



*... To be a leading specialty products company
developing its business globally >>*

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

<i>Mission</i>	The pursuit of excellence
<i>Corporate philosophy</i>	<ul style="list-style-type: none"> •We treasure people and the natural environment •We constantly evolve through innovation •We contribute to society by developing beneficial products
<i>Employee code of conduct</i>	<p>We always act as global corporate citizens, recognizing our corporate social responsibilities.</p> <ul style="list-style-type: none"> •In relation to our clients: Customer satisfaction is our prime priority •In relation to our work: We will always pursue progress and innovation We will maintain a global perspective as we respond to change •In relation to our colleagues: Mutual respect and teamwork will always be fundamental to sound employee relationships

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Forward-looking statements

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

Consolidated Financial Highlights

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

	Millions of yen		Percentage change	Thousands of U.S. dollars
	2007	2006	2007/2006	2007
For the year:				
Net sales	¥146,256	¥135,627	7.8%	\$1,238,932
Operating income	11,841	9,708	22.0	100,307
Net income	5,832	5,172	12.8	49,403
Capital expenditure	10,678	11,984	-10.9	90,450
Depreciation	9,115	7,899	15.4	77,211
R&D expenses	6,865	7,406	-7.3	58,156
Year-end:				
Total assets	¥196,107	¥185,203	5.9%	\$1,661,219
Net assets	107,349	99,588	7.8	909,356
Interest-bearing debt	32,470	35,383	-8.2	275,051
Amounts per share:				
	Yen		Percentage change	U.S. dollars
Net income	¥ 31.58	¥ 27.61	14.4%	\$0.27
Net assets	578.09	535.26	8.0	4.90
Ratios:				
	Percent		Change	
Net income to net sales	4.0%	3.8%	0.2%	
Return on equity	5.7	5.4	0.3	
Return on assets	6.1	5.1	1.0	
Equity ratio	54.2	53.1	1.1	

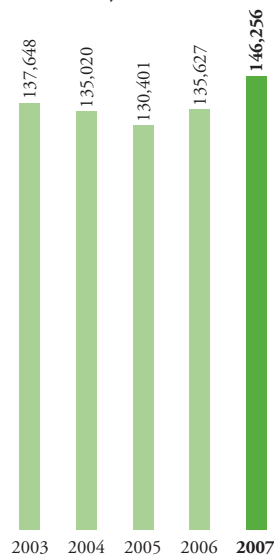
Notes: 1. For convenience only, U.S. dollar amounts have been translated from Japanese yen at the rate of ¥118.05 to US\$1, the rate of exchange prevailing on the Tokyo Foreign Exchange Market on March 31, 2007.

2. For amounts per share, see Note 18 of the Notes on Consolidated Financial Statements.

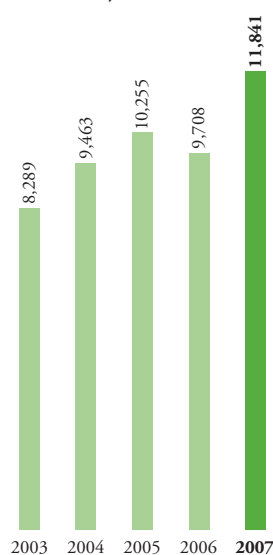
3. Return on equity = [Net income / (Average net assets - Average minority interests)] x 100.

4. Return on assets = (Net income / Average total assets) x 100.

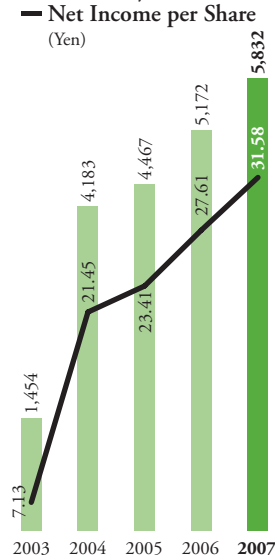
Net Sales
(Millions of yen)



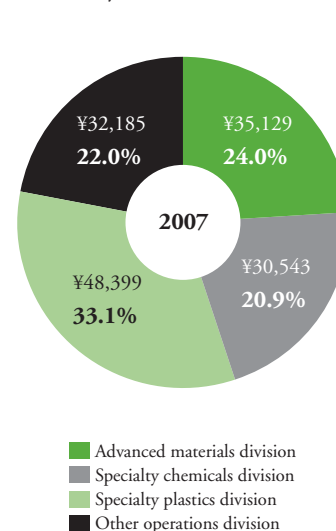
Operating Income
(Millions of yen)



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



Sales by Segment
(Millions of yen)



Message from the President

To be a leading specialty products company developing its business globally

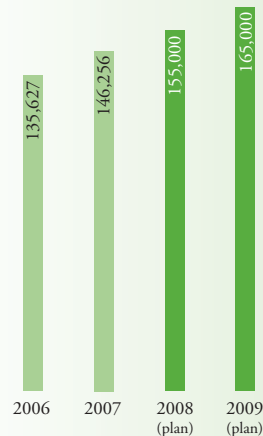
Kureha is a dynamic company that is constantly evolving to meet the changing needs and challenges of the markets in which we operate. As Kureha's President, I would like to take this opportunity to look at some of the changes that have been successfully implemented in recent years, as well as explain some of our key goals for the future.

To mark the celebration of its sixtieth anniversary in 2005, Kureha unveiled a new corporate name and identity that is in line with its strategy to pursue continued success and growth in the 21st century. On October 1, 2005, the Company changed its name from Kureha Chemical Industry Co., Ltd., to Kureha Corporation. The move reflected a determination to pursue sustained growth by expanding beyond the chemical industry to be a leading specialty products company that develops its business globally.

In 2001 Kureha introduced a mid-term business plan that moved the Company away from manufacturing commodity chemicals to instead become a specialty products business, radically redefining the way we approach our business. Building on the early successes of this program, Kureha unveiled an updated plan for the period 2005 to 2009, which reinforced the focus on manufacturing high value-added, highly differentiated products and set the Company on a path of further growth. Kureha's continued aim is to dramatically expand its operations and maximize profitability, while at the same time retain its commitment to research and development and the Kureha spirit of constant evolution through innovation.

Rolling Plan Initiatives

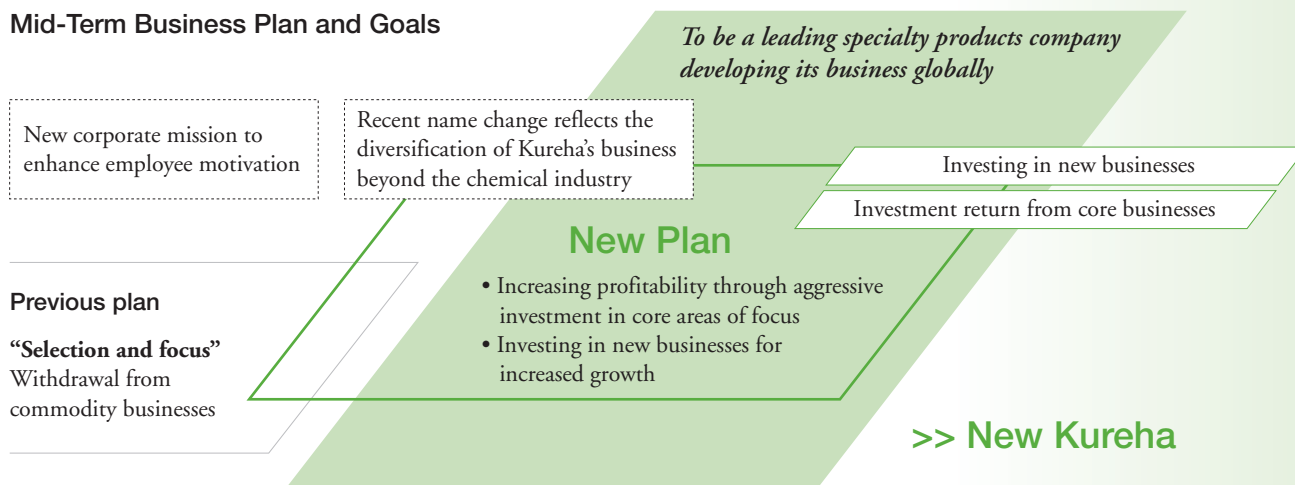
Net Sales
(Millions of yen)



Operating Income
(Millions of yen)



Mid-Term Business Plan and Goals



Kureha now concentrates specifically on key growth businesses including advanced products, pharmaceuticals and agrochemicals, and high barrier packaging materials. The entrepreneurial spirit that has been evident at Kureha since the foundation of the Company more than sixty years ago remains prominent as we seek product areas that allow Kureha to exert its global expertise and maximize value. In an era of increased globalization and heightened competition, the survival and success of a company will be determined by its ability to operate flexibly and adapt to changing market conditions. The ability to leverage the flexibility gained via Kureha's new approach will be vital to support continued growth and secure a successful future.

In 2005, Kureha introduced a four-year mid-term business plan for the period 2005 to 2009. Under the terms of this plan, Kureha aims to aggressively invest in core businesses in order to expand business operations, maximize profits and build a platform for sustainable growth. To flexibly respond to changes in the business and economic environment, the business plan is reviewed and refined each year and any material changes are announced accordingly. As was stated in a revised version of the plan announced in December 2006, Kureha anticipates annual net sales of ¥165 billion and operating income of ¥16.5 billion by the fiscal year ending March 2009.

For the fiscal year ended March 31, 2007, Kureha posted consolidated net sales of ¥146.3 billion, up 7.8% from previous year, a 22.0% rise in operating income to ¥11.8 billion, and a 12.8% rise in net income to ¥5.8 billion.

Fully aware of the responsibilities that come with being a key stakeholder in the communities in which we operate, Kureha aims to maximize value while remaining committed to environmental and compliance issues. In doing so, we hope to contribute to the local community as a responsible corporate citizen. Furthermore, our commitment to these responsibilities extends to all Kureha Group companies.

We look forward to your continued support.

June 2007



Takao Iwasaki
President & Chief Executive Officer



The Year's Highlights

Strengthening production capacity at Iwaki Factory

In line with the mid-term business plan, aggressive capital expenditure has been made in core business areas. During the fiscal year ended March 31, 2007, Kureha made the following investments:

- Completed construction measures necessary to raise production capacity for PPS resin, a super engineering plastic, at the Iwaki factory to 10,000 tonnes per year from 7,500 tonnes per year.
- Completed construction measures necessary to raise production capacity for carbon fiber materials used at production facilities for semiconductors and solar batteries at the Iwaki factory to 1,100 tonnes per year.
- Completed an upgrade of in-house power plant and began operations. As a result, Kureha benefits from a highly-efficient, environmentally friendly and state-of-the-art coal-based fuel supply.

In-house power plant



Overseas license agreement for *Kremezin*



Kremezin (Therapeutic agent for chronic kidney disease)

Kureha agreed a license contract with Mitsubishi Pharma Corporation for the exclusive development and distribution rights for the drug for treatment of chronic kidney disease, "*Kremezin*," globally, except for Japan and in parts of Asia.

Kremezin, the world's first therapeutic agent for chronic kidney disease is a unique spherical adsorptive carbon for uremic toxins that utilizes carbon material technology and is now a mainstay in the field of pharmaceuticals. Kureha will share the expertise acquired during the development of *Kremezin* with Mitsubishi Pharma, which in return will move swiftly to perform Phase III clinical trials focusing on Europe and the U.S. in order to acquire sales approval.

Strong demand for *NEW Krewrap*



NEW Krewrap TV commercial

N*EW Krewrap*, a household wrap that utilizes Kureha's original cutting method, has displayed improved profit margins following a streamlining of costs and increased customer demand in response to efforts to increase user convenience. In 2006, the product won the Good Design Award due to improved functionality and convenience of use, as well as the 2006 Technical Packaging Award, presented at the Japan Packaging Contest. Further upgrades have been made in early 2007 aimed at providing greater convenience of use and more environmentally friendly features.

Significantly improved profitability of overseas food packaging materials

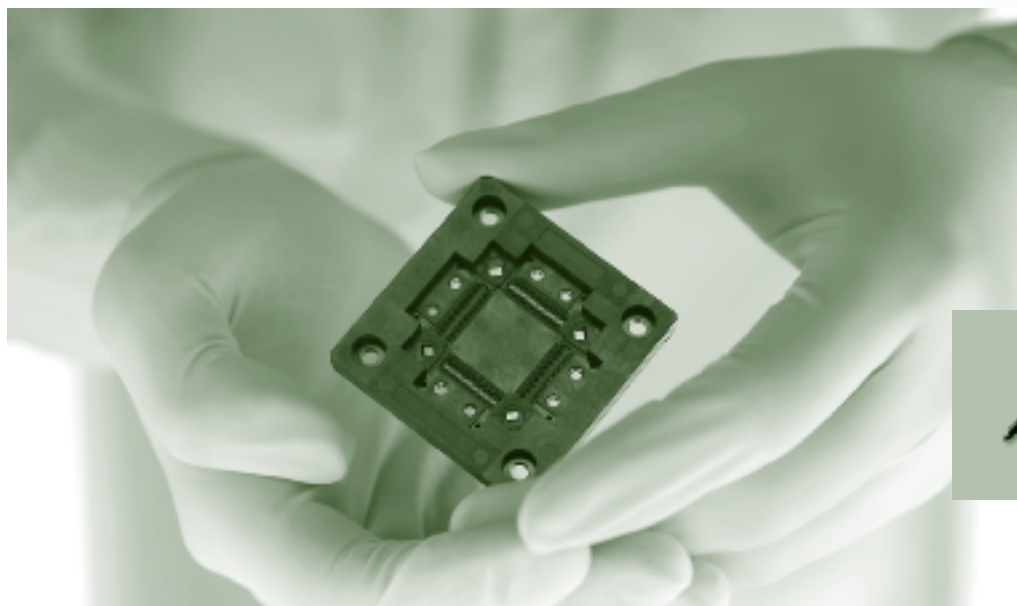
ML40, a multilayer shrinkable film



Food packaging sales were buoyed by strong demand for PVDC compound from China for use in packaging materials for food products, including sausages. To meet such demand, a joint venture facility for the production of PVDC compound, *Krehalon*, in Nantong began operations in 2005 and now runs at capacity. Following successful marketing to major Chinese sausage manufacturers, exports of products manufactured at the Iwaki Factory also remained buoyant.

In addition, European subsidiaries recorded significant growth of sales and earnings due to production yield improvements of *ML40*, a multilayer shrinkable film for meats and cheeses, and its steady sales expansion following the completion of product development efforts.

Review of Operations



Heat-resistance materials for heat-treatment furnaces



Fortron KPS, used in electrical and electronic parts

ADVANCED MATERIALS DIVISION

Summary of fiscal year results

Production capacity of PPS resin, a super engineering plastic, has been increased to meet continued strong demand for use in applications including electronics and automobile parts. Although changes in the method of calculating depreciation and the fire at the PPS plant at the Iwaki Factory in September 2006 had some impact on results, the performance of the Kureha U.S. joint venture for the production of PPS resin, Fortron Industries LLC, has been strong and contributed to a year-on-year increase of both divisional sales and operating profit.

PVDF resin contributed to strong divisional sales, following increased demand for use in a wide variety of industrial applications including lithium batteries, as did *Krefine*, a product of ESD (Electro Stratic Discharging) control materials, following growing demand for use in electronic devices. However the increase in operating income was comparatively lower than the growth in sales due to high capital expenditure on R&D and facility upgrades.

Production capacity for carbon fiber materials was raised to meet increased demand for carbon fibers for heat-resistance materials such as heat-treatment furnaces. However, exports of bead-shaped activated carbon decreased following a decline in demand, which was reflected in a year-on-year decrease in the operating income for carbon products.

Metalized film, used in electrical and electronic applications, posted an increase in both sales and operating income on a year-on-year basis, having recovered from the impact of customer inventory adjustments in the previous year.

Overall, divisional sales rose by 11.2% year-on-year to ¥35 billion. In addition, operating income for the division increased to ¥4.3 billion, a year-on-year rise of 8.6%.

Outlook for fiscal year ending March 31, 2008

The Advanced Materials Division will benefit from the contribution of PPS resin at increased production capacity, both at the Iwaki Factory where capacity has been raised to 10,000 tonnes per year, and at Kureha's U.S. joint venture where production capacity was initially expanded in December 2005 and is due to be further raised from 8,600 to 15,000 tonnes per year during mid-2007. In addition, Kureha plans aggressive marketing efforts for *Krefine* and anticipates PVDF resin sales remaining largely unchanged on a year-on-year basis.

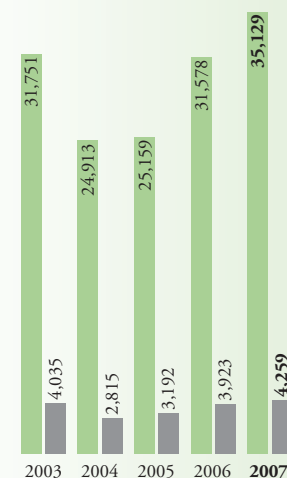
Demand for carbon fibers for heat-resistance materials is expected to be strong, but exports of bead-shaped activated carbon are expected to decline.

Kureha projects divisional sales of ¥37.5 billion for the fiscal year ending March 31, 2008, a year-on-year rise of 6.7%, and operating income of ¥4.9 billion, an increase of 15.1%.

Major product areas

- PPS resin
- PVDF resin
- Antistatic resin
- ESD control materials
- Optical products
- Carbon fiber
- Bead-shaped activated carbon
- Specialty carbon material
- Metalized film

■ Net Sales
■ Operating Income
(Millions of yen)





Therapeutic agent for chronic kidney disease (*Kremezin*)



Fungicide for wheat and oil seed rape (*Metconazole*)

SPECIALTY CHEMICALS DIVISION

Summary of fiscal year results

Pharmaceutical products and agrochemicals posted a decline in operating income on a year-on-year basis, mainly as a result of the official price cuts in April 2006 for *Krestin*, an anti-cancer agent, and *Kremezin*, a therapeutic agent for chronic kidney disease, as well as a decline in export sales of *Metconazole*, a fungicide for wheat and oil seed rape.

Industrial chemicals posted a year-on-year increase in operating profit, following successful efforts to transfer increased fuel costs to product prices, despite a weakening of the sales price for chlorobenzenes, particularly in relation to exports.

Sales for the Specialty Chemicals Division as a whole declined by 2.4% on a year-on-year basis to ¥31 billion, while operating profit fell by 4.1% to ¥3.3 billion.

Outlook for fiscal year ending March 31, 2008

Because of the increase in development investment for *Kremezin* in the U.S. and Europe, operating income for pharmaceutical products and the division overall is expected to decline during fiscal year ending March 31, 2008, despite the expected volume growth of *Kremezin*.

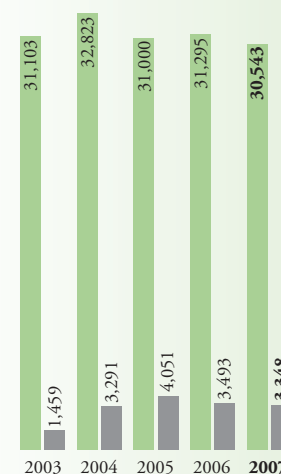
During the fiscal year ending March 31, 2008, export sales of *Metconazole*, a fungicide for wheat and oil seed rape, are expected to continue to decline as a result of customer inventory adjustments. Industrial chemicals, however, are expected to display a continued strong performance due to successful efforts to transfer increased fuel costs to product prices.

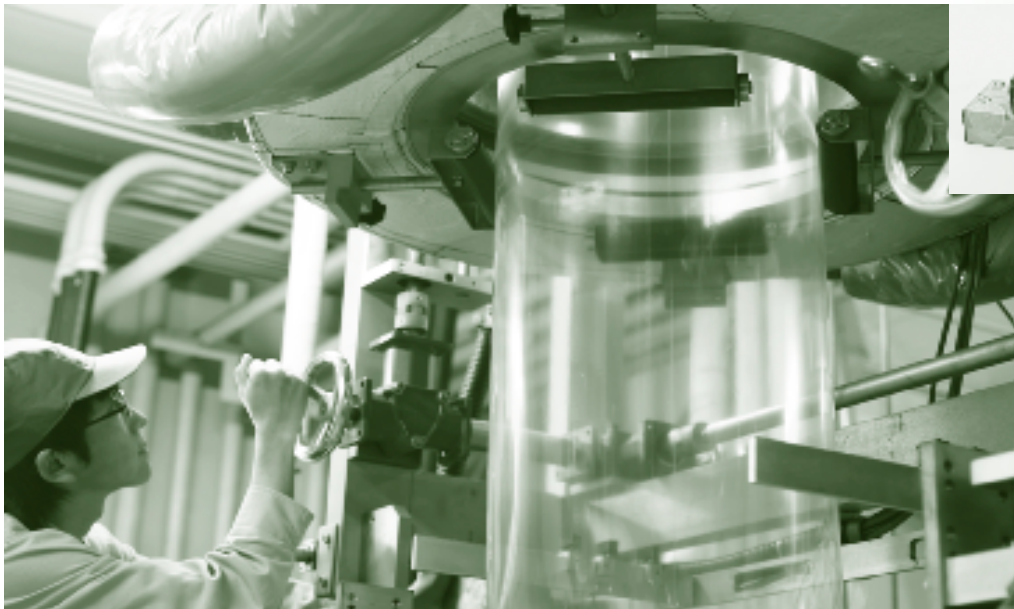
The Specialty Chemicals Division is expected to record a decline in sales of approximately 3.4% to ¥29.5 billion during the fiscal year ending March 31, 2008. Divisional operating income is forecast to record a year-on-year decline of approximately 13.4% to ¥2.9 billion.

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
- Fungicide for wheat and oil seed rape
- Seed treatment fungicide
- Fertilized granulated soils

■ Net Sales
■ Operating Income
(Millions of yen)





NEW Krewrap



Food packaging film Krehalon, application example

SPECIALTY PLASTICS DIVISION

Summary of fiscal year results

Food packaging materials recorded a year-on-year increase in operating income due to successful efforts to transfer increased fuel costs to product prices, as well as efforts to improve profit margins and earnings improvements at European subsidiaries. Domestic sales declined, however, for products including Polyvinylidene chloride film, multilayer shrinkable and non-shrinkable film, and high barrier lamination film (*Besela*).

The upgraded *Seaguar* series of fishing lines was launched in February 2007 following the first product renewal in twenty-four years. In addition, over the past three years, *New Krewrap* has been undergoing annual renewals which resulted in the product winning the Good Design Award in 2006 due to improved functionality and convenience of use. Kureha's aim with both *New Krewrap* and the *Seaguar* series is to achieve a retail price that reflects the true value of the products.

Kureha received a large domestic order for machinery for auto-seal food packaging, used to manufacture clip-free food packaging materials for sausages and other products, despite a decline in exports. In addition, there was continued strong demand for PVDC compound from China, where Kureha has managed to expand distribution channels as well as raise sales volume and product price.

As a result of these efforts, the Specialty Plastics Division posted sales of ¥48 billion, a 6.9% year-on-year increase, and operating income of ¥2.2 billion, a 264.4% increase.

Outlook for fiscal year ending March 31, 2008

In fiscal year ending March 31, 2008, Kureha is targeting improved profit margins for domestic food packaging products, as well as increased sales of these products in European markets.

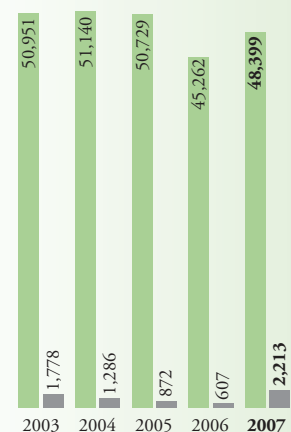
Other factors expected to contribute to a strong divisional performance include the increased profitability of household products including *New Krewrap* following a shift in the product portfolio towards higher margin products, as well as the renewed *Seaguar* series of products, which was recently launched following product upgrades.

As a result, divisional sales are expected to rise by 3.3% year-on-year to ¥50 billion, while operating income is forecast to increase by 58.2% to ¥3.5 billion.

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
- Vacuum cleaner paper packs
- Plastic containers
- PVDF fishing lines
- Machinery for auto-seal food packaging

■ Net Sales
■ Operating Income
(Millions of yen)





Construction-related businesses



Transport and warehousing-related businesses

OTHER OPERATIONS DIVISION

Summary of fiscal year results

Environmental engineering-related businesses recorded a year-on-year sales increase due to growth of industrial waste processing operations. However, at the same time, operating income for this business area declined due to a decrease in medical waste processing and rising fuel and transportation costs.

Construction-related businesses posted an increase in both sales and operating income, despite rising outsourcing and materials costs. Contributing to this growth was an increase in orders as well as the positive impact of an acquisition during the second half of the fiscal year.

Despite a severe business environment, transport and warehousing-related businesses recorded a slight increase in sales. Operating income, however, declined as a result of rising fuel costs.

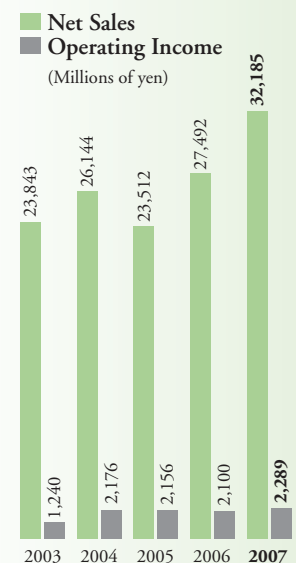
Overall, the Other Operations Division posted sales of ¥32 billion, up 17.1% year-on-year, and operating income of ¥2.3 billion, an increase of 9%.

Outlook for fiscal year ending March 31, 2008

Aided by a strong performance from the environmental engineering-related businesses, particularly from industrial waste processing, as well as an anticipated growth in orders at construction-related businesses, divisional sales are forecast to rise by 18.1% during fiscal year ending March 31, 2008 to ¥38 billion, with operating income expected to increase by 9.2% to ¥2.5 billion.

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



Research & Development

In line with its strategy of becoming the leading global manufacturer of specific high value-added products, Kureha continues to aggressively invest in research and development (R&D), concentrating on key growth businesses including advanced products, pharmaceuticals and agrochemicals, and high barrier packaging materials. Kureha has approximately 340 researchers engaged in research and development activities, who are committed to working with speed and efficiency and always keeping the profitability of products in mind. In fiscal year ended March 31, 2007, Kureha committed ¥6.9 billion to research and development activities.

Advanced Materials Division

R&D investment = ¥1.6 billion

During the fiscal year ended March 31, 2007, Kureha conducted research into production capacity increases for products including *Fortron* KPS and PVDF resin. In addition, Kureha continues to analyze production methods for these products to monitor for potential quality improvements and cost reductions that could be implemented. Research is also in progress into the application of carbon materials in lithium-ion batteries.

Following trials, Kureha has been able to confirm that its PVDF hollow fiber-membrane for water processing displays high water-permeability and durability. The Company is now accelerating preparations for market entry and is considering plans for the construction of manufacturing facilities as well as marketing efforts for domestic and overseas markets.

Specialty Chemicals Division

R&D investment = ¥3.5 billion

Kureha signed a licensing agreement for the development and distribution rights of its therapeutic agent for chronic kidney disease, *Kremezin*, in the U.S. and Europe and is preparing for Phase III clinical trials. Development and distribution rights for *Kremezin* for intestinal disease applications, including targeting Crohn's disease, have been licensed to a U.S. company, with Phase III trials now underway. In addition, Kureha is currently undergoing clinical research on the early treatment of diabetic kidney disease with the drug in Japan.

Also in the area of pharmaceuticals, Kureha is conducting joint R&D efforts with another company for the development of an antibody targeting pancreatic cancer.

In its agrochemicals businesses, Kureha is actively working to expand both domestic and overseas markets for its products, as well as undertaking research to increase applications and markets of the agricultural fungicide, *Metconazole*, for wheat and oil seed rape, and the seed treatment fungicide *Iponazole*.

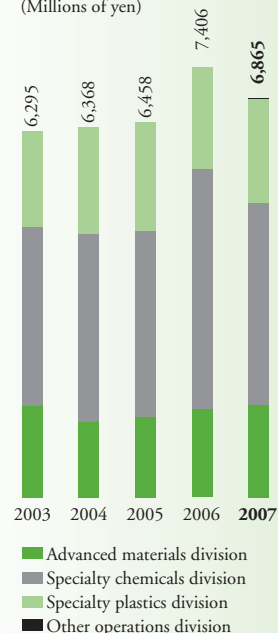
Specialty Plastics Division

R&D investment = ¥1.8 billion

Kureha is considering improvements to the production process for PVDC resin and its compounds as well as providing customers with technical support.

For the newly developed polyglycolic acid resin (PGA), a resin for use in beer and other carbonated drink bottles, Kureha has conducted a review of material applications and is now considering a full scale evaluation of the product on the market. In addition, the Company is in talks over the construction of manufacturing facilities and is researching other potential product applications.

R&D Expenditure by Segment
(Millions of yen)



Synthetic experimentation of agrochemicals



Measuring the oxygen permeability of films

Responsible Care

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

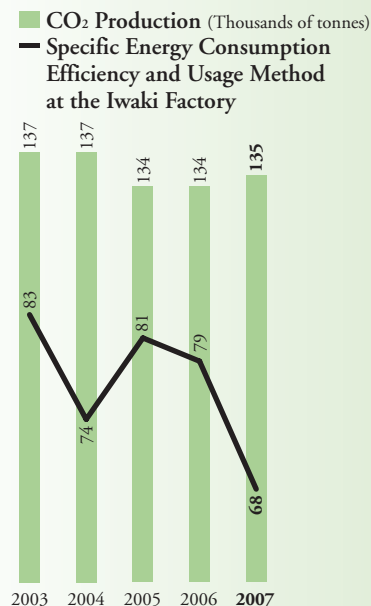
Since its establishment, Kureha has developed technologies and products with a view to reducing the burden on the environment. In the case of the Iwaki Factory, Kureha seeks to create a manufacturing facility that minimizes stress on the environment by implementing measures such as air and water pollution prevention, reduction of chemical material and industrial waste, odor control, and adoption of the Energy Consumption Index. In 2006, Kureha received the PRTR Merit Award in recognition of the Company’s efforts to promote responsible management of chemical materials and communicate risk.

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 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



Kureha General Hospital

Corporate Governance

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

Compliance program framework

Kureha has established a compliance program framework, based on its Compliance Rules as well as the Kureha Group Ethical Charter. Kureha's compliance objective is to ensure that all executives and employees not only act in a manner that is consistent with legal compliance obligations but also to act in a manner that fully meets the standards of our society. This framework is structured to meet Kureha's commitment to creating a compliance-focused corporate culture.

Led by the Senior Executive Vice President, the Compliance Committee keeps employees informed of compliance issues through training programs and other activities based on the Compliance Handbook. In addition, internal and external hotlines have been established for inquiries and reporting on compliance issues to help ensure that any potential legal violations or other actions that might violate the law are uncovered at an early stage.

Management, execution and decision-making framework

1. To strengthen corporate governance and accelerate decision making and business execution, the Board of Directors has been reduced in size and management supervision and operational functions have been clearly divided. To enhance each of these functions, the following structural changes have been implemented:

Segregation of management supervision and operational functions

- In an effort to more clearly define management supervision and operational responsibilities, Kureha introduced an executive officer system on April 1, 2007 and appointed Independent Outside Directors on June 27, 2007.
- At the Company's general meeting of shareholders on June 27, 2007, a resolution was passed reducing the maximum number of directors from twenty-two (sixteen were serving at the time) to ten. The Board of Directors now comprises the Chairman of the Board, two Independent Outside Directors, six Executive Officer Directors, and the President & Chief Executive Officer. In addition, Kureha operates with four Corporate Auditors (two internal and two external).

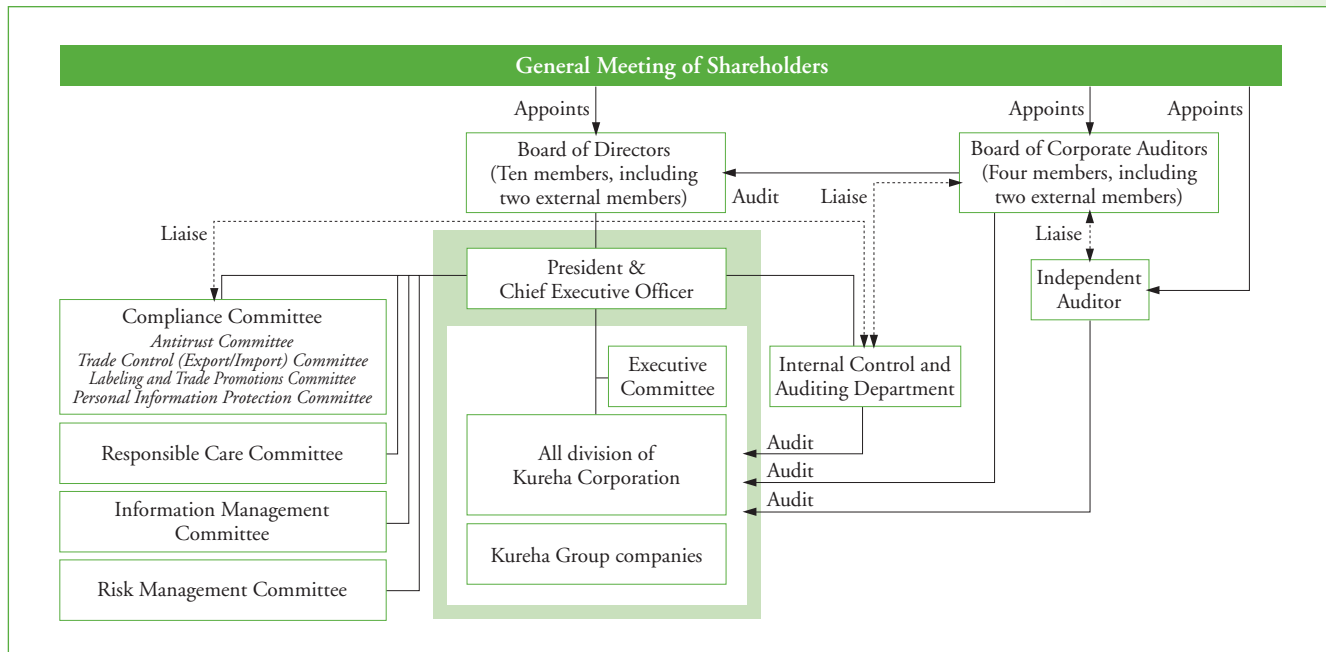
To clarify responsibility for fiscal year results, a one-year term was established for directors and executive officers.

Corporate functions

- The Board of Directors, which is presided over by the Chairman of the Board, bears supervisory responsibility for management of the Company.
- The Executive Committee, which comprises the President & Chief Executive Officer as well as executive officers who also act as directors, deliberates on strategy and policies for business operations. The President & Chief Executive Officer acts as Chairman of the Executive Committee, bearing operational responsibility for management of the Company and also serving as its main representative.
- A new Consolidated Executive Committee has now been established, with the Chairman of the Board acting as Committee Chairman. The committee aims to reinforce the efforts of the Company's new consolidated management structure by providing a forum for an exchange of views on the operational practices of the Kureha Group.

2. A system is also in place to enable corporate auditors to monitor the deliberation process for board resolutions and reports. A representative corporate auditor also attends meetings of the Executive Committee under a system enabling corporate auditors to monitor the status of deliberations on agenda items.

Diagram of Internal Control Systems



In addition, an Internal Control and Auditing Department acts independently of other departments and under the direction and management of the President & Chief Executive Officer. Based on an annual internal audit plan submitted to the Board of Directors, this department evaluates the suitability and effectiveness of internal management control structures, including compliance and risk management. Based on this evaluation, it then indicates necessary changes and develops proposals aimed at contributing to the improvement of management efficiency and an increase in public trust in Kureha.

Internal control system

To further strengthen internal controls, Kureha has established a set of basic policies, implemented various rules and created committees to ensure that it adheres to laws and regulations and conducts business operations in an appropriate manner.

For the need to rapidly establish the necessary internal controls, a project to build internal control was launched to act on the findings of management and Independent Auditors' assessments of the internal control of financial reports, as is required under 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 & Chief Executive Officer aimed at reducing and avoiding risk and manages the implementation of such measures. In addition, to respond to unforeseen circumstances, a system is in place for the establishment of an emergency response task force, with the objective of ensuring the safety of personnel and minimizing economic damage.

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

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

Consolidated Five-Year Summary

KUREHA CORPORATION and Consolidated Subsidiaries
Years ended March 31, 2007, 2006, 2005, 2004 and 2003

	Millions of yen					Thousands of U.S. dollars
	2007	2006	2005	2004	2003	2007
For the year:						
Net sales:	¥146,256	¥135,627	¥130,401	¥135,020	¥137,648	\$1,238,932
Domestic	116,503	107,584	104,328	110,950	108,757	986,894
Overseas	29,753	28,043	26,073	24,070	28,891	252,038
Net sales by segment:						
Advanced materials	35,129	31,578	25,159	24,913	31,751	297,578
Specialty chemicals	30,543	31,295	31,000	32,823	31,103	258,729
Specialty plastics	48,399	45,262	50,729	51,140	50,951	409,990
Other operations	32,185	27,492	23,512	26,144	23,843	272,635
Operating income	11,841	9,708	10,255	9,463	8,289	100,307
Advanced materials	4,259	3,923	3,192	2,815	4,035	36,077
Specialty chemicals	3,348	3,493	4,051	3,291	1,459	28,364
Specialty plastics	2,213	607	872	1,286	1,778	18,742
Other operations	2,289	2,100	2,156	2,176	1,240	19,391
Elimination or corporate	(268)	(416)	(16)	(104)	(223)	(2,267)
Net income	5,832	5,172	4,467	4,183	1,454	49,403
Capital expenditure	10,678	11,984	12,002	8,653	9,944	90,450
Depreciation	9,115	7,899	7,644	7,930	8,790	77,211
R&D expenses	6,865	7,406	6,458	6,368	6,295	58,156
Advanced materials	1,583	1,507	1,379	1,296	1,566	13,409
Specialty chemicals	3,467	4,134	3,195	3,220	3,085	29,372
Specialty plastics	1,805	1,749	1,884	1,852	1,644	15,292
Other operations	10	17	0	0	0	82
Cash flows from operating activities	13,949	11,308	12,438	19,756	15,733	118,159
Cash flows from investing activities	(11,987)	(9,648)	(9,593)	(3,612)	(2,910)	(101,546)
Cash flows from financing activities	(4,835)	(1,089)	(4,067)	(15,973)	(12,281)	(40,957)
Year-end:						
Total assets	¥196,107	¥185,203	¥172,727	¥173,296	¥173,130	\$1,661,219
Net assets	107,349	99,588	93,848	93,471	87,257	909,356
Interest-bearing debt	32,470	35,383	34,861	34,359	47,200	275,051
Amounts per share (Yen):						
Net income	¥ 31.58	¥ 27.61	¥ 23.41	¥ 21.45	¥ 7.13	\$ 0.27
Net assets	578.09	535.26	500.56	483.12	442.40	4.90
Cash dividends	10	9	8	8	6	0.08
Ratios (%):						
Operating income to net sales	8.1%	7.2%	7.9%	7.0%	6.0%	
Net income to net sales	4.0	3.8	3.4	3.1	1.1	
Return on equity	5.7	5.4	4.8	4.7	1.7	
Return on assets	6.1	5.1	5.6	4.8	4.1	
Equity ratio	54.2	53.1	53.9	53.0	49.6	

Notes: 1. For convenience only, U.S. dollar amounts have been translated from Japanese yen at the rate of ¥118.05 to US\$1, the rate of exchange prevailing on the Tokyo Foreign Exchange Market on March 31, 2007.

2. From the year ended March 31, 2003, as a means of improving the accuracy of segment information, Kureha upgraded its information systems. Therefore, information previously included in Other Operations is included in the following categories: Advanced Materials, Specialty Chemicals, and Specialty Plastics.

3. For amounts per share, see Note 18 of the Notes on Consolidated Financial Statements.

Management Discussion and Analysis

Business environment

During the year under review, capital expenditure continued to grow and the Japanese economy performed relatively well, although personal consumption and exports showed some signs of weakness. Despite a general lack of consumer confidence, improvements to the employment situation helped expand the consumption base, leading to cautious speculation that deflation may now have been overcome and that interest rates could be further raised.

Within the chemicals industry, housing statistics and other areas provided some cause for concern, but the export environment was strong due to favorable exchange rates and expansion of the U.S. and Chinese economies. In an environment in which oil prices continued to rise, despite occasional corrections, the resulting increases in fuel and raw material costs were gradually passed on to product prices, particularly in the case of the automobile, electrical goods, and electronics industries, where demand was relatively strong.

Analysis of business performance

As a result of sales growth in the Advanced Materials Division, the Specialty Plastics Division, and the Other Operations Division, Kureha's net sales for fiscal year ended March 31, 2007 rose to ¥146,256 million, a year-on-year increase of ¥10,629 million. Gross profit rose ¥2,906 million to ¥42,345 million, while the gross profit ratio fell from 29.1% to 29.0%. This decrease can be attributed to two factors: subcontractor and material price increases impacting construction-related businesses under the Other Operations Division, and higher fuel costs in transportation and warehouse operations. Aside from the impact of these two factors, the gross profit ratio for product sales recorded a slight rise and analysis indicates that fuel and raw material price increases have so far been successfully passed to product prices.

Selling, General, and Administrative expenses were ¥30,504 million, up ¥773 million from the previous year, as a result of a construction-related business acquisition and investments in developing overseas subsidiaries. Operating income increased by ¥2,133 million to ¥11,841 million, while operating income margin improved from 7.2% to 8.1%.

Non-operating profit/loss, which is calculated by subtracting non-operating expenses from non-operating income, was ¥159 million, an increase of ¥363 million from the previous year. This increase was the result of an increase in returns from equity-method investments, caused by the addition of one company as an equity-method affiliate.

Kureha posted a loss on disposal of property and equipment of ¥2,075 million following the upgrade of a private power plant facility aimed at reducing fuel costs, and a loss on write-down of inventories of ¥1,043 million due to the optimization of distribution inventories. As a result, Kureha posted consolidated net income of ¥5,832 million, a 12.8% increase from the previous year.

Kureha will continue actively investing in facilities and development as such efforts are integral to achieving the objectives set out in the mid-term business plan.

Cash flow

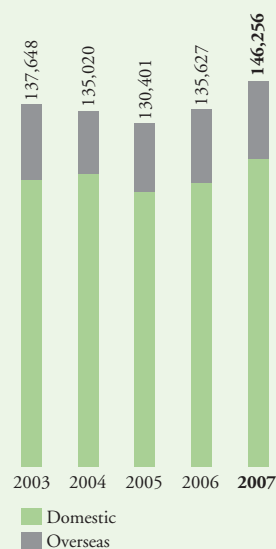
The balance of cash and cash equivalents as of March 31, 2007, was ¥4,279 million, down ¥2,263 from the previous year.

Net cash provided by operating activities was ¥13,949 million, an increase of ¥2,641 million from the previous year. This was primarily the result of an increase in income before income taxes and minority interests and a decrease in inventories.

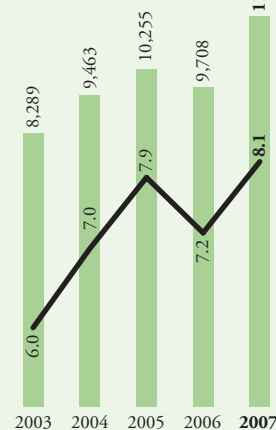
Net cash used in investing activities was ¥11,987 million, which represented an increase in expenditure of ¥2,339 million from the previous year. This increase can be attributed to factors including corporate acquisitions and facility purchases, while in the previous year the Company had benefited from the sale land associated with the former corporate headquarters.

Net cash used in financing activities was ¥4,835 million, representing an expenditure increase of ¥3,746 million from the previous year primarily due to the repayment of interest-bearing debt.

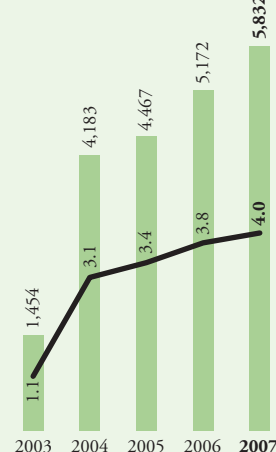
Net Sales
(Millions of yen)



Operating Income
(Millions of yen)
Operating Income to Net Sales
(%)



Net Income
(Millions of yen)
Net Income to Net Sales
(%)



During the fiscal year ended March 2007, Kureha worked to maximize cash flow by expanding income and increasing asset efficiency. In terms of the allocation of funds, Kureha completed corporate acquisitions with the aim of spurring growth, conducted capacity-increasing capital expenditure, and also further invested in R&D. As in the previous fiscal year, funds were allocated to capital-efficiency-focused returns to shareholders.

Kureha plans to continue the financial policy followed during fiscal year ended March 31, 2007. However, whereas in the past the emphasis has been on increasing the asset efficiency of Kureha, in the future the intention will be to expand the scope to all group companies in order to maximize consolidated funds.

Balance sheet analysis

As of March 31, 2007, Kureha had current assets of ¥69,128 million, up ¥2,413 million from the previous year. This increase was the result of factors including a decrease in cash and time deposits due to efforts to improve capital efficiency, a trade notes and accounts receivable increase due to increased sales, and an inventory increase caused by price rises of fuel and raw material. With regards to property and equipment, increases caused by a high level of capital expenditure activity were for the most part offset by decreases caused by asset depreciation, disposal, and sale. However, corporate acquisitions both domestically and outside of Japan resulted in an overall increase in property and equipment of ¥1,088 million to ¥71,970 million. Investments and other assets rose to ¥55,009 million, up ¥7,403 million from the previous fiscal year, due to factors including the market valuation of investments in securities and an income increase in joint venture operations. Reflecting these results, Kureha posted total assets of ¥196,107 million, including deferred assets, an increase of ¥10,904 million from the previous fiscal year.

In terms of liabilities, interest-bearing debt fell by ¥2,913 million to ¥32,470 million as a result of a net reduction in loans. Total liabilities were ¥88,758 million, up ¥3,143 million from the previous fiscal year due to the net impact of factors including a trade notes and accounts payable increase and an increase in deferred tax liabilities due to the marked to market valuation of investments in securities.

Total net assets were ¥107,349 million, an increase of ¥7,761 million from the previous fiscal year. This reflected factors including a ¥2,112 million increase in earned surplus following dividend payment with respect to net income of ¥5,832 million, an increased net valuation difference on other securities of ¥3,500 million, and a ¥1,756 million decline in treasury stock after cancellation.

While the upward trend in total assets does demonstrate the influence of rising fuel and raw material prices, overall it reflects an increase in business activity. Kureha will continue working to increase asset efficiency by moving forward in a balanced manner with efforts to reduce both interest-bearing debt and cash and deposits.

Overview of capital expenditure

Advanced materials, high-barrier packaging materials, and pharmaceutical, agrochemical, as well as environment-related businesses are positioned as key growth drivers of the Kureha Group. The Company is therefore continuing to actively invest in these areas and committed ¥10,678 million in capital expenditure during the fiscal year ended March 31, 2007.

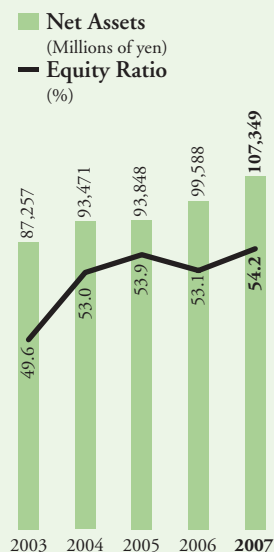
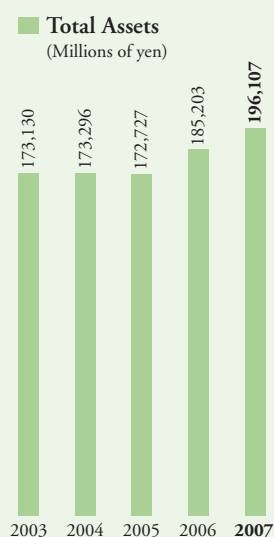
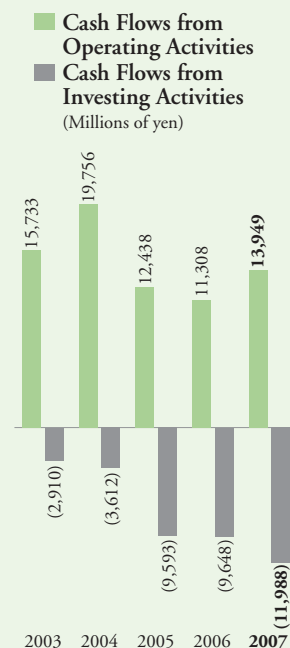
Broken down by business division, capital expenditure during fiscal year ended March 31, 2007 was as follows:

A total of ¥5,007 million was invested by the Advanced Materials Division in activities including construction measures necessary to raise PPS resin production capacity and to upgrade carbon fiber production facilities.

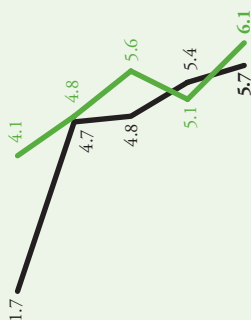
Capital expenditure made by the Specialty Chemicals Division, which totaled ¥2,097 million, included investments in the renovation of production facilities.

The Specialty Plastics Division invested ¥2,373 million in activities including the upgrading of film extrusion equipment (Krehalon Industrie B.V.).

Capital expenditure of ¥1,200 million was made by the Other Operations Division, with investments including the construction of new facilities (Kureha Engineering Co., Ltd.).



— Return on Assets
 — Return on Equity
 (%)



In addition, construction measures necessary for the renovation of a private power plant were completed as a joint effort between the Advanced Materials, Specialty Chemicals, and Specialty Plastics divisions.

Funding required for the abovementioned expenditure was raised through a combination of self-funding, loans, and corporate bonds that had been issued during the previous fiscal year.

Business risk

Circumstances that have the potential to impact upon business performance, share price, and financial status include the following:

Note: The following text is based on evaluations made at the time of the submission of financial statements (June 27, 2007).

Performance variables

The Kureha Group is developing its business in diverse fields and in diverse regions. The Advanced Materials Division focuses on products including PPS resin, PVDF resin, and carbon products; the Specialty Chemicals Division on products including industrial chemicals, pharmaceuticals, and agrochemicals; the Specialty Plastics Division on products including food packaging materials and household products; and the Other Operations Division on environment, construction and logistics related businesses. Geographically, the group is operating in Europe, North America, and China, as well as Japan.

This diversity means that Kureha also faces a diverse range of risks, such as domestic and international economic trends, market-related factors, pharmaceutical price revisions, fuel and raw-material pricing trends, fluctuations in foreign exchange rates, and political risks. At the same time, however, this high level of diversity has enabled Kureha to diversify its risk.

As of March 31, 2007, the Kureha Group held a total of ¥38,923 million, around 19.8% of consolidated net assets, in investments in securities and other marketable securities for purposes other than short-term trading. A major change to share prices or the financial status of issuing companies could therefore influence the business results and financial status of the Kureha Group.

Kureha's core activity is the production of chemical products. In consideration of the risks related to our products and the manufacturing processes involved, Kureha is committed to continued implementation of Responsible Care. The Company is particularly aware of the risks inherent in the concentration of product manufacturing at the Iwaki Factory. Focusing on the Iwaki Factory, continuous measures have been taken to ensure safety and guarantee protection of the environment. Despite such efforts, however, a fire broke out in the PPS resin manufacturing plant at the Iwaki Factory early on September 7, 2006. Fortunately the incident did not lead to any injuries or contamination and there were no reports of damage to the surrounding environment. Repair work at the affected plant was completed on October 15 and operations resumed on October 19 following receipt of the necessary approval from the authorities. Kureha is working to prevent any recurrence by implementing more stringent safety measures in relation to the cause of the fire. The Company is committed to taking every action to ensure this type of incident does not occur again.

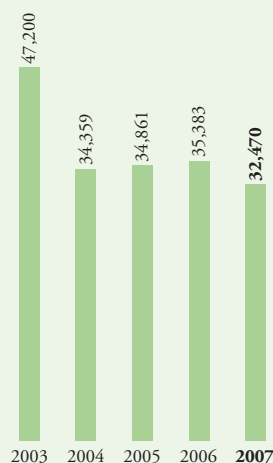
Other risks

In July 2005, Kureha Corporation was ordered by the Japan Fair Trade Commission to pay approximately ¥270 million following allegations that the Company had violated the Antimonopoly Law in relation to its plastic additive business. Kureha has initiated appeal procedures in response to this order, the hearings for which are currently pending.

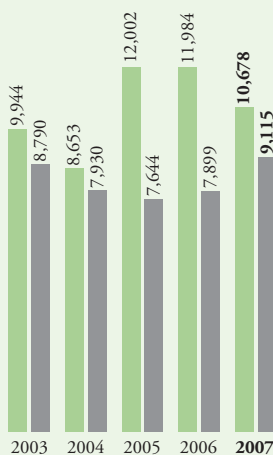
In addition, a subsidiary of Kureha Corporation in the United States was subject to a number of civil actions. However, with certain exceptions, negotiated settlements have been reached. The business in question was transferred to Rohm and Haas Company in January 2003.

2003 2004 2005 2006 2007

■ Interest-Bearing Debt
 (Millions of yen)



■ Capital Expenditure
 ■ Depreciation
 (Millions of yen)



Consolidated Balance Sheets

Kureha Corporation and its Consolidated Subsidiaries
As of March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2007	2006	2007
ASSETS			
Current assets:			
Cash and time deposits (Note 5)	¥ 4,279	¥ 6,542	\$ 36,246
Trade notes and accounts receivable	37,950	33,962	321,472
Marketable securities (Note 6)	6	506	51
Inventories	20,852	20,390	176,640
Deferred tax assets (Note 11)	2,521	2,262	21,359
Others	3,658	3,298	30,986
Less: Allowance for doubtful accounts	(138)	(245)	(1,171)
Total current assets	69,128	66,715	585,583
Property and equipment, net (Note 8):			
Buildings and structures	26,751	24,093	226,612
Machinery, equipment and vehicles	27,113	21,504	229,673
Tools, furniture and fixtures	2,315	2,137	19,610
Land	12,989	12,743	110,027
Construction in progress	2,802	10,405	23,735
Total property and equipment	71,970	70,882	609,657
Investment and other assets:			
Investments in securities (Notes 6 & 8)	45,621	38,373	386,456
Long-term receivables	1,846	1,899	15,635
Deferred tax assets (Note 11)	2,430	2,612	20,581
Others	5,589	5,033	47,351
Less: Allowance for doubtful accounts	(477)	(311)	(4,044)
Total investments and other assets	55,009	47,606	465,979
Total assets	¥196,107	¥185,203	\$1,661,219

The accompanying notes are an integral part of these statements.

	Millions of yen	Thousands of U.S. dollars (Note 2)
	2007	2006
		2007
LIABILITIES AND NET ASSETS		
Current liabilities:		
Trade notes and accounts payable (Note 8)	¥ 22,506	¥ 19,424
Short-term loans including current portion of long-term debt (Notes 7 & 8)	19,374	19,309
Other payables	5,573	5,911
Accrued income taxes (Note 11)	2,491	2,859
Accrued expenses	5,014	4,114
Accrued bonuses	1,992	1,865
Others	4,170	3,722
Total current liabilities	61,120	57,204
Long-term liabilities:		
Long-term debt (Notes 7 & 8)	13,096	16,074
Deferred tax liabilities (Note 11)	9,959	7,737
Reserve for employees' retirement benefits (Note 10)	2,570	2,361
Retirement allowance for directors and corporate auditors	796	702
Negative goodwill	669	878
Others	548	659
Total long-term liabilities	27,638	28,411
Total liabilities	88,758	85,615
Commitments and contingent liabilities (Note 12)		
Net assets:		
Shareholders' equity:		
Capital, non par value		
Authorized: 2007 and 2006 – 600,000,000 shares		
Issued: 186,733,909 shares in 2007 and 190,533,909 shares in 2006	12,460	12,460
Capital surplus	10,013	9,839
Earned surplus	69,658	67,546
Less: Treasury stock, at cost	(1,443)	(3,199)
Total shareholders' equity	90,688	86,646
Valuation and translation adjustments:		
Valuation difference on other securities (Note 6)	15,422	11,922
Deferred gains or losses on hedges	(3)	—
Translation adjustments	91	(210)
Total valuation and translation adjustments	15,510	11,712
Minority interests	1,151	1,230
Total net assets	107,349	99,588
Total liabilities and net assets	¥196,107	¥185,203
		\$1,661,219

Consolidated Statements of Income

Kureha Corporation and its Consolidated Subsidiaries
For the years ended March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2007	2006	2007
Net sales	¥146,256	¥135,627	\$1,238,932
Cost of sales	103,911	96,188	880,230
Gross profit	42,345	39,439	358,702
Selling, general and administrative expenses (Note 15)	30,504	29,731	258,395
Operating income	11,841	9,708	100,307
Other income (expenses):			
Interest and dividend income	630	612	5,333
Interest expenses	(583)	(471)	(4,942)
Gain on sales of property and equipment (Note 16)	589	1,112	4,990
Gain on sales of investments in securities (Note 6)	1,146	1,600	9,704
Loss on disposal of property and equipment	(2,075)	(1,722)	(17,576)
Write-down of inventories	(1,043)	(15)	(8,838)
Other, net	(1,004)	(3,007)	(8,495)
Other expenses – net	(2,340)	(1,891)	(19,824)
Income before income taxes and minority interests	9,501	7,817	80,483
Income taxes (Note 11):			
Current	3,460	4,477	29,307
Deferred	6	(2,089)	50
Total income taxes	3,466	2,388	29,357
Minority interests	203	257	1,723
Net income	¥ 5,832	¥ 5,172	\$ 49,403

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, 2007

	Millions of yen				
	Shareholders' equity				
	Capital	Capital surplus	Earned surplus	Treasury stock, at cost	Total shareholders' equity
BALANCE-MARCH 31, 2006	¥12,460	¥ 9,839	¥67,546	¥(3,199)	¥86,646
Dividends from surplus			(1,749)		(1,749)
Bonuses for directors and statutory auditors			(107)		(107)
Net income			5,832		5,832
Acquisition of treasury stock				(830)	(830)
Disposal of treasury stock		174	(1,811)	2,586	949
Decrease resulting from the change in scope of consolidation			(52)		(52)
Contribution to employees' welfare fund			(1)		(1)
Net changes of items other than shareholders' equity					
BALANCE-MARCH 31, 2007	¥12,460	¥10,013	¥69,658	¥(1,443)	¥90,688

	Valuation and translation adjustments					
	Valuation difference on other securities	Deferred gains or losses on hedges	Translation adjustments	Total valuation and translation adjustments	Minority interests	Total net assets
BALANCE-MARCH 31, 2006	¥11,922		¥(210)	¥11,712	¥1,230	¥ 99,588
Dividends from surplus						(1,749)
Bonus for directors and statutory auditors						(107)
Net income						5,832
Acquisition of treasury stock						(830)
Disposal of treasury stock						949
Decrease resulting from the change in scope of consolidation						(52)
Contribution to employees' welfare fund						(1)
Net changes of items other than shareholders' equity	3,500	(3)	301	3,798	(79)	3,719
BALANCE-MARCH 31, 2007	¥15,422	¥(3)	¥ 91	¥15,510	¥1,151	¥107,349

	Thousands of U.S. dollars				
	Shareholders' equity				
	Capital	Capital surplus	Earned surplus	Treasury stock, at cost	Total shareholders' equity
BALANCE-MARCH 31, 2006	\$105,550	\$83,345	\$572,179	\$(27,098)	\$733,976
Dividends from surplus			(14,813)		(14,813)
Bonus for directors and statutory auditors			(907)		(907)
Net income			49,403		49,403
Acquisition of treasury stock				(7,030)	(7,030)
Disposal of treasury stock		1,480	(15,338)	21,902	8,044
Decrease resulting from the change in scope of consolidation			(444)		(444)
Contribution to employees' welfare fund			(9)		(9)
Net changes of items other than shareholders' equity					
BALANCE-MARCH 31, 2007	\$105,550	\$84,825	\$590,071	\$(12,226)	\$768,220

	Valuation and translation adjustments					
	Valuation difference on other securities	Deferred gains or losses on hedges	Translation adjustments	Total valuation and translation adjustments	Minority interests	Total net assets
BALANCE-MARCH 31, 2006	\$100,989		\$(1,777)	\$ 99,212	\$10,418	\$843,606
Dividends from surplus						(14,813)
Bonus for directors and statutory auditors						(907)
Net income						49,403
Acquisition of treasury stock						(7,030)
Disposal of treasury stock						8,044
Decrease resulting from the change in scope of consolidation						(444)
Contribution to employees' welfare fund						(9)
Net changes of items other than shareholders' equity	29,655	(26)	2,546	32,175	(669)	31,506
BALANCE-MARCH 31, 2007	\$130,644	\$(26)	\$ 769	\$131,387	\$ 9,749	\$909,356

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, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2007	2006	2007
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 9,501	¥ 7,817	\$ 80,483
Adjustments for:			
Depreciation	9,115	7,899	77,211
Loss on impairment	21	661	176
Amortization of negative goodwill	(224)	(201)	(1,899)
Increase (decrease) in allowance for doubtful accounts	4	(142)	33
Decrease in reserve for employees' retirement benefits	(119)	(570)	(1,006)
Increase in retirement allowance for directors and corporate auditors	95	26	801
(Increase) decrease in prepaid pension expense	(544)	4	(4,608)
Interest and dividend income	(630)	(612)	(5,333)
Interest expenses	583	471	4,942
Loss on sales of property and equipment	1,486	610	12,586
Gain on sales of marketable securities	(1,145)	(1,568)	(9,695)
Increase in trade notes and accounts receivable	(2,642)	(2,342)	(22,378)
Decrease (increase) in other inventories	848	(1,852)	7,186
Decrease (increase) in other current assets	(327)	497	(2,767)
Decrease in trade notes and accounts payable	1,649	3,589	13,967
Increase in other liabilities	789	1,243	6,688
Other, net	(576)	(299)	(4,893)
Subtotal	17,884	15,231	151,494
Dividends and interest received	784	621	6,643
Interest paid	(586)	(477)	(4,965)
Income taxes paid	(4,133)	(4,067)	(35,013)
Net cash used in operating activities	13,949	11,308	118,159
Cash flows from investing activities:			
Proceeds from sales of marketable securities	500	—	4,235
Payments for purchases of tangible and intangible fixed assets	(11,424)	(12,027)	(96,769)
Payments for removal of tangible fixed assets	(729)	(811)	(6,176)
Proceeds from sales of tangible and intangible fixed assets	886	1,856	7,509
Payments for purchase of investment securities	(2,325)	(418)	(19,701)
Proceeds from sales of investment securities	1,093	1,987	9,263
Issuance of loans receivable	(218)	(4)	(1,849)
Collection of loans receivable	79	56	673
Other, net	151	(287)	1,269
Net cash provided by investing activities	(11,987)	(9,648)	(101,546)
Cash flows from financing activities:			
Net increase (decrease) in short-term loans	237	(4,624)	2,004
Proceeds from long-term debt	1,023	5,767	8,670
Repayments of long-term debt	(4,559)	(4,853)	(38,619)
Proceeds from issuance of bonds	—	4,964	—
Payments for purchases of treasury stock	(830)	(1,808)	(7,030)
Proceeds from sales of treasury stock	1,068	1,144	9,051
Dividends paid	(1,749)	(1,658)	(14,813)
Dividends paid to minority shareholders	(25)	(21)	(220)
Net cash used in financing activities	(4,835)	(1,089)	(40,957)
Effect of exchange rate changes on cash and cash equivalents	41	(26)	348
Increase in cash and cash equivalents resulting from a merger	569	—	4,823
Decrease in cash and cash equivalents resulting from a change in closing dates of consolidated subsidiaries	—	(5)	—
Net decrease in cash and cash equivalents	(2,263)	540	(19,173)
Cash and cash equivalents at beginning of year	6,542	6,002	55,419
Cash and cash equivalents at end of year (Note 5)	¥ 4,279	¥ 6,542	\$ 36,246

The accompanying notes are an integral part of these statements.

Notes on Consolidated Financial Statements

KUREHA CORPORATION
Years ended March 31, 2007 and 2006

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 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.

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.

Effective the year ended March 31, 2007, the Company has adopted a new accounting standard for the presentation of net assets in the balance sheet (ASBJ Statement No.10) and the related implementation guidance issued by Accounting Standards Board of Japan (ASBJ) on December 9, 2005. In addition, effective the year ended March 31, 2007, the Company is required to prepare consolidated statements of changes in net assets. In this connection, the consolidated balance sheet as of March 31, 2006 has been restated to conform to the presentation and disclosure of the consolidated financial statements for the year ended March 31, 2007.

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 ¥118.05 to U.S. \$1, the rate of exchange prevailing at March 31, 2007. These U.S. dollar amounts are not intended to imply that the Japanese yen amounts have been or could be converted, realized or settled in U.S. dollars at this or any other rate.

3. Principles of Consolidation

(1) Scope of consolidation

The Company consolidated 33 subsidiaries by the full consolidation method and two affiliates (an affiliate in 2006) by the equity method as at March 31, 2007 and 2006. 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 nine consolidated subsidiaries close their accounts at December 31. In preparing the consolidated financial statements, those accounts at December 31, 2007 are used, but major transactions which were executed during the three months between December 31 and March 31 are adjusted as necessary for consolidation.

(3) Valuation of assets and liabilities of consolidated subsidiaries

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

(4) Goodwill on consolidation

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

4. Summary of Significant Accounting Policies

(1) Securities

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

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

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

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

(2) Inventories

Inventories are stated at cost in principle determined by the gross average method.

(3) Depreciation and amortization of fixed assets

Property and equipment

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, 2007 and 2006 were ¥150,480 (\$1,274,713 thousand) and ¥152,129 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

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).

(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, the 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 statutory auditors is recorded based on the amount that would be required in accordance with the internal rule at the balance sheet date to provide for the payment for the retirement benefits.

(8) Treasury stock

Treasury stocks owned by the Group are recorded at acquisition cost as a component under the shareholders' equity. The

numbers of treasury stocks held by the Group as at March 31, 2007 and 2006 were 3,027,900 and 6,977,158 common shares, respectively.

(9) Leases

Where the financing leases do not transfer ownership of the leased property to the lessee during the terms of the leases, the leased property is not capitalized and the related lease expenses are charged to income in the periods in which they are incurred.

(10) Consumption taxes

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

(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 hands, 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 assets and liability approach, whereby deferred tax assets and liabilities are recognized in respect of temporary differences between the tax basis of assets and liabilities and those as reported in the financial statements.

5. Cash and Cash Equivalents

The following table represents a reconciliation of cash and cash equivalents at March 31, 2007 and 2006:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Cash and time deposits	¥4,279	¥6,542	\$36,246
Cash and cash equivalents	¥4,279	¥6,542	\$36,246

6. Securities

Investments in unconsolidated subsidiaries and affiliates amount to ¥3,527 million (\$29,876 thousand) and ¥3,195 million at March 31, 2007 and 2006, respectively.

The acquisition cost and book value of other securities whose fair value were available as at March 31, 2007 were as follows:

	Millions of yen		
	Acquisition cost	Book value	Unrealized gains (losses)
Securities with unrealized gains:			
Equity securities	¥8,291	¥34,510	¥26,219
Sub-total	8,291	34,510	26,219
Securities with unrealized losses:			
Equity securities	199	171	(28)
Sub-total	199	171	(28)
Total	¥8,490	¥34,681	¥26,191

	Thousands of U.S. dollars		
	Acquisition cost	Book value	Unrealized gains (losses)
Securities with unrealized gains:			
Equity securities	\$70,235	\$292,330	\$222,095
Sub-total	70,235	292,330	222,095
Securities with unrealized losses:			
Equity securities	1,688	1,452	(236)
Sub-total	1,688	1,452	(236)
Total	\$71,923	\$293,782	\$221,859

The acquisition cost and book value of other securities whose fair value were available as at March 31, 2006 were as follows:

	Millions of yen		
	Acquisition cost	Book value	Unrealized gains (losses)
Securities with unrealized gains:			
Equity securities	¥8,164	¥28,491	¥20,327
Sub-total	8,164	28,491	20,327
Securities with unrealized losses:			
Equity securities	68	66	(2)
Sub-total	68	66	(2)
Total	¥8,232	¥28,557	¥20,325

Proceeds from sales of other securities and related gross realized gains and losses on those sales for the years ended March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Proceeds from sales	¥898	¥2,020	\$7,610
Gross realized gains	809	1,600	6,856
Gross realized losses	—	(1)	—

Major securities whose fair value is not readily determinable at March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Available-for-sale securities:			
Unlisted equity securities	¥2,117	¥2,117	\$17,934
Preferred investment securities	1,000	1,000	8,471
Subordinated bonds	—	500	—
Discounted bank debentures	6	6	51

The details of maturity dates of other securities as at March 31, 2007 were as follows:

	Millions of yen			
	Due within 1 year	Due in 1 to 5 years	Due in 5 to 10 years	Due after 10 years
Discounted bank debentures	¥6	¥—	¥—	¥—

	Thousands of U.S. dollars			
	Due within 1 year	Due in 1 to 5 years	Due in 5 to 10 years	Due after 10 years
Discounted bank debentures	\$51	\$—	\$—	\$—

7. Short-term Loans and Long-term Debt

Short-term loans and long-term debt as at March 31, 2007 and 2006 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Short-term loans with average interest rate of 1.73%	¥15,764	¥15,016	\$133,539
Current portion of long-term debt with average interest rate of 1.63%	3,610	4,293	30,580
Total	¥19,374	¥19,309	\$164,119
Unsecured bonds maturing on March 8, 2013 with the interest rate of 1.60%	¥ 5,000	¥ 5,000	\$ 42,355
Long-term debt maturing in 2008 through 2033 with average interest rate of 1.63%	8,096	11,074	68,577
Total	¥13,096	¥16,074	\$110,932

The aggregate annual maturities of long-term debt at March 31, 2007 were as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2009	¥4,960	\$42,017
2010	1,919	16,257
2011	674	5,706
2012	¥ 312	\$ 2,640

8. 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 ¥6,491 million (US\$ 54,986 thousand) and ¥8,512 million as at March 31, 2007 and 2006, respectively:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Buildings and structures	¥15,942	¥15,834	\$135,041
Machinery, equipment and vehicles	16,088	16,579	136,286
Land	4,733	5,047	40,090
Investments in securities	5,364	5,399	45,441
Total	¥42,127	¥42,859	\$356,858

9. 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, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Total commitment available	¥7,150	¥7,150	\$60,568
Amount utilized	1,600	1,000	13,554
Balance available	¥5,550	¥6,150	\$47,014

10. 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, 2007 and 2006 consisted of the following:

	Millions of yen		Thousands of
	2007	2006	U.S. dollars
Projected benefit obligations	¥(27,150)	¥(25,847)	\$229,992
Plan assets	28,251	25,936	239,316
Funded status	1,101	89	9,324
Unrecognized actuarial differences	(2,051)	(1,374)	(17,370)
	(950)	(1,285)	(8,046)
Prepaid pension cost	1,620	1,076	13,721
Reserve for retirement benefits	¥ (2,570)	¥ (2,361)	\$ (21,767)

Net pension expenses related to the retirement benefits for the years ended March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of
	2007	2006	U.S. dollars
Service cost	¥1,100	¥ 883	\$ 9,315
Interest cost	693	622	5,872
Expected return on plan assets	(698)	(518)	(5,908)
Amortization of actuarial differences	(18)	328	(154)
Amortization of transitional differences			
resulting from a change in accounting standards	433	—	3,668
Net pension expense	¥1,510	¥1,315	\$12,793

Note: In addition to above expenses, the Company and its domestic consolidated subsidiaries recorded merit allowances amounting to ¥142 million (\$1,202 thousand) and ¥89 million for the years ended March 31, 2007 and 2006, respectively.

Assumptions used in calculation of the above information for the year ended March 31, 2007 and 2006 were as follows:

	2007	2006
Discount rate	2.5%	2.5%
Expected rate of return on plan assets	2.5%	2.5%
Method of attributing the projected benefits to periods of services	Straight-line basis	Straight-line basis
Amortization period of past service liabilities	Fully amortized when incurred	Fully amortized when incurred
Amortization period of actuarial differences	*	*
Amortization period of transitional differences	Fully amortized when incurred	—
resulting from a change in accounting standards		

* 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.

11. 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, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Deferred tax assets:			
Unrealized gains on fixed assets	¥ 2,047	¥ 1,853	\$ 17,339
Reserve for employees' retirement benefits	939	1,023	7,955
Retirement allowance for directors and corporate auditors	322	285	2,730
Accrued bonuses	755	755	6,398
Research and development costs	613	324	5,189
Loss on disposal or sales of fixed assets	580	290	4,914
Accrued expenses	452	544	3,827
Write-down of inventories	336	—	2,845
Accrued enterprise tax and business place tax	259	250	2,190
Loss on impairment	179	191	1,518
Write-down of real estates for sale	166	256	1,407
Tax loss carried forward	139	858	1,176
Golf club membership	96	108	814
Others	178	308	1,514
Sub-total	7,061	7,045	59,816
Valuation allowance	(559)	(1,117)	(4,736)
Total deferred tax assets	6,502	5,928	55,080
Deferred tax liabilities:			
Net unrealized gains on available-for-sale securities	(10,601)	(8,236)	(89,802)
Prepaid pension expenses	(569)	(435)	(4,821)
Retained surplus at subsidiaries	(250)	(55)	(2,120)
Others	(90)	(65)	(761)
Total deferred tax liabilities	(11,510)	(8,791)	(97,504)
Net deferred tax liabilities	¥(5,008)	¥(2,863)	\$(42,424)

Reconciliations of the difference between the statutory income tax rate and the effective income tax rate for the years ended March 31, 2007 and 2006 were as follows:

	2007	2006
Statutory income tax rate:	40.44%	40.44%
Expense not deductible for tax purpose	3.10	2.84
Non-taxable revenue	(6.08)	(2.76)
Tax credit for research and development costs	(2.39)	(4.06)
Foreign tax credits	—	(0.66)
Tax rate differences of overseas consolidated subsidiaries	—	(2.64)
Others	1.41	(2.61)
Effective income tax rate	36.48%	30.55%

12. Commitments and Contingent Liabilities

The Group guarantees employees' bank loans to the amount of ¥538 million (\$4,557 thousand) and ¥645 million as at March 31, 2007 and 2006, respectively.

13. 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, 2007. 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 on the accompanying consolidated balance sheets.

14. Leases

Information on finance leases other than those deemed to transfer ownership of the leased assets to the lessee for the years ended March 31, 2007 and 2006, is summarized as follows:

(1) The acquisition cost (interest expense which did not have a material effect on the accompanying financial statements was included), accumulated depreciation, and net book value as at March 31, 2007 and 2006 were as follows:

	Millions of yen					
	2007			2006		
	Acquisition cost	Accumulated depreciation	Net book value	Acquisition cost	Accumulated depreciation	Net book value
Machinery and equipment	¥ 462	¥220	¥ 242	¥ 412	¥170	¥242
Tools, furniture and fixtures	1,433	691	742	1,314	724	590
Software	167	77	90	110	54	56
Total	¥2,062	¥988	¥1,074	¥1,836	¥948	¥888

	Thousands of U.S. dollars		
	2007		
	Acquisition cost	Accumulated depreciation	Net book value
Machinery and equipment	\$ 3,917	\$1,866	\$2,051
Tools, furniture and fixtures	12,138	5,849	6,289
Software	1,416	655	761
Total	\$17,471	\$8,370	\$9,101

(2) Future minimum payments under lease contracts with non-cancelable terms (interest expense which did not have a material effect on the accompanying financial statements was included) as at March 31, 2007, were as follows:

	Millions of yen	Thousands of U.S. dollars
Within one year	¥ 422	\$3,578
Over one year	652	5,522
Total	¥1,074	\$9,100

(3) Lease payments and notional depreciation expenses for the year ended March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Lease expense	¥467	¥422	\$3,957
Notional depreciation	467	422	3,957

Notional depreciation expense is computed by the straight-line basis over the lease period based on notional acquisition cost with no residual value.

15. Selling, General and Administrative Expenses

Major components of selling, general and administrative expenses for the year ended March 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Sales distribution expenses	¥1,904	¥2,374	\$16,125
Salaries and wages	6,403	6,057	54,239
Provision for bonuses	749	792	6,342
Retirement benefit expenses	514	562	4,352
Research and development expenses	6,865	7,406	58,156
Depreciation	1,086	942	9,198

16. 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 year ended March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Gain on sales of property and equipment:			
Buildings, structures and others	¥ 5	¥ 146	\$ 46
Land	584	966	4,944
	¥ 589	¥1,112	\$ 4,990
Loss on disposal of property and equipment:			
Buildings and structures	¥ 558	¥ 848	\$ 4,723
Machinery and equipment	1,409	800	11,940
Tools, furniture and fixtures	44	57	372
	¥2,011	¥1,705	\$17,035
Loss on sales of property and equipment:			
Buildings and structures	¥ 31	¥ —	\$ 260
Machinery and equipment	1	17	11
Land	32	—	271
	¥ 64	¥ 17	\$ 542

17. 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 is recognized. However, certain interest swap agreements which qualify for hedge accounting and meet specific matching criteria are not revaluated at market value, but the differential paid or received under the swap agreements are recognized and included in interest expenses or income.

Counterparties which the Company and its consolidated subsidiaries enter into derivative financial instruments are limited to highly creditworthy financial institutions with which the Company has 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 the revaluation profit and loss are periodically reported to the Finance Director.

The Company and its consolidated subsidiaries have the following contracts at March 31, 2007 and 2006:

	Millions of yen					
	2007			2006		
	Contract amount	Fair value	Unrealized gain (loss)	Contract amount	Fair value	Unrealized gain (loss)
Foreign exchange forward contracts:						
Selling:						
U.S. dollar	¥236	¥235	¥1	¥906	¥910	¥(4)
Euro	78	78	(0)	389	394	(6)
Buying:						
U.S. dollar	—	—	—	350	351	1
Total	¥ —	¥ —	¥1	¥ —	¥ —	¥(9)
Thousands of U.S. dollars						
2007						
	Contract amount	Fair value	Unrealized gain (loss)			
Foreign exchange forward contracts:						
Selling:						
U.S. dollar	\$1,999	\$1,989	\$10			
Euro	661	665	(4)			
Buying:						
U.S. dollar	—	—	—			
Total	\$ —	\$ —	\$ 6			

Fair value is calculated using the forward rates. Derivatives which qualify for hedge accounting for the years ended March 31, 2007 and 2006 are not included in the above table.

18. Per Share Information

Net assets per share at March 31, 2007 and 2006 and net income per share for the years then ended were as follows:

	Yen		U.S. dollars
	2007	2006	2007
Net assets per share	¥578.09	¥535.26	\$4.90
Basic net income per share	31.58	27.61	0.27

Basic net income per share was computed based on the net income available for distribution to shareholders of common stock (¥5,832 million or US\$49,403 thousand in 2007 and ¥5,065 million in 2006) and the weighted average number of shares of common stock during the year (184,663,045 shares in 2007 and 183,436,666 shares in 2006). Diluted net income per share has been omitted because no potentially dilutive instruments were outstanding during the years ended March 31, 2007 and 2006.

Net assets per share was computed based on the net assets less minority interests in the amount of ¥107,349 million (US\$ 909,356 thousand) and outstanding number of common stock (183,706,009 shares) at March 31, 2007.

19. Segment Information

Business segment information of the Group for the years ended March 31, 2007 and 2006 was as follows:

Millions of yen

Year ended March 31, 2007	Advanced Materials	Specialty Chemicals	Specialty Plastics	Other Operations	Total	Elimination or Corporate	Consolidated
I. Sales and operating income							
Outside customers	¥35,129	¥30,543	¥48,399	¥32,185	¥146,256	¥ —	¥146,256
Inter-segment	901	200	1,407	15,177	17,686	(17,686)	—
Total	36,030	30,743	49,806	47,362	163,942	(17,686)	146,256
Operating expenses	31,772	27,395	47,594	45,073	151,833	(17,419)	134,415
Operating income	¥ 4,259	¥ 3,348	¥ 2,213	¥ 2,289	¥ 12,109	¥ (268)	¥ 11,841
II. Assets, depreciation and capital expenditure							
Assets	¥48,648	¥31,206	¥41,278	¥32,451	¥153,584	¥42,523	¥196,107
Depreciation	4,138	2,023	2,139	814	9,115	—	9,115
Loss on impairment	—	—	—	21	21	—	21
Capital expenditure	5,007	2,097	2,373	1,200	10,678	—	10,678

Thousands of U.S. dollars

Year ended March 31, 2007	Advanced Materials	Specialty Chemicals	Specialty Plastics	Other Operations	Total	Elimination or Corporate	Consolidated
I. Sales and operating income							
Outside customers	\$297,578	\$258,729	\$409,990	\$272,635	\$1,238,932	\$ —	\$1,238,932
Inter-segment	7,636	1,697	11,918	128,568	149,819	(149,819)	—
Total	305,214	260,426	421,908	401,203	1,388,751	(149,819)	1,238,932
Operating expenses	269,137	232,062	403,166	381,812	1,286,177	(147,552)	1,138,625
Operating income	\$ 36,077	\$ 28,364	\$ 18,742	\$ 19,391	\$ 102,574	\$ (2,267)	\$ 100,307
II. Assets, depreciation and capital expenditure							
Assets	\$412,100	\$264,342	\$349,668	\$274,895	\$1,301,005	\$360,215	\$1,661,219
Depreciation	35,057	17,140	18,121	6,894	77,211	—	77,211
Loss on impairment	—	—	—	176	176	—	176
Capital expenditure	42,415	17,767	20,104	10,164	90,450	—	90,450

Millions of yen

Year ended March 31, 2006	Advanced Materials	Specialty Chemicals	Specialty Plastics	Other Operations	Total	Elimination or Corporate	Consolidated
I. Sales and operating income							
Outside customers	¥31,578	¥31,295	¥45,262	¥27,492	¥135,627	¥ —	¥135,627
Inter-segment	496	136	978	14,945	16,555	(16,555)	—
Total	32,075	31,431	46,240	42,437	152,182	(16,555)	135,627
Operating expenses	28,151	27,937	45,633	40,337	142,059	(16,140)	125,919
Operating income	¥ 3,923	¥ 3,493	¥ 607	¥ 2,100	¥ 10,124	¥ (416)	¥ 9,708
II. Assets, depreciation and capital expenditure							
Assets	¥46,603	¥31,290	¥40,863	¥30,060	¥148,816	¥36,387	¥185,203
Depreciation	3,066	2,136	1,901	796	7,899	—	7,899
Loss on impairment	—	357	—	305	661	—	661
Capital expenditure	6,784	2,438	1,833	929	11,984	—	11,984

Geographic segment information of the Group for the years ended March 31, 2007 and 2006 was as follows:

Millions of yen

Year ended March 31, 2007	Japan	Europe	Other regions	Total	Elimination or Corporate	Consolidated
I. Sales and operating income						
Outside customers	¥132,864	¥10,117	¥3,274	¥146,256	¥ —	¥146,256
Inter-segment	3,581	122	764	4,468	(4,468)	—
Total	136,446	10,240	4,038	150,724	(4,468)	146,256
Operating expenses	126,892	9,611	2,401	138,904	(4,489)	134,415
Operating income	9,554	628	1,638	11,820	21	11,841
II. Assets	¥144,069	¥ 7,050	¥5,749	¥156,868	¥39,239	¥196,107

Thousands of U.S. dollars

Year ended March 31, 2007	Japan	Europe	Other regions	Total	Elimination or Corporate	Consolidated
I. Sales and operating income						
Outside customers	\$1,125,493	\$85,703	\$27,736	\$1,238,932	\$ —	\$1,238,932
Inter-segment	30,336	1,037	6,473	37,846	(37,846)	—
Total	1,155,829	86,740	34,209	1,276,778	(37,846)	1,238,932
Operating expenses	1,074,897	81,418	20,337	1,176,652	(38,027)	1,138,624
Operating income	80,932	5,322	13,872	100,126	181	100,307
II. Assets	\$1,220,407	\$59,720	\$48,701	\$1,328,828	\$332,391	\$1,661,219

Millions of yen

Year ended March 31, 2006	Japan	Europe	Other regions	Total	Elimination or Corporate	Consolidated
I. Sales and operating income						
Outside customers	¥124,468	¥8,682	¥2,477	¥135,627	¥ —	¥135,627
Inter-segment	3,135	85	685	3,906	(3,906)	—
Total	127,603	8,768	3,162	139,533	(3,906)	135,627
Operating expenses	119,247	8,691	1,817	129,754	(3,835)	125,919
Operating income	8,357	77	1,345	9,779	(71)	9,708
II. Assets	¥140,307	¥5,852	¥5,153	¥151,312	¥33,891	¥185,203

Overseas sales information of the Group for the years ended March 31, 2007 and 2006 was as follows:

Millions of yen

Year ended March 31, 2007	Europe	Asia	Other regions	Total
I Overseas sales	¥14,871	¥10,256	¥4,626	¥ 29,753
II Consolidated sales				146,256
III % on consolidated sale	10.2%	7.0%	3.2%	20.3%

Thousands of U.S. dollars

Year ended March 31, 2007	Europe	Asia	Other regions	Total
I Overseas sales	\$125,970	\$86,876	\$39,191	\$ 252,037
II Consolidated sales				1,238,932

Millions of yen

Year ended March 31, 2006	Europe	Asia	Other regions	Total
I Overseas sales	¥15,088	¥8,902	¥4,053	¥ 28,043
II Consolidated sales				135,627
III % on consolidated sale	11.1%	6.6%	3.0%	20.7%

20. Subsequent Events

The following appropriation of retained earnings has been approved by the general meeting of shareholders held on June 15, 2007.

	Millions of yen	Thousands of U.S. dollars
Cash dividends at ¥5.50 per share	¥1,010	\$8,559

Main Group Companies by Segment (As of March 31, 2007)

The Kureha Group consists of Kureha Corporation, 34 subsidiaries (of which 33 are consolidated), and 6 affiliates (of which two apply 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.

Kureha GmbH

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

Kureha America, Inc.

Sells Kureha's advanced materials and other products in the U.S. Has a controlling stake in Fortron Industries LLC engaged in manufacturing and selling PPS resin and compounds in the U.S.

Kureha Advanced Materials, Inc.

Manufactures and sells carbon products in the U.S.

Resinous Kasei Co., Ltd.

A subsidiary of Nishiki Trading Co., Ltd., the company manufactures and sells advanced materials.

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.

Rütgers Kureha Solvents GmbH

Manufactures and sells solvents for carbonless copying paper in Germany. Receives technology under license from Kureha.

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 Plastics Co., Ltd.

Manufactures and sells food packaging materials. Purchases raw materials from and sells products to Kureha.

Kureha Gosen Co., Ltd.

Manufactures and sells synthetic fibers. Purchases raw materials from and sells some products to Kureha.

Kureha Extech Co., Ltd.

Manufactures and sells synthetic plastic products. 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.

Nantong SKT New Material Co., Ltd.

Manufactures and sells food packaging materials. Receives technology under license from Kureha.

OTHER OPERATIONS

Kureha Ecology Management Co., Ltd.

(Renamed from Kureha Kankyo Co., Ltd. on April 1, 2006)

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 Engineering Group

(Kureha Engineering Co., Ltd., and one subsidiary)

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

Kurehanishiki Construction Group

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

(Kurehanishiki Construction Co., Ltd. was renamed from Kureha Construction on October 1, 2006)

Undertakes engineering and construction work.

Kureha Unyu Group

(Kureha Unyu Co., Ltd., and six subsidiaries)

(Kureha Unyu Co., Ltd. was renamed from Kureha Transport Co., Ltd. on April 1, 2006)

Undertakes transportation and storage operations.

Nishiki Trading Co., Ltd.

Sells and supplies advanced materials, specialty chemicals, specialty plastics, and other products.

Kureha Service Group

(Kureha Service Co., Ltd., and one subsidiary)

Conducts real estate transactions, leasing and management, and other services. Performs certain operations for Kureha. Kureha Service acquired and merged its subsidiary on April 1, 2007.

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.

BOARD OF DIRECTORS

Hiroshi TANAKA	Chairman of the Board of Directors
Takao IWASAKI	President & Chief Executive Officer
Masaki UCHIYAMA	Senior Executive Vice President
Masahiko FUJII	Executive Vice President
Koji HAGINO	Executive Vice President
Masatomo SHIGETA	Executive Vice President
Naoya SUZUKI	Senior Vice President
Keikichi MUNAKATA	Senior Vice President
Kunihiko SAITO	Independent Outside Director
Takeshi TAKAHASHI	Independent Outside Director

BOARD OF CORPORATE AUDITORS

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Junichi KOSUGI	Corporate Auditor
Hiromichi KAMEYAMA	Corporate Auditor
Kazutoshi KIMURA	Corporate Auditor

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Masatomo SHIGETA	Executive Vice President
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Keikichi MUNAKATA	Senior Vice President
Yutaka KOBAYASHI	Senior Vice President
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Hiroshi HAGIWARA	Vice President
Yoshiki SHIGAKI	Vice President
Kazuhiko SUNAGAWA	Vice President
Norikazu SUNOU	Vice President
Yukihiro SHIBUYA	Vice President
Naoki FUKUZAWA	Vice President

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	3,749 (consolidated) 1,303 (non-consolidated)
Independent Auditor	Nihombashi Corporation

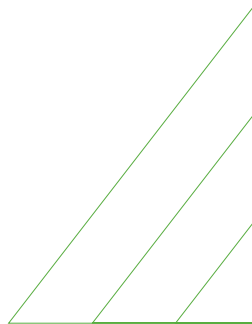
STOCK INFORMATION

Number of Shares of Common Stock Issued	186,733,909 shares
Number of Shareholders	18,807
Number of Shares Held by Foreign Shareholders	37,050,627 (19.84% of total)
Stock Exchange Listings	Tokyo Stock Exchange, Osaka Securities Exchange
Transfer Agent	Mizuho Trust & Banking Co., Ltd.

MAJOR SHAREHOLDERS

Meiji Yasuda Life Insurance Company
Tokio Marine & Nichido Fire Insurance Co., Ltd.
Japan Trustee Services Bank, Ltd. (trust account)
The Master Trust Bank of Japan, Ltd. (trust account)
Mizuho Corporate Bank, Ltd.
State Street Bank & Trust Company 505019
Daiichi Sankyo Company, Ltd.
Japan Trustee Services Bank, Ltd. (trust account 4)
Marubeni Corporation
Sompo Japan Insurance Inc.

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



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