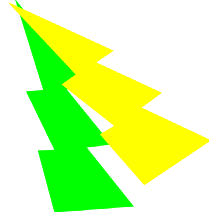




**Kuraray FY2004**  
**Earning Presentation**  
**<Earning Results FY2004>**

**Kuraray Co., Ltd.**  
**Managing Director Tsutomu Yabuta**

**May 11, 2005**



# FY2004 Overview

External Environment	Kuraray's State and Response
<b>Dramatic Rise in Base Fuel Prices</b>	<b>Absorb the Price Rise by Transferring Higher Base Raw Material Costs to Customers and Through Cost Reduction Efforts.</b>
<b>Inventory Adjustments in IT-related Products</b>	<b>Minimal Impact on Kuraray's Original Products.</b>
<b>Concern about Global Economic Slowdown</b>	<b>Accelerate Product Development. Optimum Locations for Production and Sales.</b>

	<b>FY04</b>	<b>FY03</b>
<b>Yen/\$</b>	<b>108</b>	<b>113</b>
<b>Yen/Euro</b>	<b>135</b>	<b>133</b>
<b>Crude oil/bl</b>	<b>\$34</b>	<b>\$27</b>

# Summary of FY2004 Consolidated Results

## (1) Net Sales and OP Income

(Billion of Yen)

	FY04	FY03	Difference	
Net Sales	354.9	332.1	+22.8	+6.8%
Operating Income	33.2	28.0	+5.2	+18.3%
Ordinary Income	30.9	24.6	+6.3	+25.6%
Net Income	18.5	15.2	+3.3	+21.6%
CAPEX	45.7	32.2	+13.5	+41.9%
D/A	21.3	20.8	+0.5	+2.4%

## (2) Financial Indices

	FY04	FY05	Difference	
Gross Profit Margin	28.4%	28.9%	-	-0.5%
OP Income Ratio	9.4%	8.4%	-	+1.0%
ROA	7.6%	6.7%	-	+0.9%
ROE	6.0%	5.2%	-	+0.8%
Int. Bearing Debt	29.7	11.8	+17.9	+151.7%
Shareholders' Equity	312.9	300.3	+12.6	+4.1%
Total Assets	454.9	413.2	+4.17	+10.1%
Equity Ratio	68.8%	72.7%	-	-3.9%
OP Cashflows	39.6	30.8	+8.8	+28.6%

ROA : OP Income / Average Total Asset

ROE : Net Income / Average Shareholders' Equity

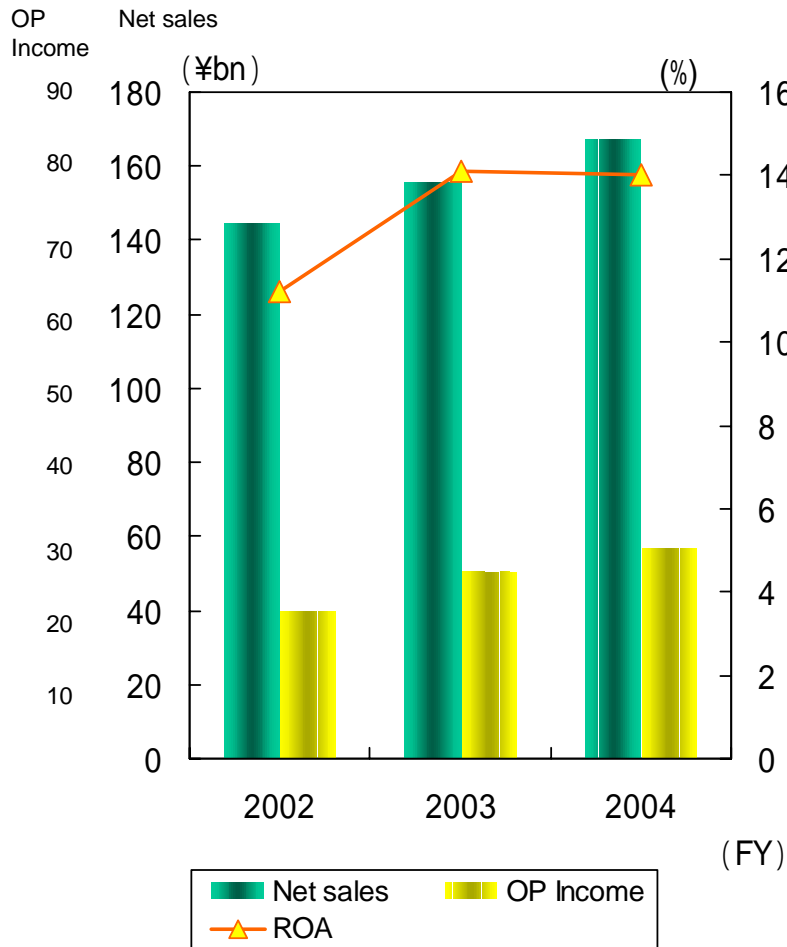
# Segment Highlights

## (1) Net Sales/OP Income

(Unit: Billion of Yen)

	FY04		FY03		Difference	
	Net Sales	OP Income	Net Sales	OP Income	Net Sales	OP Income
Chemical and resins	167.3	28.4	155.9	25.2	+11.4	+3.2
Fibers and textiles	109.8	7.9	106.0	5.3	+3.8	+2.6
High-performance materials, medical products and others	77.8	7.3	70.2	8.0	+7.6	-0.7
Elimination and corporate	-	-10.5	-	-10.5	-	-
<b>Total</b>	<b>354.9</b>	<b>332</b>	<b>332.1</b>	<b>28.0</b>	<b>+22.8</b>	<b>+5.2</b>

## (2) Chemical and resins



### Poval

### Increases in Both Revenues and Earnings

-Resin: Sales for Papers and Stabilizers Applications Grew in Europe and Asia.

-PVA films for LCDs: Sales Volume Grew with Expanding Demand for LCD displays and Enlargement of TV screens.

### <EVAL>

### Lower Earnings on Increased Revenues

Sales Grew Steadily in Japan and Europe for Gasoline Tank and in US for food packaging. Negative Impact of Higher Raw Material Costs.

### Isoprene

### Lower Earnings on Increased Revenues

Although sales of Thermoplastic Elastomer were Negatively Affected by Higher Raw Material Prices, Substitutes for Vulcanized Rubber and Soft PVC received strong demand in Europe.



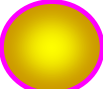


















Among Fine Chemicals, Favorable growth in Aroma Chemicals and Agro-chemical Intermediates.

### Methacrylic

### Increases in Both Revenues and Earnings

Progress in Transferring Higher Raw Material Costs to Product Prices. Increased Production Capacity for Pellets Contributed to Sales Growth Mainly in Optical and General Areas.

# Outlook of PVA Business (1)

	VAM	PVA Resin	PVA Film (For optical use)	PVA fiber	PVB Resin (For Industrial use)	PVB Film
<b>Kuraray</b>						
<b>Company A</b>				-	-	-
<b>Company B</b>			-	-	-	-
<b>Company C</b>			-	-	-	
<b>Company D</b>			-	-	-	-
<b>Company E</b>	-	-	-	-		
<b>Company F</b>	-		-	-		

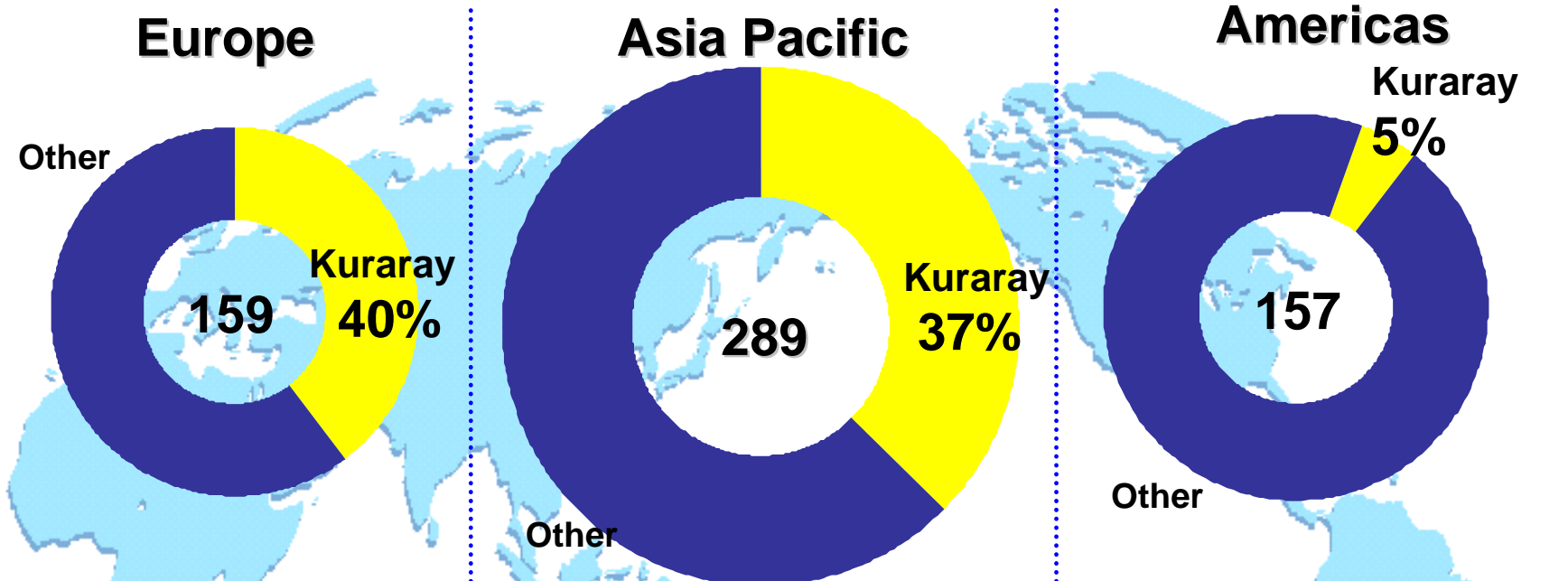
○ Indicates Scale of Business

● Indicates Kuraray has the World's Top Market Share.

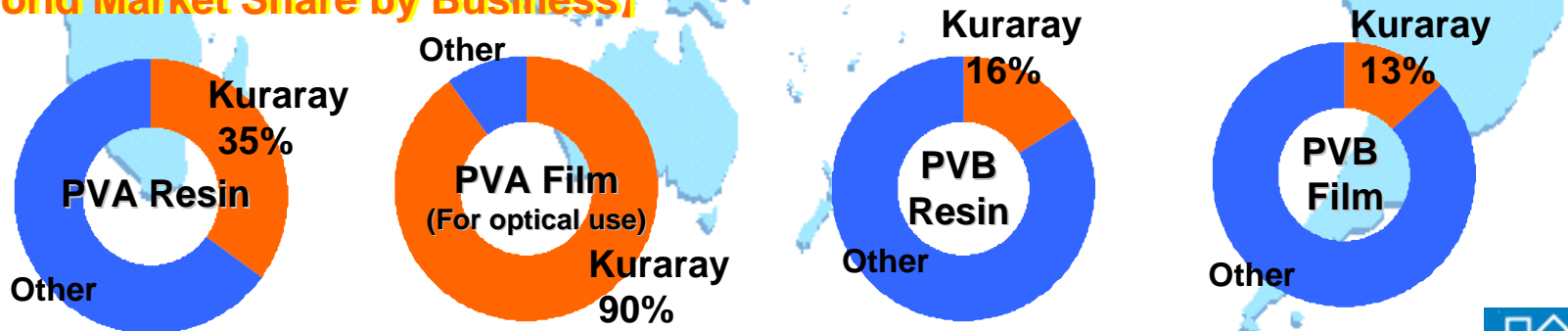


# Outlook of PVA Business (2)

## [PVA Resin's Share by Region]



## [World Market Share by Business]



Note) Volume of demand includes both external sales and internal consumption. (Unit: 1,000 tons)

Global total (excl. China) : 605,000 tons



# (3) Fibers and textiles

**<KURALON>  
<KURALON K- >**

**Flat Earnings on Increased Revenues**

Strong Growth in FRC Applications (as an Alternative to Asbestos) as well as in Rubber Materials, Paper, Nonwoven Fabric and Other Specialty Product Applications.

**Man-made Leather**

**Increases Earnings on Increased Revenues**

Growth in Sales to US and Europe for Sports Shoes Applications. Domestic sales for Bags, Gloves and other Miscellaneous Products were also Favorable. Production at Full capacity.

**Non-woven Fabrics Fastening Materials**

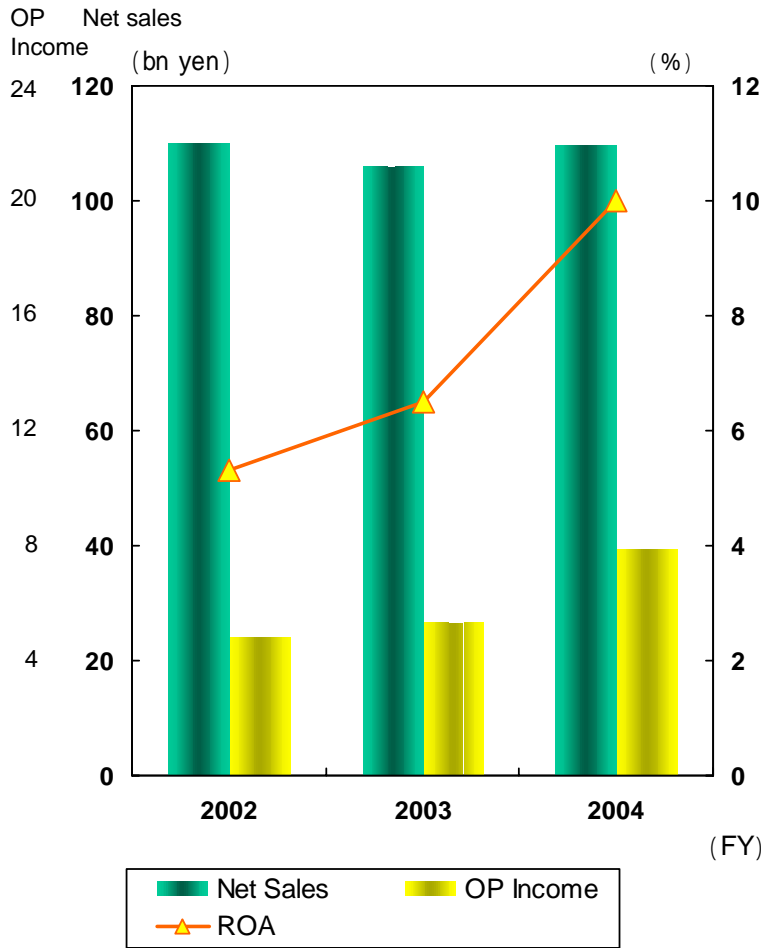
**Increased Earnings on Decreased Revenues  
Increased Earnings on Increased Revenues**

Nonwoven Fabrics: Slowdown in Product Price Falls, Accompanied by Reduced Costs. Sales of Hook and Loop Fasteners Increased with New Product Launches

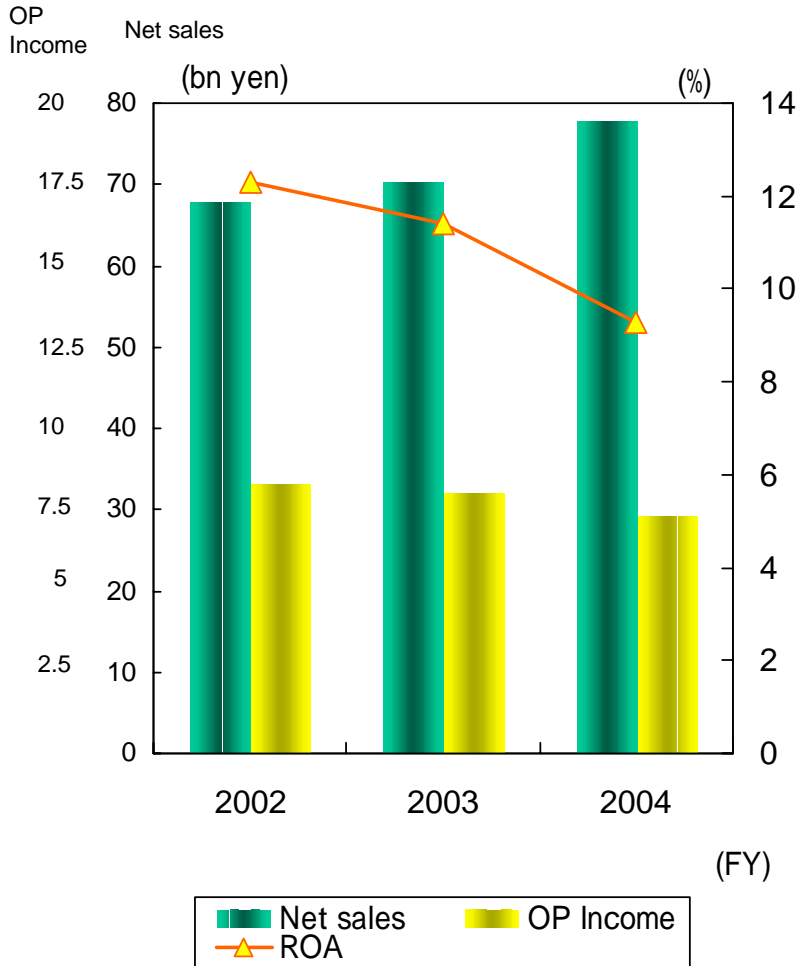
**Polyester**

**Smaller Losses on Reduced Revenues**

Filament Fibers: Progress in Structural Reform of <CLAVELLA> Business Led to a Return to Combined Profitability with the <CLAVELLA>-Related Business at Kuraray Trading Co. Staple Fibers: Sales Improvement Stalled due to Negative Impact of Surging Raw Material Costs.



# (4) High-performance materials, medical products and others



## Opto-screens

### Decreased Earnings on Increased Revenues

Opto-screens for MDs Newly Launched as an Addition to the Existing Products for CRTs, but Failed to Generate Sufficient Earnings due to Falling Prices and Staying the Yield of stay Newly Established Production Facility at Low Level.

## Medical products

### Lower Earnings on Decreased Revenues

Difficult Business Environment for medical products, due to Drug Price Revisions and Intensified Competition. Dental Materials: Adjustment of Distributors' Inventory Progressed Amid Strong Demand.

## High-performance materials

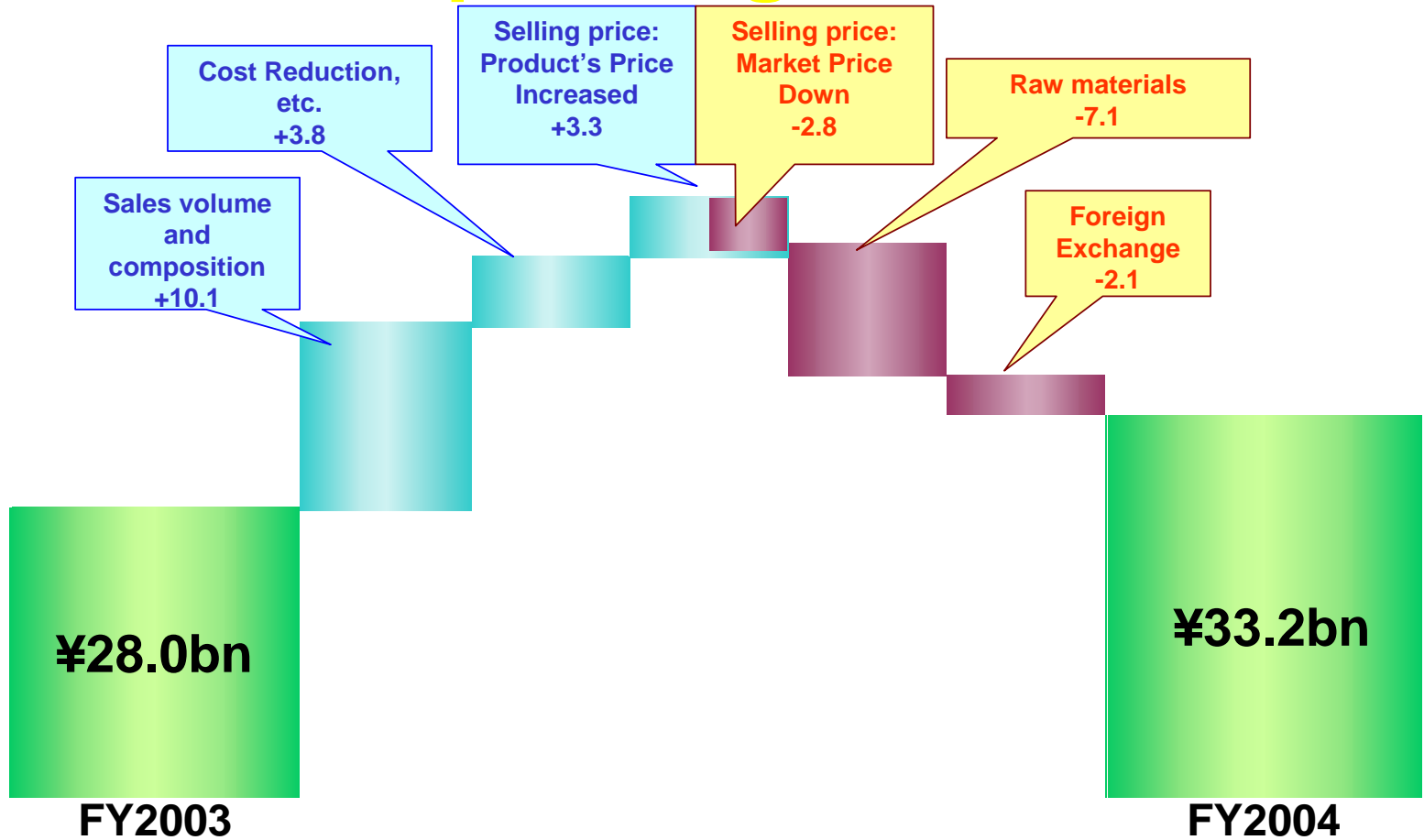
### Smaller losses in increased revenues

Satisfactory Increase in Sales of <GENESTAR> for use in Electronic Materials. Progress in Expansion into Automobile Parts.

## Others

Steady Growth in Businesses Related to Activated Carbon, Engineering and Other Related Businesses.

# Factors Affecting the Change in Operating Income



# Forecast for FY2005

## (1) Highlights

(Unit: Billion of Yen)

	1H	2H	Annual	Year-to-year change	
<b>Net sales</b>	<b>180.0</b>	<b>205.0</b>	<b>385.0</b>	<b>+30.1</b>	<b>+8.5%</b>
<b>OP Income</b>	<b>18.0</b>	<b>22.0</b>	<b>40.0</b>	<b>+6.8</b>	<b>+20.5%</b>
<b>Ordinary Income</b>	<b>16.0</b>	<b>20.0</b>	<b>36.0</b>	<b>+5.1</b>	<b>+16.5%</b>
<b>Net Income</b>	<b>9.0</b>	<b>12.0</b>	<b>21.0</b>	<b>+2.5</b>	<b>+13.5%</b>
<b>CAPEX</b>	<b>20.0</b>	<b>14.0</b>	<b>34.0</b>	<b>-11.7</b>	<b>-25.6%</b>
<b>D/A</b>	<b>12.5</b>	<b>14.5</b>	<b>27.0</b>	<b>+5.7</b>	<b>+26.8%</b>

\* Major Capital Investment...Eval Company of America

\* Assumptions...Currency¥105/\$, ¥135/EURO, Crude Oil(Dubai) 36\$/bl

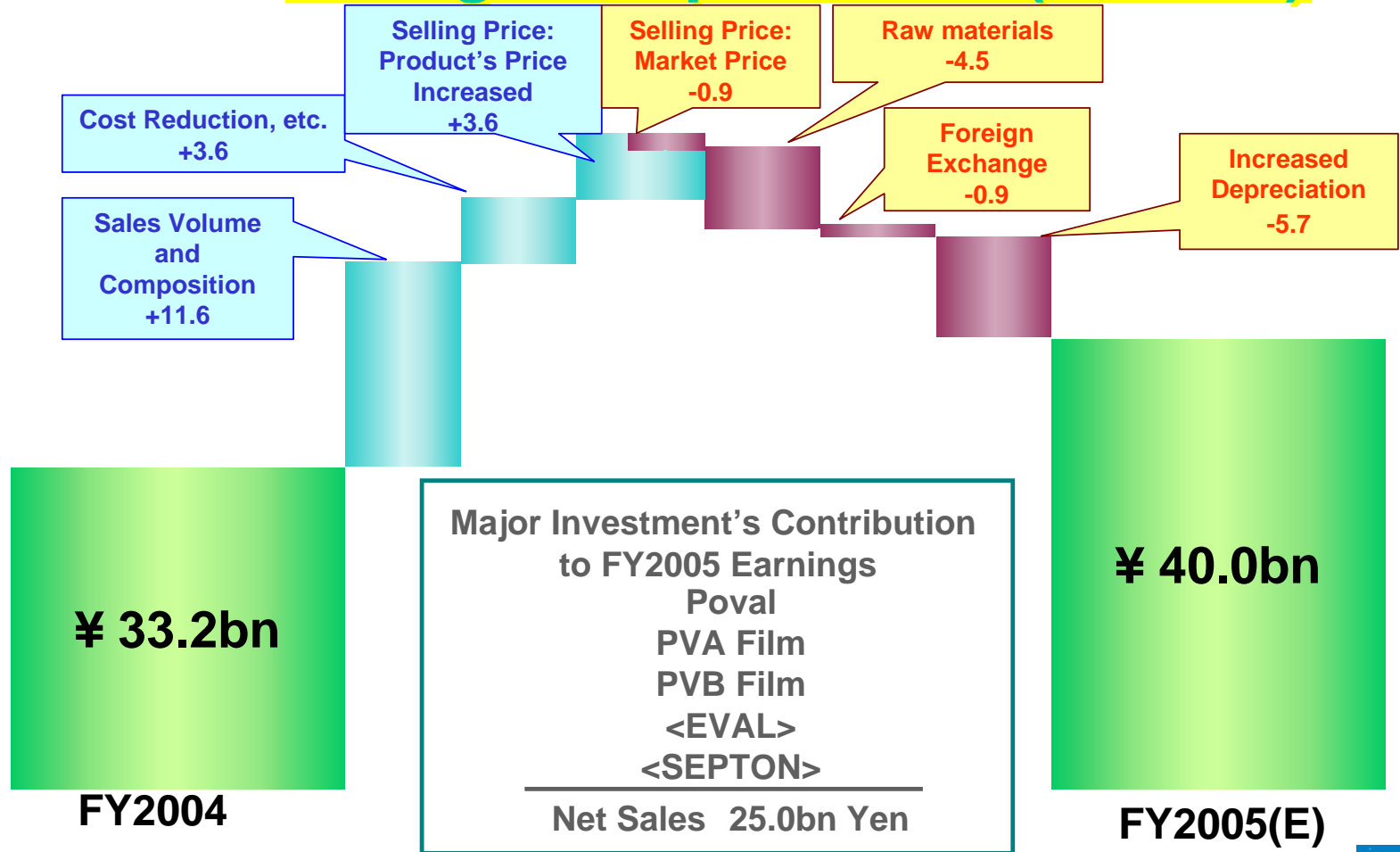
## (2) Forecast by Segment

(Unit: Billion of Yen)

	Net sales			OP Income		
	1H	2H	Annual	1H	2H	Annual
<b>Chemical and resins</b>	<b>92.0</b>	<b>103.0</b>	<b>195.0</b>	<b>15.0</b>	<b>18.5</b>	<b>33.5</b>
<b>Fibers and textiles</b>	<b>54.0</b>	<b>59.0</b>	<b>113.0</b>	<b>5.0</b>	<b>4.5</b>	<b>9.5</b>
<b>High-performance materials, medical products and others</b>	<b>34.0</b>	<b>43.0</b>	<b>77.0</b>	<b>3.5</b>	<b>4.0</b>	<b>7.5</b>
<b>Elimination and corporate</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-5.5</b>	<b>-5.0</b>	<b>-10.5</b>
<b>Total</b>	<b>180.0</b>	<b>205.0</b>	<b>385.0</b>	<b>18.0</b>	<b>22.0</b>	<b>40.0</b>

[Reference]

# Estimation of Factors Affecting Change in Op. Income (FY2005)



# Forward-Looking Statements

This presentation contains various forward-looking statements which are based on the current expectations and assumptions of future events. All figures and statements with respect to the future performance, projections and business plans of Kuraray and its group companies constitute forward-looking statements. Although Kuraray believes that its expectations and assumptions are reasonable, actual results and trends of Kuraray's performance could differ materially from those expressed or implied by such figures or statements due to risks and uncertainties in the future business circumstances. The factors which may cause such difference include, without limitation: (1) general market and economic conditions in Asia including Japan, the U.S., Europe and other regions; (2) fluctuations of currency exchange rates, especially between the Japanese yen and the U.S. dollar and other foreign currencies; (3) changes in raw material and fuel costs; (4) industrial competition and price fluctuations in Japan and international market; (5) advance or delay in the construction of new plants and production lines; (6) successful development of new products and technologies; and (7) changes in laws and regulations (including tax and environmental) and legal proceedings.