1,456	15,660
b. Interest costs:	781	764	8,224
c. Expected return on plan assets:	(857)	(659)	(7,090)
d. Amortization of actuarial gains or losses:	941	1,272	13,685
e. Amortization of prior service costs:	(91)	(103)	(1,112)
f. Retirement benefit expenses: (a+b+c+d+e)	2,839	2,731	29,367
g. Defined contribution pension plans installment:	562	537	5,784
Total	3,397	3,269	35,151

Notes: 1. The figures in the above table do not include the contributions made by employees with respect to the tax-qualified pension plan for Fiscal 2008.
2. The retirement benefit expense for consolidated subsidiaries which adopt the simplified method is included in "Service costs."

4. Assumptions used in accounting for the defined benefit plan for the year ended March 31, 2009 are as follows:

	Fiscal 2008 (As of March 31, 2009)	Fiscal 2009 (As of March 31, 2010)
a. Method of attributing the projected benefit obligations to periods of service	Straight-line	Same as Fiscal 2008
b. Discount rate	mainly 2.0%	Same as Fiscal 2008
c. Expected rate of return on plan assets	mainly 3.3%	Same as Fiscal 2008
d. Amortization period for prior service cost	mainly 15 years (On a straight-line basis over a certain period, which falls within the average remaining years of service of the eligible employees.)	Same as Fiscal 2008
e. Amortization period for actuarial gains and losses	mainly 15 years (On a straight-line basis over a certain period, which falls within the average remaining years of service of the eligible employees, allocated proportionally commencing the next year in which each respective gain or loss occurred.)	Same as Fiscal 2008

(15) STOCK-BASED COMPENSATION PLANS

FISCAL 2008 (From April 1, 2008 to March 31, 2009)

1. Item and amount of expenses for stock options in this fiscal year

Selling, general and administrative expenses: ¥99 million

2. Details including size and changes of stock options

(1) Stock options plans

	Stock options 2002	Stock options 2003	Stock options June 2007	Stock options June 2008
Number of eligible persons by positions	Directors 18 Corporate auditors 3 Managers 396 Directors of subsidiaries 67 Corporate auditors of subsidiaries 4 Managers of subsidiaries 451	Employees 2,200 Employees of subsidiaries 3,422	Directors of the Company: 10 Executive officers of the Company (excluding those who concurrently serve as directors of the Company and those working overseas): 11	Directors of the Company: 10 Executive officers of the Company (excluding those who concurrently serve as directors of the Company and those working overseas): 16
Total number and type of stocks granted	1,076,500 shares of common stock	2,811,000 shares of common stock	56,500 shares of common stock	78,500 shares of common stock
Grant date	October 1, 2002	October 1, 2003	June 5, 2007	June 10, 2008
Prerequisite to be vested	Directors, corporate auditors and employees of the Company and its subsidiaries. Directors, corporate auditors and associate directors of the Company and presidents of the significant subsidiaries can exercise after they retire.	Directors, corporate auditors, executive officers and employees of the Company and its subsidiaries.	No vesting conditions are set.	No vesting conditions are set.
Required service period	From October 1, 2002 to June 27, 2004	From October 1, 2003 to June 26, 2005	There is no provision for a required service period.	There is no provision for a required service period.
Exercise period	From June 28, 2004 to June 27, 2012	From June 27, 2005 to June 26, 2013	From June 6, 2007 to June 5, 2022; Provided that, if the final date of the exercise period is a holiday for the Company, the final date should be the business date immediately preceding the date.	From June 11, 2008 to June 10, 2023; provided that, if the final date of the exercise period is a holiday for the Company, the final date should be the business date immediately preceding the date.

Note: Significant subsidiaries are as follows:

KURARAY ENGINEERING CO., LTD., KURARAY CHEMICAL CO., LTD., KURARAY TRADING Co., LTD., Kuraray Plastics Co., Ltd., KURARAY FUDOSAN CO., LTD., Kuraray Techno Co., Ltd., TECHNO SOFT CO., LTD., Kuraray America, Inc., Eval Company of America (Merged with Kuraray America, Inc. in January, 2008), Kuraray Europe GmbH, EVAL Europe N.V., Kuraray Specialities Europe GmbH (Merged with Kuraray Europe GmbH in September, 2006)

(2) Size and changes of Stock options

Stock options which exist in this fiscal year are converted into shares.

1) Number of stock options

	Stock options 2002	Stock options 2003	Stock options June 2007	Stock options June 2008
Unvested stock options (shares)				
At the beginning of the fiscal year	—	—	—	—
Granted	—	—	—	78,500
Forfeited	—	—	—	—
Vested	—	—	—	78,500
At the end of the fiscal year	—	—	—	—
Vested stock options (shares)				
At the beginning of the fiscal year	398,000	1,454,500	56,500	—
Vested	—	—	—	78,500
Exercised	17,000	12,000	20,000	26,000
Forfeited	3,000	27,000	—	—
At the end of the fiscal year	378,000	1,415,500	32,500	52,500

2) Price information

	Yen			
	Stock options 2002	Stock options 2003	Stock options June 2007	Stock options June 2008
Exercise prices	825	918	1	1
Weighted-average exercise date stock price	1,187	1,226	1,266	1,266
Fair value at the grant date	—	—	1,318	1,264

3. Method to estimate fair value of stock options

The fair value of the June 2008 stock options, which were granted in fiscal 2008, are estimated as follows.

1) Valuing method: Black-Scholes model

2) Major basic figures and estimating method

	June 2008 Stock option
Stock price volatility (Note 1)	23.3%
Expected remaining life (Note 2)	2 years
Expected dividend (Note 3)	¥23.50/share (US\$ 0.23 /share)
Risk-free interest rate (Note 4)	0.96%

Notes: 1. Calculated weekly based on the weekly stock price information over a period from the week that contains June 5, 2006 to the week that contains June 2, 2008.

2. Calculated by subtracting the average period of service of directors and executive officers who are currently in office as of the day of grant from the past average period of service of directors and executive officers.

3. Based on the average of ¥22 (US\$ 0.22), the dividend paid for the fiscal year ended March 2008, and ¥25 (US\$ 0.25), the expected dividend for the fiscal year ended March 2009.

4. Government bond yield over a period corresponding to the expected remaining life.

4. Method to estimate number of vested stock options

The number of vested stock options is the same as the number of stock options granted, since the stock options were vested on the day following the day of the grant.

FISCAL 2009 (From April 1, 2009 to March 31, 2010)

1. Item and amount of expenses for stock options in this fiscal year

Selling, general and administrative expenses: ¥81 million (US\$ 880 thousand)

2. Details including size and changes of stock options

(1) Stock options plans

	Stock options 2002		Stock options 2003	
Number of eligible persons by positions	Directors	18	Employees	2,200
	Corporate auditors	3	Employees of subsidiaries	3,422
	Managers	396		
	Directors of subsidiaries	67		
	Corporate auditors of subsidiaries	4		
	Managers of subsidiaries	451		
Total number and type of stocks granted	1,076,500 shares of common stock		2,811,000 shares of common stock	
Grant date	October 1, 2002		October 1, 2003	
Prerequisite to be vested	Directors, corporate auditors and employees of the Company and its subsidiaries. Directors, corporate auditors and associate directors of the Company and presidents of the significant subsidiaries can exercise after they retire.		Directors, corporate auditors, executive officers and employees of the Company and its subsidiaries.	
Required service period	From October 1, 2002 to June 27, 2004		From October 1, 2003 to June 26, 2005	
Exercise period	From June 28, 2004 to June 27, 2012		From June 27, 2005 to June 26, 2013	

Note: Significant subsidiaries are as follows:

KURARAY ENGINEERING CO., LTD., KURARAY CHEMICAL CO., LTD., KURARAY TRADING Co., LTD., Kuraray Plastics Co., Ltd., KURARAY FUDOSAN CO., LTD., Kuraray Techno Co., Ltd., TECHNO SOFT CO., LTD., Kuraray America, Inc., Eval Company of America (Merged with Kuraray America, Inc. in January, 2008), Kuraray Europe GmbH, EVAL Europe N.V., Kuraray Specialities Europe GmbH (Merged with Kuraray Europe GmbH in September, 2006)

	Stock options June 2007		Stock options June 2008		Stock options June 2009	
Number of eligible persons by positions	Directors of the Company:	10	Directors of the Company:	10	Directors of the Company:	9
	Executive officers of the Company (excluding those who concurrently serve as directors of the Company and those working overseas):	11	Executive officers of the Company (excluding those who concurrently serve as directors of the Company and those working overseas):	16	Executive officers of the Company (excluding those who concurrently serve as directors of the Company and those working overseas):	15
Total number and type of stocks granted	56,500 shares of common stock		78,500 shares of common stock		86,500 shares of common stock	
Grant date	June 5, 2007		June 10, 2008		June 9, 2009	
Prerequisite to be vested	No vesting conditions are set.		No vesting conditions are set.		No vesting conditions are set.	
Required service period	There is no provision for a required service period.		There is no provision for a required service period.		There is no provision for a required service period.	
Exercise period	From June 6, 2007 to June 5, 2022; provided that, if the final date of the exercise period is a holiday for the Company, the final date should be the business date immediately preceding the date.		From June 11, 2008 to June 10, 2023; provided that, if the final date of the exercise period is a holiday for the Company, the final date should be the business date immediately preceding the date.		From June 10, 2009 to June 9, 2024; provided that, if the final date of the exercise period is a holiday for the Company, the final date should be the business date immediately preceding the date.	

(2) Size and changes of Stock options

Stock options which exist in this fiscal year are converted into shares.

1) Number of stock options

	Stock options 2002	Stock options 2003	Stock options June 2007	Stock options June 2008	Stock options June 2009
Unvested stock options (shares)					
At the beginning of the fiscal year	—	—	—	—	—
Granted	—	—	—	—	86,500
Forfeited	—	—	—	—	—
Vested	—	—	—	—	86,500
At the end of the fiscal year	—	—	—	—	—
Vested stock options (shares)					
At the beginning of the fiscal year	378,000	1,415,500	32,500	52,500	—
Vested	—	—	—	—	86,500
Exercised	50,000	19,000	1,000	1,500	1,500
Forfeited	11,000	73,000	—	—	—
At the end of the fiscal year	317,000	1,323,500	31,500	51,000	85,000

2) Price information

	Yen				
	Stock options 2002	Stock options 2003	Stock options June 2007	Stock options June 2008	Stock options June 2009
Exercise prices	825	918	1	1	1
Weighted-average exercise date stock price	1,096	1,103	994	994	994
Fair value at the grant date	—	—	1,318	1,264	947

	U.S. dollars				
	Stock options 2002	Stock options 2003	Stock options June 2007	Stock options June 2008	Stock options June 2009
Exercise prices	8.87	9.87	0.01	0.01	0.01
Weighted-average exercise date stock price	11.78	11.86	10.68	10.68	10.68
Fair value at the grant date	—	—	14.17	13.59	10.18

3. Method to estimate fair value of stock options

The fair value of the June 2009 stock options, which were granted in fiscal 2009, are estimated as follows.

1) Valuing method: Black-Scholes model

2) Major basic figures and estimating method

	June 2009 Stock option
Stock price volatility (Note 1)	40.3%
Expected remaining life (Note 2)	2 years
Expected dividend (Note 3)	¥22.00/share (US\$ 0.23 /share)
Risk-free interest rate (Note 4)	0.37%

- Notes: 1. Calculated weekly based on the weekly stock price information over a period from the week that contains June 4, 2007 to the week that contains June 1, 2009.
2. Calculated by subtracting the average period of service of directors and executive officers who are currently in office as of the day of grant from the past average period of service of directors and executive officers.
3. Based on the average of ¥22 (US\$ 0.23), the dividend paid for the fiscal year ended March 2009.
4. Government bond yield over a period corresponding to the expected remaining life.

4. Method to estimate number of vested stock options

The number of vested stock options is the same as the number of stock options granted, since the stock options were vested on the day following the day of the grant.

(16) INCOME TAXES

Fiscal 2008 (From April 1, 2008 to March 31, 2009)	Fiscal 2009 (From April 1, 2009 to March 31, 2010)	
1. The significant components of deferred tax assets and liabilities at March 31, 2009 are as follows:		
(1) Current		
Millions of yen	Millions of yen	Thousands of U.S. dollars
Deferred tax assets		
Provision for retirement benefits	5,105	
Impairment loss	2,815	
Provision for bonuses	2,032	
Write-down of investment securities	1,997	
Write-down of inventories	1,166	
Other	11,402	
Sub-total deferred tax assets	24,520	
Valuation allowance	(5,562)	
Total deferred tax assets	18,957	
Deferred tax liabilities		
Prepaid pension cost	(2,872)	
Reserve for reduction entry	(2,863)	
Unrealized gain on revaluation of securities	(1,494)	
Other	(5,934)	
Total deferred tax liabilities	(13,165)	
Net deferred tax assets (liabilities)	5,791	
Net deferred tax assets is included in the following items in the consolidated balance sheets:		
Millions of yen	Millions of yen	Thousands of U.S. dollars
Current assets:		
Deferred tax assets	5,493	
Noncurrent assets:		
Deferred tax assets	5,616	
Noncurrent liabilities:		
Deferred tax liabilities	(5,318)	
1. The significant components of deferred tax assets and liabilities at March 31, 2010 are as follows:		
(1) Current		
Millions of yen	Millions of yen	Thousands of U.S. dollars
Deferred tax assets		
Provision for retirement benefits	5,215	56,075
Impairment loss	3,041	32,709
Provision for bonuses	2,289	24,619
Write-down of investment securities	1,955	21,030
Write-down of inventories	1,107	11,912
Other	11,203	120,471
Sub-total deferred tax assets	24,814	266,818
Valuation allowance	(4,488)	(48,268)
Total deferred tax assets	20,325	218,550
Deferred tax liabilities		
Prepaid pension cost	(2,662)	(28,626)
Reserve for reduction entry	(2,611)	(28,084)
Unrealized gain on revaluation of securities	(2,024)	(21,768)
Other	(6,154)	(66,180)
Total deferred tax liabilities	(13,453)	(144,659)
Net deferred tax assets (liabilities)	6,871	(73,890)
Net deferred tax assets is included in the following items in the consolidated balance sheets:		
Millions of yen	Millions of yen	Thousands of U.S. dollars
Current assets:		
Deferred tax assets	5,824	62,633
Noncurrent assets:		
Deferred tax assets	6,570	70,654
Noncurrent liabilities:		
Deferred tax liabilities	(5,524)	(59,397)

Fiscal 2008 (From April 1, 2008 to March 31, 2009)	Fiscal 2009 (From April 1, 2009 to March 31, 2010)
2. Reconciliation of the difference between the normal effective tax rate and the income tax rate in the accompanying consolidated statements of income is as follows:	2. Reconciliation of the difference between the normal effective tax rate and the income tax rate in the accompanying consolidated statements of income is as follows:
Fiscal 2008	Fiscal 2009
Normal effective tax rate	Normal effective tax rate
40.3%	40.3%
Non-taxable income	Non-taxable income
(1.9)	(1.1)
Tax credit primarily for research and development expenses	Tax credit primarily for research and development expenses
(2.3)	(4.0)
Loss incurred by consolidated subsidiaries and other	Loss incurred by consolidated subsidiaries and other
(3.4)	(6.2)
Income tax rate per statements of income	Income tax rate per statements of income
32.7%	28.9%

(17) BUSINESS COMBINATION

FISCAL 2008 (From April 1, 2008 to March 31, 2009)

Transactions under common control (absorption-type company split)

1. Names of combining companies or targeted businesses, details of the businesses, legal form of the business combination, name of company after the business combination and overview of the transaction including the purpose of the transaction

(1) Names of combining companies or targeted businesses, details of the businesses and overview of the transactions including the purpose of the transaction

The Company resolved to succeed the *PET* (polyethylene terephthalate) resins business of KURARAY TRADING Co., LTD., a wholly owned consolidated subsidiary of the Company, by absorption-type company split with the purpose of improving operational efficiency and strengthening competitiveness of the Group as a whole on July 1, 2008.

(2) Name of company after the business combination

Kuraray Co., Ltd.

(3) Legal form of business combination

Absorption-type company split in which the Company became the successor company, and absorbed parts of the businesses of KURARAY TRADING Co., LTD.

2. Overview of accounting methods used

Since the said absorption-type company split corresponded to a transaction under common control, that is, an internal transaction, all profits and losses were eliminated. Hence, this accounting method has no material effect on the consolidated financial statements.

FISCAL 2009 (From April 1, 2009 to March 31, 2010)

Transactions under common control (absorption-type merger)

1. Names of combining companies or targeted businesses, details of the businesses, legal form of the business combination, name of the company after the business combination and overview of the transaction including the purpose of the transaction

(1) Names of combining companies or targeted businesses, details of the businesses and overview of the transaction including the purpose of the transaction

Kuraray Luminas Co., Ltd. (a wholly owned consolidated subsidiary of the Company), which is engaged in development of radiation materials and elements of inorganic electroluminescence (EL), was absorbed and merged into the Company on February 1, 2010.

The objective of this merger was to promote the development efforts on inorganic EL and its related subjects by utilizing the development technologies held by the Company and sharing the information about the market trends.

(2) Name of Company after the business combination

Kuraray Co., Ltd.

(3) Legal form of business combination

Absorption-type merger in which the Company became the successor company, while Kuraray Luminas Co., Ltd. was dissolved.

2. Overview of accounting methods used

Since the said absorption-type company split corresponded to a transaction under common control, that is, an internal transaction, all profits and losses were eliminated. Hence, this accounting method has no material effect on the consolidated financial statements.

(18) RELATED PARTY DISCLOSURES

FISCAL 2008 (From April 1, 2008 to March 31, 2009)

Not applicable.

(Additional information)

From the current fiscal year, the Company adopted "Accounting Standard for Related Party Disclosures (ASBJ Statement No.11, October 17, 2006)" and "Guidance on Accounting Standard for Related Party Disclosures (ASBJ Guidance No.13, October 17, 2006)."

There were no changes in the scope of disclosure due to this application.

FISCAL 2009 (From April 1, 2009 to March 31, 2010)

Not applicable.

(19) PER SHARE INFORMATION

	Fiscal 2008	Fiscal 2009	
	(From April 1, 2008 to March 31, 2009)	(From April 1, 2009 to March 31, 2010)	
	Yen	Yen	U.S dollars
Net assets per share	924.48	961.24	10.33
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 dilative effect.	—————	—————	

(20) SUBSEQUENT EVENTS

Fiscal 2008 (From April 1, 2008 to March 31, 2009)	Fiscal 2009 (From April 1, 2009 to March 31, 2010)
1. At the meetings the Board of Directors held on May 19, 2009 and June 8, 2009, the Company resolved to grant directors and executive officers of the Company stock acquisition rights as a stock option in accordance with Article 238, Paragraphs 1 and 2, and Article 240, Paragraph 1 of the Corporate Law.	1. At the meetings the Board of Directors held on May 19, 2010 and June 8, 2010, the Company resolved to grant directors and executive officers of the Company stock acquisition rights as a stock option in accordance with Article 238, Paragraphs 1 and 2, and Article 240, Paragraph 1 of the Corporate Law.

Fiscal 2008
(From April 1, 2008 to March 31, 2009)

Details are described below

Resolution date	Resolutions of Board of Directors Meeting held on May 19, 2009
Number of people and office of people receiving grant	Directors: 9 Officers: 15 (excluding individuals serving concurrently as directors of the Company and overseas employee)
Classification of shares allocated for the stock acquisition rights	Common stock
Number of shares	86,500
Pay-in amount upon exercise of the stock acquisition rights	1 yen per share
Exercise period of the stock acquisition rights	From June 10, 2009 to June 9, 2024 Note: If the final day of the exercise period falls on a Company holiday, the last normal business day before that date shall become the final day
Conditions to exercise stock acquisition rights	Note 1
Matters concerning the transfer of stock acquisition rights	Acquiring stock acquisition rights by transfer is conditional upon approval by a resolution at a meeting of the Board of Directors
Matters concerning proxy payment	—
Matters concerning the granting of stock acquisition rights in accordance with acts of corporate reorganization	Note 2

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

Details are described below

Resolution date	Resolutions of Board of Directors Meeting held on May 19, 2010
Number of people and office of people receiving grant	Directors: 9 Officers: 16 (excluding individuals serving concurrently as directors of the Company and overseas employee)
Classification of shares allocated for the stock acquisition rights	Common stock
Number of shares	83,500
Pay-in amount upon exercise of the stock acquisition rights	1 yen per share
Exercise period of the stock acquisition rights	From June 10, 2010 to June 9, 2025 Note: If the final day of the exercise period falls on a Company holiday, the last normal business day before that date shall become the final day
Conditions to exercise stock acquisition rights	Note 1
Matters concerning the transfer of stock acquisition rights	Acquiring stock acquisition rights by transfer is conditional upon approval by a resolution at a meeting of the Board of Directors
Matters concerning proxy payment	—
Matters concerning the granting of stock acquisition rights in accordance with acts of corporate reorganization	Note 2

<p style="text-align: center;">Fiscal 2008 (From April 1, 2008 to March 31, 2009)</p>	<p style="text-align: center;">Fiscal 2009 (From April 1, 2009 to March 31, 2010)</p>
<p>Notes: 1. The exercise of stock acquisition rights is subject to the following conditions:</p> <ol style="list-style-type: none"> (1) If the holder of stock acquisition rights loses their position as director, if they are a director, or executive officer, if they are an executive officer, they may exercise their stock acquisition rights providing it is in a 10 day period that begins on the next day of the day they lost their position (hereinafter the "Rights Exercise Start Date"). (2) If the holder of stock acquisition rights, regardless of the above (1), does not qualify for a Rights Exercise Start Date before May 10, 2024, they may exercise their stock acquisition rights providing it is in a period that begins on the next business day after May 10, 2024, and ends on the expiry day of the abovementioned exercise period of the stock acquisition rights. (3) If, by resolution at the General Meeting of Shareholders, or the meeting of the Board of Directors, the Company decides to acquire the stock acquisition rights without compensation, Note 1-1 the holder of stock acquisition rights may exercise their stock acquisition rights providing it is in the period prescribed separately at a meeting of the Board of Directors and before the date of the acquisition without compensation. (4) If a holder of stock acquisition rights dies, the person who inherits the stock acquisition rights may exercise their stock acquisition rights in accordance with the conditions stated in the "Stock Acquisition Rights Allotment Agreement" described in (5) below. (5) Any other conditions pertaining to the exercise of rights shall be determined by the "Stock Acquisition Rights Allotment Agreement" concluded between the Company and the holder of stock acquisition rights. <p>1-1. In the event a resolution is approved at the General Meeting of Shareholders for a merger agreement whereby the Company becomes a non-surviving company, an absorption-type company split agreement whereby the Company splits into multiple companies, or plan for an incorporation-type company split; or a share transfer agreement whereby the Company becomes a wholly owned subsidiary of another company, or for a share exchange plan (if a resolution at the General Meeting of Shareholders is not required, when a resolution is approved at a meeting of the Company's Board of Directors), the Company may acquire, without compensation, all stock acquisition rights remaining on a day specified separately at a meeting of the Company's Board of Directors.</p> <p>2. Matters concerning the granting of stock acquisition rights in accordance with acts of corporate reorganization</p> <p>If the Company is involved in a merger (limited to when the Company becomes the non-surviving company from the merger), an absorption-type company split, a plan for an incorporation-type company split, a share exchange, or a share transfer (hereinafter "Act of Corporate Reorganization"), the holders of the stock acquisition rights outstanding at the date that the Act of Corporate Reorganization becomes effective shall be granted stock acquisition rights of a stock company of one of the types listed in Article 236, Paragraph 1.(viii).(a) to 1.(viii).(e) of the Corporate Law (hereinafter the "Reorganized Company") based on the following conditions.</p>	<p>Notes: 1. The exercise of stock acquisition rights is subject to the following conditions:</p> <ol style="list-style-type: none"> (1) If the holder of stock acquisition rights loses their position as director, if they are a director, or executive officer, if they are an executive officer, they may exercise their stock acquisition rights providing it is in a 10 day period that begins on the next day of the day they lost their position (hereinafter the "Rights Exercise Start Date"). (2) If the holder of stock acquisition rights, regardless of the above (1), does not qualify for a Rights Exercise Start Date before May 10, 2025, they may exercise their stock acquisition rights providing it is in a period that begins on the next business day after May 10, 2025, and ends on the expiry day of the abovementioned exercise period of the stock acquisition rights. (3) If, by resolution at the General Meeting of Shareholders, or the meeting of the Board of Directors, the Company decides to acquire the stock acquisition rights without compensation, Note 1-1 the holder of stock acquisition rights may exercise their stock acquisition rights providing it is in the period prescribed separately at a meeting of the Board of Directors and before the date of the acquisition without compensation. (4) If a holder of stock acquisition rights dies, the person who inherits the stock acquisition rights may exercise their stock acquisition rights in accordance with the conditions stated in the "Stock Acquisition Rights Allotment Agreement" described in (5) below. (5) Any other conditions pertaining to the exercise of rights shall be determined by the "Stock Acquisition Rights Allotment Agreement" concluded between the Company and the holder of stock acquisition rights. <p>1-1. In the event a resolution is approved at the General Meeting of Shareholders for a merger agreement whereby the Company becomes a non-surviving company, an absorption-type company split agreement whereby the Company splits into multiple companies, or plan for an incorporation-type company split; or a share transfer agreement whereby the Company becomes a wholly owned subsidiary of another company, or for a share exchange plan (if a resolution at the General Meeting of Shareholders is not required, when a resolution is approved at a meeting of the Company's Board of Directors), the Company may acquire, without compensation, all stock acquisition rights remaining on a day specified separately at a meeting of the Company's Board of Directors.</p> <p>2. Matters concerning the granting of stock acquisition rights in accordance with acts of corporate reorganization</p> <p>If the Company is involved in a merger (limited to when the Company becomes the non-surviving company from the merger), an absorption-type company split, a plan for an incorporation-type company split, a share exchange, or a share transfer (hereinafter "Act of Corporate Reorganization"), the holders of the stock acquisition rights outstanding at the date that the Act of Corporate Reorganization becomes effective shall be granted stock acquisition rights of a stock company of one of the types listed in Article 236, Paragraph 1.(viii).(a) to 1.(viii).(e) of the Corporate Law (hereinafter the "Reorganized Company") based on the following conditions.</p>

Fiscal 2008 (From April 1, 2008 to March 31, 2009)	Fiscal 2009 (From April 1, 2009 to March 31, 2010)
<p>When this case arises, the outstanding stock acquisition rights are extinguished and the Reorganized Company grants those holders stock acquisition rights of the Reorganized Company, the granting of stock acquisition rights of the Reorganized Company in accordance with the following conditions is limited to only the cases of absorption-type merger agreement, incorporation-type company merger agreements, absorption-type company split agreements, incorporation-type company split plan, share transfer agreements, and share transfer plans.</p> <p>(1) Number of stock acquisition rights granted by the Reorganized Company The number of granted stock acquisition rights will be the same as the number of stock acquisition rights held by the respective holders of outstanding stock acquisition rights.</p> <p>(2) Classification of stock of the Reorganized Company allocated for stock acquisition rights Shares of common stock of the Reorganized Company</p> <p>(3) Number of shares of the Reorganized Company allocated for stock acquisition rights To be decided by taking into account the conditions etc. of the Act of Corporate Reorganization.</p> <p>(4) Value of assets contributed upon the exercise of stock acquisition rights The post-reorganization pay-in amount per one share of the Reorganized Company's stock granted upon exercise of stock acquisition rights shall be 1 yen, and the value of assets contributed shall be obtained by multiplying this by the number of shares of the Reorganized Company's stock allocated for the stock acquisition rights as determined by (3) above.</p> <p>(5) Exercise period of stock acquisition rights The exercise period of stock acquisition rights shall begin on the day that the Act of Corporate Reorganization takes effect and end on the expiry date of the above mentioned exercise period of the stock acquisition rights.</p> <p>(6) Amount of capital increase when there is an issue of shares upon the exercise of stock acquisition rights Shall be half the amount of the increase limit for capital and so on, contributed in accordance with Article 17 Paragraph 1 of the Corporate Accounting Rules and when digits that are fractions of 1 yen occur as a result of the calculation, these digits are discarded.</p> <p>(7) Limitation on acquiring stock acquisition rights by transfer Acquiring stock acquisition rights by transfer is conditional upon approval by resolution at a meeting of the Board of Directors of the Reorganized Company.</p> <p>(8) Matters concerning acquisition of stock acquisition rights Determined by the above Note 1-1.</p> <p>(9) Other conditions for the exercise of stock acquisition rights Determined by the above Note 1.</p>	<p>When this case arises, the outstanding stock acquisition rights are extinguished and the Reorganized Company grants those holders stock acquisition rights of the Reorganized Company, the granting of stock acquisition rights of the Reorganized Company in accordance with the following conditions is limited to only the cases of absorption-type merger agreement, incorporation-type company merger agreements, absorption-type company split agreements, incorporation-type company split plan, share transfer agreements, and share transfer plans.</p> <p>(1) Number of stock acquisition rights granted by the Reorganized Company The number of granted stock acquisition rights will be the same as the number of stock acquisition rights held by the respective holders of outstanding stock acquisition rights.</p> <p>(2) Classification of stock of the Reorganized Company allocated for stock acquisition rights Shares of common stock of the Reorganized Company</p> <p>(3) Number of shares of the Reorganized Company allocated for stock acquisition rights To be decided by taking into account the conditions etc. of the Act of Corporate Reorganization.</p> <p>(4) Value of assets contributed upon the exercise of stock acquisition rights The post-reorganization pay-in amount per one share of the Reorganized Company's stock granted upon exercise of stock acquisition rights shall be 1 yen, and the value of assets contributed shall be obtained by multiplying this by the number of shares of the Reorganized Company's stock allocated for the stock acquisition rights as determined by (3) above.</p> <p>(5) Exercise period of stock acquisition rights The exercise period of stock acquisition rights shall begin on the later day either the commencement day of the period that stock acquisition rights is exercisable or the Act of Corporate Reorganization takes effects, and end on the expiry date of the above mentioned exercise period of the stock acquisition rights.</p> <p>(6) Amount of capital increase when there is an issue of shares upon the exercise of stock acquisition rights Shall be half the amount of the increase limit for capital and so on, contributed in accordance with Article 17 Paragraph 1 of the Corporate Accounting Rules and when digits that are fractions of 1 yen occur as a result of the calculation, these digits are discarded.</p> <p>(7) Limitation on acquiring stock acquisition rights by transfer Acquiring stock acquisition rights by transfer is conditional upon approval by resolution at a meeting of the Board of Directors of the Reorganized Company.</p> <p>(8) Matters concerning acquisition of stock acquisition rights Determined by the above Note 1-1.</p> <p>(9) Other conditions for the exercise of stock acquisition rights Determined by the above Note 1.</p> <p>2. It was resolved at the 129th General Shareholders' Meeting held on June 24, 2010 that the Company be authorized to issue the following subscription rights to shares as stock options to Directors, employees, etc. of the Company and its subsidiaries, pursuant to Articles 236, 238 and 239 of the Companies Act, and to delegate the determination of the terms and conditions of the offer thereof to the Board of Directors of the Company.</p>

Fiscal 2008
(From April 1, 2008 to March 31, 2009)

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

Resolution date	Resolution at the General Shareholders' Meeting held on June 24, 2010
Categories and number of persons to whom the subscription rights to shares will be allotted	Directors, Executive Officers, Advisers, Full-time Counselors and employees (including employees on contract; hereinafter the same shall apply) of the Company as well as Directors, Executive Officers, and employees of the subsidiaries of the Company.
Class of shares to be issued upon exercise of the subscription rights to shares	Common stock
Number of shares	Not exceeding 4,900,000 shares. Out of this, the upper limit of the total number of shares to be issued upon exercise of the subscription rights to shares allotted to Directors of the Company shall be 120,000 shares.
Amount to be subscribed upon the exercise of the subscription rights to shares	(Note 2)
Exercise period of the subscription rights to shares	From June 25, 2012 to June 24, 2020
Conditions to exercise stock acquisition rights	Any person exercising the subscription rights to shares shall be Director, Executive Officer, Advisor, Full-time Counselor or employee of the Company or its subsidiaries at the time of such exercise; provided, however, that a person who held a position of Director, Executive Officer or Associate Executive Officer of the Company or President of a subsidiary of the Company may exercise the subscription rights to shares even after retirement from such position.
Matters concerning the transfer of stock acquisition rights	Acquiring stock acquisition rights by transfer is conditional upon approval by a resolution at a meeting of the Board of Directors.
Transfer of the subscription rights to shares	The subscription rights to shares shall not be offered for transfer, pledge, or disposed of in any other way.
Matters relating to proxy payment	—
Matters relating to the issuance of the subscription rights to shares as a result of organizational restructuring action	—

Fiscal 2008
(From April 1, 2008 to March 31, 2009)

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

Notes: 1. Besides above, other matters of details shall be determined by the meeting of the Board of Directors which will be held after the General Shareholders' Meeting on June 24, 2010, to determine conditions of the offer of the subscription rights to shares, as well as by the "Agreement for Granting the Subscription Rights to Shares."

2. Amount to be subscribed upon the exercise of the subscription rights to shares

Amount to be subscribed upon the exercise of the subscription rights to shares (hereinafter referred to as the "Exercise Price") shall be whichever higher of (i) the average (any fraction less than one yen will be rounded up) of the closing prices of the common stock of the Company in the regular trading on the Tokyo Stock Exchange (including indication of any bid or offer, hereinafter referred to as the "Closing Price") for 30 consecutive trading days (excluding days on which there is no Closing Price) from the beginning of 45 trading days period preceding the date of allotment of subscription rights to shares, multiplied by 1.05 (any fraction less than one yen will be rounded up), or (ii) the Closing Price on the date of allotment of subscription rights to shares (if there is no Closing Price on such date, the Closing Price on the trading day closest to the date of allotment on which the Closing Price is quoted).

If the Company splits or consolidates its common stock after the date of allotment of subscription rights to shares, the Exercise Price shall be adjusted according to the following formula, and any fraction less than one yen resulting from this adjustment shall be rounded up.

$$\text{Exercise Price after adjustment} = \frac{\text{Exercise Price before adjustment}}{\text{Ratio of split or consolidation}} \times 1$$

In addition, in case the Company issues new shares or disposes of its treasury common stock at a price lower than the then current market value after the date of allotment of the subscription rights to shares (excluding the case where such lower price is resulted from the exercise of the subscription rights to shares), the Exercise Price shall be adjusted according to the following formula, where any resultant fraction less than one yen shall be rounded up.

$$\text{Exercise Price after adjustment} = \frac{\text{Exercise Price before adjustment}}{\text{Share price before Issue of new shares} + \frac{\text{Amount paid}}{\text{Number of new shares}}}$$

$$\text{Exercise Price after adjustment} = \frac{\text{Exercise Price before adjustment} \times \left(\frac{\text{Number of issued and outstanding shares} \times \text{Share price before Issue of new shares} + \text{Amount paid}}{\text{Number of issued and outstanding shares} + \text{Number of new shares}} \right)}{\text{Number of issued and outstanding shares} + \text{Number of new shares}}$$

In the above formula, "Number of issued and outstanding shares" means the total number of issued shares of common stock of the Company excluding the number of treasury common stock held by the Company. In the event of disposition of treasury common stock, "Number of new shares" shall be read as "Number of shares of treasury stock disposed of." Besides the above, in case the Company carries out a merger, share exchange or share transfer or the like that makes it necessary to adjust the Exercise Price after the date of allotment, the Exercise Price may be adjusted within a reasonable range.

(21) SUPPLEMENTARY SCHEDULE

Supplementary schedule of bonds payable

Issuer	Name of bond	Issuance date	Balance as of March 31, 2009 (Millions of yen)	Balance as of March 31, 2010 (Millions of yen)	Interest rate	Type	Date of maturity
Kuraray, Co., Ltd.	3rd unsecured bonds	January 31, 2005	10,000	10,000 (US\$ 107,526 thousand)	0.99%	—	December 20, 2011
	Total	—	10,000	10,000 (US\$ 107,526 thousand)	—	—	—

Note: Repayment of bond principals is scheduled as follows.

	Millions of yen	Thousands of U.S. dollars
Maturity within 1 year	—	—
Maturity after 1 year but within 2 years	10,000	107,526
Maturity after 2 years but within 3 years	—	—
Maturity after 3 years but within 4 years	—	—
Maturity after 4 years but within 5 years	—	—

Supplementary schedule of loans payable

Category	Balance as of March 31, 2009 (Millions of yen)	Balance as of March 31, 2010 (Millions of yen)	Average interest rate (%)	Due date
Short-term loans	14,414	7,513 (US\$ 80,786 thousand)	0.6	—
Commercial papers	3,000	6,000 (US\$ 64,516 thousand)	0.1	—
Current portion of long-term loans due within one year	4,050	4,645 (US\$ 49,948 thousand)	1.4	—
Current portion of long-term lease due within one year (Note 2)	404	361 (US\$ 3,884 thousand)	—	—
Long-term loans (Excluding current portion) (Note 3)	39,280	46,502 (US\$ 500,029 thousand)	1.7	From June, 2011 to July 2019
Lease liabilities (Excluding current portion) (Note 2, 3)	618	448 (US\$ 4,825 thousand)	—	From April, 2011 to January 2016
Total	61,768	65,471 (US\$ 703,990 thousand)	—	—

Notes: 1. The average interest rate is calculated based on the interest rate and the ending balance.

2. The average interest rate on lease liabilities is not reported, since interest payment equivalents included in total lease payments are allocated to each consolidated fiscal year using the straight-line method.

3. Repayments of long-term loans and lease liabilities (excluding those due within one year) within five years after the consolidated balance sheet date are as follows:

	Due after 1 year but within 2 years (Millions of yen)	Due after 2 year but within 3 years (Millions of yen)	Due after 3 year but within 4 years (Millions of yen)	Due after 4 year but within 5 years (Millions of yen)
Long-term loans	3,390	1,312	23,900	17,900
Lease liabilities	248	135	50	14

	Due after 1 year but within 2 years (Thousands of U.S. dollars)	Due after 2 year but within 3 years (Thousands of U.S. dollars)	Due after 3 year but within 4 years (Thousands of U.S. dollars)	Due after 4 year but within 5 years (Thousands of U.S. dollars)
Long-term loans	36,456	14,110	256,989	192,473
Lease liabilities	2,667	1,457	548	152

(22) OTHER

QUARTERLY INFORMATION IN FISCAL 2009

	First quarter From April 1 to June 30, 2009	Second quarter From July 1 to September 30, 2009	Third quarter From October 1 to December 31, 2009	Fourth quarter From January 1 to March 31, 2010
Net sales (Millions of Yen)	72,910	84,154	85,588	90,226
Income (loss) before income taxes (Millions of Yen)	576	7,565	9,253	5,687
Net income (loss) (Millions of Yen)	138	5,082	6,923	4,170
Net income (loss) per share (Yen)	0.40	14.60	19.88	11.98

	First quarter From April 1 to June 30, 2009	Second quarter From July 1 to September 30, 2009	Third quarter From October 1 to December 31, 2009	Fourth quarter From January 1 to March 31, 2010
Net sales (Thousands of U.S. dollars)	783,984	904,892	920,301	970,182
Income (loss) before income taxes (Thousands of U.S. dollars)	6,202	81,354	99,495	61,151
Net income (loss) (Thousands of U.S. dollars)	1,494	54,650	74,450	44,843
Net income (loss) per share (U.S. dollars)	0.00	0.15	0.21	0.12



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To the Board of Directors of Kuraray Co., Ltd.

We have audited the accompanying consolidated balance sheet of Kuraray Co., Ltd. ("the Company") and its subsidiaries as of March 31, 2010, and the related consolidated statements of income, changes in net assets, cash flows and supplementary schedules for the year then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company and its subsidiaries as of March 31, 2010, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2010 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

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

July 30, 2010