



KURARAY FY2005
Earnings Presentation

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Kuraray Co., Ltd.
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Summary of FY2005 Financial Results

(1) Net Sales and Income

(billion yen)

	FY2005	FY2004	Difference	
Net Sales	375.1	354.9	+ 20.2	+ 6 %
Operating Income	38.3	33.2	+ 5.1	+15 %
Ordinary Income	32.8	30.9	+ 1.9	+6 %
Net Income	21.2	18.5	+ 2.7	+ 15 %
CAPEX	33.9	45.7	-11.8	-26 %
D/A	25.2	21.3	+39	+18 %

* Results of Foreign exchange rate

... ¥113/\$ and ¥138/Euro for FY2005 , ¥108/\$ and ¥135/Euro for FY2004



Summary of FY2005 Financial Results

(2) Financial Indices

(billion yen)

	FY2005	FY2004	Difference
Gross Margin	29.0%	28.4%	+0.6
Operating Margin	10.2%	9.4%	+0.8
ROA	8.2%	7.6%	+0.6
ROE	6.5%	6.0%	+0.5
Interest-bearing Debt	26.3	29.7	-3.4
Shareholders' Equity	339.1	312.9	+26.2
Total Assets	481.4	454.9	+26.4
Equity Ratio	70.5%	68.8%	+1.7
Operating Cash Flows	32.7	39.6	-6.9

ROA : OP Income /Average Total Assets

ROE : Net Income/Average Shareholders' Equity



Segment Highlights

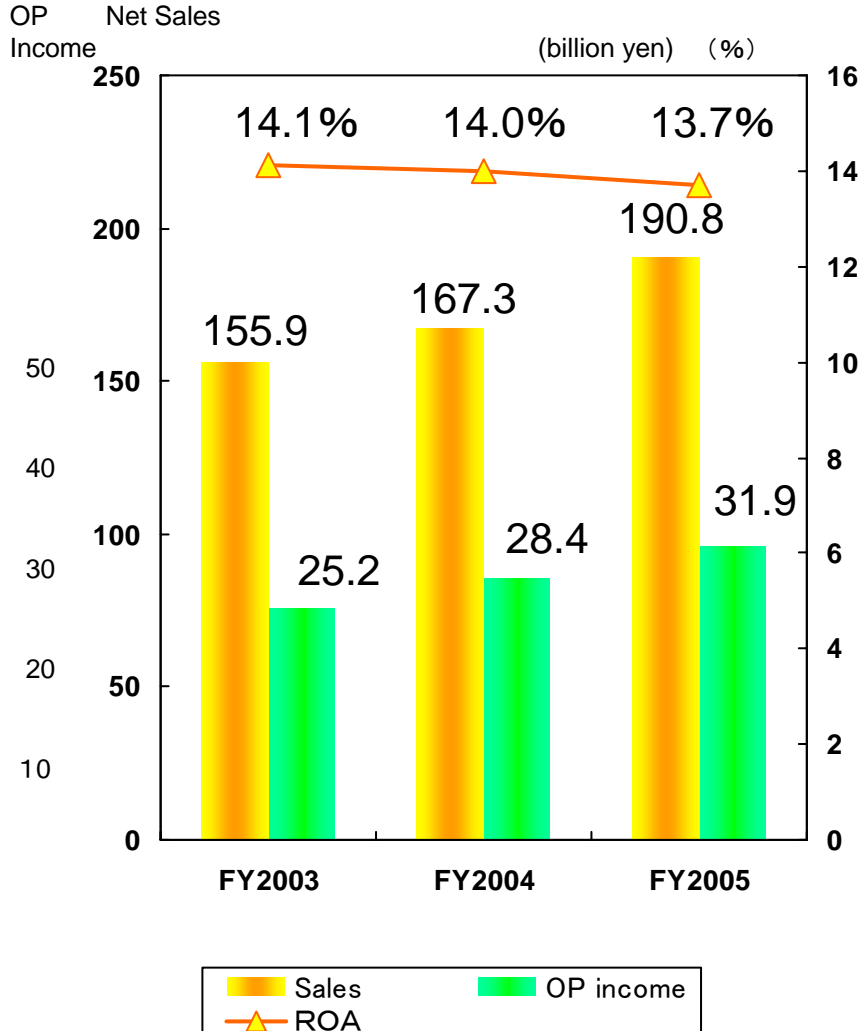
(1) Net Sales and Operating Income

(billion yen)

	FY2005		FY2004		Difference	
	Net Sales	OP Income	Net Sales	OP Income	Net Sales	OP Income
Chemicals and resins	190.8	31.9	167.3	28.4	+23.5	+3.4
Fibers and Textiles	109.1	9.5	109.8	7.9	-0.7	+1.5
High-Performance Materials, Medical Products and Others	75.2	8.5	77.8	7.3	-2.6	+1.1
Elimination and Corporate	—	-11.5	—	-10.5	—	-1.0
Total	375.1	38.3	354.9	33.2	+20.2	+5.1



Chemicals and Resins



Poval

Increases in both revenue and earnings

The capacity of Poval film was increased during the current fiscal year, contributing to increased revenue. The Poval resin business showed weak growth, while the polyvinyl butyral (PVB) film business remained firm for construction materials applications.

EVAL

Decreased earnings on increased revenue

Sales for food packaging applications remained solid in Japan, the US, and Europe, while those for automotive fuel tank applications showed weak growth in the US. Earnings decreased despite increased revenue due to the negative effect of raw materials and fuels.

Isoprene

Increases in both revenue and earnings

Despite continued strong demand for thermoplastic elastomer (*SEPTON*), the profitability was negatively affected by the price increase in raw materials and fuels. Sales of pharmaceutical chemical intermediates remained solid in fine chemicals division.

Methacrylic

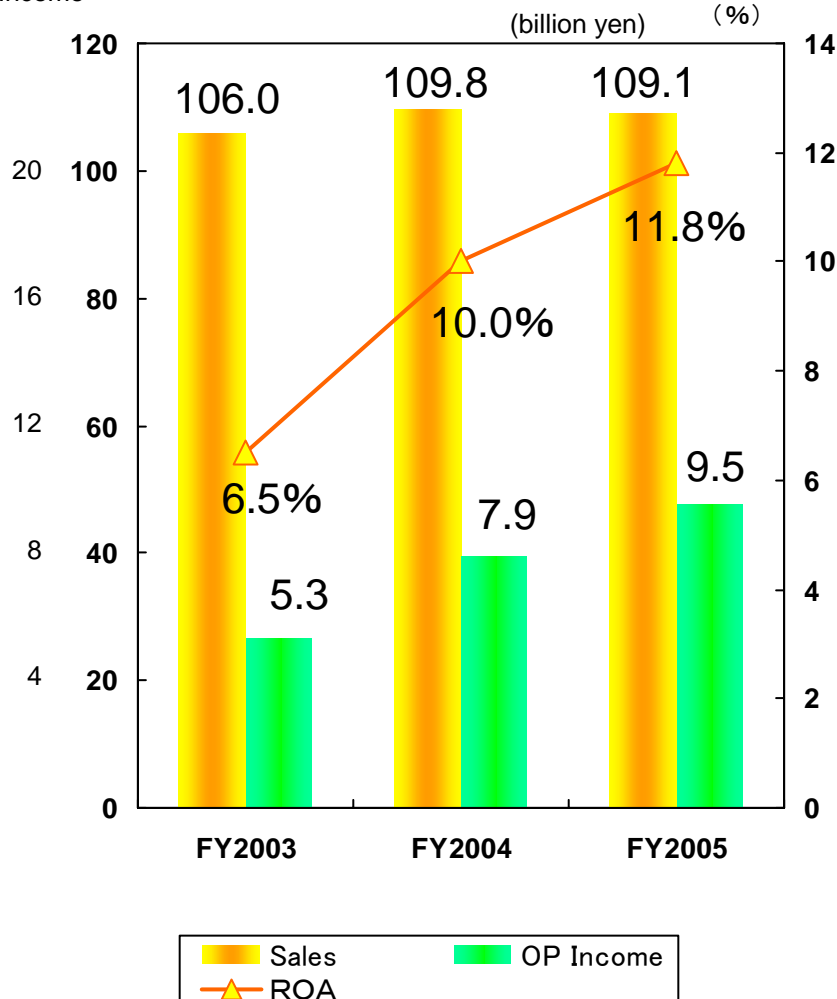
Increased earnings on flat revenue

Despite sluggish demand for general use, optical applications including light-guide plates for liquid crystal display (LCD) continued to grow.



Fibers and Textiles

OP Net Sales
Income



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Flat earnings on decreased revenue

Though negatively affected by raw materials and fuels, businesses including asbestos substitutes, rubber materials, paper and non-woven fabrics showed solid growth.

Man-made Leather

Increased in both revenue and earnings

Solid performance continued in applications for light industry products such as sports shoes and bags, and polishing materials for industrial use.

Non-woven fabric hook and loop fastener

Increases in both revenue and earnings

Pickup in domestic demand and cost reduction efforts contributed to performance improvement.

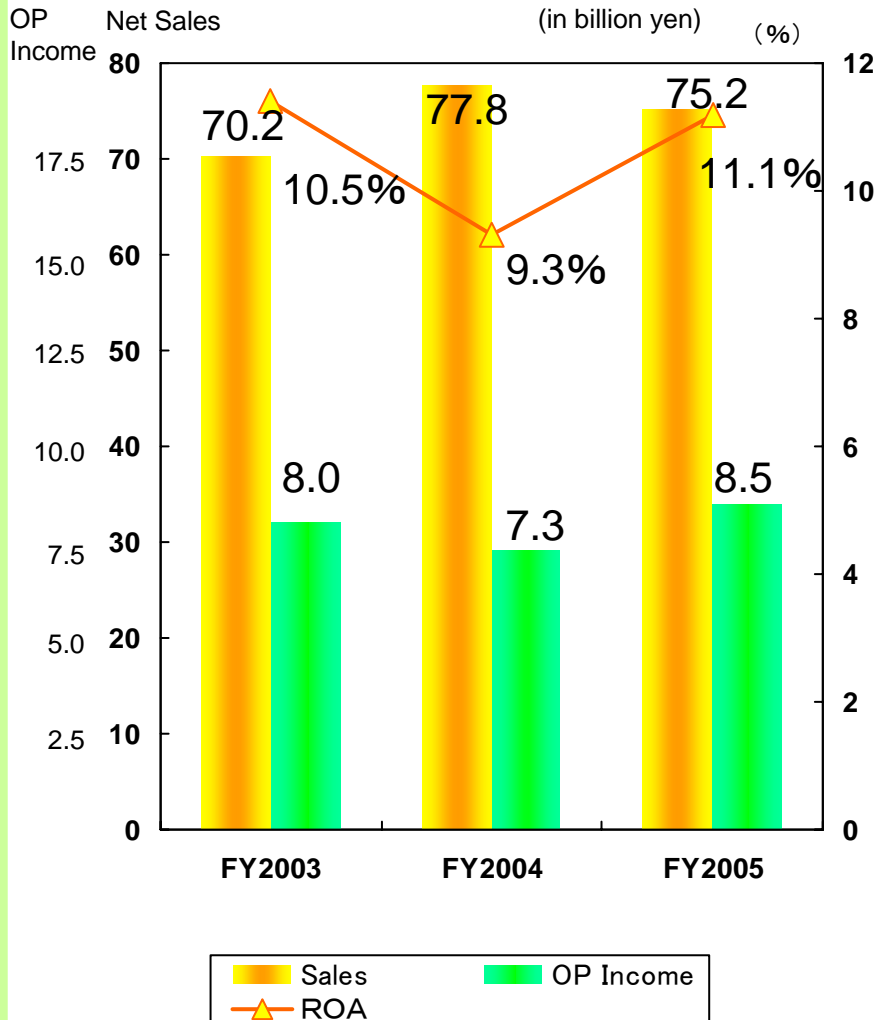
Polyester

Increased earnings on decreased revenue

Though the revenue decreased due to ongoing shift to differentiated product lines, cost transfer to selling price and cost reduction efforts contributed to improved profitability.



High-performance Materials, Medical Products and Others



Opto-screen

Decreases in both revenue and earnings

Despite successful progress in development for MD-type rear projection TV, significant drop in the demand for CRT type put the business in a difficult situation.

Medical products

Increases in both revenue and earnings

While medical equipment business continued to face a difficult situation due to intensified competition, dental materials business remained solid both in Japan and the U.S.

High-performance materials

Reduced losses on increased revenue

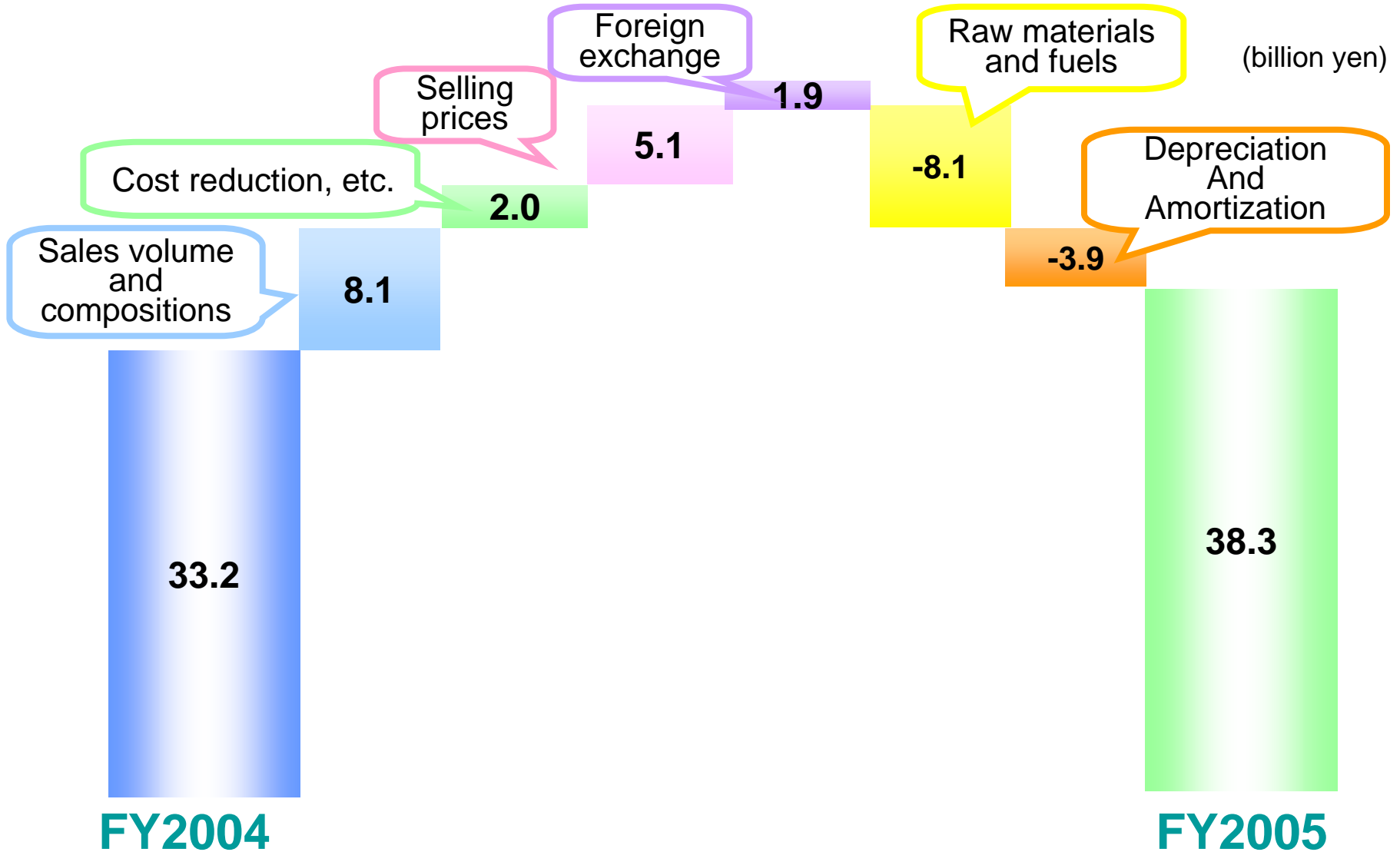
Applications of heat-resistant polyamide *GENESTAR* for electronic materials continued to grow both in Japan and Asian markets.

Others

Though activated carbon business was negatively affected by raw materials and fuels, engineering and other related businesses remained solid.



Factors Affecting the Change in FY2005 Operating Income





Forecast for FY2006

(billion yen)

	1H	2H	Full Year
Net Sales	190.0	210.0	400.0
OP Income	19.0	22.0	41.0
Ordinary Income	17.0	20.0	37.0
Net Income	10.0	12.0	22.0
CAPEX	18.0	19.0	37.0
D/A	13.0	14.5	27.5

* Major Investments ...PVA film, *EVAL* ·*SEPTON* (US), PVB film (Europe)

* Assumptions... ..

Foreign exchange rate: ¥115/\$ and ¥140/Euro Crude oil price (Dubai): \$58/bbl.



(Reference) Forecast for FY2006 by Segment

(billion yen)

	Net Sales			OP Income		
	1H	2H	Total	1H	2H	Total
Chemicals and Resins	100.0	110.0	210.0	16.5	17.5	34.0
Fibers and Textiles	50.0	60.0	110.0	4.5	5.5	10.0
High-Performance Materials, Medical Products and Others	40.0	40.0	80.0	4.0	4.5	8.5
Elimination and Corporate	—	—	—	-6.0	-5.5	-11.5
Total	190.0	210.0	400.0	19.0	22.0	41.0



(Reference)

Impact of Increasing Cost of Raw Materials & Fuels

	FY2004⇒FY2005	FY2005⇒FY2006
Impact of raw materials & fuels	8.0bn	7.0bn
Cost transfer	5.0bn	5.0bn
Difference	-3.0bn	-2.0bn
Cost transfer ratio	60%	70%

<<Assumptions on the cost of raw materials and fuels>>

Crude oil (in dollar)	34→49	49→58
Naphtha (in thousand yen)	31→39	39→49



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.