

August 4, 2010
Kuraray Co., Ltd.
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Representative: Fumio Ito, Representative Director and President
Securities Code No.: 3405
Listings: First Section, Tokyo Stock Exchange
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Notice of Issue of Share Purchase Warrants as Stock Options

Kuraray Co., Ltd. (the “Company”) has determined at its meeting of Board of Directors held on August 4, 2010 the terms and conditions of the offer for the share purchase warrants as stock options (the “Share Purchase Warrants”), pursuant to the resolution at the 129th Ordinary General Meeting of Shareholders held on June 24, 2010, as follows.

(1) Name of Share Purchase Warrants

Kuraray Co., Ltd. Share Purchase Warrants issued in October 2010

(2) Persons to whom Share Purchase Warrants will be allotted and number of Share Purchase Warrants to be allotted

Persons to whom Share Purchase Warrants will be allotted	Number of persons	Number of Share Purchase Warrants
Directors of the Company, etc.	26	482
Employees of the Company	4,322	5,446
Directors, employees, etc. of the subsidiaries of the Company	2,639	3,366
Total	6,987	9,294

(3) Class and number of shares to be issued upon exercise of Share Purchase Warrants

4,647,000 shares of common stock of the Company.

However, these numbers shall be adjusted accordingly in case the number of shares to be issued upon exercise of the Share Purchase Warrants is adjusted as provided for below.

The number of shares to be issued upon exercise of each unit of the 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 the 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.

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

9,294

(5) Requirement of cash payment for Share Purchase Warrants

No cash payment is required for the Share Purchase Warrants.

(6) Allotment date of Share Purchase Warrants

October 1, 2010

(7) Amount of the assets to be contributed upon exercise of Share Purchase Warrants

The amount of the assets to be contributed upon exercise of the 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 Warrants (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, 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 the 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 the 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 the 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 the Share Purchase Warrants (excluding the case where such lower price is resulted from the exercise of the 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.

(8) Exercise period of Share Purchase Warrants

From June 25, 2012 to June 24, 2020.

(9) Conditions for exercise of Share Purchase Warrants

- 1) Any person exercising the 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 Kuraray Engineering Co., Ltd., Kuraray Chemical Co., Ltd., Kuraray Trading Co., Ltd., Kuraray Plastics Co., Ltd., Kuraray Techno Co., Ltd., Kuraray America, Inc., Kuraray Europe GmbH and EVAL Europe N.V. may exercise the Share Purchase Warrants even after retirement of such position.
- 2) The Share Purchase Warrants shall not be offered for pledge, inherited or disposed of in any other way.
- 3) Other conditions for exercise shall be determined by the “Share Purchase Warrants Agreement” to be entered into between the Company and each person to whom the Share Purchase Warrants will be allotted.

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

- 1) Amount of increase in capital by issuing shares upon exercise of the 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 the 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.

(11) Reasons and conditions for 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 the 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 the Share Purchase Warrants ceases to fulfill the conditions of (9) 1) above or otherwise loses the ability to exercise the Share Purchase Warrants for whatever reason before exercising the Share Purchase Warrants, the Company may acquire and cancel such Share Purchase Warrants without any compensation therefor.

(12) Restriction on acquisition of Share Purchase Warrants by transfer

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

(13) Other

Determination of other matters regarding the Share Purchase Warrants shall be delegated to President of the Company.