The Pursuit of Excellence

KUREHA

BUSINESS REPORT 2010

Year ended March 31, 2010

KUREHA CORPORATION

Profile

Kureha takes pride in its history of developing original, innovative technology

Kureha is a leading diversified chemical products manufacturer that has applied its technological development expertise to create original products in fields including advanced products, pharmaceuticals, agrochemicals, and packaging materials. Since its establishment in 1944, Kureha's growth and development has come exclusively from producing innovative products developed in-house rather than from using outside technology.

Since 2001, Kureha has undergone a major transformation to enable it to constantly develop products to meet the ever-changing needs of customers. As part of this transformation, it moved away from manufacturing commodity chemicals to focus on key strategic business areas–including advanced products, pharmaceuticals and agrochemicals, and high-barrier packaging materials–where the company can benefit from its original technology and marketing strengths to secure steady growth.

To support its transformation, Kureha developed a new mission, "**the pursuit of excellence**," with the aim of becoming a leading global specialty products company. Kureha also changed its name from Kureha Chemical Industry Co., Ltd., to Kureha Corporation on October 1, 2005.

These moves have already reaped rewards, with Kureha displaying significant development, production, and marketing abilities. Kureha's goal is to foster future growth by advancing a model that takes a global perspective and focuses on winnable markets in each of its business areas, including those that are still in the developmental phase.

Corporate Identity

Mission	**The pursuit of excellence**
Corporate philosophy	•We treasure people and the natural environment •We constantly evolve through innovation •We contribute to society by developing beneficial products
Employee code of conduct	We always act as global corporate citizens, recognizing our corporate social responsibilities. •In relation to our clients: Customer satisfaction is our prime priority •In relation to our work: We will always pursue progress and innovation; We will maintain a global perspective as we respond to change •In relation to our colleagues: Mutual respect and teamwork will always be fundamental to sound employee relationships

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Forward-looking statements

This report contains forward-looking statements that are based on management's assumptions and beliefs in light of the information currently available to it. These statements are subject to risks and uncertainties that could cause actual results to differ materially from those discussed in this report. Such risks include but are not limited to market trends and economic conditions.

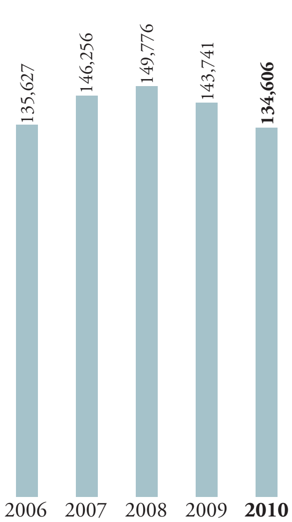
Consolidated Financial Highlights

KUREHA CORPORATION and Consolidated Subsidiaries
Years ended March 31, 2010 and 2009

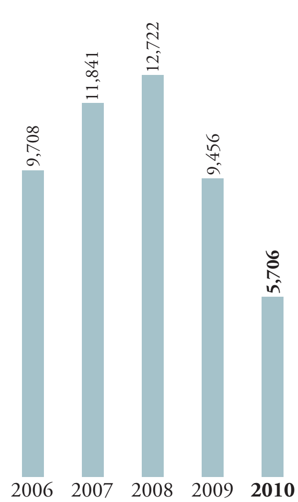
	Millions of yen		Percentage change	Thousands of U.S. dollars
	2010	2009	2010/2009	**2010**
For the year:				
Net sales	**¥134,606**	¥143,741	-6.4%	**$1,446,754**
Operating income	**5,706**	9,456	-39.7	**61,328**
Net income	**1,571**	3,373	-53.4	**16,885**
Capital expenditure	**16,943**	17,829	-5.0	**182,104**
Depreciation	**11,126**	10,304	8.0	**119,582**
R&D expenses	**6,240**	6,085	2.5	**67,067**
Year-end:				
Total assets	**¥184,623**	¥182,224	1.3%	**$1,984,340**
Net assets	**96,822**	97,075	-0.3	**1,040,649**
Interest-bearing debt	**47,969**	44,033	8.9	**515,573**
	Yen		Percentage change	U.S. dollars
Amounts per share:				
Net income – basic	**¥ 8.77**	¥ 18.75	-53.2%	**$ 0.09**
Net assets	**538.10**	533.45	1.0	**5.78**
	Percent		Change	
Ratios:				
Net income to net sales	**1.2%**	2.3%	-1.1%	
Return on equity	**1.6**	3.4	-1.8	
Return on assets	**3.0**	4.7	-1.7	
Equity ratio	**52.2**	52.4	-0.2	

Notes: 1. For convenience only, U.S. dollar amounts have been translated from Japanese yen at the rate of ¥93.04 to US$1, the rate of exchange prevailing on the Tokyo Foreign Exchange Market on March 31, 2010.
2. For amounts per share, see Note 20 of the Notes on Consolidated Financial Statements.
3. Return on equity = [Net income / (Average net assets - Average minority interests - Average stock subscription rights)] x 100.
4. Return on assets = (Recurring income / Average total assets) x 100.

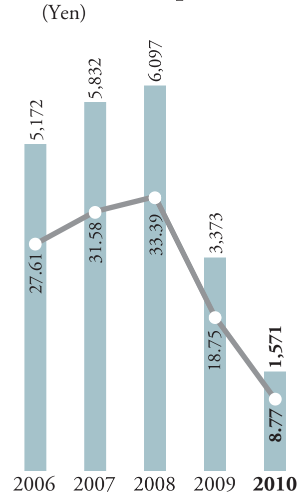
Net Sales
(Millions of yen)



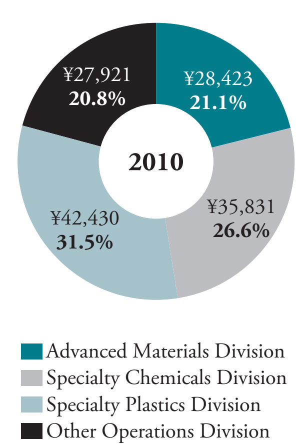
Operating Income
(Millions of yen)



Net Income
(Millions of yen)
Net Income per Share
(Yen)



Sales by Segment
(Millions of yen)



Message from the President

Looking into the future transformation of industrial framework

The current turbulent economic environment has provided a suitable opportunity to reconsider Kureha's identity. Here I would like to provide a brief recap of our progress over the past year and also offer a longer-term view of our business development.

Industry globally is undergoing a period of dynamic change. An appropriate illustration of this is the automobile. If the era of the electric vehicle begins in earnest, the core technological components relating to the combustion engine might not stay in the mainstream. A fundamental technological shift will become inevitable.

Further considering the implications of such a shift, if the energy source for electric vehicles is derived from renewable sources such as solar or wind generation, the world's industrial framework would be entirely transformed. The current economic crisis could, I believe, trigger a revolution in global industry on the scale of the Industrial Revolution in Britain that followed the invention of the steam engine, or the IT revolution in the U.S. that accompanied the emergence of the personal computer. The era we are entering may come to be known as the "Environmental Technology Revolution."

This is a natural opportunity for Japan, which has been acclaimed for the way it has overcome a lack of natural resources and achieved prosperity based on its technological prowess. Kureha should leverage its technological and manufacturing strengths to meet these challenges. I hope that Kureha plays an important role in the global technological value chain that will gradually be established.

Mid-term plan

In view of the mid-term business plan, "Grow Globally", Kureha has been intensifying efforts towards securing global growth and sustained results in new business areas. The mid-term plan also underscores Kureha's commitment to always act as a global corporate citizen, recognizing corporate social responsibilities and focusing on the environment and the needs of daily life. Many of Kureha's core products relate to "environmental", "energy-efficiency" and "healthcare" areas, all of which are essential to sustainable development and demonstrate Kureha's ability to meet a global society's evolving needs.

Kureha will continue to build on its strengths in business sectors where it already commands a competitive edge and to cultivate and expand new unique businesses.

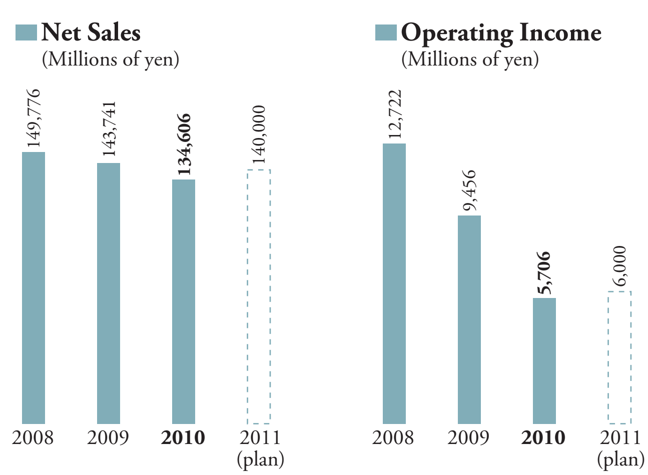
Advancing existing initiatives

Sectors that we intend to reinforce and build on market-leading positions include carbon fiber materials. Kureha's products command a 50% global market share and stable demand exists for use as an insulating material in silicon ingot production for semiconductors and solar batteries.

PPS resin, the super engineering plastic utilized in a diverse range of applications including automotive and electronic parts due to its tough and heat-resistant properties, remains one of the company's key strategic growth products.

In addition, Kureha's PVDF resin holds a 70% global share in the market for lithium-ion battery binders, used in mobile phones, PCs and other applications, and further demand growth is expected.

Rolling Plan Initiatives >>



Another strategic product area is Kureha's hard carbon negative-electrode material for hybrid-electric vehicle batteries. The company's R&D experts are currently working with automotive and battery manufacturers to deliver products that ensure a competitive edge and meet specific market needs.

Global growth is also demonstrated by products including Kremezin, the therapeutic agent for chronic kidney disease, which is undergoing Phase III clinical trials in the U.S. and Europe.

Moreover, Kureha's agricultural fungicide, Metconazole, has continued to expand sales in Europe and the U.S.

Next-generation product development

One important example of Kureha's efforts to cultivate next generation global products is PGA (polyglycolic acid). Kureha has completed development of breakthrough technology and confirmed intellectual property rights in relation to PGA, while the PGA Division was newly established as of April 2010. With the strong support of DuPont, the production plant in the U.S. at DuPont site is to be completed by the end of August, with PGA products due to be available from the early 2011.

PGA's characteristics are ideally suited to high-performance packaging and industrial applications. Applications include PET bottles, where adding a layer of PGA can improve carbon dioxide retention for carbonated soft drinks and lead to resource savings due to reduced PET usage. Kureha is working to expand the list of PGA applications and expects the product to become a centerpiece of the company's strategy of focusing on value-added, highly-differentiated products.

Earnings performance and outlook

Fiscal 2009 (year ended March 2010) was a challenging year, in which Kureha experienced a 40% year-on-year decline in consolidated operating income on sales of ¥134.6 billion.

Signs of a recovery based on external demand have emerged, but the macro-economic environment remains challenging due to consumer spending constraints, deteriorating employment conditions and volatile currency movements. Carbon fiber products along with construction and environmental engineering businesses suffered during FY2009, while the specialty chemicals and specialty plastics divisions performed steadily.

For fiscal 2010 Kureha forecasts operating income of ¥6.0 billion, up 5.2% year-on-year on ¥140.0 billion sales. Kureha expects the advanced materials division and specialty plastics division to record a gradual improvement in results. In addition, the PGA business is set to begin contributing to earnings from the latter part of this fiscal year. Positioned as the centerpiece of Kureha's strategy of focusing on value-added and highly differentiated products, the hope is that PGA and lithium-ion batteries become a future driver of the Company's growth.

Despite the current slowdown, the business scenario envisaged in our mid-term business plan remains intact. We continue to have full confidence our strategy and we will strive to realize our responsibilities to stakeholders and meet customer needs.

We look forward to your continued support.

July 2010

Takao Iwasaki

Takao Iwasaki

President & Chief Executive Officer

The Year's Highlights

Production of food packaging film begins at Vietnam plant

Kureha provides food producers with films utilizing resins resistant to oxygen and moisture permeation. Polyvinylidene chloride film developed by Kureha is widely used as a packaging film for fish-based sausages in Japan and for meat sausages elsewhere in Asia. In Europe, Kureha has a production facility in the Netherlands that supplies heat-shrinkable multi-layer films with exceptional barrier properties for use as packaging films for cheese, meat and other products. These products contribute to the effective distribution and preservation of food by maintaining taste and safety standards.

In 2007 Kureha began construction of a packaging film production plant in Vietnam, in anticipation of demand growth in South East Asia and Oceania. This plant began operations in summer 2009. During the fiscal year ending March 2011 all film production operations will be transferred from Japan to Vietnam, which will in turn supply highly competitive products to Japan and other parts of Asia.

PGA (polyglycolic acid) resin plant to be completed in August 2010

Kureha announced its plans to commercialize PGA (polyglycolic acid) resin in December 2007 and established Kureha PGA LLC in West Virginia, U.S. in January 2008 for the production of this high performance polymer. A ground-breaking ceremony was held in April 2008 for the PGA production facility being built on the premise of DuPont's Belle Plant in West Virginia. The plant construction is scheduled to complete in August 2010, with commercial production targeted for early 2011.

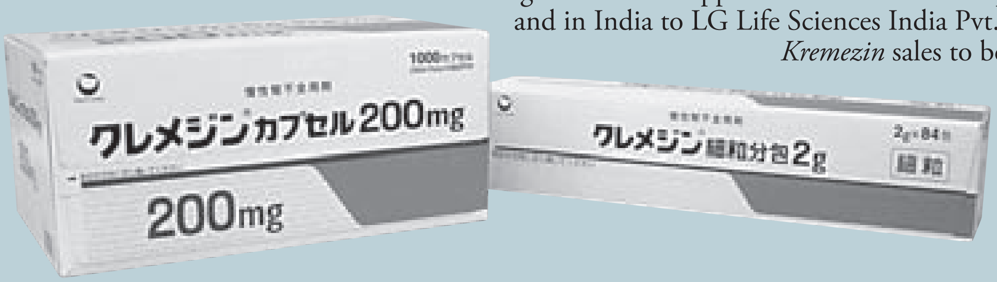
Kureha's PGA resins Kuredux™ and Kuresurge™ feature excellent gas barrier properties (resistance to oxygen and carbon dioxide gas permeation), controllable hydrolysis (dissolvable in contact with water), and high mechanical strength. One promising application is for use in PET (polyethylene terephthalate) bottles for carbonated drinks. A multilayer PET bottle incorporating Kuredux™ barrier layer can well retain carbon dioxide while using a reduced amount of PET for the bottle, thus cutting down petroleum comsumption. PGA can also help lessen the environmental load in a variety of other ways, such as using it in combination with polylactic acid to make compostable food packages or in applications to efficiently recover cruide oil from oil fields. The medical-grade Kuresurge™ is targeted for use in surgical sutures, which can be natually absorbed in the body and lessen the burden on patients by making suture removal unnecessary. The superior performance of Kureha's PGA resin is driving market development around the world with a wide range of applications including packaging, industrial applications and medical uses.

Progress towards global expansion of *Kremezin*

Kremezin, a treatment for chronic kidney disease, is an oral adsorbent made of high-purity multiporous spherical activated carbon that helps to relieve uremic symptoms and delay the commencement of dialysis. It is currently marketed in Japan, South Korea and Taiwan as an ethical drug providing active and positive therapy for chronic kidney disease during the maintenance period. Sales have risen with the increase in the number of kidney disease patients and the widespread acceptance of *Kremezin* as a treatment.

In U.S. and European markets, Kureha licensed the rights to develop and distribute *Kremezin* to Mitsubishi Tanabe Pharma in November 2006. Phase III clinical trials are currently underway, with sales in the U.S. and Europe expected to begin in 2013.

In other Asian markets, Kureha licensed development and distribution rights in the Philippines to Detoxicare Philippines, Inc. in September 2008 and in India to LG Life Sciences India Pvt. Ltd. in February 2009. We expect *Kremezin* sales to begin in the Philippines from 2010 and in India from 2013.



Manufacturing capacity for *Kremezin* at Kureha's Iwaki Factory was expanded in the fiscal year ended March 2010 in preparation for the increase in sales.

Improvements to *New Krewrap* recognized with awards in Japan and overseas

Kureha has completed product renewal of *New Krewrap*, the household wrapping film manufactured from polyvinylidene chloride resin, annually since 2004. This was the seventh consecutive year of improvements. In 2009 the revised packaging was recognized with awards both in Japan and overseas.

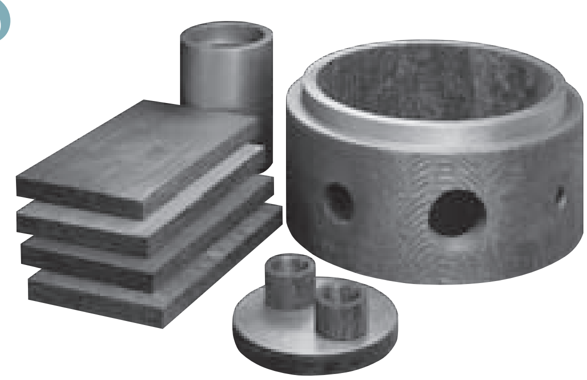
Kureha received a "WorldStar Packaging Award" from the World Packaging Organisation (WPO), which recognizes global leaders in wrapping and packaging technology. We also received "AsiaStar" awards in the "design" and "product" categories from the Asia Packaging Federation (APF) at the AsiaStar 2009 awards. In Japan, Kureha received the "Food Wrapping Division Award" at the 2009 Japan Packaging Contest, a "Good Design Award" and "Good Design Long Life Design Award" at the Good Design Awards 2009, as well as the "Third Prize" in the Large Manufacturer and Importer Category of the FY2009 METI Minister Awards for Best Contributors to Product Safety. These honors are the direct result of our efforts in response to the valued opinions and feedback of customers.

Kureha will continue to strive to enhance customer satisfaction and make *New Krewrap* the best product of its kind.

Review of Operations

ADVANCED MATERIALS DIVISION

Heat-resistance materials for heat-treatment furnaces



Fortron KPS, used in electrical and electoronic parts

Major product areas:
advanced plastics (PPS resin, PVDF resin), carbon products

Advanced materials division sales were down 12% year-on-year to ¥28.4 billion, with the division reporting an operating loss of ¥3.6 billion. Sales of advanced plastics improved slightly, while carbon fiber products experienced a sharp decline.

Advanced plastics demand recovering

Sales of advanced plastics were up 8% from ¥11.8 billion to ¥12.8 billion. In particular, PPS resin registered solid volume growth due to demand recovery in the electrical, electronics and automotive industries. However, inventory adjustment from the previous year and the severe operating climate affecting the U.S. joint venture had a negative impact at the profit level. PVDF experienced an expansion in sales for use in electrode binders for lithium-ion batteries, but a decline for use in various other industrial applications.

Carbon fiber sales decline

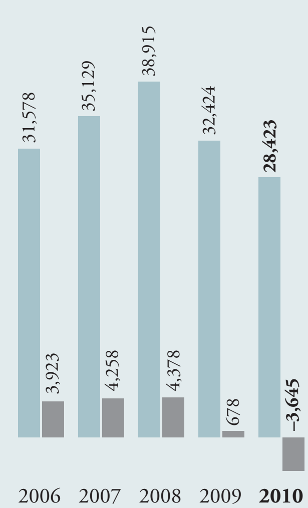
Demand for carbon fiber, for an insulating material in silicon wafers for semiconductors and solar powered equipment, is yet to recover and higher depreciation costs also dragged on profits. Sales of carbon products in FY2009 were ¥5.4 billion, down from ¥7.8 billion a year ago. However, demand for negative electrode materials is expanding and contributing to growth in operating profits. Additionally, Kureha's negative electrodes and binders for lithium-ion batteries used in electronic vehicles have been positively evaluated by automotive companies.

Outlook: FY2010 divisional sales are forecast to increase by 13% to ¥32.0, while the operating loss is expected to shrink to ¥1.8 billion from ¥3.6 billion. Kureha anticipates that PPS resin will experience solid growth on the back of expanding demand from hybrid cars. PPS resin production at the Iwaki factory is due to reach full capacity during the current fiscal year, while operational capacity at the U.S. plant is expected to expand as demand recovers. Growth of PVDF resin sales is also forecast, especially for lithium-ion battery binder applications, with production levels expected to reach 90% of capacity. Demand for carbon fibers is forecast to recover from the second half, with production levels set to reach around 60%.

Major Product Areas

- PPS resin
- PVDF resin
- Carbon fiber
- Bead-shaped activated carbon
- Specialty carbon material

Net Sales
Operating Income
(Millions of yen)



SPECIALTY CHEMICALS DIVISION

Agricultural fungicide (*Metconazole*)

Therapeutic agent for chronic renal failure (*KREMEZIN*®)

Major Product Areas

- Caustic soda
- Hydrochloric acid
- Liquid chlorine
- Sodium hypochlorite
- Monochlorobenzene
- para-Dichlorobenzene
- ortho-Dichlorobenzene
- Anti cancer agent
- Therapeutic agent for chronic kidney disease
- Agricultural and horticulture fungicide
- Fertilized granulated soils

Major product areas:
industrial chemicals, agrochemicals, pharmaceuticals

Specialty chemicals division sales were up 6% year-on-year to ¥35.8 billion, while operating income increased by 15% to ¥6.6 billion in part due to the strong performance of the pharmaceutical business.

Pharmaceuticals record significant growth

Sales of pharmaceutical products increased from ¥10.1 billion to ¥12.7 billion in FY2009, with continued sales expansion of *Kremezin*, a chronic kidney disease treatment, and *Krestin*, a cancer immunotherapy treatment. One-off revenue contribution from a domestic marketing contract also helped boost profit.

Industrial chemicals slowed

Sales of industrial chemicals declined slightly from ¥10.3 billion to ¥10.2 billion, while operating profit declined. Unit prices of *Chlorobenzenes* and related products declined sharply, despite the sales volume having increased. Sales volume of caustic soda and other chlorine-based chemicals remained unchanged from the previous year.

Agrochemicals suffer from volatile Euro

Sales of agrochemical products were down 7% year-on-year from ¥7.4 billion to ¥6.9 billion. *Metconazole*, an agricultural fungicide, saw an increase in sales volume but profits deteriorated due to the weaker euro and declining license revenues.

Outlook: FY2010 divisional sales are expected to decline by 8%, from ¥35.8 billion to ¥33.0 billion, with operating income projected to decrease by 37% to ¥4.2 billion. Further sales growth of *Metconazole* in overseas market is expected, with the product continuing to enjoy stable demand in Europe and due to be utilized in corn cultivation in North America. The sales volume of both *Kremezin* and *Krestin* is expected to increase, although upcoming pharmaceutical price cuts and the loss of one-off payments for *Kremezin* will have a negative impact on results. Demand for industrial chemicals is expected to remain unchanged.

SPECIALTY PLASTICS DIVISION

NEW Krewrap

Food packaging film *Krehalon* application example

Major product areas:
food packaging materials, household products, fishing lines

Specialty plastics division sales declined by 3% year-on-year to ¥42.4 billion, while operating income increased by 18% to ¥1.9 billion. Sales of packaging materials and fishing line products were up, but household products dropped due to the severe competitive environment.

Packaging materials business improves

Sales of food packaging materials were up by 8% to ¥10.8 billion thanks to growth of PVDC compound in China as a result of increased demand from Chinese sausage manufacturers. The steady growth in sales of multi-layer shrinkable film for meat and cheese packaging in Europe also supported the improved results, while PVDC compound profitability also improved.

NEW Krewrap struggles amid competition

Sales of household products were down by 6% to ¥21.5 billion. Despite product renewal and improvement efforts, *New Krewrap* sales and profitability declined due to increased material costs and severe competition in the market.

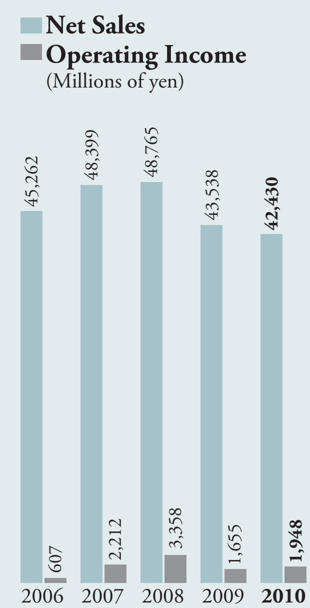
Fishing line sales grow

The timely launch of new *Seaguar* series products succeeded in boosting sales by 27%, from ¥1.0 billion to ¥1.3 billion.

Outlook: FY2010 divisional sales are forecast to increase by 6% to reach ¥45.0 billion due to an increase in packaging material sales in China, where PVDC compound continues to experience strong demand. Divisional operating income is forecast to expand by 59% from ¥1.9 billion to ¥3.1 billion, due in part to exceptional factors including reduced pension expenses in Europe for the period and the removal of PGA-related costs. The strategy of providing high value-added products continues, as does price optimization efforts for consumer products such as New Krewrap and the *Kichinto-San* series.

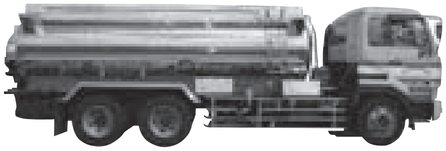
Major Product Areas

- PVDC film
- PVDC compound
- Multilayer shrinkable film
- Multilayer non-shrinkable film
- Multilayer bottle
- High barrier lamination film
- Household wrapping film
- Kitchen sink use garbage bags
- Plastic containers
- PVDF fishing lines
- Machinery for auto-seal food packaging



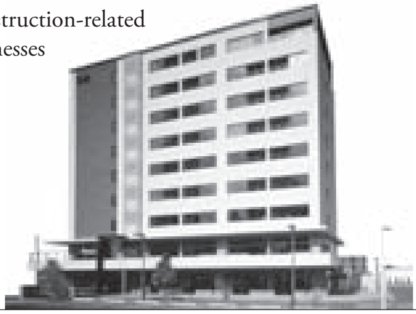
OTHER OPERATIONS DIVISION

Transport and warehousing-related businesses



Industrial waste treatment-related businesses

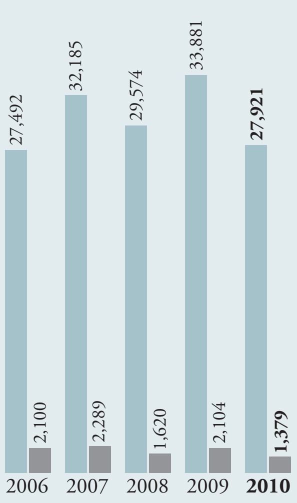
Construction-related businesses



Major Product Areas

- Environmental engineering and industrial waste treatment businesses
- Industrial facility design, construction and management businesses
- Civil engineering and construction contracting businesses
- Transport and warehousing businesses

Net Sales
Operating Income
(Millions of yen)



Major product areas:
environmental engineering, construction and transport/warehousing-related businesses

Other operations division sales declined by 18% year-on-year to ¥27.9 billion, with operating income down by 34% to ¥1.4 billion, mainly due to the economic slowdown. Competition in the environmental engineering and construction related sectors also intensified.

Environmental engineering sales decline

Environmental engineering sales were down 23% to ¥5.0 billion due to the combination of intensifying competition and decreased levels of industrial waste due to the sluggish economic environment.

Construction related earnings deteriorate

Sales at construction-related businesses dropped 18% to ¥28.5 billion; having also faced increased competition and the lack of a large-scale plant construction project as in the previous year.

Logistics and warehousing businesses largely unchanged

Logistics and warehousing business sales declined by 13% to ¥10.8 billion, with a fall in logistics business activity and intensified competition.

Outlook: FY2010 divisional sales are projected to increase by 7% to ¥30.0, although operating income is expected to decline by 35% to ¥0.9 billion. Environmental engineering sales are forecast to grow by 31% through efforts to expand the business in the Kanto and Western region of Japan with the opening of new plant in Kanagawa this April. Revenues at construction-related businesses are expected to fall as a result of reduced investment, mainly at engineering-related businesses.

Research & Development


Research Center


Biomedical Research Laboratories


Polymer Processing & Products Research Labratories

Kureha Corporation conducts research and development (R&D) for the Kureha Group. The R&D headquarters designates priority research areas by indentifying fields with a high degree of social value, such as environment, resources and health, and in which Kureha is able to leverage its technological strengths. Kureha's R&D efforts are operated in a manner that ensures efficiency, speed and maximizes business profitability.

Kureha currently has three R&D facilities, the Research Center, Biomedical Research Laboratories, and Polymer Processing & Products Research Laboratories. These facilities, together with the Process Development Division, employ approximately 300 staff members who conduct basic and exploratory research, and research on priority themes for timely commercialization. They also conduct research in conjunction with specific business divisions or manufacturing divisions in affiliated companies to improve product quality and enhance productivity.

Kureha's commitment to R&D is evident by the Company spending ¥6,240 million on R&D activities in the fiscal year ended March 31, 2010.

1. ADVANCED MATERIALS DIVISION <R&D spending amounted to ¥1,787 million>

In engineering plastics, Kureha is studying ways to improve quality, lower costs and enhance productivity of *Fortron KPS*, which is widely used in automobiles and electronic devices, in order to secure a competitive advantage and expand the market. For PVDF (polyvinylidene fluoride) resin, which is used as a binder in lithium-ion batteries, Kureha is continuing to develop high-performance grades that will allow us to maintain and expand market share.

Kureha is vigorously working to develop applications for PGA as efforts continue toward commercialization during fiscal 2010. For use in multilayer bottles for carbonated beverages, where PGA provides excellent gas barrier and biodegradable properties, we are conducting final market assessments with bottle manufacturers and beverage companies in Japan and overseas. Kureha is also undergoing evaluation of PGA for surgical suture applications leveraging the material's biodegradability and strength. In addition, we are working in cooperation the New Business Promotion Division (currently the PGA Business Division) to broaden the range of applications for PGA by utilizing its varied characteristics.

In carbon materials, Kureha is providing R&D support to ensure competitiveness in negative-electrode materials for the large-scale lithium ion batteries, which are currently a focus of intense development efforts by automakers.

2. SPECIALTY CHEMICALS DIVISION <R&D spending amounted to ¥3,372 million>

For *Kremezin*, a therapeutic agent for chronic kidney disease (CKD), Kureha is conducting research to support market expansion. This includes collecting evidence of the drug's efficacy for disorders related to CKD, such as arteriosclerosis and other cardiovascular diseases, an area that has been a focus of recent attention. Phase III clinical trials are being conducted in Europe and North America in collaboration with other companies.

In agrochemicals, Kureha is working to expand applications and markets, both in Japan and overseas, for the agricultural fungicide *Metconazole* and the seed treatment fungicide *Ipconazole*. We are further researching ways to improve yields and increase production of *Metconazole* to meet robust demand. We also provide support for the expansion of production facilities.

3. SPECIALTY PLASTICS DIVISION <R&D spending amounted to ¥1,080 million>

For *Krehalon* (polyvinylidene chloride resin), Kureha provides technical support to ensure stable production and improve quality at its production facility in Vietnam. We also provide technical support to customers both in Japan and overseas.

For the high gas barrier lamination material *Besela*, Kureha is conducting market analysis aimed at expansion in Japan and overseas. We are also researching ways to enhance productivity to maintain our competitive advantage.

Responsible Care


Kureha General Hospital


Disaster drill

Kureha was an inaugural member of the Japan Responsible Care Council and stated its commitment to implementing Responsible Care in April, 1995. As a global corporate citizen, Kureha takes its commitments to society very seriously, for example including in areas such as the environment and health and safety.

Responsible Care implementation

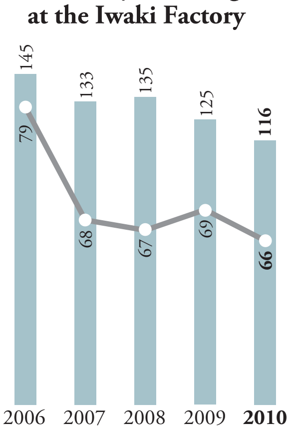
Together, all Kureha group companies have established the All Kureha Responsible Care Committee. Through this committee, the company is working to enhance its efforts in various fields, including environmental protection, security and disaster response, labor safety and hygiene, product safety and quality assurance, logistics safety, energy conservation, and community relations.

Kureha has obtained ISO 14001, the international standard for environmental management, as well as ISO 9001 for product quality management and OHSAS 18001 for labor safety and hygiene management. The Company is further enhancing efforts aimed at improving responsible care activities through a "*plan, do, check, act*" activity cycle.

Reducing the burden on the environment

Since its establishment, Kureha has developed technologies and products with a view to reducing the burden on the environment. In the case of the Iwaki Factory, Kureha seeks to create a manufacturing facility that minimizes stress on the environment by implementing measures such as air and water pollution prevention, reduction of chemical material and industrial waste, odor control, and adoption of the Energy Consumption Index.

CO_2 Production (Thousands of tonnes)
Specific Energy Consumption Efficiency and Usage Method at the Iwaki Factory



*Data revised from previous year.

Disaster prevention

Safety and disaster prevention are among the most important responsibilities of a manufacturing factory. In order to respond to the trust the community places in the company, Kureha manages its facilities and operations in strict compliance with the relevant laws. In addition, the company implements a safety and disaster prevention program which includes its own voluntary control criteria, activities and training.

Contributing to the community

In addition to Kureha General Hospital being used as a community medical facility in the southern part of Iwaki City, Kureha contributes to the local community in a variety of different ways. These include opening company sports facilities for public use, volunteering for clean up activities, offering science classes at elementary schools and holding community meetings to initiate dialogue with local neighborhood associations.

Corporate Governance

Maximizing the corporate value of all group companies is a fundamental policy of Kureha. In order to achieve this goal, Kureha is working to enhance governance and other internal control functions, guarantee business transparency and fair disclosure of information, and to implement Responsible Care policies.

Compliance program framework

Kureha has in place a compliance program framework, based on the Kureha Group Ethical Charter and its Compliance Rules. Kureha's compliance objective is to ensure that all executives and employees act in a manner that is consistent with legal compliance and that also meets the standards of our society. This framework is constantly being improved and reinforced so as to cultivate a compliance-focused corporate culture.

The Compliance Committee, led by the President & Chief Executive Officer (CEO), keeps employees informed of compliance issues through training programs and other activities based on the Compliance Handbook and the Compliance Standards. In addition, direct access to internal and external (lawyers) advisers for inquiries and reporting on compliance issues is maintained so that legal violations, confirmed or suspected, can be detected and deterred at an early stage.

Management, execution and decision-making framework

1. Supervisory and executive responsibilities are clearly distinguished to strengthen corporate governance and accelerate managerial decision-making and execution.

   The Board of Directors is 10 directors (including 2 external directors). The Board, presided over by the President & CEO, meets once a month in principle, to make decisions on important administrative matters and pursue supervision.

   The Executive Committee, chaired by the President & CEO and comprised of executive officers appointed by the President & CEO, meets twice a month in principle. The committee considers mid- and long-term management strategy and basic policies that cover all aspects of general management, and passes resolutions and implements these policies.

   To clarify responsibilities for fiscal year results, a one-year term was established for directors and executive officers.

   The Consolidated Executive Committee, chaired by the President & CEO, serves as a forum to exchange views on basic management policies and other matters relating to the Kureha Group, thereby reinforcing the efforts of the consolidated management team.

2. A total of four corporate four auditors (including two external auditors) undertake auditing activities. This group works within a framework that allows them to monitor the deliberation processes of board resolutions and reports, as well as have a representative corporate auditor attend and monitor meetings of the Executive Committee. In addition, auditors are able to access documentation including all documents requiring senior approval, results of internal audits, and documentation on the status of customer inquiries.

   Corporate auditors interact with according and internal control functions, for example to exchange opinions on audit planning and progress.

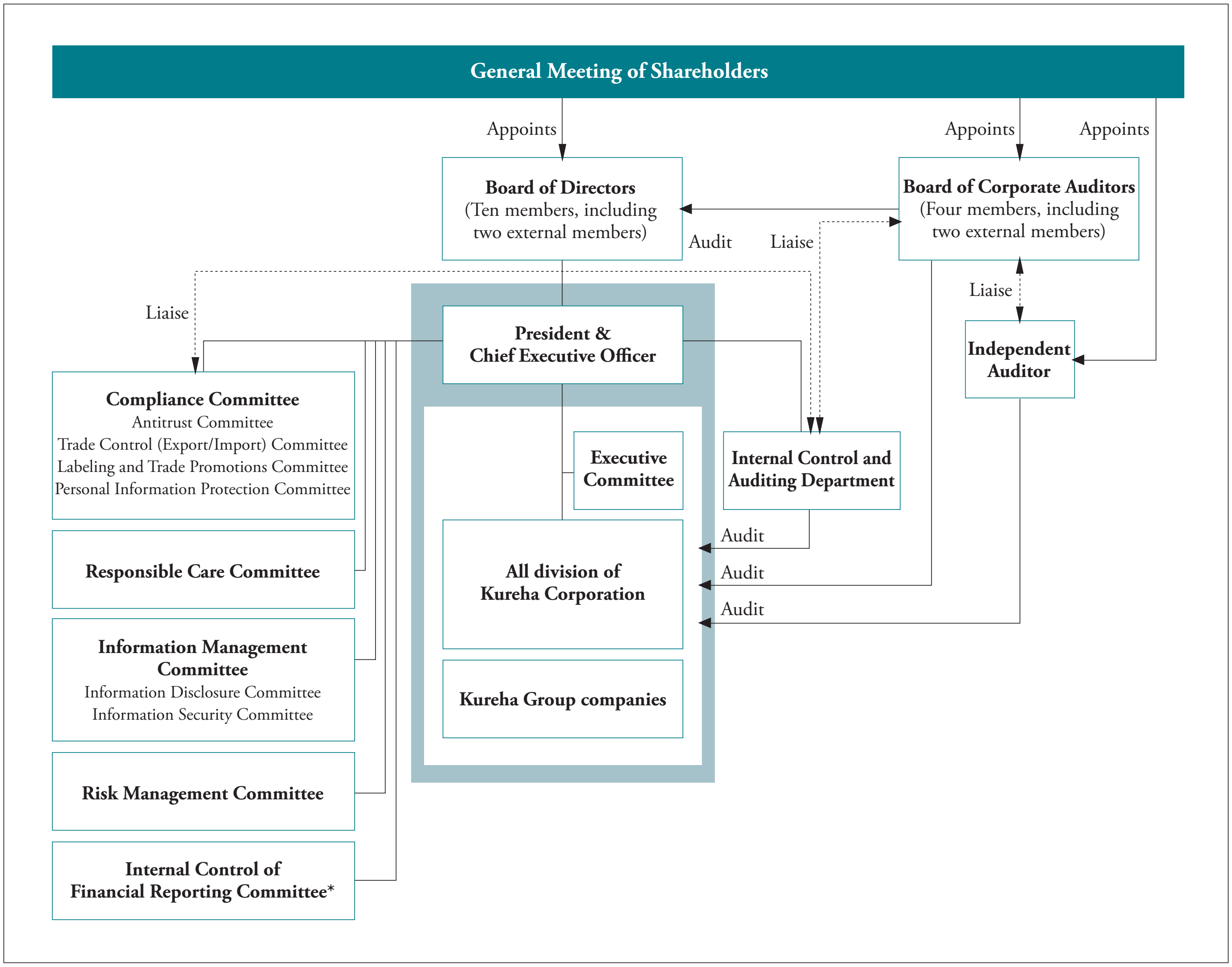
   In addition, an Internal Control and Auditing Department acts independently of other departments and under direct management and supervision of the President & CEO. Based on an annual internal audit plan approved by the Board of Directors, this department assesses the suitability and effectiveness of internal management control systems including compliance and risk management. It then proposes necessary or desired changes and improvements, so as to enhance both management efficiency and public trust in Kureha.

Internal control system

To further strengthen its internal control system, Kureha has established a set of basic policies, committees and internal rules to ensure that it observes laws and regulations and conducts its business operations in an appropriate and fair manner.

Under this system, Kureha publishes Internal Control Reports under the responsibility of the President & CEO. In addition, Kureha has also established a set of Basic Rules for Internal Control of Financial Reports to ensure the reliability of the financial reports and to guarantee implementation of management's assessment and certified public accountant's auditing of the effectiveness of internal control of financial reports, as stipulated in the Financial Instruments and Exchange Law.

Diagram of Internal Control Systems



Risk management system

To enable the Company to recognize and minimize the risks it is exposed to during business activities, Kureha has established a Risk Management Committee. The committee proposes concrete measures to the President & Chief Executive Officer aimed at reducing and avoiding risk and manages the implementation of such measures. In addition, to respond to unforeseen circumstances, a system is in place for the establishment of an emergency response task force, with the objective of prioritizing the safety of personnel, minimizing economic damage, and ensuring the continuation of corporate activities.

Kureha has also established an Information Management Committee to identify a clear set of information management rules and promote procedures for the appropriate control of Company information. Suitable measures are also being taken for the management of information security and disclosure.

To address environmental and safety risks, management procedures for the environment, quality, and labor safety have been established that comply with ISO 14001, ISO 9001, and OHSAS 18001 standards. In addition, Kureha is continuing with ongoing efforts to improve environmental conservation, quality assurance, and occupational health and safety.

Consolidated Five-Year Summary

KUREHA CORPORATION and Consolidated Subsidiaries
Years ended March 31, 2010, 2009, 2008, 2007 and 2006

	Millions of yen					Thousands of U.S. dollars
	2010	2009	2008	2007	2006	**2010**
For the year:						
Net sales:	**¥134,606**	¥143,741	¥149,776	¥146,256	¥135,627	**$1,446,754**
Domestic	**107,740**	116,182	116,666	116,503	107,584	**1,157,996**
Overseas	**26,866**	27,559	33,110	29,753	28,043	**288,757**
Net sales by segment:						
Advanced materials	**28,423**	32,424	38,915	35,129	31,578	**305,492**
Specialty chemicals	**35,831**	33,898	32,522	30,543	31,295	**385,113**
Specialty plastics	**42,430**	43,538	48,765	48,399	45,262	**456,040**
Other operations	**27,921**	33,881	29,574	32,185	27,492	**300,096**
Operating income	**5,706**	9,456	12,722	11,841	9,708	**61,328**
Advanced materials	**(3,645)**	678	4,378	4,259	3,923	**(39,176)**
Specialty chemicals	**6,619**	5,732	3,482	3,348	3,493	**71,141**
Specialty plastics	**1,948**	1,655	3,358	2,213	607	**20,937**
Other operations	**1,379**	2,104	1,620	2,289	2,100	**14,821**
Elimination or corporate	**(595)**	(713)	(116)	(268)	(416)	**(6,395)**
Net income	**1,571**	3,373	6,097	5,832	5,172	**16,885**
Capital expenditure	**16,943**	17,829	10,085	10,678	11,984	**182,104**
Depreciation	**11,126**	10,304	10,148	9,115	7,899	**119,582**
R&D expenses	**6,240**	6,085	6,543	6,865	7,406	**67,067**
Advanced materials	**1,787**	1,960	1,578	1,583	1,507	**19,206**
Specialty chemicals	**3,372**	2,956	3,288	3,467	4,134	**36,242**
Specialty plastics	**1,080**	1,125	1,658	1,805	1,749	**11,607**
Other operations	**—**	45	20	10	17	**—**
Cash flows from operating activities	**15,847**	11,420	14,996	13,949	11,308	**170,324**
Cash flows from investing activities	**(17,682)**	(20,518)	(8,584)	(11,987)	(9,648)	**(190,047)**
Cash flows from financing activities	**1,999**	10,705	(4,758)	(4,835)	(1,089)	**21,485**
Year-end:						
Total assets	**¥184,623**	¥182,224	¥187,349	¥196,107	¥185,203	**$1,984,340**
Net assets	**96,822**	97,075	104,582	107,349	99,588	**1,040,649**
Interest-bearing debt	**47,969**	44,033	32,040	32,470	35,383	**515,573**
	Yen					U.S. dollars
Amounts per share:						
Net income – basic	**¥ 8.77**	¥ 18.75	¥ 33.39	¥ 31.58	¥ 27.61	**$ 0.09**
Net assets	**538.10**	533.45	572.24	578.09	535.26	**5.78**
Cash dividends	**10**	10	10	10	9	**0.10**
	Percent					
Ratios:						
Operating income to net sales	**4.2%**	6.6%	8.5%	8.1%	7.2%	
Net income to net sales	**1.2**	2.3	4.1	4.0	3.8	
Return on equity	**1.6**	3.4	5.8	5.7	5.4	
Return on assets	**3.0**	4.7	6.6	6.1	5.1	
Equity ratio	**52.2**	52.4	55.2	54.2	53.1	

Notes: 1. For convenience only, U.S. dollar amounts have been translated from Japanese yen at the rate of ¥93.04 to US$1, the rate of exchange prevailing on the Tokyo Foreign Exchange Market on March 31, 2010.
2. For amounts per share, see Note 20 of the Notes on Consolidated Financial Statements.

Management Discussion and Analysis

Business environment

The Japanese economy showed signs of a recovery in exports during the fiscal year ended March 2010, due mainly to public spending and economic stimulus measures by countries around the world. Economic growth in China and other newly emerging markets also contributed to this trend. However, the private sector maintained curbs on capital expenditure, while consumer spending, with the exception of certain areas boosted by government policy measures, failed demonstrate an overall recovery.

In the chemicals industry, difficult conditions remained. Despite positive factors such as an increase in exports to China and other parts of Asia, recovery in demand for products used in automobiles, electronics and other appliances, and a rise in capacity utilization rates, downward pressure on prices persisted. This was largely the result of general sluggishness of internal demand, along with the continued high value of the yen in foreign exchange markets.

Analysis of business results

Sales for the fiscal year declined ¥9.1 billion year-on-year to ¥134.6 billion, due to sharp declines in revenue in the Advanced Materials and Other Operations divisions. Gross profit declined ¥4.6 billion to ¥34 billion, while the gross profit margin fell from 26.8% in the previous fiscal year to 25.2%. The principal decline in sales was in the Other Operations Division, while the principal decline in gross profit was in the Advanced Materials Division. A substantial portion of the decrease in sales in the Advanced Materials Division was the result of the change in status of Kakogawa Plastics Co., Ltd. from consolidated subsidiary to equity-method affiliate from the second quarter of the subject fiscal year. Rather than resulting from the decline in sales, the decrease in gross profit was mainly due to a one-time event: the simultaneous occurrence of the beginning of amortization for capacity expansion efforts and a rise in the cost rate of pre-product inventory from the previous fiscal year stemming from an acute fall in capacity utilization in the second half.

Sales and general administrative expenses totaled ¥28.3 billion, down ¥840 million from the previous year. This was due mainly to efforts to trim costs in response to the difficult business conditions during the subject fiscal year, despite an increase in development expenditure aimed at growing future markets. Operating income declined ¥3.8 billion from the previous fiscal year to ¥5.7 billion, while the operating income margin fell to 4.2%, from 6.6% a year earlier.

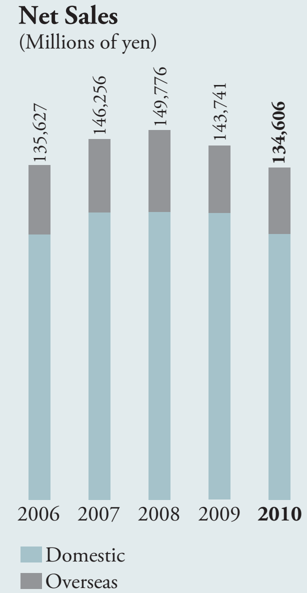
Non-operating profit/loss - total non-operating income less non-operating expenses –amounted to a non-operating loss of ¥207 million, a decrease of ¥598 million from the previous fiscal year. This was due mainly to reduced bond issuance expenses and foreign exchange losses. Extraordinary gain/loss improved due to a reduction in losses on valuation of investments in securities, though tax expenditure increased as a result of the sale of shares in affiliated companies. As a result, net income for the subject fiscal year declined 53.4% to ¥1.6 billion.

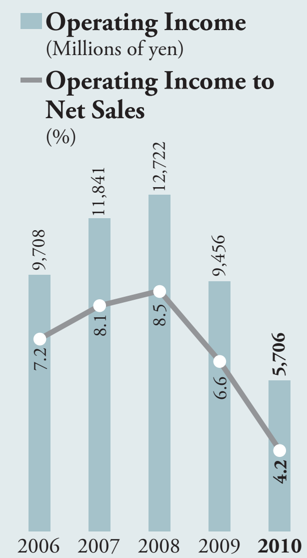
Looking ahead, Kureha will continue to invest in facilities and R&D in line with its proactive investment program. We also recognize that deep cuts in non-essential expenses will be necessary to achieve the "Grow Globally" medium-term business plan.

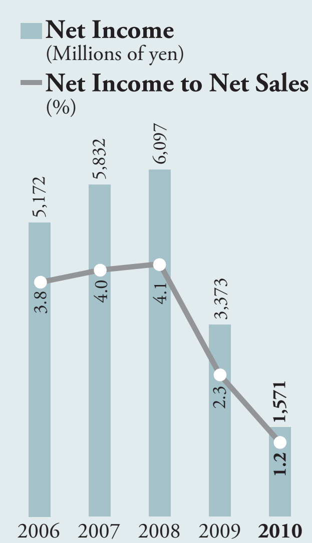
Cash flows

The balance of cash and cash equivalents ("cash") at the end of the subject fiscal year (March 31, 2010) amounted to ¥7.2 billion, down ¥51 million from the end of the previous fiscal year (March 31, 2009).

An outline of individual cash flows and the main factors affecting each is as follows.







Cash flow from operating activities

Net cash provided by operating activities amounted to ¥15.8 billion, an increase of ¥4.4 billion from the previous fiscal year. This was due mainly to an increase in inventories and decrease in income taxes paid.

Cash flow from investment activities

Net cash used in investment activities amounted to ¥17.7 billion, a decrease of ¥2.8 billion from the previous fiscal year. This was due mainly to decreased expenditure for purchases of investment securities and payment for investment in interests, as well as increased proceeds from the sale of investment securities and the sale of shares in an affiliated company.

Cash flow from financing activities

Net cash provided by financing activities amounted to ¥2.0 billion, a decrease of ¥8.7 billion from the previous fiscal year. The decline was primarily the result of lacking proceeds from corporate bonds proceeds, as had been the case in the previous year.

The Kureha Group procures needed capital by borrowing from financial institutions and issuing bonds. Kureha has also introduced a cash management system for the corporate group with the aim of effective utilization of capital and reduced financing expenses.

Kureha ensures capital liquidity by retaining cash and cash equivalents and by concluding commitment line agreements with financial institutions.

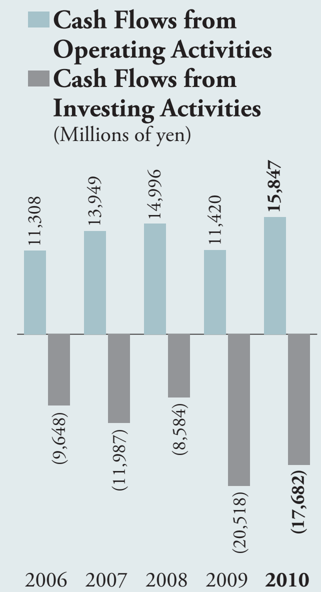
Balance sheet analysis

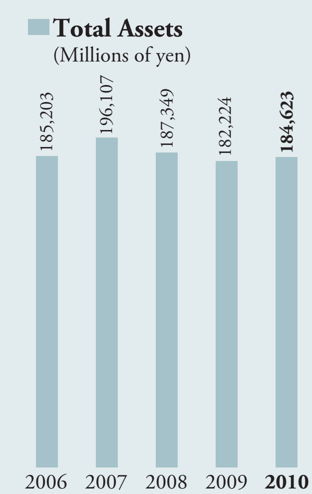
Total assets at March 31, 2010, amounted to ¥184.6 billion, an increase of ¥2.4 billion from the end of the previous fiscal year. Current assets totaled ¥65.6 billion, down ¥3.0 billion from a year earlier. Although the increase in receivables stemming from sales growth in the fourth quarter exceeded the decrease resulting from a decline in construction-related sales, this was surpassed by the decrease in inventories. Property and equipment totaled ¥81.8 billion, up ¥4.4 billion from a year earlier, due mainly to a high level of capital expenditure including in overseas production facilities, which exceeded the increase in depreciation. Investment and other assets totaled ¥37.3 billion, up ¥990 million, due mainly to a recovery in the market value of investment securities from the end of the previous fiscal year, along with an increase in shares of affiliates and a decrease in investments resulting from changes in the scope of consolidation.

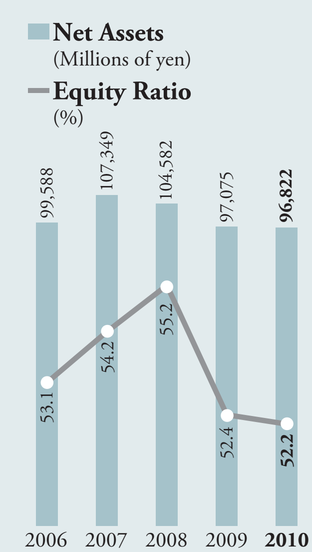
Total liabilities at the end of the fiscal year amounted to ¥87.8 billion, an increase of ¥2.7 billion from the end of the previous fiscal year. Interest-bearing debt increased by ¥3.9 billion from a year earlier to ¥48.0 billion, due mainly to an increase in long-term debt, along with a decline in short-term borrowings. Deferred tax liabilities increased due to decreases in construction-related accounts payable and the market valuation of securities investments.

Total net assets for the subject fiscal year amounted to ¥96.8 billion, a decline of ¥253 million from the previous fiscal year. This was due mainly to a ¥280 million decrease in earned surplus following a dividend payout from retained earnings on net income of ¥1.6 billion, along with an increase in unrealized gains on other securities and a decline in minority interests following a change in the scope of consolidation.

The changes in total assets were due mainly to contraction of inventories in response to the economic slowdown, along with additional capital procurement and other forms for business development related to capital investments in Japan and overseas, and the launch of operations at certain facilities.







Overview of capital expenditures

Kureha's core businesses are advanced materials, packaging materials, pharmaceuticals and agrochemicals, and environment-related businesses, and as such the Company actively invests in these areas. Total capital expenditures during the fiscal year ended March 31, 2010, amounted to ¥16.9 billion.

Capital expenditure by business division:

The Advanced Materials Division invested ¥10.3 billion, mainly for PPS (polyphenylene sulfide) resin production facilities (Kureha); PVDF (polyvinylidene fluoride) resin production facilities (Kureha); carbon product manufacturing facilities (Kureha and Kureha Chemicals Shanghai Co., Ltd.); and PGA (polyglycolic acid) resin production facilities (Kureha PGA LLC).

The Specialty Chemicals Division invested ¥1.6 billion, mainly on production facilities for chlorine and caustic soda.

The Specialty Plastics Division invested ¥3.0 billion, primarily for manufacturing facilities for food packaging materials (Kureha, Kureha Plastics Co., Ltd. and Kureha Vietnam Co., Ltd.).

The Other Operations Division invested ¥2.0 billion, mainly on industrial waste processing facilities (Kureha Ecology Management Co., Ltd.).

In addition, as a joint initiative, the Advanced Materials, Specialty Chemicals, and Specialty Plastics divisions completed further investments in such areas as environmental conservation projects, and electric transmission plant facilities.

Capital required for these investments was funded by cash-at-hand and borrowings.

Business risks

Factors with a potential impact on the Kureha Group's business performance, share price, and financial position, include the following. Forward-looking statements are based on assessments made as of the date of submission of the Company's annual securities filing (June 25, 2010).

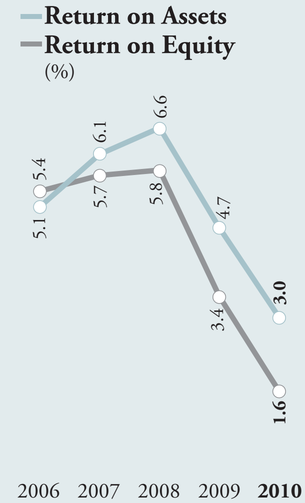
Factors affecting business results

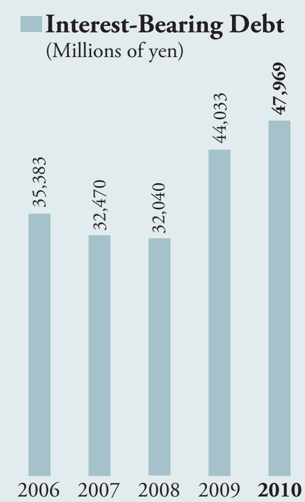
Potential risks for Kureha in conducting its business operations include domestic and international economic trends; shifts in market prices for products; fluctuations in prices for naphtha, coal and other raw materials; unforeseen quality issues; drug price revisions under Japan's medical insurance system; country risks for overseas businesses; and exchange rate fluctuations; damage to production facilities as a result of natural disaster or accident; and fluctuations in the market price of investment securities.

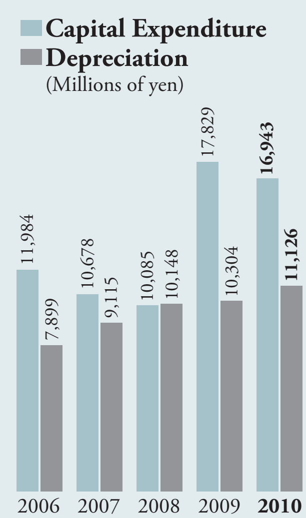
Other risks

The Kureha Group has established the "Kureha Group Ethical Charter," "Compliance Rules" and "Compliance Standards," and strives to ensure that the Company strictly complies with all laws, regulations and societal norms. However, there is a risk that the Company's domestic or overseas businesses could be the target of lawsuits or administrative measures. Should a major lawsuit or other action be taken against the Company, it could have an impact on the Kureha Group's business performance and financial position.

On November 9, 2009, Kureha was ordered to pay approximately ¥270 million in fines for violation of the Anti-Monopoly Law related to Kureha's plastic additives business. Despite differences between the conclusion of the Japan Fair Trade Commission reflected in this ruling and Kureha's opinion, including regarding the facts of the case, in consideration of the time, expense and other factors necessary to make an appeal, the Company decided not to appeal the ruling, and to pay the fine.







Consolidated Balance Sheets

Kureha Corporation and its Consolidated Subsidiaries
As of March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2010	2009	2010
ASSETS			
Current assets:			
Cash and time deposits (Note 5)	¥ 7,213	¥ 7,265	$ 77,525
Trade notes and accounts receivable	31,837	30,137	342,186
Marketable securities (Note 8)	—	6	—
Inventories (Note 6)	20,747	25,741	222,990
Deferred tax assets (Note 13)	2,356	2,415	25,322
Others	3,528	3,183	37,919
Less: Allowance for doubtful accounts	(112)	(154)	(1,203)
Total current assets	65,571	68,592	704,761
Property and equipment, net (Note 10):			
Buildings and structures	28,413	26,930	305,384
Machinery, equipment and vehicles	24,713	25,113	265,616
Land	13,048	13,237	140,240
Construction in progress	13,642	10,060	146,625
Others	1,976	2,023	21,238
Total property and equipment	81,794	77,364	879,127
Investment and other assets:			
Investments in securities (Notes 8 & 10)	27,782	26,448	298,602
Long-term receivables	2,027	2,092	21,786
Deferred tax assets (Note 13)	1,314	1,543	14,122
Others	6,560	6,678	70,507
Less: Allowance for doubtful accounts	(428)	(495)	(4,600)
Total investments and other assets	37,257	36,308	400,440
Total assets	¥184,623	¥182,224	$1,984,340

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2010	2009	2010
LIABILITIES AND NET ASSETS			
Current liabilities:			
Trade notes and accounts payable (Note 10)	¥ 16,833	¥ 18,229	$ 180,922
Short-term loans including current portion of long-term debt (Notes 9 & 10)	14,809	17,353	159,168
Other payables	5,430	5,512	58,361
Accrued income taxes (Note 13)	1,740	1,216	18,701
Accrued expenses	4,990	5,047	53,632
Accrued bonuses	2,172	2,288	23,344
Others	2,456	2,790	26,397
Total current liabilities	48,433	52,436	520,561
Long-term liabilities:			
Long-term debt (Notes 9 & 10)	33,160	26,680	356,405
Deferred tax liabilities (Note 13)	3,518	2,676	37,811
Reserve for employees' retirement benefits (Note 12)	1,231	2,048	13,230
Retirement allowance for directors and corporate auditors	361	433	3,880
Reserve for environmental measures	173	—	1,859
Others	923	876	9,920
Total long-term liabilities	39,367	32,714	423,119
Total liabilities	87,801	85,150	943,690
Commitments and contingent liabilities (Note 14)			
Net assets:			
Shareholders' equity (Note 15):			
Capital, non par value			
Authorized: 2010 and 2009 – 600,000,000 shares Issued: 181,683,909 shares in 2010 and 2009	12,460	12,460	133,920
Capital surplus	9,948	10,014	106,921
Earned surplus	72,500	72,780	779,234
Less: Treasury stock, at cost	(1,253)	(1,265)	(13,467)
Total shareholders' equity	93,655	93,988	1,006,610
Valuation and translation adjustments:			
Unrealized gain on other securities (Note 8)	4,990	3,757	53,632
Deferred losses on hedges	—	(5)	—
Translation adjustments	(2,225)	(2,165)	(23,914)
Total valuation and translation adjustments	2,764	1,587	29,707
Stock subscription rights	54	47	580
Minority interests	347	1,452	3,729
Total net assets	96,822	97,075	1,040,649
Total liabilities and net assets	¥184,623	¥182,224	$1,984,340

Consolidated Statements of Income

Kureha Corporation and its Consolidated Subsidiaries
For the years ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2010	2009	2010
Net sales	¥134,606	¥143,741	$1,446,754
Cost of sales	100,648	105,194	1,081,771
Gross profit	33,958	38,547	364,982
Selling, general and administrative expenses (Note 18)	28,251	29,091	303,643
Operating income	5,706	9,456	61,328
Other income (expenses):			
Interest and dividend income	659	748	7,082
Interest expenses	(749)	(733)	(8,050)
Gain on sales of property and equipment (Note 19)	96	76	1,031
Gain on sales of investments in securities (Note 8)	205	13	2,203
Compensation for transfer of property	379	—	4,073
Loss on disposal of property and equipment (Note 19)	(1,546)	(660)	(16,616)
Loss on impairment of property and equipment (Note 20)	(119)	(479)	(1,279)
Loss on valuation of investments in securities	—	(627)	—
Loss on business withdrawal	(581)	—	(6,244)
Provision for environmental measures	(173)	—	(1,859)
Loss on valuation of inventories	—	(870)	—
Other, net	(413)	(914)	(4,438)
Other expenses – net	(2,241)	(3,446)	(24,086)
Income before income taxes and minority interests	3,465	6,010	37,242
Income taxes (Note 13):			
Current	1,721	2,353	18,497
Deferred	258	366	2,773
Total income taxes	1,979	2,720	21,270
Minority interests	(85)	(83)	(913)
Net income	¥ 1,571	¥ 3,373	$ 16,885

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

Kureha Corporation and its Consolidated Subsidiaries
For the year ended March 31, 2010

						Millions of yen
		Shareholders' equity				
	Number of common stock	Capital	Capital surplus	Earned surplus	Treasury stock, at cost	Total shareholders' equity
BALANCE-MARCH 31, 2009	181,683,909	¥12,460	¥10,013	¥72,779	¥(1,265)	¥93,988
Dividends from surplus				(1,791)		(1,791)
Net income				1,571		1,571
Acquisition of treasury stock					(6)	(6)
Disposal of treasury stock			1	—	17	19
Decrease resulting from the change in scope of consolidation				(124)		(124)
Contribution to employees' welfare fund				(1)		(1)
Offset against deficit			(66)	66		—
Net changes of items other than shareholders' equity	—	—				
BALANCE-MARCH 31, 2010	181,683,909	¥12,460	¥ 9,948	¥72,500	¥(1,253)	¥93,655

	Valuation and translation adjustments						
	Unrealized gain on other securities	Deferred losses on hedges	Translation adjustments	Total valuation and translation adjustments	Stock subscription rights	Minority interests	Total net assets
BALANCE-MARCH 31, 2009	¥3,756	¥ (5)	¥(2,165)	¥1,586	¥47	¥1,452	¥97,074
Dividends from surplus							(1,791)
Net income							1,571
Acquisition of treasury stock							(6)
Disposal of treasury stock							19
Decrease resulting from the change in scope of consolidation							(124)
Contribution to employees' welfare fund							(1)
Offset against deficit							—
Net changes of items other than shareholders' equity	1,233	5	(60)	1,178	7	(1,105)	80
BALANCE-MARCH 31, 2010	¥4,990	¥—	¥(2,225)	¥2,764	¥54	¥ 347	¥96,822

					Thousands of U.S. dollars (Note 2)
	Shareholders' equity				
	Capital	Capital surplus	Earned surplus	Treasury stock, at cost	Total shareholders' equity
BALANCE-MARCH 31, 2009	$133,920	$107,620	$782,233	$(13,596)	$1,010,189
Dividends from surplus			(19,249)		(19,249)
Net income			16,885		16,885
Acquisition of treasury stock				(64)	(64)
Disposal of treasury stock		10	—	182	204
Decrease resulting from the change in scope of consolidation			(1,332)		(1,332)
Contribution to employees' welfare fund			(10)		(10)
Offset against deficit		(709)	709		
Net changes of items other than shareholders' equity	—				
BALANCE-MARCH 31, 2010	$133,920	$106,921	$779,234	$(13,467)	$1,006,610

	Valuation and translation adjustments						
	Unrealized gain on other securities	Deferred losses on hedges	Translation adjustments	Total valuation and translation adjustments	Stock subscription rights	Minority interests	Total net assets
BALANCE-MARCH 31, 2009	$40,369	$(53)	$(23,269)	$17,046	$505	$15,606	$1,043,357
Dividends from surplus							(19,249)
Net income							16,885
Acquisition of treasury stock							(64)
Disposal of treasury stock							204
Decrease resulting from the change in scope of consolidation							(1,332)
Contribution to employees' welfare fund							(10)
Offset against deficit							—
Net changes of items other than shareholders' equity	13,252	53	(644)	12,661	75	(11,876)	859
BALANCE-MARCH 31, 2010	$53,632	$ —	$(23,914)	$29,707	$580	$ 3,729	$1,040,649

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

Kureha Corporation and its Consolidated Subsidiaries
For the years ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2010	2009	2010
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 3,465	¥ 6,010	$ 37,242
Adjustments for:			
Depreciation	11,126	10,304	119,582
Loss on impairment	119	479	1,279
Amortization of negative goodwill	(100)	(86)	(1,074)
Decrease in allowance for doubtful accounts	(88)	(42)	(945)
Decrease in reserve for employees' retirement benefits	(830)	(249)	(8,920)
Decrease in retirement allowance for directors and corporate auditors	(61)	(19)	(655)
Increase (decrease) in prepaid pension expense	107	(474)	1,150
Interest and dividend income	(659)	(748)	(7,082)
Interest expenses	749	733	8,050
Loss on sales of property and equipment	1,449	584	15,573
Gain on sales of marketable securities	(204)	(13)	(2,192)
(Increase) decrease in trade notes and accounts receivable	(2,003)	4,207	(21,528)
Decrease (increase) in other inventories	4,720	(3,906)	50,730
(Increase) decrease in other current assets	(341)	780	(3,665)
Decrease in trade notes and accounts payable	(1,299)	(814)	(13,961)
Increase (decrease) in other liabilities	553	(1,513)	5,943
Other, net	175	(237)	1,880
Subtotal	16,877	14,995	181,395
Dividends and interest received	933	748	10,027
Interest paid	(751)	(663)	(8,071)
Income taxes paid	(1,212)	(3,660)	(13,026)
Net cash provided by operating activities	15,847	11,420	170,324
Cash flows from investing activities:			
Payments for purchases of tangible and intangible fixed assets	(17,969)	(17,508)	(193,131)
Payments for removal of tangible fixed assets	(498)	(185)	(5,352)
Proceeds from sales of tangible and intangible fixed assets	225	190	2,418
Purchase of investment securities	(118)	(737)	(1,268)
Payment for investment in interest	(103)	(615)	(1,107)
Proceeds from sales of investment securities	417	46	4,481
Issuance of loans receivable	(24)	(570)	(257)
Collection of loans receivable	130	120	1,397
Purchase of shares in subsidiaries	—	(208)	—
Proceeds from sales of shares in subsidiaries	547	—	5,879
Payment for business transfer	—	(598)	—
Other, net	(289)	(449)	(3,106)
Net cash used in investing activities	(17,682)	(20,518)	(190,047)
Cash flows from financing activities:			
Net (decrease) increase in short-term loans	(3,936)	6	(42,304)
Proceeds from long-term debt	11,784	7,212	126,655
Repayments of long-term debt	(3,975)	(4,524)	(42,723)
Payments for purchases of treasury stock	(6)	(776)	(64)
Proceeds from sales of treasury stock	0	60	0
Dividends paid	(1,791)	(1,804)	(19,249)
Dividends paid to minority shareholders	(3)	(35)	(32)
Proceeds from issuance of bonds	—	9,942	—
Payment from minority shareholders	—	716	—
Other, net	(71)	(92)	(763)
Net cash provided by financing activities	1,999	10,705	21,485
Effect of exchange rate changes on cash and cash equivalents	(261)	(462)	(2,805)
Net (decrease) increase in cash and cash equivalents	(97)	1,144	(1,042)
Cash and cash equivalents at beginning of year	7,264	6,120	78,073
Increase in cash and cash equivalents resulting from inclusion of consolidated subsidiaries	45	—	483
Cash and cash equivalents at end of year (Note 5)	¥ 7,213	¥ 7,265	$ 77,525

The accompanying notes are an integral part of these statements.

Notes on Consolidated Financial Statements

Kureha Corporation and its Consolidated Subsidiaries
Years ended March 31, 2010 and 2009

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared based on the accounts maintained by Kureha Corporation (the "Company") and its subsidiaries (collectively the "Group") in accordance with the provisions set forth in the Corporation Law of Japan and the Financial Instruments and Exchange Law (formerly, the Securities and Exchange Law), and inconformity with accounting principles generally accepted in Japan, which are different, in certain respects, from the application and disclosure requirements of International Financial Reporting Standards.

As permitted by the Financial Instruments and Exchange Law, amounts of less than one million yen have been omitted. Consequently, the totals shown in the accompanying consolidated financial statements do not necessarily agree with the sums of the individual amounts.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the Company's consolidated financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan.

2. U.S. Dollar Amounts

The accounts of consolidated financial statements presented herein are originally expressed in Japanese yen. The U.S. dollar amounts shown in the accompanying consolidated financial statements and notes thereto have been translated from Japanese yen into U.S. dollars on the basis of ¥93.04 to U.S. $1, the rate of exchange prevailing at March 31, 2010. And, the amount of translation of millions of Japanese yen herein is rounded down to thousands of U.S. dollar. These U.S. dollar amounts are not intended to imply that the Japanese yen amounts have been or could be converted, realized or settled in U.S. dollars at this or any other rate.

3. Principles of Consolidation

(1) Scope of consolidation

The Company consolidated 33 (34 in 2009) subsidiaries by the full consolidation method and two affiliates (one in 2009) by the equity method as at March 31, 2010 and 2009. The accounts of a subsidiary and other affiliates were not consolidated, as they would not have a material effect on the accompanying consolidated financial statements.

(2) Fiscal terms of consolidated subsidiaries

The fiscal terms of 10 consolidated subsidiaries close their accounts at December 31. In preparing the consolidated financial statements, those accounts at December 31, 2009 are used, but major transactions which were executed during the three months between December 31 and March 31 are adjusted as necessary for consolidation.

(3) Valuation of assets and liabilities of consolidated subsidiaries

The Company adopted "full fair value method" so that the full portion of the assets and liabilities of the consolidated subsidiaries was measured at their fair value at the time of acquisition of the control.

(4) Goodwill on consolidation

In preparing the consolidated financial statements, positive or negative difference between the cost of investment and the amount of the underlying equity in net assets of the consolidated subsidiary was deferred and amortized over an estimated useful period or 5 years on a straight-line basis.

(5) Unification of accounting policies applied to foreign subsidiaries for the consolidated financial statements

On May 17, 2006, the Accounting Standards Board of Japan (ASBJ) issued ASBJ Practical Issue Task Force (PITH) No.18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements". The Group adopted this accounting standard and made necessary adjustments for consolidation effective the year ended March 31, 2009. The effect of this change on net income for the year ended March 31, 2009 was immaterial and also the effect of the change on segments was omitted in the segment information since it was immaterial.

4. Summary of Significant Accounting Policies

(1) Securities

Securities included in marketable securities and investments in securities consisted of investments in unconsolidated subsidiaries and affiliate and other securities and are stated as follows:

Investments in unconsolidated subsidiaries and affiliates are stated at acquisition cost.

Other securities with market quotations are stated at the average market price during a month before the balance sheet date. Valuation difference on these securities is reported at net of taxes as a separate component of net assets. The cost of securities sold is determined based on the moving average cost at the time of sale.

Other securities without market quotations are stated at cost by the moving average method.

(2) Inventories
Inventories are stated at cost in principle determined by the gross average method. Inventories held for sale in the ordinary course of business are measured at the lower of cost or net selling value, which is defined as the selling price less incremental estimated manufacturing costs and estimated direct selling expenses.

(3) Depreciation and amortization of fixed assets
Property and equipment except for leased assets
Property and equipment are principally stated at cost. Depreciation except for buildings is computed in accordance with the declining balance method based on the useful lives and residual value prescribed by the Japanese tax laws. The depreciation of buildings is computed on the straight-line method. Accumulated depreciation which were directly deducted from property and equipment as at March 31, 2010 and 2009 were ¥158,875 million ($1,707,598 thousand) and ¥157,052 million, respectively.

The useful lives of major property, plant and equipment are summarized as follows:

Buildings and structures	10 to 50 years
Machinery, equipment and vehicles	7 to 15 years
Tools, furniture and fixtures	4 to 10 years

Maintenance and repairs, including minor renewals and improvements, are charged to income as incurred.

Intangible fixed assets except for leased assets
Intangible fixed assets except for software are amortized by the straight-line method based on the useful lives prescribed by the Japanese tax laws.
Software for in-house use is amortized by the straight-line method based on the estimated useful lives (5 years).

Leased assets
Leased assets under finance lease arrangements which do not transfer ownership of the leased assets to the lessee are depreciated by the straight-line method over respective lease periods without salvage value.

(4) Accounting for impairment of fixed assets
In accordance with the accounting standard for impairment of fixed assets, the Company and its consolidated subsidiaries periodically review their fixed assets for impairment by grouping the assets in income generating units whenever there is any indication of a significant decline in the fair value against its book value based on an independent appraisal, and when the existence of any impairment for the group of the assets is identified, an impairment loss will be recognized and such amount is directly deducted from the related assets.

(5) Allowance for doubtful accounts
Allowance for doubtful accounts of general receivables was established to provide for future losses, which are estimated based on the past credit loss experience.
In addition, uncollectible amount is estimated individually for doubtful receivables.

(6) Reserve for employees' retirement benefits
The reserve for employees' retirement benefits is recorded based on the estimated present value of projected benefit obligations in excess of the fair value of the plan assets at the end of the fiscal year. However, certain domestic consolidated subsidiaries calculate their retirement benefit obligations using the liability which would be paid if all the employees voluntarily retired at each consolidated balance sheet date or liability reserve for pension financing calculation purpose.
The unrecognized transition amount which arose from adopting a new standard has been fully amortized when incurred. Past service cost is fully amortized when incurred. Actuarial gain or loss is amortized in the year following the year in which the gain or loss is recognized, on a straight-line basis over certain periods within the employees' average remaining service years.
On July 31, 2008, the ASBJ issued a partial amendment to ASBJ Statement No. 19 "Accounting Standard for Retirement Benefits (Part3)". The Company and its consolidated subsidiaries applied the amended accounting standard effective April 1, 2009. The effect of this change on the income is nil, as the unrecognized actuarial gain or loss is amortized in the following year in which the gain or loss is recognized. Unrecognized net actuarial loss incurred from adoption of this amendment is ¥539 millions (US$5,793 thousands) at March 31, 2010.

(7) Retirement allowance for directors and corporate auditors
The retirement allowance for directors and statutory auditors is recorded based on the amount that would be required in accordance with the internal rule at the balance sheet date to provide for the payment for the retirement benefits.

(8) Treasury stock
Treasury stocks owned by the Group are recorded at acquisition cost as a component under the shareholders' equity. The numbers of treasury stocks held by the Group as at March 31, 2010 and 2009 were 2,498,103 and 2,520,011 common shares, respectively.

(9) Leases
All finance leases which commenced on and after April 1, 2008 are capitalized as if those leased assets were acquired in the ordinary buy or sell transactions. Finance leases which commenced prior to April 1, 2008 and do not transfer ownership of the leased assets to the lessee are accounted for as operating lease transactions.

(10) Investment property
On November 28, 2008, the ASBJ issued ASBJ Statement No. 20 "Accounting Standard for Investment Property and Related Disclosures" and issued ASBJ Guidance No.23 "Guidance on Accounting Standard for Investment Property and Related Disclosures". This accounting standard and the guidance are applicable to investment property and related disclosures at the end of the fiscal years ending on or after March 31, 2010. The Group applied the new accounting standard and guidance effective March 31, 2010.

Information on the investment properties is not included herein, as the aggregate amount is immaterial.

(11) Construction contracts
In December 2007, the ASBJ issued ASBJ Statement No. 15 "Accounting Standard for Construction Contracts" and ASBJ Guidance No. 18 "Guidance on Accounting Standard for Construction Contracts". Under the previous Japanese GAAP, either the completed-contract method or the percentage-of-completion method was permitted to account for construction contracts. Under this new accounting standard, the construction revenue and construction costs should be recognized by the percentage-of-completion method, if the outcome of a construction contract can be estimated reliably. When total construction revenue, total construction costs and the stage of completion of the contract at the balance sheet date can be reliably measured, the outcome of a construction contract can be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method should be applied. This standard is applicable to construction contracts and software development contracts which started on or after April 1, 2009. The Company applied the new accounting standard effective April 1, 2009. The effect of this change was to increase net sales by ¥1,445 million ($15,531 thousand) and gross profit, operating income, and income before income taxes and minority interests by ¥126 million ($1,354 thousand), respectively, for the year ended March 31, 2010.

(12) Consumption taxes
The consumption taxes withheld and consumption taxes paid are excluded from revenues and expenses in the accompanying consolidated financial statements. The net balance of the consumption taxes withheld and consumption taxes paid is included in current liabilities of the consolidated balance sheet as of the end of the fiscal year.

(13) Appropriations of retained earnings
Appropriations of retained earnings are accounted for and reflected in the accompanying consolidated financial statements when approved by the shareholders.

(14) Cash and cash equivalents
Cash and cash equivalents in the consolidated statements of cash flows consist of cash on hands, bank deposits payable on demand and short-term investments due within three months from acquisition with minor value fluctuation risk.

(15) Income taxes
The Group is generally subject to national corporate income tax, local inhabitant tax and enterprise tax which are principally based on income.

Deferred income taxes are determined using the asset and liability approach, whereby deferred tax assets and liabilities are recognized in respect of temporary differences between the tax basis of assets and liabilities and those as reported in the financial statements.

5. Cash and Cash Equivalents
The following table represents a reconciliation of cash and cash equivalents at March 31, 2010 and 2009:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Cash and time deposits	¥7,213	¥7,264	$77,525
Cash and cash equivalents	¥7,213	¥7,264	$77,525

6. Inventories

Inventories at March 31, 2010 and 2009, respectively, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Finished products	¥14,514	¥17,773	$155,997
Work-in-process	1,123	2,005	12,070
Raw materials and supplies	5,110	5,962	54,922
Total	¥20,747	¥25,740	$222,990

7. Financial Instruments and Related Disclosures

On March 10, 2008, the ASBJ revised ASBJ Statement No.10 “Accounting Standard for Financial Instruments” and issued ASBJ Guidance No.19 “Guidance on Accounting Standard for Financial Instruments and Related Disclosures”. This accounting standard and the guidance are applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010 with early adoption permitted from the beginning of the fiscal years ending before March 31, 2010. The Group applied the revised accounting standard and the new guidance effective March 31, 2010.

(1) Group policy for financial instruments

The Group uses financial instruments, mainly bank loans, and convertible bonds for the purpose of raising its necessary fund for equipment investment plan. Cash surpluses, if any, are invested only in short-term deposits, etc. Working capitals for short-term ongoing operations are procured from short-term bank loans. 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 trade notes and trade accounts are exposed to customer credit risk. Although receivables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, the position, net of payables in foreign currencies, is hedged by using forward foreign currency contracts. Marketable and investment securities, mainly held-to-maturity securities and equity instruments of customers and suppliers of the Group, are exposed to the risk of market price fluctuations. And long-term loans receivable are made to the employees.

Payment terms of payables, such as trade notes and trade accounts, are less than one year. Although payables in foreign currencies, partly accompanied by the export of materials, are exposed to the market risk of fluctuation in foreign currency exchange rates, those risks are almost netted against the balance of receivables denominated in the same foreign currency as noted above. And, the payables in Euro are always within the balance of receivables in Euro.

Although a part of such bank loans, convertible bonds and lease obligation, which are mainly for the purpose of equipment investment, are exposed to market risks from changes in variable interest rates; those risks are mitigated by using mostly derivatives of interest-rate swaps.

Derivatives mainly include forward foreign currency contracts and interest-rate swaps, which are used to manage exposure to market risks from changes in foreign currency exchange rates of receivables and payables, and from changes in interest rates of bank loans and convertible bonds. Please see Note 21 for more detail about derivatives.

(3) Risk management for financial instruments

Credit Risk Management (risk of counterparty’s failure to repay)

Credit risk is the risk of economic loss arising from counterparty’s failure to repay or service debt according to the contractual terms. The Company manages its credit risk from receivables on the basis of internal guidelines, which include setting up an individual credit limit and monitoring of payment term and balances of major customers by each business administration department to identify the default risk of customers in early stage. A credit limit is changed, if necessary, based on a periodic monitoring of customers’ financial position. And the Company manages to mitigate the risk of receivable collection due to deteriorating financial position by utilizing such facilities as credit insurance or factoring. In using derivatives, the Group chooses highly creditworthy financial institutions to avoid a counter party risk.

Market risk management (foreign exchange risk and interest rate risk)

The Company and certain consolidated subsidiaries manage market risk resulting from fluctuations in foreign currency exchange rates of foreign currency trade receivables and payables, which are to be identified through management per month and per currency. Such foreign exchange risk is hedged principally by forward foreign currency contracts.

Interest-rate swaps are used to manage exposure to market risks from changes in interest rates of loan payables and bond payables.

Marketable and investment securities are managed by monitoring market values and financial position of issuers on a regular basis.

Basic principles of derivative transactions have been based on the internal guidelines which prescribe the authority and the limit for each transaction. The same principles are applicable to the consolidated subsidiaries.

Liquidity risk management (risk of the Group's failure to pay at maturity)
Liquidity risk comprises the risk that the Group cannot meet its contractual obligations in full on maturity dates. The Group manages its liquidity risk by controlling a monthly cash flow plan, and the Company manages it by using commitment line.

(4) **Fair values of financial instruments**
Fair values of financial instruments are based on quoted price in active markets. If quoted price is not available, other rational valuation techniques are used instead. The fair values hereof may vary upon applying various procedures, as the valuation techniques include variable factors. Also please note that the contract amounts themselves shown in Note 21 Derivatives and Hedging Activities do not imply the market risk exposure regarding derivative transactions.

(a) Fair value of financial instruments
Carrying amount, fair value and the differences at March 31 are as follows:
(This information excludes financial instruments whose fair value cannot be reliably determined)

	Millions of yen		
March 31, 2010	Carrying amount	Fair value	Unrealized gain/loss
Cash and time deposits	¥ 7,213	¥ 7,213	—
Notes receivable and accounts receivable	31,837		
Allowance for doubtful accounts	(112)		
Sub-total	31,724	31,724	—
Investment securities			
Other securities	17,512	17,512	—
Long-term loans receivable including current portion	2,086	2,055	(30)
Total assets	58,537	58,506	(30)
Notes payable and accounts payable	(16,833)	(16,833)	—
Short-term loans	(9,761)	(9,761)	—
Accrued expenses	(5,430)	(5,430)	—
Bonds	(15,000)	(15,498)	(498)
Long-term debts including current portion	(23,208)	(23,454)	(245)
Total	¥(70,233)	¥(70,977)	(743)
Derivatives			
Not qualifying for hedge accounting	(29)	(29)	—
Qualifying for hedge accounting	—	—	—

March 31, 2010	Thousands of U.S. dollars Carrying amount	 Fair value	 Unrealized gain/loss
Cash and time deposits	$ 77,525	$ 77,525	—
Notes receivable and accounts receivable	342,186		
Allowance for doubtful accounts	(1,204)		
Sub-total	340,971	340,971	
Investment securities			
Other securities	188,220	188,220	
Long-term loans receivable including current portion	22,420	22,087	(322)
Total assets	629,159	628,826	(322)
Notes payable and accounts payable	(180,922)	(180,922)	—
Short-term loans	(104,911)	(104,911)	—
Accrued expenses	(58,362)	(58,362)	—
Bonds	(161,221)	(166,573)	(5,353)
Long-term debts including current portion	(249,441)	(252,085)	(2,633)
Total	(754,868)	(762,865)	(7,985)
Derivatives			
Not qualifying for hedge accounting	(311)	(311)	—
Qualifying for hedge accounting	—	—	—

Cash and time deposits, and Notes receivable and accounts receivable
The carrying amounts of cash and time deposits, and notes receivable and accounts receivable approximate fair value because of their short maturities.

Investment securities
The fair values of investment securities are measured at the quoted market price of the stock exchange for the equity instruments.

Long-term loans receivable
The fair values of long-term loans receivable are measured at the present value of the future cash flows discounted by a rate of return, an appropriate rate such as national bond rate added to a credit spread, with respect to each credit risk segment of credit control.

Notes payable and accounts payable, short-term loans, and accrued expenses
The carrying amounts of these accounts approximate fair value because of their short maturities.

Bonds
The fair values of the bond issued by the Company are measured based on the market price.

Long-term debts
The fair values of long-term debts are measured by discounting the principal and interest discounted by an assumed new borrowing rate. As a part of long-term debts with floating interest rates are subject to deferral method of interest rate swaps, the fair values of the said interest rate swaps are included in the long-term debts.

Derivatives
The information of the fair value for derivatives is included in Note 21.

(b) Financial instruments whose fair value cannot be reliably determined

March 31, 2010	Book value Millions of yen	 Thousands of U.S. dollars
Investments in equity instruments that do not have a quoted market price in an active market	¥2,143	$23,033

(5) The aggregate annual maturities of financial assets at March 31,2010

	Millions of yen			
March 31, 2010	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and time deposits	¥ 7,213	—	—	—
Notes receivable and accounts receivable	31,837	—	—	—
Long-term loans receivable	58	495	600	931
Total	¥39,109	¥495	¥600	¥931

	Thousands of U.S. dollars			
March 31, 2010	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and time deposits	$ 77,525	—	—	—
Notes receivable and accounts receivable	342,186	—	—	—
Long-term loans receivable	623	5,320	6,448	10,006
Total	$420,346	$5,320	$6,448	$10,006

(6) The aggregate annual maturities of bonds and long-term debts at March 31,2010

	Millions of yen					
March 31, 2010	Due in one year or less	Due after one year through two years	Due after two year through three years	Due after three year through four years	Due after four years through five years	Due after five years
Bonds	—	—	¥5,000	—	—	¥10,000
Long-term debts	¥5,048	¥4,943	4,458	¥4,238	¥2,081	2,438
Total	¥5,048	¥4,943	¥9,458	¥4,238	¥2,081	¥12,438

	Thousands of U.S. dollars					
March 31, 2010	Due in one year or less	Due after one year through two years	Due after two year through three years	Due after three year through four years	Due after four years through five years	Due after five years
Bonds	—	—	$ 53,740	—	—	107,480
Long-term debts	$54,256	$53,127	47,914	$45,550	$22,366	26,203
Total	$54,256	$53,127	$101,655	$45,550	$22,366	$133,684

8. Securities

Investments in unconsolidated subsidiaries and affiliates amount to ¥3,749 million ($40,294 thousand) and ¥3,857 million at March 31, 2010 and 2009, respectively.

The acquisition cost and carrying amount of other securities whose fair value were available as at March 31, 2010 were as follows:

	Millions of yen		
	Acquisition cost	Carrying amount	Unrealized gains (losses)
Securities with unrealized gains:			
Equity securities	¥6,768	¥15,583	¥8,815
Sub-total	6,768	15,583	8,815
Securities with unrealized losses:			
Equity securities	2,209	1,928	(280)
Sub-total	2,209	1,928	(280)
Total	¥8,977	¥17,512	¥8,534

	Thousands of U.S. dollars		
	Acquisition cost	Carrying amount	Unrealized gains (losses)
Securities with unrealized gains:			
Equity securities	**$72,742**	**$167,487**	**$94,744**
Sub-total	**72,742**	**167,487**	**94,744**
Securities with unrealized losses:			
Equity securities	**23,742**	**20,722**	**(3,009)**
Sub-total	**23,742**	**20,722**	**(3,009)**
Total	**$96,485**	**$188,220**	**$91,725**

The acquisition cost and carrying amount of available-for-sale securities whose fair values were available as at March 31, 2009 were as follows:

	Millions of yen		
	Acquisition cost	Carrying amount	Unrealized gains (losses)
Securities with unrealized gains:			
Equity securities	¥5,830	¥12,978	¥7,147
Sub-total	5,830	12,978	7,147
Securities with unrealized losses:			
Equity securities	3,381	2,632	(748)
Sub-total	3,381	2,632	(748)
Total	¥9,211	¥15,610	¥6,399

Proceeds from sales of available-for-sale securities and related gross realized gains and losses on those sales for the years ended March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Proceeds from sales	**¥964**	¥35	**$10,361**
Gross realized gains	**205**	12	**2,203**
Gross realized losses	**(0)**	—	**—**

Major securities whose fair value is not readily determinable at March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Available-for-sale securities:			
Unlisted equity securities	**—**	¥2,405	**—**
Preferred investment securities	**—**	—	**—**
Discounted bank debentures	**—**	5	**—**

The details of maturity dates of available-for-sale securities as at March 31, 2010 were as follows:

	Millions of yen			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Discounted bank debentures	**¥—**	**¥—**	**¥—**	**¥—**

	Thousands of U.S. dollars			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Discounted bank debentures	**$—**	**$—**	**$—**	**$—**

9. Short-term Loans, Long-term Debt and Lease Obligations

Short-term loans and long-term debt as at March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Short-term loans with average interest rate of 1.21%	¥ 9,761	¥13,482	$104,911
Current portion of long-term debt with average interest rate of 1.61%	5,048	3,871	54,256
Total	14,809	17,385	159,168
Unsecured bonds maturing on March 8, 2013 with the interest rate of 1.60%	5,000	5,000	53,740
Unsecured bonds maturing on June 17, 2015 with the interest rate of 2.06%	10,000	10,000	107,480
Long-term debt maturing in 2011 through 2028 with average interest rate of 1.61%	18,160	11,680	195,184
Total	¥47,969	¥44,032	$515,573

The aggregate annual maturities of long-term debt at March 31, 2010 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2012	¥4,943	$53,127
2013	4,458	47,914
2014	4,238	45,550
2015	2,081	22,366

The aggregate annual maturities of lease obligations at March 31, 2010 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2011	¥ 70	$ 752
2012	59	634
2013	57	612
2014	37	397
2015 and thereafter	8	86

Average interest rate on lease obligations is omitted since above lease obligations recorded in the consolidated balance sheet at March 31, 2010 include interest equivalent amounts.

10. Assets Pledged as Collateral

The following assets of the Group are pledged as collateral for trade notes and accounts payable, short-term loans and long-term debts in the amount of ¥3,661 million (US$39,348 thousand) and ¥4,033 million as at March 31, 2010 and 2009, respectively:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Buildings and structures	¥15,082	¥15,321	$162,102
Machinery, equipment and vehicles	12,202	13,197	131,147
Land	4,768	5,363	51,246
Investments in securities	5,574	5,131	59,909
Total	¥37,628	¥39,014	$404,428

11. Loan Commitment Agreements

The Company and its consolidated subsidiaries entered into loan commitment agreements and overdraft agreements with the financial institutions. The outstanding balance as at March 31, 2010 and 2009 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Total commitment available	¥11,760	¥9,150	$126,397
Amount utilized	490	—	5,266
Balance available	¥11,269	¥9,150	$121,119

12. Reserve for Employees' Retirement Benefits

The Company and its consolidated subsidiaries have principally tax qualified pension plans and lump-sum retirement benefit plans. In addition, in some cases, merit allowances which are not included in the actuarial calculation of projected benefit obligations may be paid upon the retirement of certain employees.

The reserve for employees' retirement benefits as at March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Projected benefit obligations	¥(23,011)	¥(24,459)	$(247,323)
Plan assets	18,687	18,615	200,849
Funded status	(4,324)	(5,844)	46,474
Unrecognized actuarial differences	5,402	6,234	58,061
Sub-total	1,078	390	11,587
Prepaid pension cost	2,309	2,437	24,817
Reserve for retirement benefits	¥ (1,231)	¥ (2,098)	$ (13,230)

Net pension expenses related to the retirement benefits for the years ended March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Service cost	¥1,033	¥1,021	$11,102
Interest cost	635	657	6,825
Expected return on plan assets	(521)	(619)	(5,599)
Amortization of actuarial differences	603	192	6,481
Amortization of past service liabilities	(839)	(512)	(9,017)
Net pension expense	¥ 910	¥ 740	$ 9,780

Note: In addition to above expenses, the Company and its domestic consolidated subsidiaries recorded merit allowances amounting to ¥29 million ($311 thousand) and ¥76 million for the years ended March 31, 2010 and 2009, respectively.

Assumptions used in calculation of the above information for the years ended March 31, 2010 and 2009 were as follows:

	2010	2009
Discount rate	1.736%	2.5%
Expected rate of return on plan assets	2.5%	2.5%
Method of attributing the projected benefits to periods of services	Straight-line basis	Straight-line basis
Amortization period of past service liabilities	Fully amortized when incurred	Fully amortized when incurred
Amortization period of actuarial differences	*	*
Amortization period of transitional differences resulting from a change in accounting standards	Fully amortized when incurred	Fully amortized when incurred

* The actuarial differences are amortized on a straight-line method over certain years within the employees' average remaining service years when incurred and charged to income from the subsequent year.

13. Income Taxes

The Group is subject to certain different income taxes in Japan, which in the aggregate resulted in a normal statutory income tax rate of approximately 40.44%.

The significant components of deferred tax assets and liabilities at March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Deferred tax assets:			
Unrealized gains on fixed assets	¥ 1,068	¥ 1,082	$ 11,478
Reserve for employees' retirement benefits	444	782	4,772
Retirement allowance for directors and corporate auditors	147	176	1,580
Accrued bonuses	864	899	9,286
Research and development costs	339	362	3,643
Loss on disposal or sales of fixed assets	241	128	2,590
Accrued expenses	541	756	5,814
Write-down of inventories	810	206	8,705
Accrued enterprise tax and business place tax	215	154	2,310
Loss on impairment	591	443	6,352
Tax loss carried forward	1,408	578	15,133
Allowance for doubtful accounts	100	124	1,074
Others	566	360	6,083
Sub-total	7,339	6,050	78,880
Valuation allowance	(1,639)	(1,258)	(17,616)
Total deferred tax assets	5,700	4,792	61,263
Deferred tax liabilities:			
Net unrealized gains on other securities	(3,452)	(2,587)	(37,102)
Prepaid pension expenses	(751)	(817)	(8,071)
Shortfall in depreciation	(684)	—	(7,351)
Sale of affiliate shares	(338)	—	(3,632)
Retained earnings of subsidiaries	(189)	—	(2,031)
Others	(131)	(108)	(1,408)
Total deferred tax liabilities	(5,547)	(3,512)	(59,619)
Net deferred tax assets	¥ 152	¥ 1,281	$ 1,633

Reconciliations of the difference between the statutory income tax rate and the effective income tax rate for the years ended March 31, 2010 and 2009 were as follows:

	2010	2009
Statutory income tax rate:	40.44%	40.44%
Expense not deductible for tax purpose	5.65	5.45
Non-taxable revenue	(3.65)	(5.42)
Tax credit for research and development costs	(7.87)	(3.04)
Sale of affiliate shares	8.26	—
Retained earnings of overseas subsidiaries	5.47	—
Valuation allowance	9.24	8.87
Others	(0.42)	(1.05)
Effective income tax rate	57.12%	45.25%

14. Commitments and Contingent Liabilities

The Group guarantees employees' bank loans to the amounts of ¥302 million ($3,245 thousand) and ¥397 million as at March 31, 2010 and 2009, respectively.

15. Shareholders' Equity

The new Corporation Law of Japan (the "Law"), which superseded most of the provisions of the Commercial Code came into effect on May 1, 2006. The Law provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and earned surplus (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and legal reserve equals 25% of the stated capital. Such distributions can be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met. The above mentioned legal reserve is included in earned surplus in the accompanying consolidated balance sheets.

16. Stock Option Plan

The Company issued stock subscription rights (stock options) in accordance with the provisions of the Article No. 236, 238 and 240 of the Corporation Law based on the resolution of the general shareholders' meeting and the Board of Directors' meeting held on June 27, 2007 as follows:

(1) Accounting for stock option related expenses
Share-based compensation included in selling, general and administrative expenses: ¥27 million ($290 thousand)

(2) Details of stock options, volume and activity
a. Detail of stock options

	1st Stock Option Plan
Persons granted	8 directors of the Company
Number of stock options by type of shares	Common stock 47,500 shares
Grant date	July 18, 2007
Vesting conditions	a. The eligible director shall exercise options collectively during the period from the following day after he or she retired from the position as a director of the Company and through the 10th day. b. If the eligible director resigned from its position due to certain reasons, the number stock options may be reduced depending on the service period. c. If the eligible director gives up the subscription rights, he or she cannot exercise the stock options given up.
Eligible service period	From June 27, 2007 to June 26, 2008
Exercise period	From July 18, 2007 to July 17, 2037

	2nd Stock Option Plan
Persons granted	8 directors of the Company
Number of stock options by type of shares	Common stock 49,400 shares
Grant date	July 23, 2008
Vesting conditions	d. The eligible director shall exercise options collectively during the period from the following day after he or she retired from the position as a director of the Company and through the 10th day. e. If the eligible director resigned from its position due to certain reasons, the number stock options may be reduced depending on the service period. f. If the eligible director gives up the subscription rights, he or she cannot exercise the stock options given up.
Eligible service period	From June 26, 2008 to June 25, 2009
Exercise period	From July 23, 2008 to July 22, 2038

	3rd Stock Option Plan
Persons granted	8 directors of the Company
Number of stock options by type of shares	Common stock 55,500 shares
Grant date	July 22, 2009
Vesting conditions	a. The eligible director shall exercise options collectively during the period from the following day after he or she retired from the position as a director of the Company and through the 10th day. b. If the eligible director resigned from its position due to certain reasons, the number stock options may be reduced depending on the service period. c. If the eligible director gives up the subscription rights, he or she cannot exercise the stock options given up.
Eligible service period	From June 25, 2009 to June 24, 2010
Exercise period	From July 22, 2009 to July 21, 2039

b. Volume and activity of stock options:

Volume of stock options:

	1st Stock Option Plan	2nd Stock Option Plan	3rd Stock Option Plan
Before vesting:			
At March 31, 2009	47,500	49,400	—
Granted	—	—	55,500
Forfeited	—	—	—
Vested	17,100	17,400	—
Outstanding	30,400	32,000	55,500
After vesting;			
At March 31, 2009	—	—	—
Vested	17,100	17,400	—
Exercised	17,100	17,400	—
Forfeited	—	—	—
Outstanding	—	—	—

Price information:

	1st Stock Option Plan		2nd Stock Option Plan		3rd Stock Option Plan	
	Exercised	Outstanding	Exercised	Outstanding	Exercised	Outstanding
	Yen		Yen		Yen	
Exercise price	—	¥1	—	¥1	—	¥1
Average stock price at the time of exercise	463	—	463	—	—	—
Fair value at the date of grant	—	¥551	—	¥566	—	¥487

c. Valuation method for fair value of stock options:

The valuation method for fair value of 2009 stock options granted during the year ended March 31, 2010 is as follows:

Valuation method: Black-Scholes formula

Major basic numerical values and valuation method:

	1st Stock Option Plan	2nd Stock Option Plan	3rd Stock Option Plan
Stock price volatility	21.1%	21.3%	30.2%
Expected years to expiration	5.9 years	4.9 years	5.0 years
Expected dividends	¥10 per share	¥10 per share	¥10 per share
Risk-free interest rate	1.61%	1.20%	0.72%

d. Estimation method for the vested number of stock options

Since it is difficult to make a reasonable estimate on future forfeited stock options, actual number of forfeited stock options is reflected in the estimation.

17. Leases

Finance leases which commenced prior to April 1, 2008 and do not transfer ownership of the leased assets to the lessee are accounted for as operating lease transactions as permitted by the revised accounting standard.

Information on finance leases other than those deemed to transfer ownership of the leased assets to the lessee for the years ended March 31, 2010 is not included herein, as it would have no material effect on the accompanying consolidated financial statements.

18. Selling, General and Administrative Expenses

Major components of selling, general and administrative expenses for the years ended March 31, 2010 and 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Sales distribution expenses	—	¥1,457	—
Salaries and wages	¥6,690	6,590	$71,904
Provision for bonuses	893	928	9,598
Provision for directors' bonuses	—	64	—
Retirement benefit expenses	129	288	1,386
Research and development expenses	6,240	6,085	67,067
Depreciation	—	677	—

19. Gain or Loss on Property and Equipment

Gains on sales of property and equipment and losses on sales and disposal of property and equipment for the years ended March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Gain on sales of property and equipment:			
Buildings and structures	¥ 39	¥ 34	$ 419
Machinery, equipment and vehicles	8	5	86
Others	—	1	—
Land	48	36	515
Total	¥ 96	¥ 76	$ 1,031
Loss on disposal of property and equipment:			
Buildings and structures	¥ 348	¥ 197	$ 3,740
Machinery and equipment	1,084	411	11,650
Others	85	43	913
Total	¥1,518	¥ 652	$ 16,315
Loss on sales of property and equipment:			
Machinery and equipment	¥ 27	¥ —	$ 290
Land	—	8	—
Total	¥ 27	¥ 8	$ 290

20. Loss on Impairment of Property and Equipment

The Group recorded a loss on impairment for the following asset group for the years ended March 31, 2010 and 2009:

Year ended March 31	Use	Type of assets	Location	Condition
2010				
	Manufacturing equipment	Buildings and structures, machinery, equipment and vehicles and others (tools, furniture and fixtures)	Iwaki city, Fukushima Pref.	Deteriorated operating ratio due to business withdrawal
	Manufacturing equipment	Buildings and structures, machinery, equipment and vehicles	Kasumigaura city, Ibaraki Pref.	Deteriorated operating ratio due to business withdrawal
	Welfare facilities	Buildings and structures	Komitama city, Ibaraki Pref.	To be disposed
2009				
	Manufacturing equipment	Buildings and structures, machinery, equipment and vehicles and others (tools, furniture and fixtures)	Kasumigaura city, Ibaraki Pref.	Deteriorated operating ratio
	Manufacturing equipment	Buildings and structures, machinery, equipment and vehicles	Iwaki city, Fukushima Pref.	Idle
	Welfare facilities	Buildings and structures, others (tools, furniture and fixtures)	Komitama city, Ibaraki Pref.	Idle

Total losses on impairment on above asset group for the years ended March 31, 2010 and 2009 amounted to ¥371 million ($3,987 thousand) and ¥478 million, respectively.

The Group periodically reviews their fixed assets for impairment by grouping the assets in income generating units by business segment or by properties for real estate for rent or idle assets whenever there any indication of impairment. Although there was no indication of a significant decline in the fair value against its book value, the Group wrote down the assets whose operating ratio is significantly deteriorated and the idle assets to the recoverable value since there was no plan to use in future. The recoverable value, in case of deteriorated operating ratio, was measured at the value in use and computed by discounting future cash flows using a discount rate of 5.1% and, in case of idle assets, measured at net selling value, which is computed from an estimated salable value less estimated disposal expenses.

21. Derivatives and Hedging Activities

The Company and its consolidated subsidiaries utilize foreign exchange forward contracts to avoid the risk from future exchange rate fluctuations in connection with the foreign currency denominated receivables and payables and also interest rate swaps to reduce the financing costs related to long-term debts and short-term borrowings as a means to manage the interest rate risk. Certain foreign exchange forward contracts utilized by the Company and certain consolidated subsidiaries are exposed to an exchange rate fluctuation risk and interest rate risk from the movement of the interest rates is mitigated by converting floating interest rates to fixed interest rates using interest rate swap agreements. Interest rate swaps are accounted for in principle by the deferral method, under which the revaluation gain or loss on the hedging instruments are deferred as assets or liabilities until the gain or loss on hedged items will be recognized. However, certain interest swap agreements which qualify for hedge accounting and meet specific matching criteria are not revaluated at market value, but the differential paid or received under the swap agreements are recognized and included in interest expenses or income.

Counterparties which the Company and its consolidated subsidiaries enter into derivative financial instruments are limited to highly creditworthy financial institutions they have normal banking transactions in the normal course of business and therefore, the Company does not expect any losses to be incurred due to the defaults by these counterparties.

The Company and its consolidated subsidiaries have established internal rules regarding the authorization limits and the execution and control of the derivative transactions are done by the Finance Division. The execution of derivative transactions are exclusively authorized by the Finance Director and the status of outstanding position balances and revaluation profit and loss are periodically reported to the Finance Director.

Derivative contracts to which hedge accounting is not applied at March 31, 2010 and 2009 are as follows:

	Millions of yen					
	2010			2009		
	Contract amount	Fair value	Unrealized gain (loss)	Contract amount	Fair value	Unrealized gain (loss)
Foreign exchange forward contracts:						
Selling:						
U.S. dollars	¥466	¥481	¥(14)	¥324	¥333	¥ (9)
Euro	559	575	(15)	437	467	(30)
Buying:						
U.S. dollars	¥ 92	¥ 93	¥ 0	—	—	—
Euro	37	36	(0)	—	—	—
Total	—	—	¥(29)	—	—	¥(40)

	Thousands of U.S. dollars		
	2010		
	Contract amount	Fair value	Unrealized gain (loss)
Foreign exchange forward contracts:			
Selling:			
U.S. dollars	$5,008	$4,492	$(150)
Euro	6,008	6,180	(161)
Buying:			
U.S. dollars	$ 989	$ 999	$
Euro	398	387	
Total	—	—	$(311)

Fair value is calculated using the forward rates.

Derivative contracts to which hedge accounting is applied at March 31, 2010 are as follows:

At March 31, 2010					Millions of yen
Hedge accounting method	Classification of derivative contracts	Major hedged items	Contract amount	Contract amount over one year	Fair value
Interest rate swaps meeting certain conditions	Interest rate swaps: (fixed rate payment, floating rate receipt)	Long-term debt	¥4,997	¥3,443	(Note 2)

At March 31, 2010					Thousands of U.S. dollars
Hedge accounting method	Classification of derivative contracts	Major hedged items	Contract amount	Contract amount over one year	Fair value
Interest rate swaps meeting certain conditions	Interest rate swaps: (fixed rate payment, floating rate receipt)	Long-term debt	$53,708	$37,005	(Note 2)

Notes: 1. Fair value is calculated using prices quoted by financial institutions.

2. With respect to interest rate swap contracts which meet certain conditions, fair values of the interest rate swap contracts are included in the fair values of the relevant long-term debt, since they are used for recording long-term debt as hedged items.

22. Per Share Information

Net assets per share at March 31, 2010 and 2009 and net income per share for the years then ended were as follows:

	Yen		U.S. dollars
	2010	2009	2010
Net assets per share	¥538.10	¥533.45	$5.78
Basic net income per share	8.77	18.75	0.09
Diluted net income per share	8.77	18.74	0.09

Above per share information was computed using the following data:

	Millions of yen or shares		Thousands of U.S. dollars
	2010	2009	2010
Net assets per share:			
Total net assets per consolidated balance sheets	¥ 96,822	¥ 97,075	$ 1,040,649
Net assets attributed to common stock	¥ 96,420	¥ 95,575	$ 1,036,328
Differences – Minority interests	¥ 347	¥ 1,452	$ 3,729
– Stock subscription rights	¥ 54	¥ 47	$ 580
Number of outstanding shares of common stock	181,683,909	181,683,909	
Number of treasury stock	2,498,103	2,520,011	
Number of common stock used in computing net assets per share	179,185,806	179,163,898	
Basic net income per share:			
Net income per consolidated income statements	¥ 1,571	¥ 3,373	$ 16,885
Net income attributed to common stock	¥ 1,571	¥ 3,373	$ 16,885
Weighted average number of common stock during the period	179,182,518	179,890,186	
Diluted net income per share:			
Number of increased common stock used in computing diluted net income per share (stock subscription rights)	108,770	81,441	

23. Segment Information

Business segment information of the Group for the years ended March 31, 2010 and 2009 was as follows:

	Millions of yen						
Year ended March 31, 2010	Advanced Materials	Specialty Chemicals	Specialty Plastics	Other Operations	Total	Elimination or Corporate	Consolidated
I. Sales and operating income							
Outside customers	¥28,423	¥35,831	¥42,430	¥27,921	¥134,606	¥ —	¥134,606
Inter-segment	668	165	1,284	15,957	18,076	(18,076)	—
Total	29,092	35,997	43,714	43,878	152,683	(18,076)	134,606
Operating expenses	32,738	29,377	41,765	42,499	146,381	(17,481)	128,900
Operating income	¥ (3,645)	¥ 6,619	¥ 1,948	¥ 1,379	¥ 6,301	¥ (595)	¥ 5,706
II. Assets, depreciation and capital expenditure							
Assets	¥62,570	¥30,829	¥36,972	¥26,479	¥156,851	¥ 27,771	¥184,623
Depreciation	5,261	2,773	2,193	898	11,126	—	11,126
Loss on impairment	21	252	98	—	371	—	371
Capital expenditure	10,303	1,599	3,005	2,035	16,943	—	16,943

	Thousands of U.S. dollars						
Year ended March 31, 2010	Advanced Materials	Specialty Chemicals	Specialty Plastics	Other Operations	Total	Elimination or Corporate	Consolidated
I. Sales and operating income							
Outside customers	$305,492	$385,113	$456,040	$300,096	$1,446,754	$ —	$1,446,754
Inter-segment	7,179	1,773	13,800	171,506	194,282	(194,282)	—
Total	312,682	386,898	469,840	471,603	1,641,046	(194,282)	1,446,754
Operating expenses	351,870	315,745	448,892	456,782	1,573,312	(187,886)	1,385,425
Operating income	$ (39,176)	$ 71,141	$ 20,937	$ 14,821	$ 67,723	$ (6,395)	$ 61,328
II. Assets, depreciation and capital expenditure							
Assets	$672,506	$331,352	$397,377	$284,598	$1,685,844	$ 298,484	$1,984,340
Depreciation	56,545	29,804	23,570	9,651	119,583	—	119,583
Loss on impairment	225	2,708	1,053	—	3,987	—	3,987
Capital expenditure	110,737	17,186	32,297	21,872	182,104	—	182,104

	Millions of yen						
Year ended March 31, 2009	Advanced Materials	Specialty Chemicals	Specialty Plastics	Other Operations	Total	Elimination or Corporate	Consolidated
I. Sales and operating income							
Outside customers	¥32,424	¥33,898	¥43,538	¥33,881	¥143,741	¥ —	¥143,741
Inter-segment	569	194	1,212	19,203	21,178	(21,178)	—
Total	32,993	34,092	44,750	53,084	164,919	(21,178)	143,741
Operating expenses	32,315	28,361	43,095	50,980	154,750	(20,465)	134,285
Operating income	¥ 678	¥ 5,732	¥ 1,655	¥ 2,104	¥ 10,169	¥ (712)	¥ 9,456
II. Assets, depreciation and capital expenditure							
Assets	¥59,593	¥30,786	¥35,962	¥30,173	¥156,514	¥ 25,711	¥182,224
Depreciation	4,915	2,447	2,007	935	10,304	—	10,304
Loss on impairment	428	—	51	—	479	—	479
Capital expenditure	10,157	3,943	2,954	773	17,829	—	17,829

Geographic segment information of the Group for the years ended March 31, 2010 and 2009 was as follows:

	Millions of yen					
Year ended March 31, 2010	Japan	Europe	Other regions	Total	Elimination or Corporate	Consolidated
I. Sales and operating income						
Outside customers	¥123,570	¥9,596	¥ 1,439	¥134,606	¥ —	¥134,606
Inter-segment	4,810	19	822	5,653	(5,653)	—
Total	128,381	9,616	2,262	140,260	(5,653)	134,606
Operating expenses	122,251	8,962	3,364	134,578	(5,678)	128,900
Operating income	¥ 6,129	¥ 653	¥ (1,101)	¥ 5,681	¥ 24	¥ 5,706
II. Assets	¥143,399	¥6,096	¥19,469	¥168,966	¥15,657	¥184,623

	Thousands of U.S. dollars					
Year ended March 31, 2010	Japan	Europe	Other regions	Total	Elimination or Corporate	Consolidated
I. Sales and operating income						
Outside customers	$1,328,138	$103,138	$ 15,466	$1,446,754	$ —	$1,446,754
Inter-segment	51,698	204	8,834	60,758	(60,758)	—
Total	1,379,847	103,353	24,312	1,507,523	(60,758)	1,446,754
Operating expenses	1,313,961	96,324	36,156	1,446,453	(61,027)	1,385,425
Operating income	$ 65,874	$ 7,018	$ (11,833)	$ 61,059	$ 258	$ 61,328
II. Assets	$1,541,261	$ 65,520	$209,254	$1,816,057	$168,282	$1,984,340

	Millions of yen					
Year ended March 31, 2009	Japan	Europe	Other regions	Total	Elimination or Corporate	Consolidated
I. Sales and operating income						
Outside customers	¥132,047	¥9,536	¥ 2,158	¥143,741	¥ —	¥143,741
Inter-segment	5,392	92	887	6,371	(6,371)	—
Total	137,440	9,628	3,045	150,112	(6,371)	143,741
Operating expenses	128,939	8,984	2,821	140,743	(6,458)	134,285
Operating income	¥ 8,501	¥ 644	¥ 224	¥ 9,370	¥ 87	¥ 9,456
II. Assets	¥146,564	¥6,095	¥10,690	¥163,349	¥18,876	¥182,224

Overseas sales information of the Group for the years ended March 31, 2010 and 2009 was as follows:

	Millions of yen			
Year ended March 31, 2010	Europe	Asia	Other regions	Total
I Overseas sales	¥13,582	¥9,755	¥3,527	¥ 26,866
II Consolidated sales				134,606
III % of consolidated sale	10.1%	7.2%	2.6%	20.0%

	Thousands of U.S. dollars			
Year ended March 31, 2010	Europe	Asia	Other regions	Total
I Overseas sales	$145,980	$104,847	$37,908	$ 288,757
II Consolidated sales				1,446,754

Year ended March 31, 2009	Millions of yen Europe	Asia	Other regions	Total
I Overseas sales	¥14,137	¥9,894	¥3,527	¥ 27,559
II Consolidated sales				143,741
III % of consolidated sale	9.8%	6.9%	2.5%	19.2%

24. Subsequent Events

The following appropriation of retained earnings has been approved by the general meeting of shareholders held on April 20, 2010

	Millions of yen	Thousands of U.S. dollars
Cash dividends at ¥5.00 per share	¥895	$9,619

Main Group Companies by Segment (As of March 31, 2010)

The Kureha Group consists of Kureha Corporation, 35 subsidiaries (of which 33 are consolidated), and 5 affiliates (of which 2 applies the equity method). The group is engaged in the manufacture and sales of products in three main business segments: Advanced Materials, Specialty Chemicals, and Specialty Plastics. In addition, it undertakes construction and maintenance operations associated with each main business segment, transport operations, environmental management services, and other service operations.

ADVANCED MATERIALS

Kureha Corporation
Manufactures and sells advanced plastics and carbon products.

Resinous Kasei Co., Ltd.
A subsidiary of Kureha Trading Co., Ltd., the company manufactures and sells advanced materials.

Nihon Extron Co., Ltd.
Manufactures and sells advanced materials. Sells some products to Kureha.

Kureha GmbH
Sells Kureha's advanced materials and other products in Europe.

Kureha PGA LLC
Establish for manufactures PGA.

Kureha America, Inc.
Sells Kureha's advanced materials and other products in the U.S. Has a controlling stake in Kureha PGA LLC, Kureha Advanced Materials Inc. and Fortron Industries LLC.

Kureha Advanced Materials, Inc.
Manufactures and sells carbon products in the U.S.

Kureha Chemicals Shanghai Co., Ltd.
Manufactures and sells carbon products. Purchases raw materials from and sells products to Kureha.

SPECIALTY CHEMICALS

Kureha Corporation
Manufactures and sells inorganic chemicals, organic chemicals, pharmaceuticals, pharmaceuticals for animals, and agrochemicals and other materials for agricultural use.

SPECIALTY PLASTICS

Kureha Corporation
Manufactures and sells food packaging materials, household products, and synthetic fiber products and sells the raw materials used to make these products.

Kureha Gosen Co., Ltd.
Manufactures and sells synthetic fibers. Purchases raw materials from and sells some products to Kureha.

Kureha Plastics Co., Ltd.
Manufactures and sells food packaging materials. Purchases raw materials from and sells products to Kureha.

Krehalon Industrie B.V.
Manufactures and sells food packaging materials in the Netherlands. Receives raw materials from Kureha.

Kureha Europe B.V.
Holds controlling stakes in Krehalon Industrie B.V. and three subsidiaries engaged in making food packaging materials.

Kureha Vietnam Co., Ltd.
Manufactures and sells food packaging materials. Purchases raw materials from and sells produces to Kureha.

Nantong SKT New Material Co., Ltd.
Manufactures and sells food packaging materials. Receives technology under license from Kureha.

OTHER OPERATIONS

Nishiki Trading Co., Ltd.
(Change the company's name to Kureha Trading Co., Ltd. on April 1, 2010)
Sells and supplies advanced materials, specialty chemicals, specialty plastics, and other products.

Kureha Unyu Group
(Kureha Unyu Co., Ltd., and six subsidiaries)
Undertakes transportation and storage operations.

Kurehanishiki Construction Group
(Kurehanishiki Construction Co., Ltd., and three subsidiaries)
Undertakes engineering and construction work.

Kureha Service Co., Ltd.
Conducts real estate transactions, leasing and management, and other services. Performs certain operations for Kureha.

Kureha Ecology Management Co., Ltd.
Undertakes industrial waste and medical waste processing.

Kureha Engineering Group
Undertakes plant engineering and management operations, safety-related operations, and environmental protection services.

Kureha Special Laboratory Co., Ltd.
Analyzes, measures, and performs environmental assessments for various substances. Performs tests for some Kureha products.

Kureha Staff Service Co., Ltd.
Undertakes temporary support operations and contracting services for manufacturing and logistics businesses. Kureha outsources part of its business to Kureha Staff Service.

Executives (As of June 25, 2010)

Board Of Directors

Takao IWASAKI	President & Chief Executive Officer
Koji HAGINO	Executive Vice President
Naoya SUZUKI	Executive Vice President
Keikichi MUNAKATA	Executive Vice President
Yutaka KOBAYASHI	Senior Vice President
Tadashi SAGAWA	Senior Vice President
Norikazu SUNOU	Senior Vice President
Yoshiki SHIGAKI	Senior Vice President
Kunihiko SAITO	Independent Outside Director
Takeshi TAKAHASHI	Independent Outside Director

Board Of Corporate Auditors

Yasumasa HIRANO	Corporate Auditor
Hiromichi KAMEYAMA	Corporate Auditor
Yutaka AKUNE	Corporate Auditor
Kazutoshi KIMURA	Corporate Auditor

Executive Officers

Takao IWASAKI	President & Chief Executive Officer
Koji HAGINO	Executive Vice President
Naoya SUZUKI	Executive Vice President
Keikichi MUNAKATA	Executive Vice President
Yutaka KOBAYASHI	Senior Vice President
Tadashi SAGAWA	Senior Vice President
Norikazu SUNOU	Senior Vice President
Yoshiki SHIGAKI	Senior Vice President
Nobuyuki HIRUTA	Vice President
Yukihiro SHIBUYA	Vice President
Naoki FUKUZAWA	Vice President
Naoki UEDA	Vice President
Hideo NAKATANI	Vice President
Shusuke MATSUO	Vice President
Takashi YAMAMOTO	Vice President
Yoshiharu OGUCHI	Vice President

Investor Information (As of March 31, 2010)

Corporate Data

Corporate Name	KUREHA CORPORATION
Headquarters	3-3-2, Nihonbashi-Hamacho, Chuo-ku, Tokyo 103-8552, Japan Tel: 81-3-3249-4666 Fax: 81-3-3249-4744
Date of Establishment	June 21, 1944
Paid-in Capital	¥12,460 million
Number of Employees	4,101 (consolidated) 1,352 (non-consolidated)
Independent Auditor	Nihombashi Corporation

Stock Information

Number of Shares of Common Stock Issued	181,683,909 shares
Number of Shareholders	16,308
Number of Shares Held by Foreign Shareholders	31,740,000 (17.5% of total)
Stock Exchange Listings	Tokyo Stock Exchange, Osaka Securities Exchange
Transfer Agent	Mizuho Trust & Banking Co., Ltd.

Major Stockholders

Japan Trustee Service Bank, Ltd. (trust account)
Meiji Yasuda Life Insurance Company
Tokio Marine & Nichido Fire Insurance Co., Ltd.
The Master Trust Bank of Japan, Ltd. (trust account)
SSB Client Omnibus OM 04
Daiichi Sankyo Company, Ltd.
Juniper
Mizuho Corporate Bank, Ltd.
Japan Trustee Service Bank, Ltd. (trust account 9)
Sonpo Japan Insurance Inc.

http://www.kureha.co.jp/

KUREHA CORPORATION

VEGETABLE OIL INK