

**April 30, 2010**  
**Kuraray Co., Ltd.**

## **Notice of Issue of Share Purchase Warrants as Stock Options**

Kuraray Co., Ltd. (hereafter the “Company”) announces that, at the meeting of its Board of Directors held today, it has resolved to propose an agenda at the 129th Ordinary General Meeting of Shareholders scheduled to held on June 24, 2010 to seek shareholders’ approval for (a) issuing the following Share Purchase Warrants as stock options to Directors, employees, etc. of the Company and its subsidiaries pursuant to Articles 236, 238 and 239 of the Companies Act, (b) delegating the determination of the terms and conditions of the offer thereof to the Board of Directors of the Company and (c) issuing such Share Purchase Warrants as compensation to Directors of the Company.

### **1. Reason for the necessity to offer Share Purchase Warrants on particularly favorable conditions**

The Company, with the “GS-Twins” Medium-term Action Plan, is aiming to restore its profit structure that has been severely undermined by the impact of the global economic crisis, and to step forward for the new growth. By issuing Share Purchase Warrants at this point in time that we have got through the first year under the “GS-Twins” and successfully secured the initial foothold, we are aiming to encourage the ambition and enhance the morale of Directors, employees, etc. of the Company and its subsidiaries towards the improvement of business performance, as well as to promote enhancement of the enterprise value of the Company, for its accomplishment of the “GS-Twins”.

### **2. Terms and conditions of issue of Share Purchase Warrants**

#### **(1) Persons to whom Share Purchase Warrants will be allotted**

Directors, Executive Officers, Advisers, Full-time Counselors and employees (including employees on contract; hereinafter the same shall apply) of the Company as well as Directors, Executive Officers, and employees of the subsidiaries of the Company

#### **(2) Class and number of shares to be issued upon exercise of Share Purchase Warrants**

Not exceeding 4,900,000 shares of common stock of the Company in total. Out of this, the upper limit of the total number of shares to be issued upon exercise of Share Purchase Warrants allotted to Directors of the Company shall be 120,000 shares. However, these numbers shall be adjusted accordingly in case the number of shares to be issued upon exercise of Share Purchase Warrants is adjusted as provided for below.

The number of shares to be issued upon exercise of each unit of Share Purchase Warrants shall be 500.

If the Company splits its common stock (including allotment of its common stock without compensation; hereinafter the same shall apply as far as split of its common stock is concerned) or consolidates its common stock, the number of shares to be issued upon exercise of each unit of Share Purchase Warrants shall be adjusted according to the following formula; provided, however, that such adjustment shall be made only to those remain unexercised at the time of such adjustment and; provided, further, that if any fraction less than one share arises as a result of such adjustment, such fraction shall be discarded.

$$\text{Number of shares after adjustment} = \text{Number of shares before adjustment} \times \text{Ratio of split (or consolidation)}$$

Besides the above, in case the Company carries out a merger, share exchange or share transfer or the like that makes it necessary to adjust the number of shares after the date of allotment, the number of shares may be adjusted within a reasonable range.

(3) Total number of Share Purchase Warrants to be issued

Not exceeding 9,800 in total. Out of this, the upper limit of Share Purchase Warrants allotted to Directors of the Company shall be 240.

(4) Requirement of cash payment for Share Purchase Warrants

No cash payment is required for Share Purchase Warrants.

(5) Value of the assets to be contributed upon exercise of Share Purchase Warrants

The amount of the assets to be contributed upon exercise of Share Purchase Warrants shall be the amount obtained by multiplying the amount to be paid in for each share to be issued upon exercise of such Share Purchase Warrant (hereinafter referred to as the "Exercise Price"), and the number of shares to be issued upon exercise of such Share Purchase Warrants. Exercise Price shall be whichever higher of (i) the average (any fraction less than one yen will be rounded up) of the closing prices of the common stock of the Company in the regular trading on the Tokyo Stock Exchange (including indication of any bid or offer, hereinafter referred to as the "Closing Price") for 30 consecutive trading days (excluding days on which there is no Closing Price) from the beginning of 45 trading days period preceding the date of allotment of Share Purchase Warrants, multiplied by 1.05 (any fraction less than one yen will be rounded up), or (ii) the Closing Price on the date of allotment of Share Purchase Warrants (if there is no Closing Price on such date, the Closing Price on the trading day closest to the date of allotment on which the Closing Price is quoted).

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

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

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

$$\text{Exercise Price after adjustment} = \text{Exercise Price before adjustment} \times \frac{\text{Number of issued and outstanding shares} + \frac{\text{Number of new shares} \times \text{Amount paid per share}}{\text{Share price before issue of new shares}}}{\text{Number of issued and outstanding shares} + \text{Number of new shares}}$$

In the above formula, “Number of issued and outstanding shares” means the total number of issued shares of common stock of the Company excluding the number of treasury common stock held by the Company. In the event of disposition of treasury common stock, “Number of new shares” shall be read as “Number of shares of treasury stock disposed of.”

Besides the above, in case the Company carries out a merger, share exchange or share transfer or the like that makes it necessary to adjust the Exercise Price after the date of allotment, the Exercise Price may be adjusted within a reasonable range.

(6) Exercise period of Share Purchase Warrants

From June 25, 2012 to June 24, 2020

(7) Conditions for exercise of Share Purchase Warrants

- 1) Any person exercising Share Purchase Warrants shall be Director, Company Auditor, Executive Officer, Advisor, Full-time Counselor or employee of the Company or its subsidiaries at the time of such exercise; provided, however, that a person who held a position of Director, Company Auditor, Executive Officer or Associate Executive Officer of the Company or President of a subsidiary of the Company may exercise Share Purchase Warrants even after retirement from such position.
- 2) Share Purchase Warrants shall not be offered for pledge, inherited or disposed of in any other way.

(8) Matters concerning increase in capital and capital reserve by the issue of shares upon exercise of Share Purchase Warrants

- 1) Amount of increase in capital by issuing shares upon exercise of Share Purchase Warrants shall be half of the upper limit of capital increase as calculated pursuant to the provisions of Article 17, Paragraph 1 of Company Accounting Regulations, where any resultant fraction less than one yen shall be rounded up.
- 2) Amount of increase in capital reserve by issuing shares upon exercise of Share Purchase Warrants shall be the upper limit of capital increase as described in 1) above less the amount of increase in capital set out therein.

(9) Reasons and conditions for the acquisition and cancellation of Share Purchase Warrants

- 1) In case that a resolution for the approval of any merger agreement under which the Company is dissolved, or any absorption-type demerger (kyushu-bunkatsu) agreement or incorporation-type demerger (shinsetsu-bunkatsu) plan in which the Company will be a split company, or any share exchange agreement or share transfer plan in which the Company will be a wholly-owned subsidiary of another company is adopted at a General Meeting of Shareholders of the Company (or at a meeting of the Board of Directors of the Company if resolution at a General Meeting of Shareholders is not required), the Company may acquire and cancel all Share Purchase Warrants outstanding as at the date specifically determined by the Board of Directors of the Company without any compensation therefor.
- 2) In case that a person who received allotment of Share Purchase Warrants ceases to

fulfill the conditions of (7) 1) above or otherwise loses the ability to exercise Share Purchase Warrants for whatever reason before exercising Share Purchase Warrants, the Company may acquire and cancel such Share Purchase Warrants without any compensation therefor.

(10) Restriction on the acquisition of Share Purchase Warrants by transfer

Any acquisition of Share Purchase Warrants by transfer shall require an approval of the Board of Directors of the Company by its resolution.

(11) Other details of Share Purchase Warrants

Other description, conditions of the offer and details of Share Purchase Warrants shall be determined by the meeting of the Board of Directors to determine conditions of the offer of Share Purchase Warrants, as well as by the “Agreement for Granting Share Purchase Warrants.”