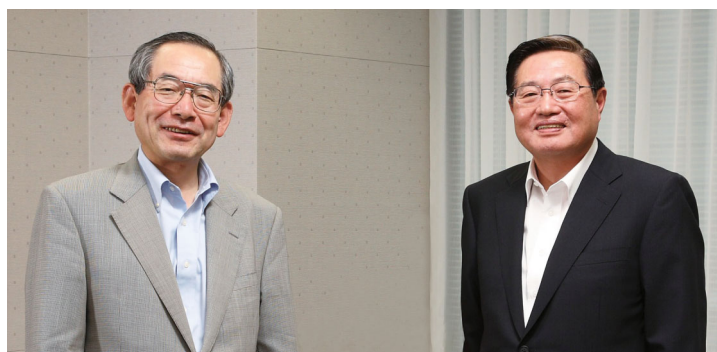


# To Our Shareholders

Yasuaki Wakui  
Representative Director and  
Chairman

*Y. Wakui*



Fumio Ito  
Representative Director and  
President

*F. Ito*

Thank you for your continued support of the Kuraray Group.

In the 127th period (fiscal 2007: the fiscal period beginning April 1, 2007 and ended March 31, 2008), the business environment was favorable, with the Japanese economy in particular seeing increased capital investments and exports on the back of higher corporate earnings. Meanwhile, there were signs of a global economic slowdown stemming from soaring raw material and fuel prices along with complications in U.S. financial markets. With earnings under pressure due to the impact of soaring prices, Kuraray found itself in difficult circumstances, but managed to respond through all-out Group efforts to create more high-value-added products, revise prices, cut costs and implement other measures.

In addition, on October 1, 2007, Kuraray's industry sector affiliation on the Tokyo Stock Exchange and Osaka Securities Exchange was changed from "Textiles and Apparels" to "Chemicals." As a specialty chemical company, both in name and reality, the Kuraray Group has taken bold actions to tackle priority issues raised in GS-21, its medium-term business plan covering the fiscal years 2006 through 2008.

As a result of these efforts, net sales totaled ¥417.6 billion, operating income was ¥48.1 billion, net income was ¥25.6 billion. This marks the sixth consecutive year of increased revenues and earnings, with Company records set in every net sales and income category.

Fiscal 2008 marks the final year of the GS-21 Medium-term Business Plan. Although the business environment is growing increasingly harsh as sharp increases in raw material and fuel prices continue, the entire Group is working flat out to apply the strategies and measures contained in the business plan, and to achieve its targets of ¥450 billion in net sales and ¥50 billion in operating income. In mid 2008, Kuraray will begin to formulate its new medium-term business plan, which commences from fiscal 2009. As its 10-Year Corporate Vision net sales target of ¥1 trillion comes within range, Kuraray is developing a practical execution plan for further strengthening and expanding its core businesses, while creating new businesses in preparation for the next leap forward.

Moreover, having targeted a dividend payout ratio of 30% or more of net income, Kuraray aims to increase dividends through further improvements in earnings. Seeking to raise capital efficiency, Kuraray has targeted a 70% shareholder return ratio (combining dividends paid and share buybacks) in the three years of the medium-term business plan. Based on this policy, the period-end cash dividend was ¥11.0 per share (as shown in the attached guide), and the annual dividend was ¥22.0 per share, an increase of ¥3.5.

We ask for the continued understanding and generous support of our valued shareholders.