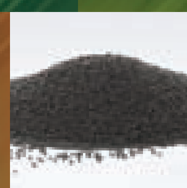
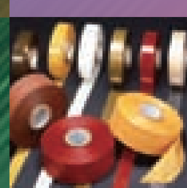
KUREHA CORPORATION

BUSINESS REPORT 2011

Year ended March 31, 2011



The Pursuit of Excellence



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

Contents

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.

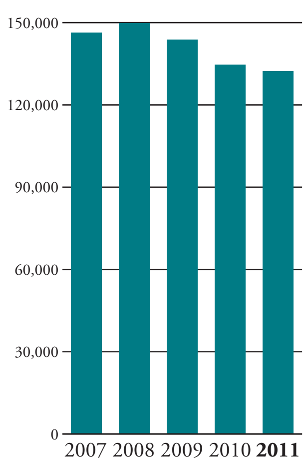
CONSOLIDATED FINANCIAL HIGHLIGHTS

KUREHA CORPORATION and Consolidated Subsidiaries
Years ended March 31, 2011 and 2010

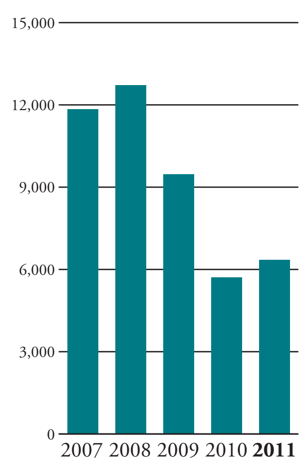
	Millions of yen		Percentage change	Thousands of U.S. dollars
	2011	2010	2011/2010	**2011**
For the year:				
Net sales	**¥132,309**	¥134,606	–1.7%	**$1,591,212**
Operating income	**6,350**	5,706	11.3%	**76,368**
Net income	**692**	1,571	–60.0%	**8,325**
Capital expenditure	**14,076**	16,943	–16.9%	**169,289**
Depreciation	**10,266**	11,126	–7.7%	**123,463**
R&D expenses	**5,502**	6,240	–11.8%	**66,175**
Year-end:				
Total assets	**¥181,753**	¥184,623	–1.6%	**$2,185,847**
Net assets	**89,500**	96,822	–7.6%	**1,076,375**
Interest-bearing debt	**54,885**	47,969	14.4%	**660,068**
	Yen		Percentage change	U.S. dollars
Amounts per share:				
Net income – basic	**¥ 3.97**	¥ 8.77	–54.7%	**$ 0.05**
Net assets	**517.47**	538.10	–3.8%	**6.22**
	Percent		Change	
Ratios:				
Net income to net sales	**0.5%**	1.2%	–0.7%	
Return on equity	**0.7%**	1.6%	–0.9%	
Return on assets	**3.1%**	3.0%	0.1%	
Equity ratio	**48.9%**	52.2%	–3.3%	

Notes: 1. For convenience only, U.S. dollar amounts have been translated from Japanese yen at the rate of ¥83.15 to US$1, the rate of exchange prevailing on the Tokyo Foreign Exchange Market on March 31, 2011.
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.

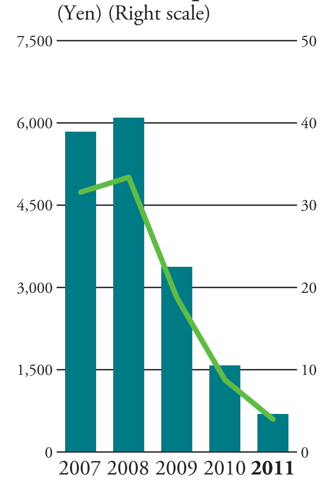
Net Sales
(Millions of yen)



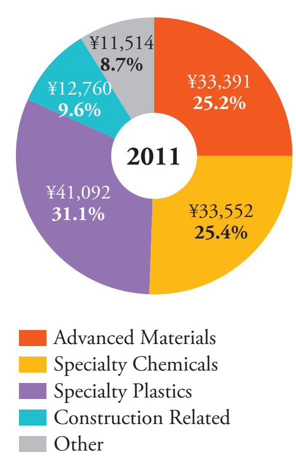
Operating Income
(Millions of yen)



Net Income
(Millions of yen) (Left scale)
Net Income per Share
(Yen) (Right scale)



Sales by Segment
(Millions of yen)



Takao Iwasaki

President & Chief Executive Officer

Kureha is a company founded on technology, creating the future with global products that benefit society.

Q1 Please summarize the business results for fiscal 2010 (ended March 2011).

Consolidated net sales declined 1.7% year on year to ¥132,309 million. Operating income, however, rose by 11.3% to ¥6,350 million and recurring income by 2.5% to ¥5,638 million. Net income declined 56.0% year on year to ¥692 million, due to losses resulting from the Great East Japan Earthquake.

The earthquake that occurred on March 11, 2011, resulted in damage to Kureha's production facilities and buildings, including the group's main manufacturing center, the Iwaki Factory in the city of Iwaki, Fukushima Prefecture. Aftershocks measuring more than 6.0 on the Japanese seismic scale occurred on April 11 and 12 during restoration work, and were a major disruption to our recovery efforts.

Nonetheless, by end of May a concerted restoration effort allowed us to almost fully resume pre-disaster levels of production. As a result of the damage to certain production facilities and structures, however, we recorded an extraordinary loss for the period of approximately ¥3.3 billion, covering the impact to fixed assets and inventory. Fortunately, none of our employees or their families lost their lives in the disaster.

Q2

What were the major developments in business segments over the subject fiscal year?

The Kureha Group's three main business segments are the Advanced Materials Division, the Specialty Chemicals Division, and the Specialty Plastics Division.

Advanced Materials Division

The Advanced Materials Division posted increases in both revenue and earnings.

Revenue and earnings increased for advanced plastics such as PPS resin and PVDF resin in response to expanded demand. Revenue and earnings were also up for anode materials used in lithium-ion batteries and for heat-resistance materials for heat-treatment furnaces, following a recovery in demand.

For our PGA (polyglycolic acid) resin, which has attracted much interest, we are moving forward with the construction of our U.S. manufacturing plant. Small volumes of the material have been shipped from our pilot plant in Japan, although with considerable development costs operating losses for this business increased from the previous fiscal year.

Specialty Chemicals Division

The Specialty Chemicals Division posted decreases in both revenue and earnings.

Sales of highly profitable agrochemicals and pharmaceuticals increased, but operating income declined year-on-year as a result of a lump-sum payment having been received in the previous fiscal year in relation to the conclusion of a sales contract for *Kremezin* in Japan.

The industrial chemicals business recorded increases in both revenue and earnings as a result of efforts to improve profitability in organic chemicals.

Specialty Plastics Division

The Specialty Plastics Division recorded a decrease in both revenue and earnings.

The consumer goods business, comprising products such as fishing lines and *NEW Krewrap* household wrapping film, recorded declines in revenue and earnings on lower sales volume as a result of intensifying competition and the aftermath of the earthquake.

In commercial food packaging materials, sales of food wrapping containers and films were on a par with the previous fiscal year. Earnings rose, however, with the start of production at Kureha Vietnam contributing to improvement, along with higher sales at European subsidiaries.

The business for polyvinylidene chloride compound sales to China posted an increase in both revenue and earnings, as sales volume increased and product prices rose.

Q3

Fiscal 2010 marked the halfway point for the five-year mid-term business plan "Grow Globally". What are your reflections on the successes and challenges over the last three years?

The direction outlined in the "Grow Globally" mid-term plan is that with our home market, Japan, offering few prospects for further growth, we will concentrate our business in areas with the potential for global expansion and transform Kureha into a company that concentrates on specialty businesses.

An example is PPS resin, one of Kureha's key strategic products with an ever expanding range of applications as an engineering plastic. PPS resin offers excellent heat resistance and moldability, and is being widely adopted in automotive parts, electrical components and other applications. With only a handful of producers worldwide, the material remains in great demand.

Kureha's capacity utilization declined in the first half of fiscal 2009, but operations at full capacity resumed in fiscal 2010. We also resumed operations at a joint venture company in the U.S. that had been partially suspended, further expanding our supply capacity.

Delays due to the financial crisis and exchange rate

Looking back on implementation of the "Grow Globally" plan, we got off to an extremely solid start when the plan was launched in fiscal 2008. However, the financial crisis triggered by the collapse of Lehman Brothers swept over us following this initial period. At one point production plants were operating as low as 30% capacity, and we have only recently finally regained our footing. In terms of the time frame, the crisis delayed our plan by as much as one or two years.

One of the consequences of the financial crisis has been the fluctuation in exchange rates. The yen has appreciated and remains high. In terms of overseas business expansion, the high yen is a double-edged sword. While prices for raw materials and fuel remain relatively high, exports are severely affected. For example, a large proportion of advanced plastics are exported, and even if volumes remain unchanged, exchange rate fluctuations can result in a decline in revenue. Another example is agrochemicals, which are mainly sold in Europe with transactions completed in euros, so this business has also been severely impacted. At the start of 2008 the exchange rate was 168 yen to the euro, and has now risen to 115 yen (as of June 20, 2011). Just a single yen shift in the exchange rate can mean a difference of tens of millions of yen.

On a sales volume basis, many of our products are exported overseas and have recorded growth in sales volume in line with targets. Existing businesses that form our strategic foundation have also grown according to the initial plan, while the full-fledged advance of new businesses is to begin in earnest from now. At this stage we see no need to revise the overall plan.

One of the major ratings agencies in Japan has given us an "A/Stable" rating; a rating has remained unchanged despite deterioration in our earnings after the financial crisis. This is an acknowledgement that our business itself is progressing according to plan.

Q4

New materials such as PGA resin and anode materials for lithium-ion batteries have attracted much attention lately. What sort of special properties do these materials offer, and what are your expectations for these businesses?

PGA resin is a biodegradable resin for which Kureha has established the world's first mass production techniques. It has been selected as a finalist for the 2011 Edison Award, an internationally renowned award recognizing technological innovation and social contribution. PGA resin's exceptional gas barrier properties, notably its strong resistance to oxygen and carbon dioxide permeation, has raised expectations for widespread utilization in carbonated beverage bottles. However, we are also focusing on exploiting other properties, such as controllable hydrolysis and its excellent mechanical strength, to develop new applications.

New application for oil and gas extraction

One use of PGA that has attracted attention in recent years is in oil and gas drilling and extraction. During the fracturing process when extracting oil offshore or elsewhere, drilling fluid is injected into the petroleum reservoir under high pressure with the aim of creating fissures that provide an outlet for the oil. When PGA is mixed into the drilling fluid, the PGA dissolves within a few days as a result of underground heat and creates a path for the oil. At a soil temperature of 40-60 degrees Celsius, PGA injected is broken down within a few weeks, again creating a path for the oil. To date drillers have used PLA (polylactic acid) resin, which has similar properties. However, PLA requires an environment of 100 degrees Celsius or higher to dissolve, and as a result PGA is considered superior due to its diverse usability.

Kureha has been receiving inquiries regarding new applications from research institutions around the world, reflecting PGA's potential to become a major product with a worldwide market. Current production capacity is only at most 4,000 tonnes, but we plan to secure capacity for 40,000 tonnes at some stage and hope to eventually make it into a product of up to 400,000 tonnes capacity.

Widespread use of electric vehicles the determining factor

The business for products relating to lithium-ion batteries presents an entirely different set of characteristics. The market for lithium-ion batteries shows strong growth potential in line with the spread of hybrid and electric vehicles. At this point, however, a de-facto standard for technology has yet to be established. Lithium-ion batteries for use in electric vehicles comprise components including positive and negative electrodes, the electrolyte and the separator. Kureha's hard carbon material for the anode, *CARBOTRON® P*, offers a definitive advantage.

We have received inquiries from electric vehicle manufacturers around the world, including China, South Korea and the United States. However, if we consider the amount of anode material required per vehicle, a hybrid car uses 3kgs, while electric vehicles require 30kgs each. A basic rule of thumb for a profitable automobile production line is 100,000 vehicles for each series of each model, so to supply 100,000 vehicles using 30kgs each would require a production capacity of at least 3,000 tonnes. By this calculation, the requirement for ten series of ten electric vehicle models would be 300,000 tonnes of anode material.

To establish production on a scale of 300,000 tonnes will require an investment of hundreds of billions of yen. The success of a materials business supporting mass-produced items like automobiles depends on the ability to supply a large volume quickly and cheaply, while ensuring quality.

An alliance for survival

In July 2010, Kureha decided to expand facilities for the lithium-ion battery anode material *CARBOTRON® P*, in line with Itochu Corporation and EnerDel, Inc. adoption for automotive use. On June 10,2011, Kureha and Itochu announced the establishment of Kureha Battery Materials Japan Co., Ltd., a joint venture for the sale of anode material and binders for lithium-ion batteries, with the aim of reaching annual sales of ¥20 billion in fiscal 2015. The business is beyond our ability to handle alone, and we have acquired a powerful partner.

Through this alliance we plan to increase production capacity for *CARBOTRON® P*, from the current level of 600 tonnes annually to 1,800 tonnes annually. In truth, however, this is just a first step toward responding to this huge market.

A total of 20 million electric vehicles are expected to be on the road worldwide by 2020. Meeting this demand will require us to act with a sense of urgency. To this end, we recently opened the Advanced Materials Research Laboratories, mainly to conduct research on battery materials. In addition, we have established a Battery Materials Technology Center.

In 1991 Sony Corporation was working on a new product that involved the adoption of lithium-ion batteries, for which Sony and Kureha cooperated on the development of anode materials. Now, two decades since their development, these batteries look set to aid the new global electric vehicles industry, and the test of Kureha's ability to remain an indispensable company continues.

Two products that will determine Kureha's future

Allow me to restate my thinking. PGA is the backbone product that will support the Kureha Group going forward. Strong, robust and resilient, it has the potential to eventually become an indispensable product for symbolic industries worldwide. By comparison, the business for our other key product, anode material for lithium-ion batteries, can be compared to a downhill ski race. Competitors must race toward the goal without losing speed over the uneven slope or falling, and head straight for the finish. It requires both exceptional physical strength and an unwavering nerve.

Operating a chemicals factory requires consistent decision making on capital expenditure, based on looking ahead three years. Whether the decision is correct or too late can mean all or nothing, which, in essence, is like a zero-sum game. Of course, if you don't pay the admission fee you can't even participate.

Q5

PGA and products for lithium-ion batteries and solar power are all advanced materials. What about Kureha's other two business pillars, pharmaceuticals/agrochemicals and high-barrier food packaging materials?

Advanced materials are closely intertwined with the cutting-edge technologies of each era. Compared to this, pharmaceuticals, agrochemicals and high-barrier food packaging materials seem somewhat unexciting, but they are solid and steady.

In pharmaceuticals, we have high hopes for *Kremezin*, our therapeutic agent for chronic kidney disease. We expect to receive approval from the U.S. Food and Drug Administration (FDA) in 2012, which will open the door to global business expansion. We have already received approval in Japan and South Korea. FDA approval is a prerequisite to expansion in Europe and the United States. We hope to achieve this during the final year of the "Grow Globally" business plan.

In high-barrier food packaging materials, I can point to business developments for *Krehalon*. This packaging film has exceptional gas-barrier properties that make it resistant to oxygen permeation. *Krehalon* is used in packaging for fish sausages in Japan and for pork sausages in China. With growing concerns about food safety, *Krehalon* is being increasingly widely used in China for pork sausages, and the market there is now more than twenty times larger than in Japan.

Greater diversity in Asian diets has increased demand for beef, pork, chicken and many other types of animal protein, with sausages and other foods suited to particular regions likely to become popular. We plan to meet growing demand with our packaging film production plant now operating in Vietnam.

Q6

With unforeseen events such as the financial crisis and East Japan earthquake, corporate earnings forecasts have become extremely tight. What path will the Kureha Group follow in its business activities going forward?

Business always holds unforeseen risks. When encountering any crisis, your faith and ability to recover is tested.

When faced with the Great East Japan Earthquake, we were forced to consider such fundamental questions as why companies exist, and why people work for them.

In the immediate aftermath, many of our employees were in a situation whereby even if they returned home, they were without electricity and had no food or water. Despite being faced with such difficulties, the majority of employees came to work and fully devoted themselves to the recovery efforts. Some of our employees lost their homes in the tsunami. No one would blame them for giving priority to their own homes and securing living arrangements for their families. However, once their circumstances were somewhat settled, everyone focused on the rehabilitation and reconstruction of the company.

As for myself, as the president of Kureha I had the opportunity to observe the spirit of "kizuna" (strong bond) that exemplifies our corporate culture.

Remaining a community-based company

The Iwaki Factory, the manufacturing center for the Kureha Group, has earned trust for its community-based approach. In response to the earthquake disaster, employees took resolute action to restart the business, while also taking the lead in volunteering for community rehabilitation and restoration efforts.

I heard many things from employees following the earthquake disaster. One phrase that gave me courage was, "The best way to avoid failure is to continue until you succeed," while another that cheered me up was, "The beams in my house may have broken, but my spirit hasn't."

True crisis management should be to foster this kind of corporate culture. We were able to gain a sense of unity during this crisis as managers and employees faced the issues head on.

Becoming a strong company through products that benefit society

In 2005, Kureha adopted a new corporate philosophy, based on a determination to build businesses that benefit society and develop products of value. Ultimately, we resolved to concentrate on businesses with social significance. As a result, the central role of the company and the actions of every employee become consistent with the interests of society, and I am proud that we have shifted course toward businesses that contribute to the improvement of people's lives throughout the world.

The majority of the products offered by Kureha are intermediate materials that underpin industry. During the recent earthquake disaster, we realized that if our products did not reach our business partners they would be forced to halt manufacturing lines. Immediately following the earthquake we worked to restore our production lines, and have since reached the point of stable production and sales.

We will continue to make a concerted effort to provide products of value that benefit society.

Lithium-ion batteries are used in such applications as mobile phones, notebook computers and electric tools. With growing environmental awareness and moves toward greater efficiency of resources and energy, these batteries are projected to see rapid growth in demand for use in automotive applications such as hybrid, plug-in hybrid and electric vehicles, as well as for applications such as stationary energy storage units.

Kureha's materials for lithium-ion batteries are *KF POLYMER®* (polyvinylidene fluoride resin), used as a binder, and the anode material *CARBOTRON® P*. In response to the growing market, Kureha began expanding and upgrading its manufacturing facilities in 2010. As of summer 2011 our production capacity for *KF POLYMER®* expanded to 4,000 tonnes annually (including for general industry), up 1.5 times from the previous year, while production capacity for *CARBOTRON® P* will reach 1,800 tonnes annually by early 2012, a three-fold increase year-on-year.

KF POLYMER® currently holds a 70% market share for binder applications, and not only do we enjoy but also intend to further strengthen our position as the leading supplier. Demand for *CARBOTRON® P*, meanwhile, has experienced remarkable growth due to its 'hard carbon' structure, which offers excellent durability and charge-discharge properties that are particularly suited to automotive and power storage applications.

In October 2011 Kureha will begin operations at Kureha Battery Materials Japan Co., Ltd., a new company established with Itochu Corporation, which is involved in all aspects of the lithium-ion battery market. The new firm will manage binder and anode material sales, and oversee subsidiaries manufacturing anode material. This formation will enable the new company to fully leverage Kureha's manufacturing and technology development capabilities, together with Itochu's management resources and coordination abilities. It will seek to position Kureha's materials as the de facto standard for the industry, and further accelerate the globalization of our battery materials business.

Accelerating development of the Lithium-ion battery business

Battery Materials Technology Center Presentation Room

Anode Materials Plant (under construction)

NEW Krewrap

DFA Grand Award

NEW Krewrap receives twin DFA Design Awards

Kureha's *NEW Krewrap* household wrapping film received the "DFA Grand Award" and the "DFA Bronze Award" at the Design for Asia (DFA) Award 2010, sponsored by the Hong Kong Design Centre.

Among the aspects cited by the Design for Asia Award were the improved biodegradable plastic cutter that offers comfort and ease of use, graphic illustrations that aid in proper cutting of the wrapping film, and improvements in overall package design for easier use.

The Design for Asia Award is sponsored by the Hong Kong Design Centre, and is a multi-category and highly-regarded award program on a par with the Red Dot Design Award (Germany) and the Good Design Award (Japan). *NEW Krewrap* received the "DFA Bronze Award" in the Homeware category of the Product and Industrial Design section. It also received the "DFA Grand Award" in recognition of design excellence, and for adopting a design that had an impact on lifestyles in Asia and made an exceptional contribution to commercial success.

Kureha's PGA (polyglycolic acid) resin production plant on the premises of DuPont's Belle Plant in West Virginia in the United States was completed in June 2011, and after test operations will begin commercial production.

Kureha's PGA resin Kuredux® features excellent gas barrier properties (resistance to oxygen and carbon dioxide permeation), high mechanical strength, and biodegradability.

A potential application of Kuredux®, which will leverage its biodegradability, is use in drilling and oil recovery operations. In this case, fracturing fluids containing Kuredux® are injected at high pressure into the well bore to create fractures in the oil strata, which, after the biodegradation of Kuredux®, will leave a 'path' allowing the oil to effectively flow into the well. The use of Kuredux® can also lessen the environmental risks as it can eliminate operational processes that may otherwise require the use of strong acids or other hazardous chemicals.

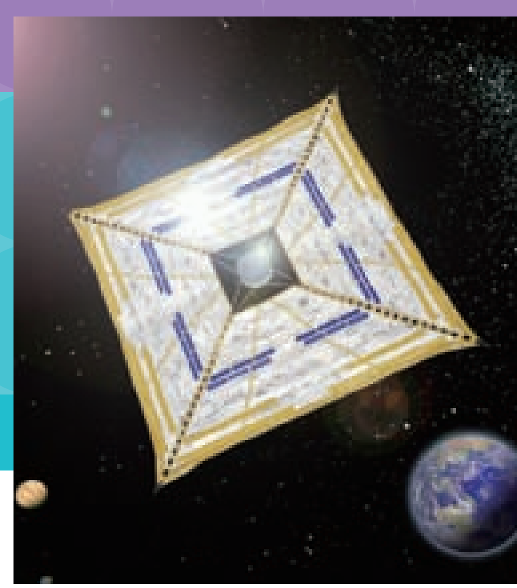
Other application developments for Kuredux® are also in progress. Taking advantage of its gas barrier and mechanical properties that are of a high-standard among today's commercially available plastics, various types of packaging film and PET beverage bottle applications are being developed.

The superior performance of Kuredux® PGA continues to drive market development around the world with a wide range of applications.

U.S. PGA plant completed in June 2011

Kureha PGA plant in the U.S.

Example for Kuredux® PGA applications



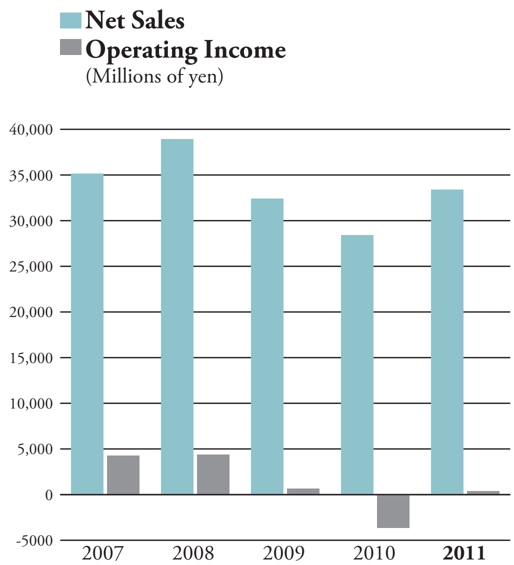
Imaginary picture of IKAROS
©JAXA

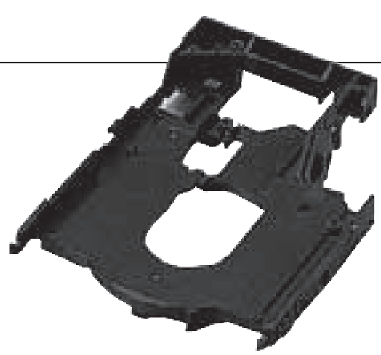
KUREHA KF PIEZO® film used in "IKAROS", the world's first solar sail

The 'Small Solar Power Sail Demonstrator', IKAROS, is the world's first solar sail, a device that reflects sunlight utilizing a large membrane and uses this process as a means of propulsion.

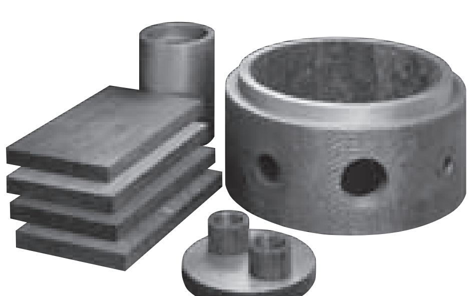
KUREHA KF PIEZO® film was used in IKAROS to analyze the distribution of space dust, consisting of countless particles. Most of the particulate matter has a diameter of 0.5 mm or less, and moves at a rapid rate of more than 10 km per second. When a particle strikes against KUREHA KF PIEZO® film, the impact generates an electric pulse. The strength of the pulse allows us to calculate the momentum of the particle, while the density of space dust can be determined by counting the number of pulses. Knowledge of the distribution of space dust is important for space exploration, and provides important clues on the origins of the solar system.

ADVANCED MATERIALS





Fortron KPS, used in electrical and electronic parts



Heat-resistance materials for heat-treatment furnaces

Major product areas:
advanced plastics (PPS resin, PVDF resin), carbon fiber and PGA

Advanced materials division sales were up 17% year-on-year to ¥33.4 billion, with the division reporting operating profit of ¥0.4 billion. The overall growth in sales was led by strong demand in most strategic product areas.

Demand growth for advanced plastics

Sales of advanced plastics were up 12% from ¥12.8 billion to ¥14.3 billion. PPS resin in particular experienced an increase in both sales and operating income on the back of strong demand for use in automotive, electrical and electronics applications, as well as an improved performance by the U.S. joint venture. PVDF resin also recorded stronger sales and operating profit, mainly due to growing demand from industrial applications and electrode binders for lithium-ion batteries. As a result, PVDF production has been running at full capacity.

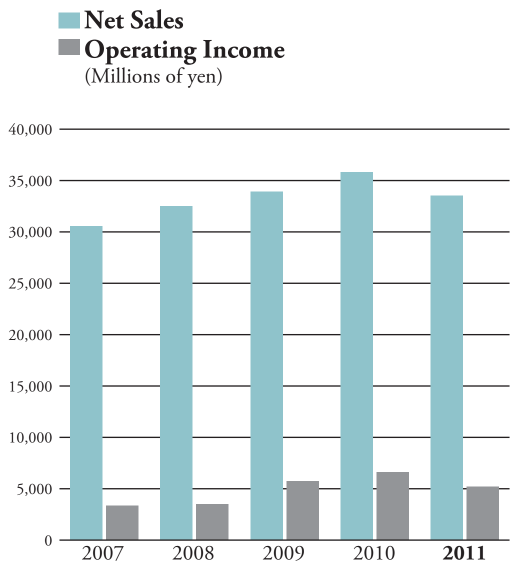
Carbon fiber sales up

Carbon fiber products recorded sales of ¥7.3 billion, 34% higher than previous year sales of ¥5.4 billion, with operating income also increasing. Demand for carbon fiber as an insulating material in silicon wafers for semiconductors was stable, while an upturn in demand was recorded for use as an insulating material for solar power equipment. In addition, demand for anode material expanded, also contributing to the growth of operating profit.

Outlook: FY2011 divisional sales are forecast to increase to ¥35.5 from ¥33.4, while operating income is also expected to grow. Kureha anticipates that PPS resin will experience steady growth on account of growing demand in diverse applications including in the electrical, electronics and automotive industries. PPS resin production at the Iwaki factory will continue at full capacity and operating capacity at the U.S. plant is expected to increase, which would further contribute to earnings. PVDF resin sales are also expected to grow, as a result of demand from applications including lithium-ion battery binders, and will be assisted by an increase in production capacity from this summer. Demand for carbon fibers is expected to continue to grow steadily, with sales of Kureha's anode material for lithium-ion batteries used in electronic vehicles (HEV, PHEV and EV) forecast to increase. Kureha will respond by enhancing production capacity, with a new facility to commence operations at the beginning of next year. For PGA, Kureha is accelerating market development and cultivation, with the U.S. production plant scheduled to be completed in June and begin shipping from August.

Major Product Areas
• PPS resin
• PVDF resin
• Carbon fiber
• Bead-shaped activated carbon
• Specialty carbon material

SPECIALTY CHEMICALS



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

Agricultural fungicide (*Metconazole*)

Major product areas:
industrial chemicals, agrochemicals, pharmaceuticals

Specialty chemicals division sales were down 6% year-on-year to ¥33.6 billion, from ¥35.8 billion, while operating profit declined 21% to ¥5.2 billion. This was in part due to exchange rate losses, as well as the absence of one-off payments relating to *Kremezin* that had a positive impact on last year's revenue.

Pharmaceuticals revenue weakens

Sales of pharmaceutical products declined from ¥12.7 billion to ¥10.2 billion in fiscal 2010. Despite an increase in sales volume for *Kremezin*, a chronic kidney disease treatment, the absence of one-off payments as had been recorded in the previous year meant comparatively weak results.

Industrial chemicals profits increase

Operating income for industrial chemicals increased, despite sales declining 3% from ¥10.2 billion to ¥9.9 billion. Although inorganic chemicals such as sodium hydroxide (caustic soda) recorded a decrease in sales, organic chemicals, namely chlorobenzenes, experienced an increase in both sales volume and unit costs.

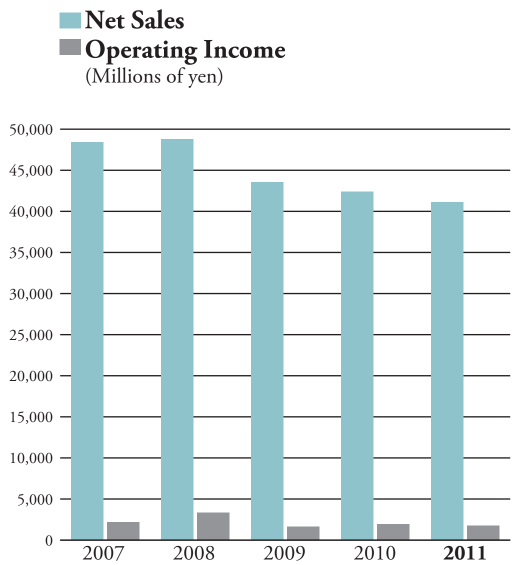
Agrochemicals profits suffer from volatile Euro

Sales of agrochemical products were up 4% year-on-year from ¥6.9 billion to ¥7.2 billion. *Metconazole*, an agricultural fungicide, saw an increase in sales volume and exports, but operating income deteriorated due to the weak Euro.

Outlook: Fiscal 2011 divisional sales are expected to decline by 5% to ¥32.0 billion, with operating income also projected to decrease. Kureha will continue market expansion efforts for its pharmaceutical and agrochemical products, while further sales growth of *Metconazole* in overseas market is also expected. Pharmaceutical products were shipped ahead of schedule in order to avoid potential risks associated with the March 11 earthquake that could have had a negative impact on results. However, the drop in production and demand for industrial chemicals as a result of the earthquake and aftershocks in April 2011 are expected to have a negative impact on results in the early part of the fiscal year.

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

SPECIALTY PLASTICS



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

Specialty plastics division sales declined 3% to ¥41.1 billion from ¥42.4 billion, while operating income declined 8% to ¥1.8 billion. The move to fully merge the subsidiary Kureha Plastics played a role in the decline, as no sales of compounds were recorded from July onwards as a result of the transaction.

Packaging materials business improves

Sales of food packaging materials were up by 2% to ¥11.0 billion as profits from PVDC compounds for China and bottles improved, alongside an increase in sales volume of multi-layer shrinkable film in Europe.

NEW Krewrap struggles amid competition

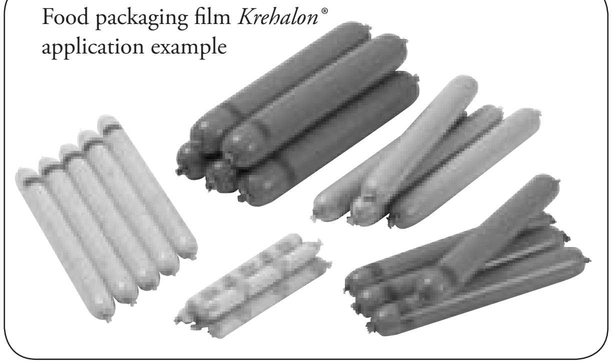
Sales of household products were down 19% to ¥17.5 billion from ¥21.5 billion. Despite product renewal and improvement efforts, *NEW Krewrap*'s profitability declined as a result of severe market competition. Shipping volume also declined due to the earthquake. As noted, the merger of Kureha Plastics also contributed to the decline sales figures.

Fishing line sales decline

Sales of *Seaguar* series products decreased 21% year-on-year, from ¥1.3 billion to ¥1.0 billion.

Outlook: Fiscal 2011 divisional sales are forecast to decline by 6% to ¥38.5 billion. Operating income is also projected to decrease due to the impact of earthquakes on both the packaging materials and household products businesses, despite efforts to improve profitability via the packaging film production plant in Vietnam. Kureha will continue its efforts to improve *NEW Krewrap* products. In addition, the household products business in China is expected to grow steadily, leveraging relations with partner companies.

Food packaging film *Krehalon*® application example

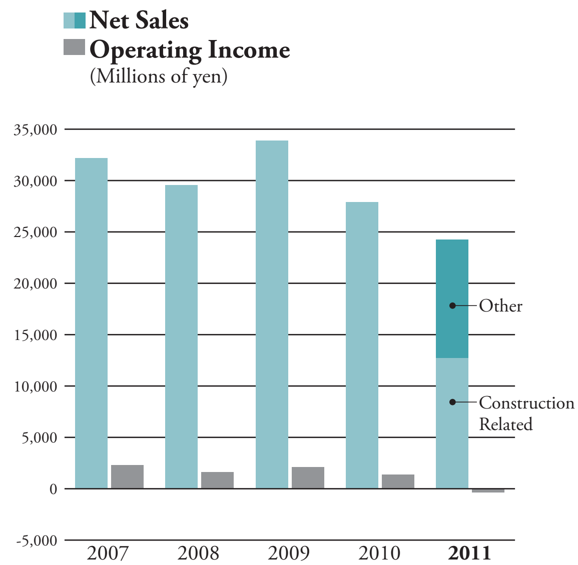


NEW Krewrap

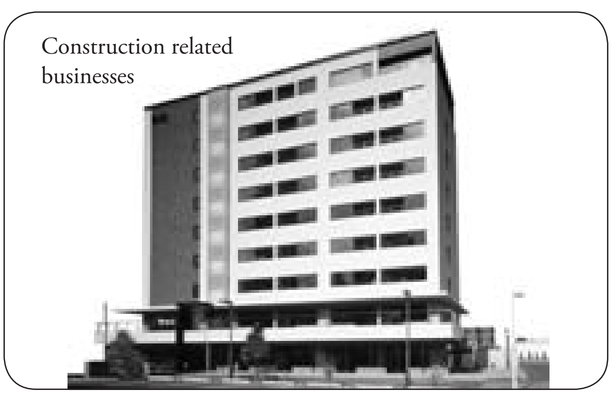
Kureha fully merged the subsidiary Kureha Plastics Co. Ltd., which handled specialty plastics related business, in 2010 to ensure a consistent structure covering development and production to sales and marketing. The move also served to strengthen business foundations through efficient deployment of management resources.

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

CONSTRUCTION RELATED & OTHERS



Note: Construction related business is separated from other business segment from fiscal 2011.



Construction related businesses

Industrial waste treatment-related businesses

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

Other operations division sales declined 13% year-on-year to ¥24.3 billion from ¥27.9 billion, with an operating loss of ¥0.3 billion. While sales at environmental engineering, logistics and warehousing businesses were up, construction related businesses faced a severe decline in demand and also suffered from the postponement of projects after the earthquake.

Environmental engineering sales improve

Environmental engineering sales were up 15% to ¥5.8 billion from ¥5.0 billion. Levels of industrial waste processing increased, but costs associated with the new Kanagawa plant construction were up and resulted in operating income decreasing from the previous year.

Construction demand further deteriorates

Sales at construction related businesses declined by 27% to ¥20.8 billion from ¥28.5 billion. The sharp decline in sales was due to a reduction in orders and the increase in the number of postponed projects, due to the earthquakes in March 2011.

Logistics and warehousing businesses largely unchanged

Logistics and warehousing business sales were up 2% to ¥11.0 billion, with an increase in logistics business activity. However, as a result of fuel costs, operating income remained largely unchanged.

Outlook: Fiscal 2011 divisional sales are projected to increase by 15% to ¥28.0 billion, with operating income also expected to grow. Revenues at construction related businesses are expected to increase, as a result of cost reduction efforts and the increasing number of public and private construction projects as part of post-earthquake and tsunami reconstruction efforts. The new plant opened in Kanagawa April 2010 is expected to contribute to sales expansion at industrial waste related businesses, and will also assist in responding to post-earthquake demand.

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

Kureha Corporation conducts research and development (R&D) for the Kureha Group. The R&D Division, with the aim of providing solutions that benefit the global environment and peoples' lives, designates priority research areas by identifying fields with a high degree of social value such as the environment, energy and health, and in which Kureha is able to leverage its technological strengths. 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 Department, employ approximately 300 staff dedicated to R&D with a focus on efficiency, speed and maximizing business profitability, and aimed at achieving global growth and steadily producing results from new businesses.

Kureha's R&D spending amounted to ¥5,520 million in the fiscal year ended March 2011. An overview of spending is as follows.

1. ADVANCED MATERIALS DIVISION

In engineering plastics, for *Fortron KPS* (*PPS resin*), which is widely used in automobiles and electronic devices, Kureha is developing new grades of the material and studying ways to achieve further improvement in yields. For *KF Polymer*® (polyvinylidene fluoride resin), we are developing and improving sheets for use in solar cells, and providing support for production technologies.

For *Kuredux*® (PGA, polyglycolic acid, resin), the applications of *Kuredux*® are being actively developed in line with its commercialization process. We are making steady progress in the development of products such as multilayer bottles for carbonated beverages, which make use of the material's excellent gas barrier and properties. In addition, we are exploring new applications while taking advantage of the various unique properties of the resin. In order to expand the range of applications, we are also working for technology developments relating to the modification of the resin.

In carbon materials, to secure our competitive advantage in anode materials for the large-scale lithium ion batteries used in hybrid and electric vehicles, Kureha is optimizing its production processes and providing development support in line with business strategies. We are also developing high-performance grades of binders to help maintain and grow market share.

R&D spending in this division amounted to ¥1,741 million.

2. SPECIALTY CHEMICALS DIVISION

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. We are also working 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 exploring various ways for improving productivity of *Metconazole* to flexibly meet future demand. We also provide support for the expansion of production facilities.

R&D spending in this division amounted to ¥2,765 million.

3. SPECIALTY PLASTICS DIVISION

For *Krehalon* (polyvinylidene chloride resin), Kureha is providing technological support at its production plant in Vietnam to ensure stable supply and improve quality, and is also providing technical assistance to customers in Japan and overseas.

For *Besela* laminate barrier film, Kureha explored ways to lower processing costs and focused on production and quality controls in an effort to expand the market. However, we determined that it would be difficult to increase earnings within a certain time frame, and in May 2011 sold and transferred the trade and intellectual property rights to Toppan Printing Co., Ltd.

R&D spending in this division amounted to ¥995 million.

Kureha conducted the following organizational changes, effective April 1, 2011, in order to strengthen collaboration between divisions and enable swift commercialization. The PGA Research Laboratories, New Materials Research Laboratories, Agrochemicals Research Laboratories and Special Research Center were launched, to accompany the existing Research Center and Biomedical Research Laboratories. In addition, the Polymer Processing & Products Research Laboratories was changed to become the Processing Technology Laboratories.

Research Center

Biomedical Research Laboratories

Polymer Processing & Products Research Laboratories

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

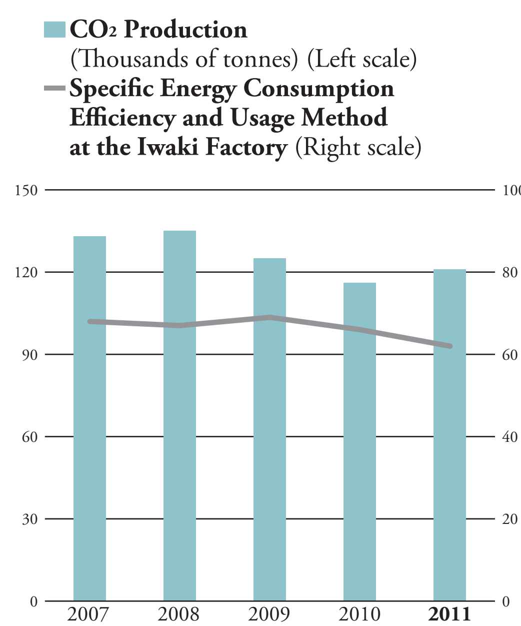
Since its establishment, Kureha has developed technologies and products with a view to reducing the burden on the environment. In the case of the Iwaki Factory, Kureha seeks to create a manufacturing facility that minimizes stress on the environment by implementing measures such as air and water pollution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

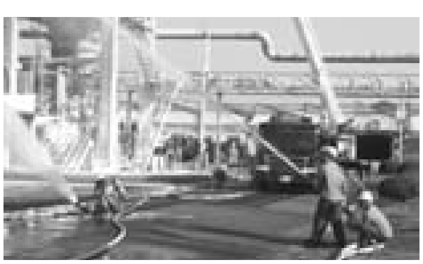
Disaster prevention

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.




Disaster drill


Wastewater treatment system

Kureha General Hospital


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 limited to a maximum of 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.

   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.

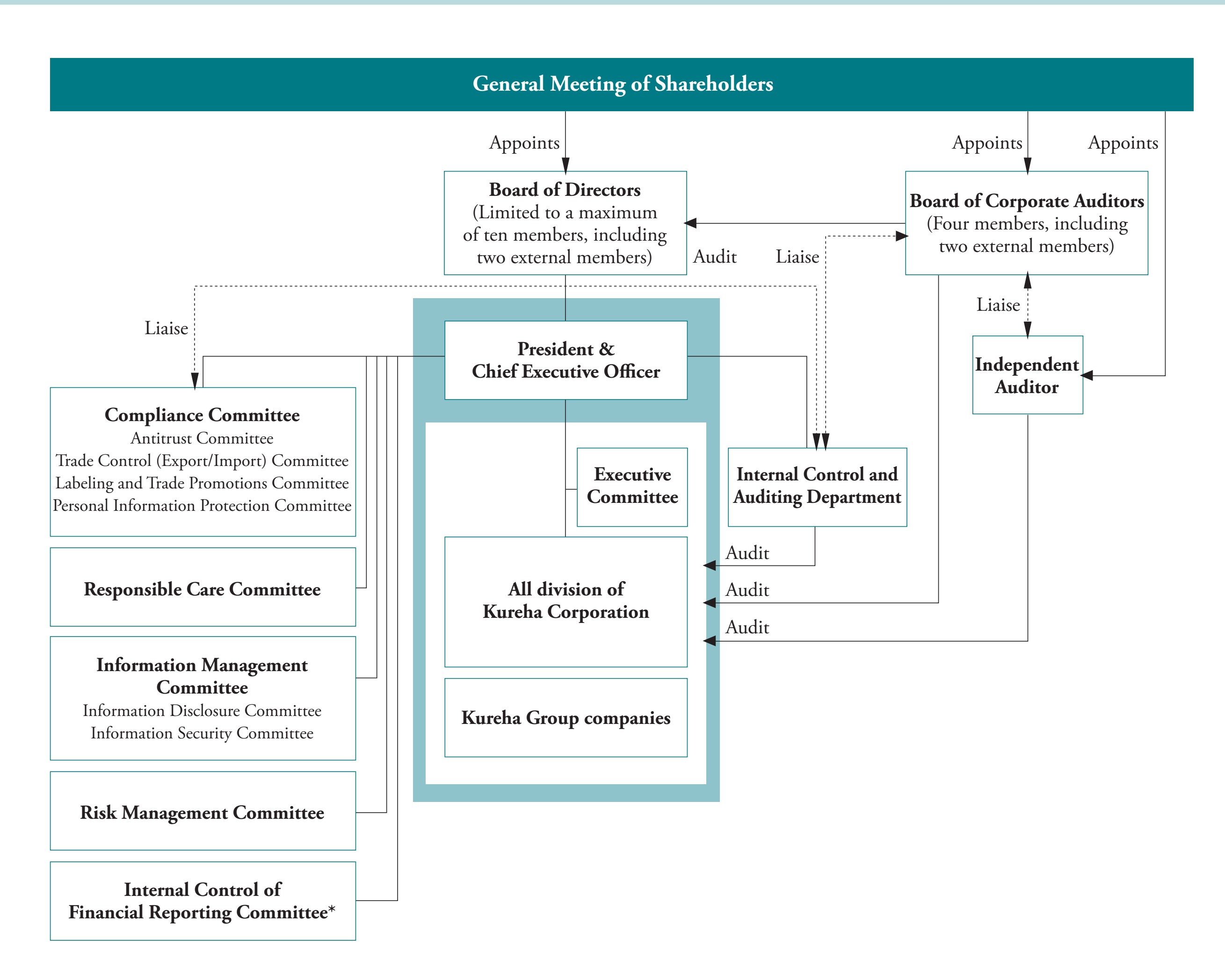
Risk management system

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 & CEO 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.

Diagram of Internal Control Systems (As of June 30, 2011)



CONSOLIDATED FIVE-YEAR SUMMARY

KUREHA CORPORATION and Consolidated Subsidiaries
Years ended March 31, 2011, 2010, 2009, 2008 and 2007

	Millions of yen					Thousands of U.S. dollars (Note 2)
	2011	2010	2009	2008	2007	**2011**
For the year:						
Net sales:	**¥132,309**	¥134,606	¥143,741	¥149,776	¥146,256	**$1,591,212**
Domestic	**101,696**	107,740	116,182	116,666	116,503	**1,223,038**
Overseas	**30,613**	26,866	27,559	33,110	29,753	**368,174**
Net sales by segment:						
Advanced materials	**33,391**	28,423	32,424	38,915	35,129	**401,576**
Specialty chemicals	**33,552**	35,831	33,898	32,522	30,543	**403,513**
Specialty plastics	**41,092**	42,430	43,538	48,765	48,399	**494,189**
Other operations	**24,274**	27,921	33,881	29,574	32,185	**291,934**
Construction Related	**12,760**	—	—	—	—	**153,452**
Other	**11,514**	—	—	—	—	**138,482**
Operating income	**6,350**	5,706	9,456	12,722	11,841	**76,368**
Advanced materials	**363**	(3,645)	678	4,378	4,259	**4,368**
Specialty chemicals	**5,203**	6,619	5,732	3,482	3,348	**62,571**
Specialty plastics	**1,790**	1,948	1,655	3,358	2,213	**21,525**
Other operations	**(348)**	1,379	2,104	1,620	2,289	**(4,184)**
Construction Related	**(387)**	—	—	—	—	**(4,653)**
Other	**39**	—	—	—	—	**469**
Elimination or corporate	**(658)**	(595)	(713)	(116)	(268)	**(7,911)**
Net income	**692**	1,571	3,373	6,097	5,832	**8,325**
Capital expenditure	**14,076**	16,943	17,829	10,085	10,678	**169,289**
Depreciation	**10,266**	11,126	10,304	10,148	9,115	**123,463**
R&D expenses	**5,502**	6,240	6,085	6,543	6,865	**66,175**
Advanced materials	**1,741**	1,787	1,960	1,578	1,583	**20,942**
Specialty chemicals	**2,765**	3,372	2,956	3,288	3,467	**33,257**
Specialty plastics	**996**	1,080	1,125	1,658	1,805	**11,976**
Other operations	**—**	—	45	20	10	**—**
Cash flows from operating activities	**12,509**	15,847	11,420	14,996	13,949	**150,442**
Cash flows from investing activities	**(11,432)**	(17,682)	(20,518)	(8,584)	(11,987)	**(137,484)**
Cash flows from financing activities	**2,720**	1,999	10,705	(4,758)	(4,835)	**32,716**
Year-end:						
Total assets	**¥181,753**	¥184,623	¥182,224	¥187,349	¥196,107	**$2,185,847**
Net assets	**89,500**	96,822	97,075	104,582	107,349	**1,076,375**
Interest-bearing debt	**54,885**	47,969	44,033	32,040	32,470	**660,068**
	Yen					U.S. dollars
Amounts per share:						
Net income – basic	**¥ 3.97**	¥ 8.77	¥ 18.75	¥ 33.39	¥ 31.58	**$ 0.05**
Net assets	**517.47**	538.1	533.45	572.24	578.09	**6.22**
Cash dividends	**10**	10	10	10	10	**0.12**
	Percent					
Ratios:						
Operating income to net sales	**4.8%**	4.2%	6.6%	8.5%	8.1%	
Net income to net sales	**0.5**	1.2	2.3	4.1	4.0	
Return on equity	**0.7**	1.6	3.4	5.8	5.7	
Return on assets	**3.1**	3.0	4.7	6.6	6.1	
Equity ratio	**48.9**	52.2	52.4	55.2	54.2	

Notes: 1. For convenience only, U.S. dollar amounts have been translated from Japanese yen at the rate of ¥83.15 to US$1, the rate of exchange prevailing on the Tokyo Foreign Exchange Market on March 31, 2011.
2. For amounts per share, see Note 23 of the Notes on Consolidated Financial Statements.

Business Environment

During the fiscal year ended March 2011 the Japanese economy was bolstered by strong exports on the back of economic growth in emerging nations. However, government stimulus measures that had supported consumer spending gradually waned, the yen appreciated, and the private sector took a cautious stance toward capital investment. The business environment also changed suddenly as a result of the Great East Japan Earthquake.

In the chemicals industry, capacity utilization rates remained high as a result of exports to China and other parts of Asia, as well as recovery in demand for electric appliances and electronics.

However, chemical companies with production facilities in coastal areas in East Japan were severely affected by the earthquake and tsunami. Companies were suddenly forced to suspend production and, even though the period from the earthquake to the end of the fiscal year was short, to record a certain amount of loss as a result of the disaster.

Analysis of business results

Sales in the subject fiscal year declined ¥2,297 million year-on-year to ¥132,309 million, due mainly to a sharp decline in revenue in the Construction Division. Gross profit declined ¥323 million to ¥33,634 million, though the gross profit margin rose from 25.2% in the previous fiscal year to 25.4%. The Advanced Materials Division posted a substantial increase in product sales, while the product cost rate fell as the depreciation on work to expand production capacity that began in the previous fiscal year declined during the fiscal year under review.

Sales and general administrative expenses declined ¥967 million from the previous fiscal year to ¥27,284 million. This was due mainly to a decline in research and development expenditure for future market development, as well as efforts to reduce administrative costs in response to the difficult conditions during the subject fiscal year. Operating profit increased ¥643 million year-on-year to ¥6,350 million, while the operating income ratio rose to 4.8% from 4.2% in the previous fiscal year.

Non-operating profit/loss, which is calculated by subtracting non-operating expenses from total non-operating income, amounted to a non-operating loss of ¥711 million, an increase of ¥504 million from the previous fiscal year. This was due mainly to an increase in foreign exchange losses. In extraordinary gain/loss, the Company recorded an extraordinary loss due to damage incurred following the Great East Japan Earthquake. As a result, income before taxes declined ¥1,708 million to ¥1,757 million, while net income for the subject fiscal year declined ¥879 million to ¥692 million. The ratio of net income to net sales declined to 0.52% from 1.17% in the previous fiscal year.

Despite the decline in earnings, Kureha will continue to invest in facilities and R&D in line with its proactive investment program. We also recognize that the impact from the Great East Japan Earthquake has yet to be fully realized, and that it is necessary for us to make further cuts in non-essential expenses.

Cash flow

The balance of cash and cash equivalents at the end of the subject fiscal year (March 31, 2011) amounted to ¥10,746 million, an increase of ¥3,532 million from the end of the previous fiscal year (March 31, 2010). An outline of individual cash flows and the main factors affecting each is as follows:

Cash flow from operating activities

Net cash from operating activities amounted to ¥12,509 million, a decrease of ¥3,337 million from the previous fiscal year. This was due mainly to a decrease in income before taxes, and an increase in taxes paid.

Cash flow from investment activities

Net cash used in investment activities amounted to ¥11,431 million, a decrease of ¥6,250 million from the previous fiscal year. This was due mainly to decreases in expenditure for acquisition of tangible and intangible assets.

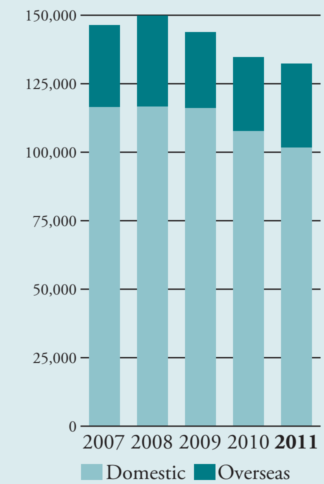
Cash flow from financing activities

Net cash from financing activities amounted to ¥2,720 million, an increase of ¥720 million from the previous fiscal year. This was due mainly to proceeds from issuance of corporate bonds and commercial paper, against expenditures for acquisition of treasury stock, and a decrease in proceeds from long-term borrowings.

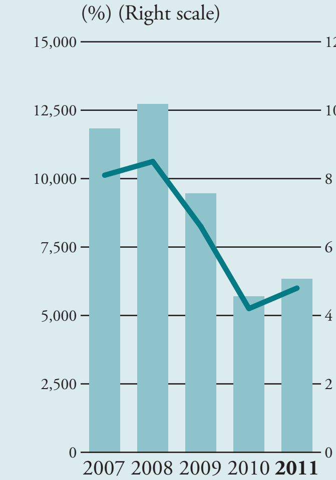
Financial policy

The Kureha Group's basic policy is to maximize operating cash flow by securing earnings in line with its business plan and by enhancing asset efficiency, and to allocate cash with priority given to capital expenditure for new businesses and expansion of existing businesses, investments and loans, research and development, and dividend payments to investors. In line with this policy, Kureha procures required capital with priority given to securing long-term funding, and in consideration of the balance between long- and short-term borrowings.

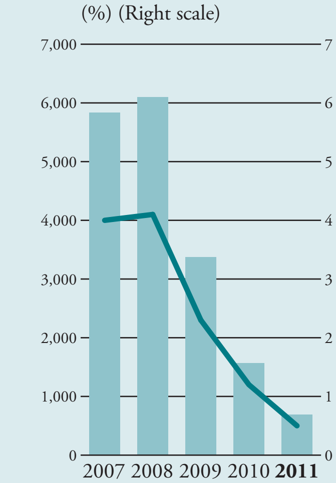
Net Sales
(Millions of yen)

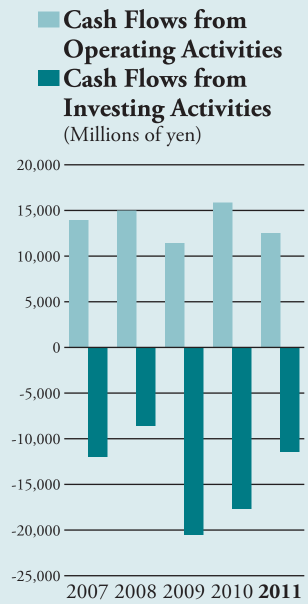


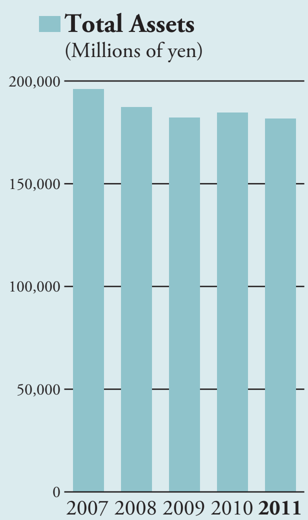
Operating Income
(Millions of yen) (Left scale)
Operating Income to Net Sales
(%) (Right scale)

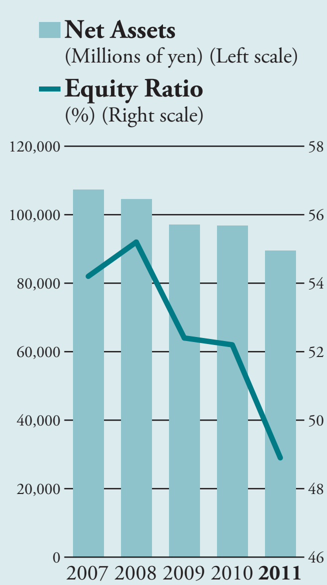


Net Income
(Millions of yen) (Left scale)
Net Income to Net Sales
(%) (Right scale)









Balance sheet analysis

As of March 31, 2011, Kureha's total assets amounted to ¥181,753 million, a decrease of ¥2,870 million from the end of the previous fiscal year (March 31, 2010). Current assets totaled ¥64,161 million, down ¥1,410 million from a year earlier. This was mainly due to a decrease in receivables and inventories stemming from a falloff in sales and production following the Great East Japan Earthquake, which exceeded the amount of emergency ready liquidity secured. Property and equipment totaled ¥83,917 million, up ¥2,123 million from a year earlier, due mainly to a high level of capital expenditure, including in overseas production facilities, which exceeded depreciation expenses. Investment and other assets totaled ¥32,805 million, a decrease of ¥3,421 million, due mainly to a decline in the market value of investment securities from the end of the previous fiscal year.

Total liabilities at the end of the subject fiscal year amounted to ¥92,252 million, an increase of ¥4,451 million from the end of the previous fiscal year. This was mainly due to the balance of issuances of corporate bonds and commercial paper and a decline in borrowings, against declines in accounts payable and corporate taxes payable, and recording of a reserve for disaster-related losses.

Total net assets for the subject fiscal year amounted to ¥89,500 million, a decline of ¥7,321 million from the previous fiscal year. This was due mainly to a ¥565 million decrease in earned surplus following a dividend payout from retained earnings on net income of ¥692 million, along with a decrease in valuation and translation adjustments on investment securities and currency exchange, and a decrease related to the acquisition of treasury stock.

The changes in total assets were due mainly to business development measures such as the procurement of additional financing related to capital expenditures and the startup of certain equipment, centered on overseas group companies, amid a confluence of external factors including stock prices, foreign currency exchange, calls for acquisition of treasury stock and the effects of the disaster.

Overview of capital expenditure

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 expenditure during the fiscal year ended March 31, 2011, amounted to ¥14,076 million.

Capital expenditure by business division:

The Advanced Materials Division invested ¥7,814 million, mainly for PVDF (polyvinylidene fluoride) resin production facilities (Kureha), carbon product manufacturing facilities (Kureha), and PGA (polyglycolic acid) resin production facilities (Kureha PGA LLC).

The Specialty Chemicals Division invested ¥1,442 million, primarily on production facilities for industrial chemicals (Kureha).

The Specialty Plastics Division invested ¥1,986 million, primarily for manufacturing facilities for food packaging materials (Kureha and Kureha Vietnam Co., Ltd.).

The Construction Division invested ¥25 million, mainly for the renovation of buildings.

The Other Operations Division invested ¥1,268 million, mainly on industrial waste processing facilities (Kureha Ecology Management Co., Ltd.), and construction of a new logistics center and warehouse (Kureha Unyu Co., Ltd.).

In addition, as a joint initiative, the Advanced Materials, Specialty Chemicals, and Specialty Plastics divisions invested ¥1,538 million in such areas as environmental conservation projects (Kureha), and private power plant facilities (Kureha).

Capital required for these investments was procured from cash-at-hand, corporate bonds, and borrowings.

Business and other risks

The Kureha Group's business operations are diverse, comprising the Advanced Materials Division focused on PPS resin, PVDF resin and carbon products; the Specialty Chemicals Division focused on industrial chemicals, pharmaceuticals and agrochemicals; the Specialty Plastics Division focused on food packaging and household products; the Construction Division focused on construction and engineering; and the Other Operations Division including environmental businesses and logistics. By region, the Group conducts business in Japan as well as Europe, North America, and Asia.

The main factors that could affect the operating results, stock price, financial position and other aspects of the Kureha Group are as follows.

Forward-looking statements in this text are based on evaluations made at the time of the Company's securities report filing (June 24, 2011).

(1) Changes in the business environment in Japan and overseas; changes in the market price of products

The Kureha Group's business is exposed to external factors such as changes in markets or customers, and intensification of competition with competing companies. Accordingly, changes such as a decrease in demand for the Group's principle products, customers shifting production overseas, and an increase in production capacity by competing firms, could therefore influence the Group's operating results and financial position.

(2) Changes in fuel and raw material prices

Raw materials such as naphtha and coal used by the Kureha Group, as well as fuel, are susceptible to changes in market conditions. As a result, changes such as an increase in the price of these raw materials, or the inability to shift the additional cost to product prices in a timely and appropriate manner, could have a negative effect on the Group's operating results and financial position.

(3) Product liability

The Kureha Group's core business is chemical manufacturing. The Group is acutely aware of the risks connected with its products and the manufacturing process, and is careful to continually exercise Responsible Care (autonomous management for environmental conservation, disaster safety and other measures). However, should a significant, unforeseen quality issue arise, there could be a negative effect on the Group's operating results and financial position.

(4) The Specialty Chemicals Division's pharmaceutical business

One of the Kureha Group's core businesses is the manufacture and sale of pharmaceuticals. Accordingly, revisions to drug prices under Japan's medical insurance system could have a negative effect on the Group's operating results.

(5) Country risks for overseas businesses

The Kureha Group conducts business in Europe, North America and Asia. Accordingly, changes such as deterioration in the political or economic situation in these regions, the enactment or abolishment of laws and regulations, and deterioration in public safety, as well as unforeseen circumstances such as terrorism, armed conflict or natural disaster, could have a negative effect on the Group's operating results and financial position.

(6) Currency fluctuations

The items in Kureha Group's financial statements not denominated in yen are susceptible to fluctuations in exchange rates when converted into yen. The Group concludes exchange contracts and takes other steps to minimize the effects of fluctuations in exchange rates. However, fluctuations in exchange rates beyond those predicted could have a negative effect on the Group's operating results and financial position.

(7) Investment securities

The Kureha Group held a total of ¥18,184 million in investment securities and other instruments (10.0% of total assets on a consolidated basis) as of the end of the subject fiscal year, for the purpose of long-term holdings. Significant changes in market prices, or in the financial position of the issuing companies, could have a negative effect on the Group's operating results and financial position.

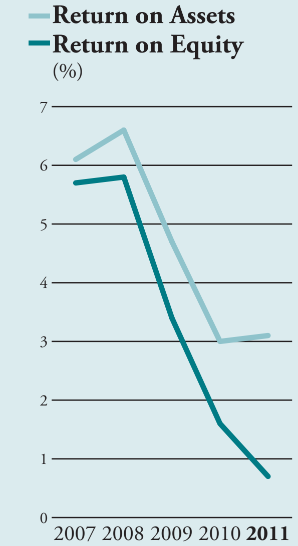
(8) Occurrence of natural disasters or accidents

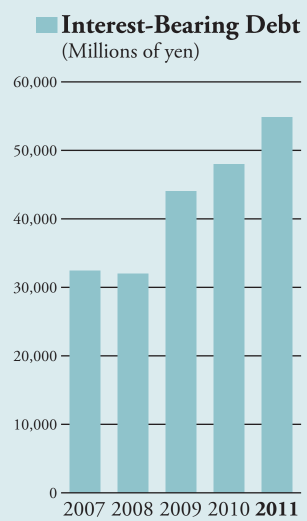
Manufacturing for the Kureha Group's principal products is concentrated in the production division of the Iwaki Factory (Iwaki, Fukushima Prefecture), and as such the Company makes continual efforts focused on this facility for environmental conservation and to ensure safety. However, damage to production facilities as a result of natural disasters such as major earthquakes or typhoons, or due to accidents, could have a negative effect on the Group's operating results and financial position.

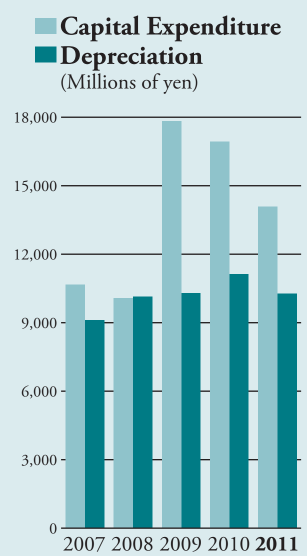
The Kureha Group incurred damage as a result of the Great East Japan Earthquake that occurred on March 11, 2011 and subsequent aftershocks, including damage to property and equipment, and loss of inventory. In addition, the confluence of factors such as shortages of raw materials and other supplies from business partners, restrictions on use of electricity and other social infrastructure, and the accident at Tokyo Electric Power Company's Fukushima Daiichi Nuclear Power Station, could limit production at the Group's facility.

(9) Litigation

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







CONSOLIDATED BALANCE SHEETS

Kureha Corporation and its Consolidated Subsidiaries
As of March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2011	2010	**2011**
ASSETS			
Current assets:			
Cash and time deposits (Note 5)	**¥ 10,746**	¥ 7,213	**$ 129,237**
Trade notes and accounts receivable	**27,295**	31,837	**328,258**
Inventories (Note 6)	**19,196**	20,747	**230,862**
Deferred tax assets (Note 13)	**3,375**	2,356	**40,587**
Others	**3,648**	3,528	**43,877**
Less: Allowance for doubtful accounts	**(99)**	(112)	**(1,188)**
Total current assets	**64,161**	65,571	**771,633**
Property and equipment, net (Note 10):			
Buildings and structures	**28,519**	28,413	**342,987**
Machinery, equipment and vehicles	**22,711**	24,713	**273,137**
Land	**13,026**	13,048	**156,661**
Construction in progress	**17,886**	13,642	**215,107**
Others	**1,775**	1,976	**21,338**
Total property and equipment, net	**83,917**	81,794	**1,009,230**
Investments and other assets:			
Investments in securities (Notes 8 & 10)	**24,607**	27,782	**295,939**
Long-term receivables	**1,977**	2,027	**23,775**
Deferred tax assets (Note 13)	**1,021**	1,314	**12,280**
Others	**6,186**	6,560	**74,392**
Less: Allowance for doubtful accounts	**(116)**	(428)	**(1,402)**
Total investments and other assets	**33,675**	37,257	**404,984**
Total assets	**¥181,753**	¥184,623	**$2,185,847**

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2011	2010	2011
LIABILITIES AND NET ASSETS			
Current liabilities:			
Trade notes and accounts payable (Note 10)	¥ 14,156	¥ 16,833	$ 170,252
Short-term loans including current portion of long-term debt (Notes 9 & 10)	13,455	14,809	161,818
Other payables	6,378	5,430	76,705
Accrued income taxes (Note 13)	674	1,740	8,103
Accrued expenses	4,536	4,990	54,555
Accrued bonuses	2,005	2,172	24,118
Allowance for losses due to disaster	1,823	—	21,906
Others	6,025	2,456	72,465
Total current liabilities	49,052	48,433	589,922
Long-term liabilities:			
Long-term debt (Notes 9 & 10)	37,429	33,160	450,144
Deferred tax liabilities (Note 13)	2,843	3,518	34,189
Reserve for employees' retirement benefits (Note 12)	769	1,231	9,252
Retirement allowance for directors and corporate auditors	365	361	4,392
Asset retirement obligations	775	—	9,315
Reserve for environmental measures	164	173	1,972
Others	856	923	10,286
Total long-term liabilities	43,201	39,367	519,550
Total liabilities	92,253	87,801	1,109,472
Commitments and contingent liabilities (Note 14)			
Net assets:			
Shareholders' equity (Note 15):			
Capital, non par value			
Authorized: 2011 and 2010 – 600,000,000 shares Issued: 181,683,909 shares in 2011 and 2010	12,460	12,460	149,852
Capital surplus	9,457	9,948	113,730
Earned surplus	71,935	72,500	865,129
Less: Treasury stock, at cost	(4,542)	(1,253)	(54,625)
Total shareholders' equity	89,310	93,655	1,074,086
Accumulated other comprehensive income			
Unrealized gain on other securities (Note 8)	3,723	4,990	44,780
Deferred losses on hedges	(37)	—	(441)
Translation adjustments	(4,164)	(2,225)	(50,085)
Total accumulated other comprehensive income	(478)	2,764	(5,746)
Stock subscription rights	64	54	774
Minority interests	604	347	7,261
Total net assets	89,500	96,822	1,076,375
Total liabilities and net assets	¥181,753	¥184,623	$2,185,847

CONSOLIDATED STATEMENTS OF INCOME

Kureha Corporation and its Consolidated Subsidiaries
For the years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2011	2010	2011
Net sales	¥132,309	¥134,606	$1,591,212
Cost of sales	98,674	100,648	1,186,703
Gross profit	33,635	33,958	404,509
Selling, general and administrative expenses (Note 18)	27,285	28,251	328,141
Operating income	6,350	5,706	76,368
Other income (expenses):			
Interest and dividend income	651	659	7,834
Interest expenses	(690)	(749)	(8,299)
Gain on sales of property and equipment (Note 19)	4	96	46
Gain on sales of investments in securities (Note 8)	210	205	2,528
Compensation for transfer of property	—	379	—
Loss on disposal of property and equipment (Note 19)	(334)	(1,546)	(4,014)
Loss on impairment of property and equipment (Note 20)	—	(119)	—
Loss on business withdrawal	(422)	(581)	(5,076)
Provision for environmental measures	—	(173)	—
Gain on insurance claim	236	—	2,840
Reversal of allowance for doubtful receivables	242	—	2,914
Losses due to disaster (Note 25)	(3,373)	—	(40,561)
Impact of application of accounting standard for asset retirement obligations	(184)	—	(2,218)
Other, net	(933)	(413)	(11,230)
Other expenses – net	(4,593)	(2,241)	(55,236)
Income before income taxes and minority interests	1,757	3,465	21,132
Income taxes (Note 13):			
Current	1,290	1,721	15,518
Deferred	(494)	258	(5,947)
Total income taxes	796	1,979	9,571
Net income before minority interests	961	—	11,561
Minority interests	269	(85)	3,236
Net income	¥ 692	¥ 1,571	$ 8,325

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Kureha Corporation and its Consolidated Subsidiaries
For the years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2011	2010	2011
Income before minority interests (Note 22)	¥ 961	¥—	$11,561
Other comprehensive income			
Unrealized losses on other securities	(1,272)	—	(15,298)
Deferred losses on hedges	(37)	—	(441)
Translation adjustments	(1,952)	—	(23,476)
Total other comprehensive income	(3,261)	—	(39,216)
Total comprehensive income for the year	(2,299)	—	(27,654)
Total comprehensive income attributable to (Note 22):			
Owners of the parent	(2,550)	—	(30,672)
Minority interests	251	—	3,018

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, 2011

Millions of yen

	Number of common stock	Shareholders' equity				
		Capital	Capital surplus	Earned surplus	Treasury stock, at cost	Total shareholders' equity
BALANCE-MARCH 31, 2010	181,683,909	¥12,460	¥9,948	¥72,500	¥(1,253)	¥93,655
Dividends from surplus		—	—	(1,754)	—	(1,754)
Net income		—	—	692	—	692
Acquisition of treasury stock		—	—	—	(3,302)	(3,302)
Disposal of treasury stock		—	1	—	13	14
Decrease resulting from the change in scope of consolidation		—	—	—	—	—
Contribution to employees' welfare fund		—	—	—	—	—
Offset against deficit		—	(492)	493	—	1
Others		—	—	4	—	4
Net changes of items other than shareholders' equity		—	—	—	—	—
BALANCE-MARCH 31, 2011	181,683,909	¥12,460	¥9,457	¥71,935	¥(4,542)	¥89,310

	Accumulated other comprehensive income						
	Unrealized gain on other securities	Deferred losses on hedges	Translation adjustments	Total accumulated other comprehensive income	Stock subscription rights	Minority interests	Total net assets
BALANCE-MARCH 31, 2010	¥4,990	¥ —	¥(2,225)	¥2,764	¥54	¥347	¥96,822
Dividends from surplus	—	—	—	—	—	—	(1,754)
Net income	—	—	—	—	—	—	692
Acquisition of treasury stock	—	—	—	—	—	—	(3,302)
Disposal of treasury stock	—	—	—	—	—	—	14
Decrease resulting from the change in scope of consolidation	—	—	—	—	—	—	—
Contribution to employees' welfare fund	—	—	—	—	—	—	—
Offset against deficit	—	—	—	—	—	—	1
Others	—	—	—	—	—	—	4
Net changes of items other than shareholders' equity	(1,267)	(37)	(1,939)	(3,242)	10	257	(2,977)
BALANCE-MARCH 31, 2011	¥3,723	¥(37)	¥(4,164)	¥ (478)	¥64	¥604	¥89,500

Millions of dollars

	Shareholders' equity				
	Capital	Capital surplus	Earned surplus	Treasury stock, at cost	Total shareholders' equity
BALANCE-MARCH 31, 2010	$149,852	$119,646	$871,926	$(15,079)	$1,126,345
Dividends from surplus	—	—	(21,098)	—	(21,098)
Net income	—	—	8,325	—	8,325
Acquisition of treasury stock	—	—	—	(39,709)	(39,709)
Disposal of treasury stock	—	17	—	163	180
Decrease resulting from the change in scope of consolidation	—	—	—	—	—
Contribution to employees' welfare fund	—	—	—	—	—
Offset against deficit	—	(5,933)	5,934	—	1
Others	—	—	42	—	42
Net changes of items other than shareholders' equity	—	—	—	—	—
BALANCE-MARCH 31, 2011	$149,852	$113,730	$865,129	$(54,625)	$1,074,086

	Accumulated other comprehensive income						
	Unrealized gain on other securities	Deferred losses on hedges	Translation adjustments	Total accumulated other comprehensive income	Stock subscription rights	Minority interests	Total net assets
BALANCE-MARCH 31, 2010	$60,019	$ —	$(26,768)	$33,251	$658	$4,176	$1,164,430
Dividends from surplus	—	—	—	—	—	—	(21,098)
Net income	—	—	—	—	—	—	8,325
Acquisition of treasury stock	—	—	—	—	—	—	(39,709)
Disposal of treasury stock	—	—	—	—	—	—	180
Decrease resulting from the change in scope of consolidation	—	—	—	—	—	—	—
Contribution to employees' welfare fund	—	—	—	—	—	—	—
Offset against deficit	—	—	—	—	—	—	1
Others	—	—	—	—	—	—	42
Net changes of items other than shareholders' equity	(15,239)	(441)	(23,317)	(38,997)	116	3,085	(35,796)
BALANCE-MARCH 31, 2011	$44,780	$(441)	$(50,085)	$ (5,746)	$774	$7,261	$1,076,375

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, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2011	2010	**2011**
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 1,757	¥ 3,465	$ 21,132
Adjustments for:			
Depreciation	10,266	11,126	123,463
Loss on impairment	—	119	—
Amortization of negative goodwill	76	(100)	915
Decrease in allowance for doubtful accounts	(206)	(88)	(2,476)
Decrease in reserve for employees' retirement benefits	(444)	(830)	(5,338)
Increase (decrease) in retirement allowance for directors and corporate auditors	4	(61)	46
Decrease in prepaid pension expense	167	107	2,009
Increase in allowance for losses due to disaster	1,822	—	21,907
Interest and dividend income	(651)	(659)	(7,834)
Interest expenses	690	749	8,299
Loss on sales of property and equipment	330	1,449	3,968
Unrealized gains on securities and investment securities	49	—	586
Gain on sales of marketable securities	(210)	(204)	(2,528)
Decrease (increase) in trade notes and accounts receivable	6,339	(2,003)	76,237
Decrease in other inventories	1,161	4,720	13,959
Decrease (increase) in other current assets	44	(341)	534
Decrease in trade notes and accounts payable	(4,579)	(1,299)	(55,066)
(Decrease) increase in other liabilities	(1,975)	553	(23,758)
Other, net	(23)	175	(268)
Subtotal	14,617	16,877	175,787
Dividends and interest received	898	933	10,800
Interest paid	(697)	(751)	(8,379)
Income taxes paid	(2,309)	(1,212)	(27,766)
Net cash provided by operating activities	12,509	15,847	150,442
Cash flows from investing activities:			
Payments for purchases of tangible and intangible fixed assets	(12,058)	(17,969)	(145,010)
Payments for removal of tangible fixed assets	(245)	(498)	(2,948)
Proceeds from sales of tangible and intangible fixed assets	54	225	646
Purchase of investment securities	(18)	(118)	(220)
Payment for investment in interest	0	(103)	0
Proceeds from sales of investment securities	1,059	417	12,731
Increase in loans receivable	(60)	(24)	(726)
Collection of loans receivable	91	130	1,091
Purchase of shares in subsidiaries	(50)	—	(601)
Proceeds from sales of shares in subsidiaries	—	547	—
Payment for business transfer	(14)	—	(168)
Other, net	(191)	(289)	(2,279)
Net cash used in investing activities	(11,432)	(17,682)	(137,484)
Cash flows from financing activities:			
Net change in commercial paper	4,000	—	48,106
Net decrease in short-term loans	(1,017)	(3,936)	(12,234)
Proceeds from long-term debt	4,794	11,784	57,650
Repayments of long-term debt	(4,883)	(3,975)	(58,726)
Payments for purchases of treasury stock	(3,302)	(6)	(39,709)
Proceeds from sales of treasury stock	1	0	7
Dividends paid	(1,754)	(1,791)	(21,098)
Dividends paid to minority shareholders	(8)	(3)	(93)
Proceeds from issuance of bonds	4,965	—	59,714
Other, net	(76)	(71)	(901)
Net cash provided by financing activities	2,720	1,999	32,716
Effect of exchange rate changes on cash and cash equivalents	(264)	(261)	(3,186)
Net increase (decrease) in cash and cash equivalents	3,533	(97)	42,488
Cash and cash equivalents at beginning of year	7,213	7,264	86,749
Increase in cash and cash equivalents resulting from inclusion of consolidated subsidiaries	—	45	—
Cash and cash equivalents at end of year (Note 5)	¥10,746	¥ 7,213	$129,237

The accompanying notes are an integral part of these statements.

Kureha Corporation and its Consolidated Subsidiaries
Years ended March 31, 2011 and 2010

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 in conformity with accounting principles generally accepted in Japan, which are different, in certain respects, from the application and disclosure requirements of International Financial Reporting Standards.

From the fiscal year ended March 31, 2011, Japanese GAAP require a statement of comprehensive income, which is presented in the financial statements. To coincide with this change, accumulated other comprehensive income is provided within the consolidated balance sheets and consolidated statements of changes in net assets.

As permitted by the Financial Instruments and Exchange Law, for the fiscal year ended March 31, 2010, amounts of less than one million yen have been omitted. Consequently, totals shown in the accompanying consolidated financial statements for the fiscal year ended March 31, 2010 do not necessarily agree with the sums of the individual amounts.

For the fiscal year ended March 31, 2011, amounts of less than one million yen have been rounded to the closest million. Additionally, totals shown for the fiscal year ended March 31, 2011 will 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 ¥83.15 to U.S. $1, the rate of exchange prevailing at March 31, 2011. And, the amount of translation of millions of Japanese yen herein is rounded to thousands of U.S. dollars. 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 32 (33 in 2010) subsidiaries by the full consolidation method and 4 affiliates (2 in 2010) by the equity method as of March 31, 2011 (and 2010). 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 11 consolidated subsidiaries close their accounts at December 31. In preparing the consolidated financial statements, those accounts at December 31, 2010 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 the "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 (PITF) 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.

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 the 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, 2011 and 2010 were ¥163,339 million ($1,964,390 thousand) and ¥158,875 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.

(7) Retirement allowance for directors and corporate auditors

The retirement allowance for directors and corporate 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, 2011 and 2010 were 10,017,010 and 2,498,103 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.

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

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

(13) 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.

(14) Asset retirement obligations
The Company is applying the "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18, March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21, March 31, 2008) beginning with the consolidated fiscal year under review. The effect of this change was immaterial to the consolidated financial statements and the segment information for the year ended March 31, 2011.

(15) Presentation of income before minority interests
Effective the year ended March 31, 2011, the Company and its domestic consolidated subsidiaries have adopted the "Cabinet Office Ordinance for partial amendments of regulations on financial statements" (Cabinet Office Ordinance No. 5, March 24, 2009), corresponding to "Accounting Standard for consolidated financial statements" (ASBJ Statement No.22, December 26, 2008), and presented using an account of income before minority interests.

(16) Presentation of comprehensive income
The Company is applying the "Accounting Standards for Presentation of Comprehensive Income" (ASBJ Statement No. 25, June 30, 2010) from this fiscal year. However, the amounts for the "accumulated other comprehensive income" and "total accumulated other comprehensive income" in the previous fiscal year are reported in terms of "valuation and translation adjustments".

(17) Allowance for losses due to disaster
The Company's facilities were damaged by the earthquake occurred in the fiscal year of 2011. Thus, to provide for the expected expenses for recovery effort in the next fiscal year, the Company has estimated the amount of losses in question.

5. Cash and Cash Equivalents
The following table represents a reconciliation of cash and cash equivalents at March 31, 2011 and 2010:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Cash and time deposits	¥10,746	¥7,213	$129,237
Cash and cash equivalents	¥10,746	¥7,213	$129,237

6. Inventories

Inventories at March 31, 2011 and 2010, respectively, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Finished products	¥12,801	¥14,514	$153,949
Work-in-process	1,382	1,123	16,615
Raw materials and supplies	5,013	5,110	60,298
Total	¥19,196	¥20,747	$230,862

7. Financial Instruments and Related Disclosures

(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 capital for short-term ongoing operations is 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 terms and balances of major customers by each business administration department to identify the default risk of customers at an early stage. A credit limit is changed, if necessary, based on a periodic monitoring of customers' financial positions. 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 counterparty 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 prices in active markets. If quoted prices are 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, 2011 are as follows:
(This information excludes financial instruments whose fair value cannot be reliably determined)

	Millions of yen		
March 31, 2011	Carrying amount	Fair value	Unrealized gain/loss
Cash and time deposits	¥10,746	¥10,746	—
Notes receivable and accounts receivable	27,295		
Allowance for doubtful accounts	(99)		
Sub-total	27,196	27,196	—
Investment securities			
Other securities	17,347	17,347	—
Long-term loans receivable including current portion	2,035	2,101	66
Total assets	57,324	57,390	66
Notes payable and accounts payable	14,156	14,156	—
Short-term loans	8,363	8,363	—
Other payables	6,378	6,378	—
Bonds	20,000	20,641	(641)
Long-term debts including current portion	22,522	22,772	(250)
Total	¥71,419	¥72,310	(891)
Derivatives			
Not qualifying for hedge accounting	(25)	(25)	—
Qualifying for hedge accounting	(59)	(59)	—

	Thousands of U.S. dollars		
March 31, 2011	Carrying amount	Fair value	Unrealized gain/loss
Cash and time deposits	$129,237	$129,237	—
Notes receivable and accounts receivable	328,258		
Allowance for doubtful accounts	(1,188)		
Sub-total	327,070	327,070	—
Investment securities			
Other securities	208,627	208,627	—
Long-term loans receivable including current portion	24,468	25,265	797
Total assets	689,402	690,199	797
Notes payable and accounts payable	170,252	170,252	—
Short-term loans	100,583	100,583	—
Other payables	76,705	76,705	—
Bonds	240,529	248,238	(7,709)
Long-term debts including current portion	270,855	273,857	(3,002)
Total	858,924	869,635	(10,711)
Derivatives			
Not qualifying for hedge accounting	(296)	(296)	—
Qualifying for hedge accounting	(711)	(711)	—

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

	Book value	
March 31, 2011	Millions of yen	Thousands of U.S. dollars
Investments in equity instruments that do not have a quoted market price in an active market	**¥126**	**$1,514**

(5) **The aggregate annual maturities of financial assets at March 31, 2011**

	Millions of yen			
March 31, 2011	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	**¥10,746**	—	—	—
Notes receivable and accounts receivable	**27,295**	—	—	—
Long-term loans receivable	**57**	**494**	**601**	**882**
Total	**¥38,098**	**¥494**	**¥601**	**¥882**

	Thousands of U.S. dollars			
March 31, 2011	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	**$129,237**	—	—	—
Notes receivable and accounts receivable	**328,258**	—	—	—
Long-term loans receivable	**692**	**5,940**	**7,226**	**10,609**
Total	**$458,187**	**$5,940**	**$7,226**	**$10,609**

(6) The aggregate annual maturities of bonds and long-term debts at March 31, 2011

March 31, 2011	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
	Millions of yen					
Bonds	—	¥5,000	—	—	¥10,000	¥5,000
Long-term debts	¥5,092	4,870	¥4,934	¥2,805	2,369	2,452
Total	¥5,092	¥9,870	¥4,934	¥2,805	¥12,369	¥7,452

March 31, 2011	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
	Thousands of U.S. dollars					
Bonds	—	$ 60,132	—	—	$120,265	$60,132
Long-term debts	$61,234	58,570	$59,344	$33,736	28,485	29,486
Total	$61,234	$118,702	$59,344	$33,736	$148,750	$89,618

8. Securities

Investments in unconsolidated subsidiaries and affiliates amount to ¥2,827 million ($34,003 thousand) and ¥3,749 million at March 31, 2011 and 2010, respectively.

The acquisition cost and carrying amount of other securities whose fair value were available as of March 31, 2011 were as follows:

	Acquisition cost	Carrying amount	Unrealized gains (losses)
	Millions of yen		
Securities with unrealized gains:			
Equity securities	¥ 6,773	¥14,298	¥7,525
Sub-total	6,773	14,298	7,525
Securities with unrealized losses:			
Equity securities	4,176	3,049	(1,127)
Sub-total	4,176	3,049	(1,127)
Total	¥10,949	¥17,347	¥6,398

	Acquisition cost	Carrying amount	Unrealized gains (losses)
	Thousands of U.S. dollars		
Securities with unrealized gains:			
Equity securities	$ 81,458	$171,956	$90,498
Sub-total	81,458	171,956	90,498
Securities with unrealized losses:			
Equity securities	50,220	36,671	(13,549)
Sub-total	50,220	36,671	(13,549)
Total	$131,678	$208,627	$76,949

The acquisition cost and carrying amount of available-for-sale securities whose fair values were available as of 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

Proceeds from sales of available-for-sale securities and related gross realized gains and losses on those sales for the years ended March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	**2011**
Proceeds from sales	**¥0**	¥964	**$2**
Gross realized gains	**0**	205	**1**
Gross realized losses	**—**	(0)	**—**

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

Short-term loans and long-term debt as of March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Short-term loans with average interest rate of 0.81%	¥ 8,363	¥ 9,761	$100,583
Current portion of long-term debt with average interest rate of 1.72%	5,092	5,048	61,235
sub-Total	13,455	14,809	161,818
Unsecured bonds maturing on March 8, 2013 with the interest rate of 1.60%	5,000	5,000	60,132
Unsecured bonds maturing on June 17, 2015 with the Interest rate of 2.06%	10,000	10,000	120,265
Unsecured bonds maturing on September 15, 2017 with the Interest rate of 0.95%	5,000	—	60,132
Long-term debt maturing in 2012 through 2028 with average interest rate of 1.72%	17,430	18,160	209,615
Total	¥50,885	¥47,969	$611,962

The aggregate annual maturities of long-term debt at March 31, 2011 were as follows:

Year ending March 31	Millions of Yen	Thousands of U.S. Dollars
2013	¥4,870	$58,570
2014	4,934	59,344
2015	2,805	33,736
2016	¥2,369	$28,486

The aggregate annual maturities of lease obligations at March 31, 2011 were as follows:

Year ending March 31	Millions of Yen	Thousands of U.S. Dollars
2012	¥94	$1,130
2013	93	1,117
2014	69	825
2015	29	346
2016 and thereafter	6	76

Average interest rate on lease obligations is omitted since above lease obligations recorded in the consolidated balance sheet at March 31, 2011 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 ¥2,511 million (US$30,194 thousand) and ¥3,661 million as at March 31, 2011 and 2010, respectively:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Buildings and structures	¥13,330	¥15,082	$160,315
Machinery, equipment and vehicles	9,729	12,202	117,000
Land	4,257	4,768	51,198
Investments in securities	4,698	5,574	56,505
Total	¥32,014	¥37,628	$385,018

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, 2011 and 2010 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Total commitment available	¥11,388	¥11,760	$136,953
Amount utilized	1,167	490	14,026
Balance available	¥10,221	¥11,269	$122,927

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, 2011 and 2010 consisted of the following

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Projected benefit obligations	¥(22,206)	¥(23,011)	$(267,056)
Plan assets	17,959	18,687	215,975
Funded status	(4,247)	(4,324)	(51,081)
Unrecognized actuarial differences	5,620	5,402	67,596
Sub-total	1,373	1,078	16,515
Prepaid pension cost	2,142	2,309	25,767
Reserve for employees' retirement benefits	¥ (769)	¥ (1,231)	$ (9,252)

Net pension expenses related to the retirement benefits for the years ended March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Service cost	**¥ 937**	¥1,033	**$11,265**
Interest cost	**396**	635	**4,763**
Expected return on plan assets	**(327)**	(521)	**(3,931)**
Amortization of actuarial differences	**597**	603	**7,178**
Amortization of past service liabilities	**(347)**	(839)	**(4,166)**
Net pension expense	**¥1,256**	¥ 911	**$15,109**

Note: In addition to above expenses, the Company and its domestic consolidated subsidiaries recorded merit allowances amounting to ¥25 million ($303 thousand) and ¥29 million for the years ended March 31, 2011 and 2010, respectively.

Assumptions used in calculation of the above information for the years ended March 31, 2011 and 2010 were as follows:

	2011	2010
Discount rate	**1.736%**	1.736%
Expected rate of return on plan assets	**1.736%**	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, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Deferred tax assets:			
Unrealized gains on fixed assets	¥ 944	¥ 1,068	$ 11,348
Reserve for employees' retirement benefits	287	444	3,448
Retirement allowance for directors and corporate auditors	147	147	1,772
Accrued bonuses	795	864	9,566
Research and development costs	269	339	3,235
Loss on disposal or sales of fixed assets	316	241	3,802
Accrued expenses	524	541	6,297
Write-down of inventories	461	810	5,545
Accrued enterprise tax and business place tax	—	215	—
Loss on impairment	519	591	6,248
Tax loss carried forward	1,403	1,408	16,868
Allowance for doubtful accounts	—	100	—
Casualty loss	886	—	10,658
Loss on withdraw	171	—	2,053
Asset retirement obligations	314	—	3,771
Others	910	566	10,948
Sub-total	7,946	7,339	95,559
Valuation allowance	(1,397)	(1,639)	(16,802)
Total deferred tax assets	6,549	5,700	78,757
Deferred tax liabilities:			
Net unrealized gains on other securities	(2,583)	(3,452)	(31,066)
Prepaid pension expenses	(850)	(751)	(10,224)
Shortfall in depreciation	(856)	(684)	(10,300)
Sale of affiliate shares	—	(338)	—
Retained earnings of subsidiaries	(310)	(189)	(3,734)
Asset retirement obligations	(218)	—	(2,622)
Others	(179)	(131)	(2,138)
Total deferred tax liabilities	(4,996)	(5,547)	(60,084)
Net deferred tax assets	¥ 1,553	¥ 152	$ 18,673

Reconciliations of the difference between the statutory income tax rate and the effective income tax rate for the years ended March 31, 2011 and 2010 were as follows:

	2011	2010
Statutory income tax rate:	40.44%	40.44%
Expense not deductible for tax purpose	7.74	5.65
Non-taxable revenue	(7.63)	(3.65)
Tax credit for research and development costs	(8.34)	(7.87)
Sale of affiliate shares	—	8.26
Retained earnings of overseas subsidiaries	6.89	5.47
Valuation allowance	(11.14)	9.24
Amounts recognized unrealized gains tax effect	15.29	—
Others	2.04	(0.42)
Effective income tax rate	45.29%	57.12%

14. Commitments and Contingent Liabilities

The Group guarantees employees' bank loans to the amounts of ¥244 million ($2,928 thousand) and ¥302 million as of March 31, 2011 and 2010, 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: ¥24 million ($284 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 of 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	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 of 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 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 of 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

	4th Stock Option Plan
Persons granted	8 directors of the Company
Number of stock options by type of shares	Common stock 55,300 shares
Grant date	July 21, 2010
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 of 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, 2010 to June 24, 2011
Exercise period	From July 21, 2010 to July 20, 2040

b. Volume and activity of stock options:

Volume of stock options:

	1st Stock Option Plan	2nd Stock Option Plan	3rd Stock Option Plan	4th Stock Option Plan
Before vesting:				
At March 31, 2010	30,400	32,000	55,500	—
Granted	—	—	—	55,300
Forfeited	—	—	—	—
Vested	8,300	8,500	10,200	—
Outstanding	22,100	23,500	45,300	55,300
After vesting;				
At March 31, 2010	—	—	—	—
Vested	8,300	8,500	10,200	—
Exercised	8,300	8,500	10,200	—
Forfeited	—	—	—	—
Outstanding	—	—	—	—

Price information:

	1st Stock Option Plan		2nd Stock Option Plan		3rd Stock Option Plan		4th Stock Option Plan	
	Exercised	Outstanding	Exercised	Outstanding	Exercised	Outstanding	Exercised	Outstanding
	Yen		Yen		Yen		Yen	
Exercise price	—	¥1	—	¥1	—	¥1	—	¥1
Average stock price at the time of exercise	438	—	438	—	438	—	—	—
Fair value at the date of grant	—	¥551	—	¥566	—	¥487	—	¥406

c. Valuation method for fair value of stock options:

The valuation method for fair value of 2010 stock options granted during the year ended March 31, 2011 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	4th Stock Option Plan
Stock price volatility	21.1%	21.3%	30.2%	34.2%
Expected years to expiration	5.9 years	4.9 years	5.0 years	4.0 years
Expected dividends	¥10 per share	¥10 per share	¥10 per share	¥10 per share
Risk-free interest rate	1.61%	1.20%	0.72%	0.24%

d. Estimation method for the vested number of stock options

Since it is difficult to make a reasonable estimate on future forfeited stock options, the 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, 2011 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, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Salaries and wages	¥6,486	¥6,690	$78,009
Provision for bonuses	692	893	8,322
Retirement benefit expenses	644	129	7,744
Research and development expenses	¥5,502	¥6,240	$66,175

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, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Gain on sales of property and equipment:			
Buildings and structures	¥ —	¥ 39	$ —
Machinery, equipment and vehicles	4	8	46
Land	—	48	—
Total	¥ 4	¥ 96	$ 46
Loss on disposal of property and equipment:			
Buildings and structures	¥ 165	¥ 348	$1,983
Machinery and equipment	130	1,084	1,563
Others	38	85	463
Total	¥ 333	¥1,518	$4,009
Loss on sales of property and equipment:			
Machinery and equipment	¥ —	¥ 27	$ —
Land	0	—	6
Total	¥ 0	¥ 27	$ 6

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, 2011 and 2010:

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, Ibaragi Pref.	Deteriorated operating ratio due to business withdrawal
	Welfare facilities	Buildings and structures	Komitama city, Ibaragi Pref.	To be disposed

There were no losses on impairment on asset for the year ended March 31, 2011. Total losses on impairment on above asset group for the years ended March 31, 2010 amounted to ¥371 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 is 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 for 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 with are limited to highly creditworthy financial institutions that 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, 2011 and 2010 are as follows:

	Millions of yen					
	2011			2010		
	Contract amount	Fair value	Unrealized gain (loss)	Contract amount	Fair value	Unrealized gain (loss)
Foreign exchange forward contracts:						
Selling:						
U.S. dollars	¥507	¥ (6)	¥ (6)	¥466	¥481	¥(14)
Euro	547	(20)	(20)	559	575	(15)
Buying:						
U.S. dollars	¥ 47	¥ 1	¥ 1	¥ 92	¥ 93	¥ 0
Euro	82	0	0	37	36	(0)
Total	—	¥(25)	¥(25)	—	—	¥(29)

	Thousands of U.S. dollars		
	2011		
	Contract amount	Fair value	Unrealized gain (loss)
Foreign exchange forward contracts:			
Selling:			
U.S. dollars	$6,102	$ (65)	$ (65)
Euro	6,580	(244)	(244)
Buying:			
U.S. dollars	$ 565	$ 7	$ 7
Euro	986	6	6
Total	—	$(296)	$(296)

Fair value is calculated using the forward rates.

Derivative contracts to which hedge accounting is applied at March 31, 2011 are as follows:

(1) Currency related

At March 31, 2011					Millions of yen
Hedge accounting method	Classification of derivative contracts	Major hedged items	Contract amount	Contract amount over one year	Fair value
Principle processing method	Foreign exchange contract (selling) in Euro	Accounts receivable	¥725	¥—	¥(27)

At March 31, 2011					Thousands of U.S. dollars
Hedge accounting method	Classification of derivative contracts	Major hedged items	Contract amount	Contract amount over one year	Fair value
Principle processing method	Foreign exchange contract (selling) in Euro	Accounts receivable	$8,718	$—	$(324)

(2) Interest rate related

At March 31, 2011					Millions of yen
Hedge accounting method	Classification of derivative contracts	Major hedged items	Contract amount	Contract amount over one year	Fair value
Principle processing method	Interest rate swaps: (fixed rate payment, floating rate receipt)	Long-term debt	¥ 815	¥ 815	¥(32)
Interest rate swaps meeting certain conditions	Interest rate swaps: (fixed rate payment, floating rate receipt)	Long-term debt	3,443	2,003	(Note 2)
	Total		¥4,258	¥2,818	¥(32)

At March 31, 2011					Thousands of U.S. dollars
Hedge accounting method	Classification of derivative contracts	Major hedged items	Contract Amount	Contract amount over one year	Fair value
Principle processing method	Interest rate swaps: (fixed rate payment, floating rate receipt)	Long-term debt	$ 9,800	$ 9,800	$(387)
Interest rate swaps meeting certain conditions	Interest rate swaps: (fixed rate payment, floating rate receipt)	Long-term debt	41,407	24,089	(Note 2)
	Total		$51,207	$33,889	$(387)

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. Comprehensive Income

(1) Total comprehensive income for the year ended March 31, 2010 was as follows:

	2010
Total comprehensive income attributable to:	
Owners of the parent	¥2,749
Minority interests	(47)
Total comprehensive income	¥2,701

(2) Other comprehensive income for the year ended March 31, 2010 consisted of the following:

	2010
Other comprehensive income:	
Unrealized gain on other securities	¥1,267
Deferred gain on hedges	5
Translation adjustments	(56)
Total other comprehensive income	¥1,215

23. Per Share Information

Net assets per share at March 31, 2011 and 2010 and net income per share for the years then ended were as follows:

	Yen		U.S. dollars
	2011	2010	2011
Net assets per share	¥517.47	¥538.10	$6.22
Basic net income per share	3.97	8.77	0.05
Diluted net income per share	3.97	8.77	0.05

Above per share information was computed using the following data:

	Millions of yen or shares		Thousands of U.S. dollars
	2011	2010	2011
Net assets per share:			
Total net assets per consolidated balance sheets	¥ 89,501	¥ 96,822	$ 1,076,375
Net assets attributed to common stock	¥ 88,832	¥ 96,420	$ 1,068,340
Differences – Minority interests	¥ 604	¥ 347	$ 7,262
– Stock subscription rights	¥ 64	¥ 54	$ 774
Number of outstanding shares of common stock	181,683,909	181,683,909	—
Number of treasury stock	10,017,010	2,498,103	—
Number of common stock used in computing net assets per share	171,666,899	179,185,806	—
Basic net income per share:			
Net income per consolidated statements of income	¥ 692	¥ 1,571	$ 8,325
Net income attributed to common stock	¥ 692	¥ 1,571	$ 8,325
Weighted average number of common stock during the period	174,390,413	179,182,518	—
Diluted net income per share:			
Number of increased common stock used in computing diluted net income per share (stock subscription rights)	135,442	108,770	—

24. Segment Information

(1) Overview of the reportable segments

The Company's reportable segments are determined on the basis that separate financial information of such segments are available and examined periodically by the Board of Directors to make decisions regarding the allocation of management resources and assess the business performances of such segments within the Group. The Company has separate divisions by

product, and each division formulates a comprehensive strategy for business activities in domestic and overseas markets.
Major products and services for each segment are as follows:

Segment	Products and services
Advanced Materials	PPS resin, PVDF resin, antistatic resin Carbon fiber, bead-shaped activated carbon, anode materials for lithium ion batteries, PGA (polyglycolic acid) resin
Specialty Chemicals	Therapeutic agent for chronic renal failure, anti cancer agent, agricultural and horticultural fungicide, granular potting soil, horticultural potting soil Caustic soda, hydrochloric acid, liquid chlorine, sodium hypochlorite Monochlorobenzene, para-dichlorobenzene, ortho-dichlorobenzene
Specialty Plastics	Household plastic wrap, garbage bags for kitchen sink, cookie sheet, plastic containers. PVDF fishing line, PVDC film, PVDC compound Multilayer shrinkable film, multilayer bottle, high barrier lamination film, Machinery for auto-seal food packaging
Construction Related	Civil engineering and construction contracting business, industrial facility design, construction and management service
Other Operations	Environmental engineering and industrial waste treatment business, transport and warehousing business, laboratory tests, analysis, measurement, and inspection service

(2) Valuation method for reportable segment profit (loss) and asset amounts

The accounting method for reportable business segments is presented in accordance with "Summary of Significant Accounting Policies." The reportable segment profit figures are based on operating profit. Inter-segment internal rates of return and the amounts transferred are presented based on the current market prices at the time of this report.

(3) Segment information by type of business

	Millions of yen							
	2011							
	Reportable Segment							
	Advanced Materials	Specialty Chemicals	Specialty Plastics	Construction Related	Other	Total	Adjustment (Note 1)	Consolidated (Note 2)
Sales:								
Outside customers	¥33,391	¥33,552	¥41,092	¥12,760	¥11,514	¥132,309	¥ —	¥132,309
Inter-segment	881	343	1,018	6,951	7,507	16,700	(16,700)	—
Total	34,272	33,895	42,110	19,711	19,021	149,009	(16,700)	132,309
Segment profit (loss)	363	5,203	1,790	(387)	39	7,008	(658)	6,350
Segment assets	¥54,394	¥21,884	¥27,648	¥ 9,747	¥12,068	¥125,741	¥56,012	¥181,753
Depreciation	3,382	1,897	1,876	121	845	8,121	2,145	10,266
Increase in tangible fixed assets and intangible fixed assets	7,815	1,442	1,986	25	1,268	12,537	1,539	14,076

	Thousands of U.S. dollars							
	2011							
	Reportable Segment							
	Advanced Materials	Specialty Chemicals	Specialty Plastics	Construction Related	Other	Total	Adjustment (Note 1)	Consolidated (Note 2)
Sales:								
Outside customers	$401,576	$403,513	$494,189	$153,453	$138,481	$1,591,212	$ —	$1,591,212
Inter-segment	10,590	4,124	12,246	83,599	90,282	200,841	(200,841)	—
Total	412,166	407,637	506,435	237,052	228,763	1,792,053	(200,841)	1,591,212
Segment profit (loss)	4,368	62,571	21,525	(4,653)	469	84,280	(7,912)	76,368
Segment assets	$654,170	$263,185	$332,511	$117,216	$145,137	$1,512,219	$673,629	$2,185,847
Depreciation	40,676	22,818	22,557	1,454	10,164	97,669	25,794	123,463
Increase in tangible fixed assets and intangible fixed assets	93,982	17,347	23,890	306	15,255	150,781	18,508	169,289

	Millions of yen							
	2010							
	Reportable Segment							
	Advanced Materials	Specialty Chemicals	Specialty Plastics	Construction Related	Other	Total	Adjustment (Note 1)	Consolidated (Note 2)
Sales:								
Outside customers	¥28,423	¥35,831	¥42,430	¥17,502	¥10,418	¥134,606	¥ —	¥134,606
Inter-segment	668	165	1,284	8,373	8,100	18,592	(18,592)	—
Total	29,092	35,997	43,714	25,876	18,519	153,199	(18,592)	134,606
Segment profit (loss)	(3,645)	6,619	1,948	578	812	6,313	(606)	5,706
Segment assets	¥51,370	¥22,593	¥32,143	¥10,251	¥14,338	¥130,698	¥53,925	¥184,623
Depreciation	4,103	1,975	1,913	140	758	8,890	2,236	11,126
Increase in tangible fixed assets and intangible fixed assets	9,337	928	2,695	90	1,945	14,997	1,946	16,943

Notes: 1. Adjustment for segment profit (loss) is due to inter-segment elimination.
Adjustment for segment asset includes corporate assets such as cash and cash equivalents, investment securities, and other corporate shared facilities that are not allocated to each reportable segment.
Adjustment for depreciation is mainly for the depreciation of corporate shared facilities.
Adjustment for increase in tangible fixed assets and intangible fixed assets is mainly for the investment to corporate shared facilities.
2. Segment profit (loss) is adjusted with operating income on the consolidated statements of income.

Geographical segment information of the Company for the year ended March 31, 2011 is summarized as follows:

	Millions of yen				
	2011				
	Japan	Europe	Asia	Other	Total
Sales	**¥101,696**	**¥12,028**	**¥13,036**	**¥5,549**	**¥132,309**

	Thousands of U.S. dollars				
	2011				
	Japan	Europe	Asia	Other	Total
Sales	**$1,223,038**	**$144,655**	**$156,781**	**$66,738**	**$1,591,212**

Notes: Sales is categorized by country and regions based on customer's location.

	Millions of yen			
	2011			
	Japan	United States	Other	Total
Tangible fixed assets	**¥65,358**	**¥13,697**	**¥4,862**	**¥83,917**

	Thousands of U.S. dollars			
	2011			
	Japan	United States	Other	Total
Tangible fixed assets	**$786,029**	**$164,726**	**$58,475**	**$1,009,230**

Major customers segment information
Major customers segment information is not shown since there is no customer accounting for more than 10% of the sales to customers in the consolidated statements of income.

Information on impairment of fixed assets for each reportable segment
There is no information to be reported on impairment of fixed assets for each reportable segment.

Information on amortization of goodwill and its remaining balance for each reportable segment
There is no information to be reported on amortization of goodwill and its remaining balance.

Information on gain in negative goodwill for each reportable segment
There is no information to be reported on gain in negative goodwill.

Geographic segment information of the Group for the years ended March 31, 2010 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

Additional information

Effective the year ended March 31, 2011, the Company and its domestic consolidated subsidiaries have adopted the "Accounting Standard for Disclosures about Segments of an Enterprise and Related information" (ASBJ Statement No. 17, March 27, 2009) and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related information" (ASBJ Guidance No. 20, March 21, 2008). Under the new accounting standard and guidance, an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

25. Losses due to disaster

Losses recorded due to the Great East Japan Earthquake are as follows:

	Millions of yen	Thousands of U.S. dollars
Estimated cost for facility restoration	¥1,821	$21,907
Fixed costs of operation during suspension	1,330	15,989
Disposal of inventories	222	2,665
Total	¥3,373	$40,561

26. Subsequent Events

The following appropriation of retained earnings has been approved by the general meeting of shareholders held on April 20, 2011.

	Millions of yen	Thousands of U.S. dollars
Cash dividends at ¥5.00 ($0.06) per share	¥858	$10,323

MAIN GROUP COMPANIES BY SEGMENT

(As of March 31, 2011)

The Kureha Group consists of Kureha Corporation, 36 subsidiaries (of which 32 are consolidated), and 4 affiliates (of which 1 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.

Kureha Extech Co., Ltd.

Manufactures and sells advanced materials. Sells some products to Kureha.

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

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.

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.

CONSTRUCTION RELATED & OTHERS

Kurehanishiki Construction Group
(Kurehanishiki Construction Co., Ltd., and three subsidiaries)

Undertakes engineering and construction work.

Kureha Engineering Group

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

Kureha Trading Co., Ltd.

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.

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 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 24, 2011)

Board Of Directors

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

Board Of Corporate Auditors

Yasumasa HIRANO	Corporate Auditor
Yutaka AKUNE	Corporate Auditor
Youichi KIYOSUKE	Corporate Auditor
Masaru KITAMURA	Corporate Auditor

Executive Officers

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

INVESTOR INFORMATION

(As of March 31, 2011)

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	4,078 (consolidated) 1,626 (non-consolidated)
Independent Auditor	Nihombashi Corporation

Stock Information

Number of Shares of Common Stock Issued	181,683,909 shares
Number of Shareholders	16,075
Number of Shares Held by Foreign Shareholders	34,715,000 (19.1% of total)
Stock Exchange Listings	Tokyo Stock Exchange
Transfer Agent	Mizuho Trust & Banking Co., Ltd.

Major Stockholders

Meiji Yasuda Life Insurance Company
Tokio Marine & Nichido Fine Insurance Co., Ltd.
The Master Trust Bank of Japan Ltd. (Trust account)
Japan Trustee Service Bank. Ltd. (Trust account)
SSB Client Omnibus OM04
Daiichi Sankyo Company Ltd.
Juniper
Mizuho Corporate Bank, Ltd.
The Nomura Trust and Banking Co., Ltd. (Trust account)
Mizuho Trust and Banking Co., Ltd.

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

KUREHA CORPORATION

VEGETABLE OIL INK