1H of FY2009 (Apr. to Sep.) Earnings Presentation

Representative Director and President

Fumio Ito

November 5, 2009

KURARAY CO., LTD.

1. Key Points of 1H FY2009 Results

- While sales were slightly below target, earnings exceeded target.
- Although economy is coming out of the worst, the situation still requires careful monitoring.
- Demand in Japan ,European, and US market is tracking at 70%-80% of the normal level.
- Operations based in the Asian market including China, particularly those related to LCD and LED, are recovering.
- The Fibers and Textiles segment still remains in a tough situation.

2. Summary of 1H FY2009 Results [1]

[Billion¥]

	1H FY2009 Results	1H FY2009 Latest Forecast	Difference	
Net Sales	157.1	160.0	- 2.9	(- 2%)
Operating Income	9.8	8.0	+1.8	(+22%)
Ordinary Income	9.4	7.0	+2.4	(+34%)
Net Income	5.2	4.5	+0.7	(+16%)

2. Summary of 1H FY2009 Results [2]

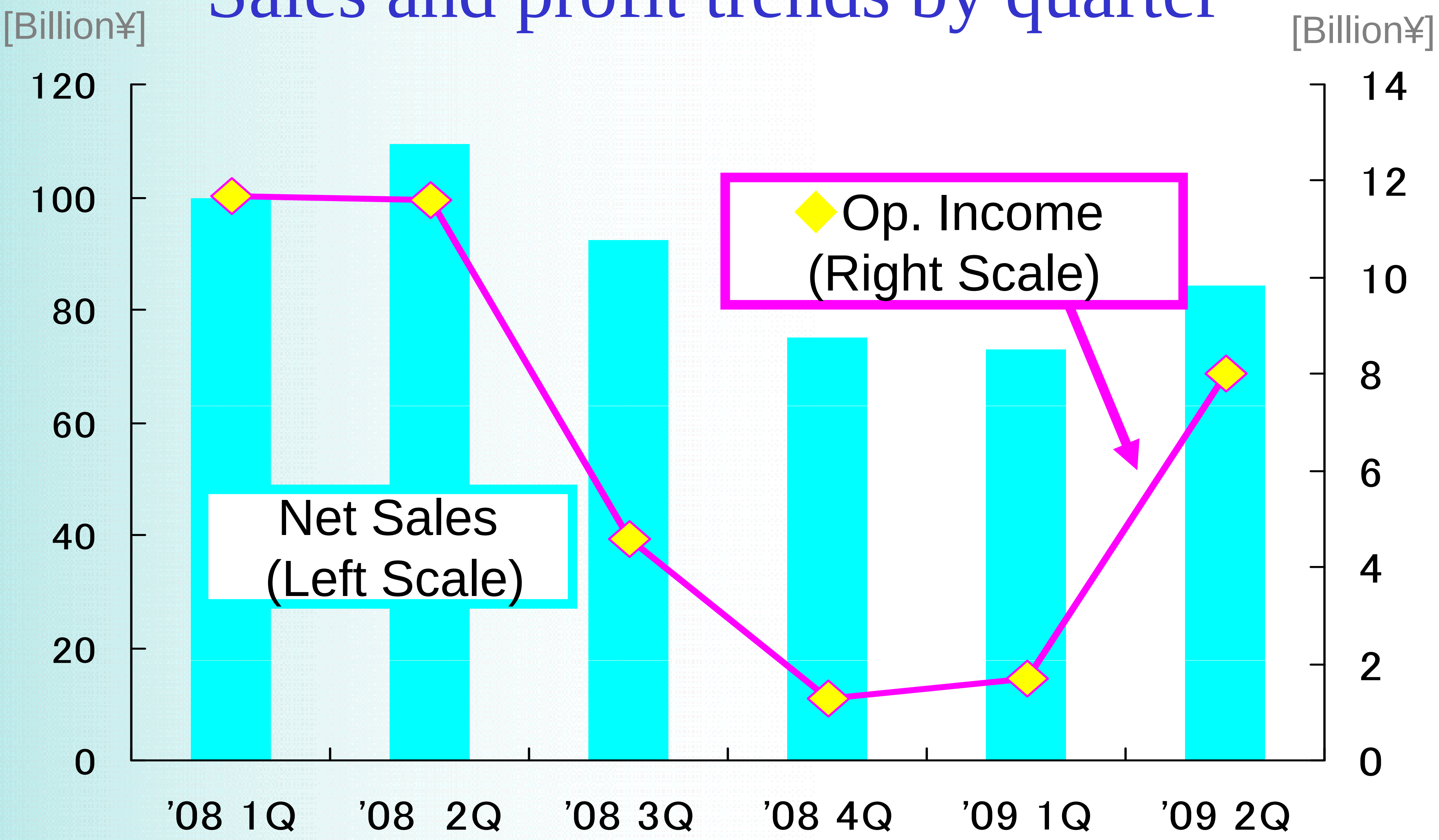
[Billion¥]

	1H FY2009	1H FY2008	Difference	
Net Sales	157.1	209.3	- 52.3	(-25%)
Operating Income	9.8	23.3	- 13.5	(-58%)
Ordinary Income	9.4	22.3	-12.8	(-58%)
Net Income	5.2	13.4	- 8.2	(-61%)
Operating Margin	6.2%	11.1%	- 4.9	Points
ROE *	3.2%	7.8%	- 4.6	Points
ROA *	4.1%	9.4%	- 5.3	Points

* ROE: 1H Net Income x 2 / Average Shareholders' Equity * ROA: 1H Operating Income x 2 / Average Total Assets

2. Summary of 1H FY2009 Results [3]

Sales and profit trends by quarter



kuraray

2. Summary of 1H FY2009 Results [4]

	1H FY2009	1H FY2008	Difference
EPS	¥15.00	¥38.50	¥-23.50
Dividend per Share	¥8.00	¥12.00	¥- 4.00

[Billion¥]

CAPEX	11.3	19.8	- 8.5
Depreciation and Amortization	17.0	17.2	- 0.2
R&D expenses	7.4	8.1	- 0.7

kuraray

3. Segment Highlight

[Billion¥]

	1H FY2009		1H FY2008		Difference	
	Net sales	Op. income	Net sales	Op. income	Net sales	Op. income
Chemicals and resins	95.1	16.8	127.6	26.4	- 32.5	- 9.7
Fibers and textiles	38.6	- 1.3	51.1	2.8	- 12.5	- 4.1
High-performance materials, medical products, and others	23.4	1.5	30.6	2.6	- 7.2	- 1.0
Elimination and corporate exp.	—	- 7.3	—	- 8.5	—	1.3
Total	157.1	9.8	209.3	23. 3	- 52.3	- 13.5

3. Segment Highlight (by Business)

Chemicals and resins

Sales of Poval film for LCD have recovered to flat year-on-year. Sales of other products have generally recovered to 80% of the year-earlier level. Cost increased due to low utilization while we continued operation adjustment to achieve an optimal inventory level.

Fibers and textiles

KURALON for FRC (Fiber Reinforced Cement)suffered from weak construction demand in Europe. Sales of *CLARINO* man-made leather and *VECTRAN* were also weak. We were forced to adjust the production volume on overall weak demand.

High-performance materials, medical products, and others

Sales of *GENESTAR* have been rapidly recovering from the significant deterioration in 2H 2008. The growth in a new application of LED reflector was stronger than expected.The medical business and other subsidiaries saw solid sales.

4. Market Trend by Area

Japan and Asia

Demand in Asia steadily recovered. In particular, sales of Poval film for LCD and *GENESTAR* for LED grew stronger than expected, and they drove the earnings. Sales of Poval resin was in the process of recovering in Asia. Meanwhile, the demand recovery in Japan was slow and, among others, fibers and textiles products and methacrylic resin suffered.

North America

As economy remained weak as seen in the automobile industry, demand for *EVAL* for fuel tanks and *SEPTON*, *CLARINO, VECTRAN,* etc. struggled to recover.

Europe

As a whole, the recovery pace was slow. In particular, demand for construction materials (PVB film and *KURALON* for FRC) was weak.

5. Summary of Consolidated BS [1] / Assets

[Billion¥]	End of Sep. 2009	End of Mar. 2009	Difference
Current Assets	219.6	201.4	+18.2
Fixed Assets	270.0	270.5	- 0.5
Total Assets	489.5	471.9	+17.7

Tangible/Intangible Fixed Assets

CAPEX +11.3

Depreciation & Amortization - 17.0

Foreign Exchange +4.3

Others -0.1

Subtotal ▲1.5

Investments and Other Assets

Subtotal ＋1.0

Overseas subsidiaries term-end exchange rate

	End of Jun. '09	End of Dec. '08
Yen / Dollar	96	91
Yen / Euro	136	128

kuraray

5. Summary of Consolidated BS [2] / Liabilities and Net Assets

[Billion¥]	End of Sep. 2009	End of Mar. 2009	Difference
Current Liabilities	70.0	69.0	+0.9
Non-Current Liabilities	87.5	77.8	+9.7
Total Liabilities	157.5	146.9	+10.6
Net Assets	332.0	325.0	+7.0
Total Liabilities And Net Assets	489.5	471.9	+17.7

Incl. Interest-Bearing Debt +6.7

Incl. Foreign Currency Translation Adjustments +4.3

Overseas subsidiaries term-end exchange rate

	End of Jun. '09	End of Dec. '08
Yen / Dollar	96	91
Yen / Euro	136	128

6. Factors Affecting the Change in Operating Income

1H of FY2008	**¥23.3 billion**
Sales volume and product mix	- 9.8
Utilization	- 8.4
Selling price	- 8.0
Raw materials and fuel costs (Market conditions +11.3, Foreign exchange +0.8)	+12.1
Foreign exchange	- 3.2
Depreciation and amortization	- 0.2
Cost and expense reduction	+4.0
1H of FY2009	**9.8 billion**

- 13.5

	1H FY2008	1H FY2009
Domestic Naphtha/kl	¥69 thousand	¥30 thousand
Dollar (average)	¥106	¥96
Euro (average)	¥163	¥133

kuraray

7. Forecast of the financial results for FY2009 [1]

- While Asia's recovery trend continues, Europe and US's recovery will remain slow.
- Demand for LCD will remain solid.
- As far as possible, try to minimize the effects of rising raw materials and fuel costs by price hikes and cost reduction.

	Previously announced Assumption	1H results	Assumption for 2H	Assumption for full year
Yen / Dollar	¥100	¥96	¥90	¥93
Yen / Euro	¥135	¥133	¥135	¥134
Domestic Naphtha/kl	¥37 thou.	¥30 thou.	¥43 thou.	¥37 thou.

kuraray

7. Forecast of the financial results for FY2009 [2]

[Billion¥]

	1H	2H (Est.)	Full Year (Est.)	Latest Forecast
Net Sales	157.1	172.9	330.0	340.0
Operating Income	9.8	13.2	23.0	20.0
Ordinary Income	9.4	11.6	21.0	17.0
Net Income	5.2	7.3	12.5	10.5
EPS	¥15.00	¥20.90	¥35.90	
Dividend per Share	¥8.00	¥8.00	¥16.00	
CAPEX	11.3	8.7	20.0	
Depreciation and Amortization	17.0	19.5	36.5	
R&D Expenses	7.4	8.6	16.0	

kuraray

8. Factors Affecting the Change in Operating Income Half on Half

1H of FY2009	¥9.8 billion
Sales volume and utilization improvement	+5.0
Raw materials and fuel cost	- 3.0
Price hikes and cost reduction	+2.0
Depreciation and amortization	- 2.5
No regular overhaul in latter half	+2.0
2H of FY2009	**¥ 13.2billion**

+3.4

	Previously announced Assumption	1H results	Assumption for 2H	Assumption for full year
Yen / Dollar	¥100	¥96	¥90	¥93
Yen / Euro	¥135	¥133	¥135	¥134
Naphtha/kl	¥37 thou.	¥30 thou.	¥43 thou.	¥37 thou.

9. Forecast of the financial results for FY2009 by Segment

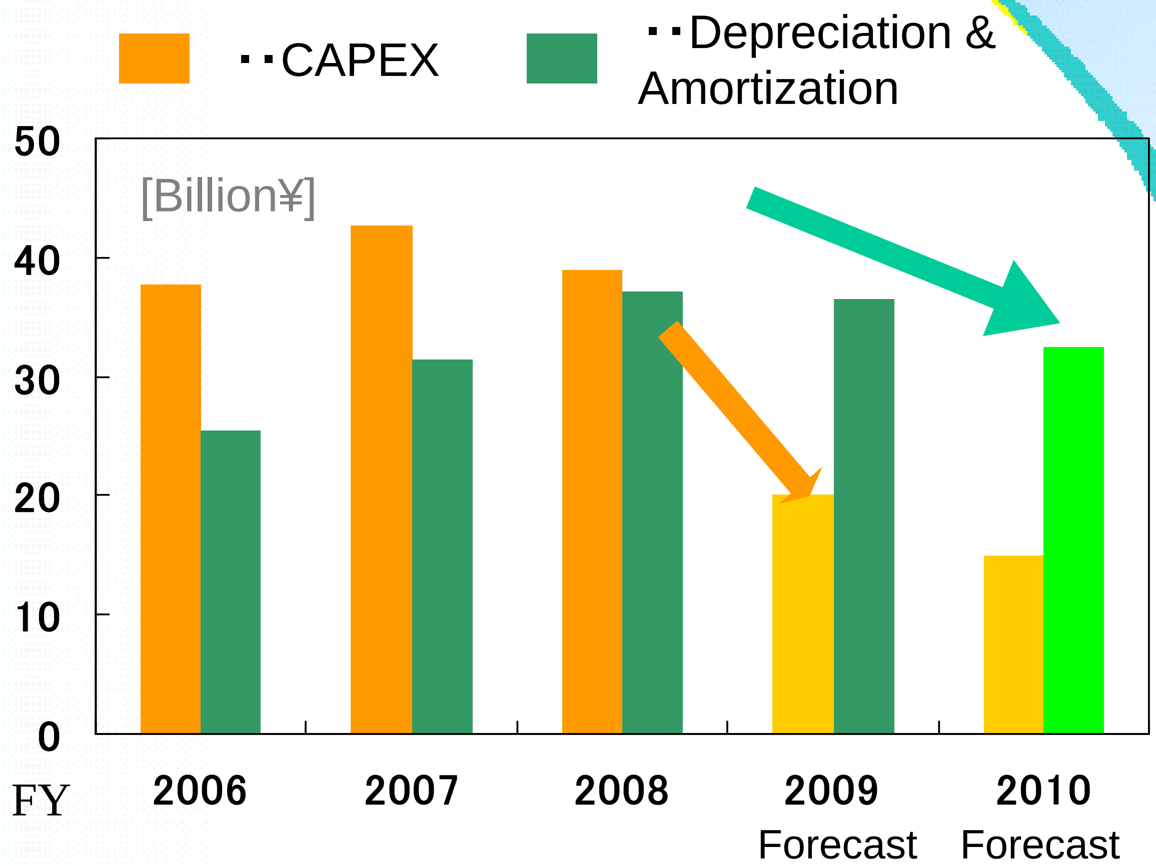
[Billion¥]

	Net Sales			Operating Income		
	1H	2H	Full Year	1H	2H	Full Year
Chemicals and resins	95.1	104.9	200.0	16.8	19.2	36. 0
Fibers and textiles	38.6	41.4	80.0	- 1.3	- 1.2	- 2.5
High-performance materials, medical products, and others	23.4	26.6	50.0	1.5	2.0	3.5
Elimination and corporate exp.	—	—	—	- 7.3	-6.7	- 14.0
Total	157.1	172.9	330.0	9.8	13.2	23.0

10. Measures to Improve Profit Structure and their Effects

[1] "Cut CAPEX" to deal with over capacity

- ◆ Achieve optimal capacity
- ◆ Secure cash flow



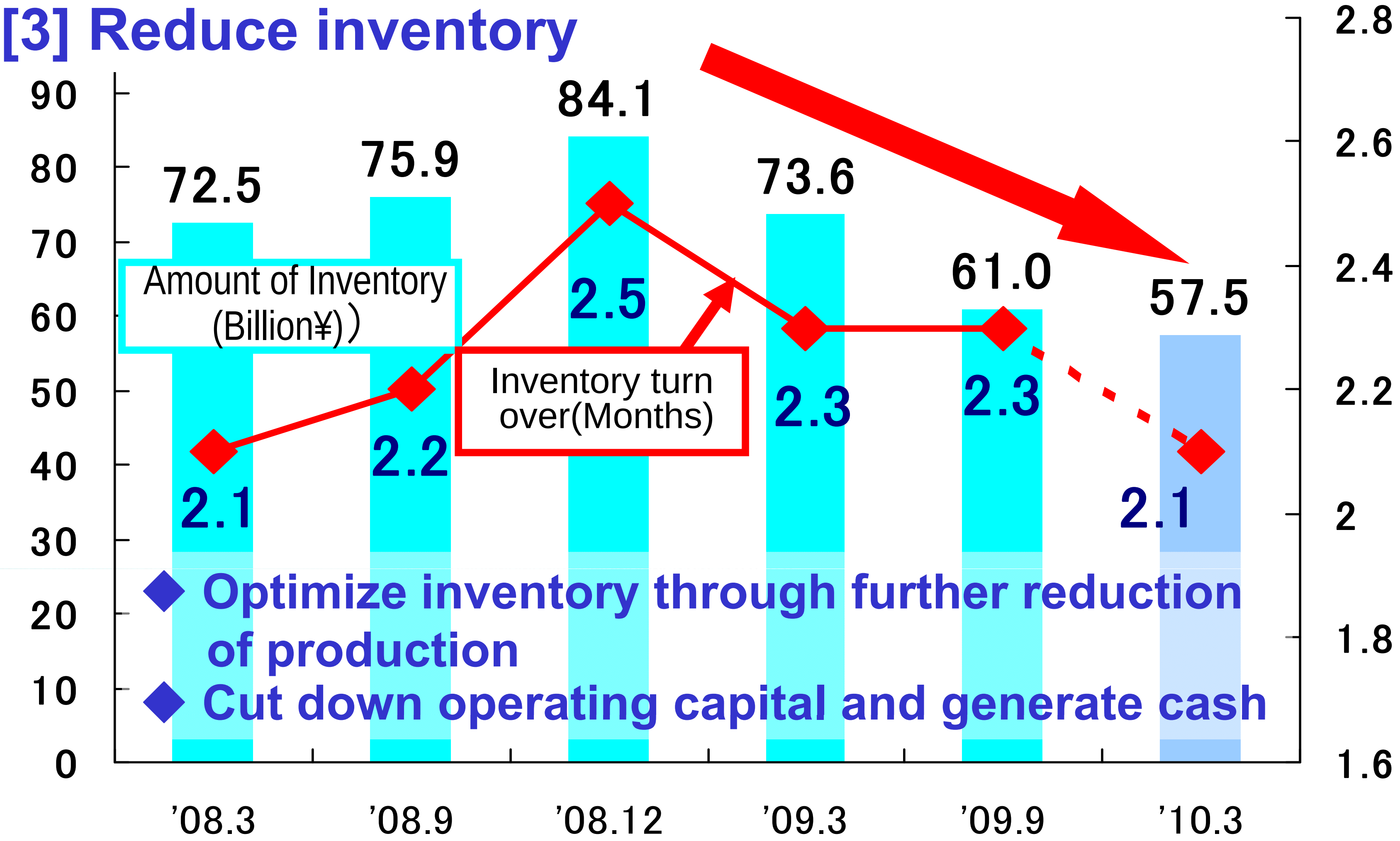
[2] Reduce fixed costs

- ◆ Optimize personnel and reduce payroll costs
- ◆ Reduce factory costs
- ◆ Reduce head office costs

kuraray

10. Measures to Improve Profit Structure and their Effects

[3] Reduce inventory



- ◆ Optimize inventory through further reduction of production
- ◆ Cut down operating capital and generate cash

Through measures from [1] to [3], further improvement in profit structure will be realized in FY2010 and later.

11. Accelerate Concentration of Management Resources for Creation and Expansion of New Business

- **In environmental areas ：**

  water treatment business

  （ sewage treatment and recycling,

  recovery of valuable resources in the sludge, Ballast Water）

- **In energy areas ：**

  Solar energy (encapsulation element of solar panels, etc.)

  Hydrogen energy (element of fuel cells, etc)

- **Optical and electronic business areas ：**

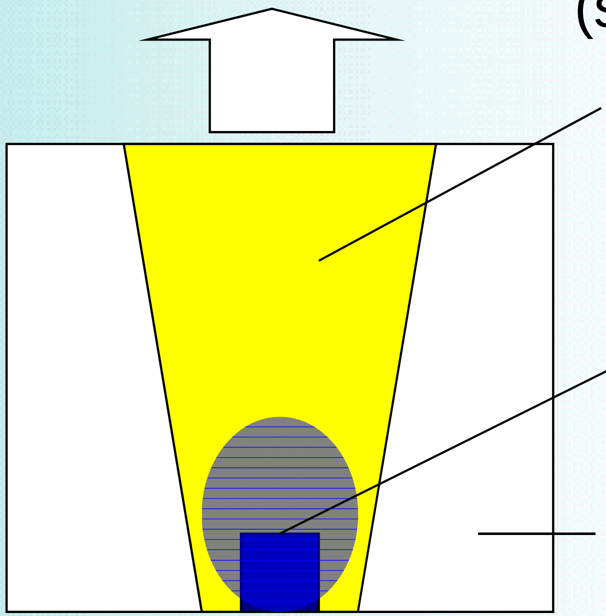
  LED device, Illumination parts, transparent conductive films etc.

kuraray

Development of New Businesses

☆ *GENESTAR* for LED

Started shipping for LED TV in spring 2009!



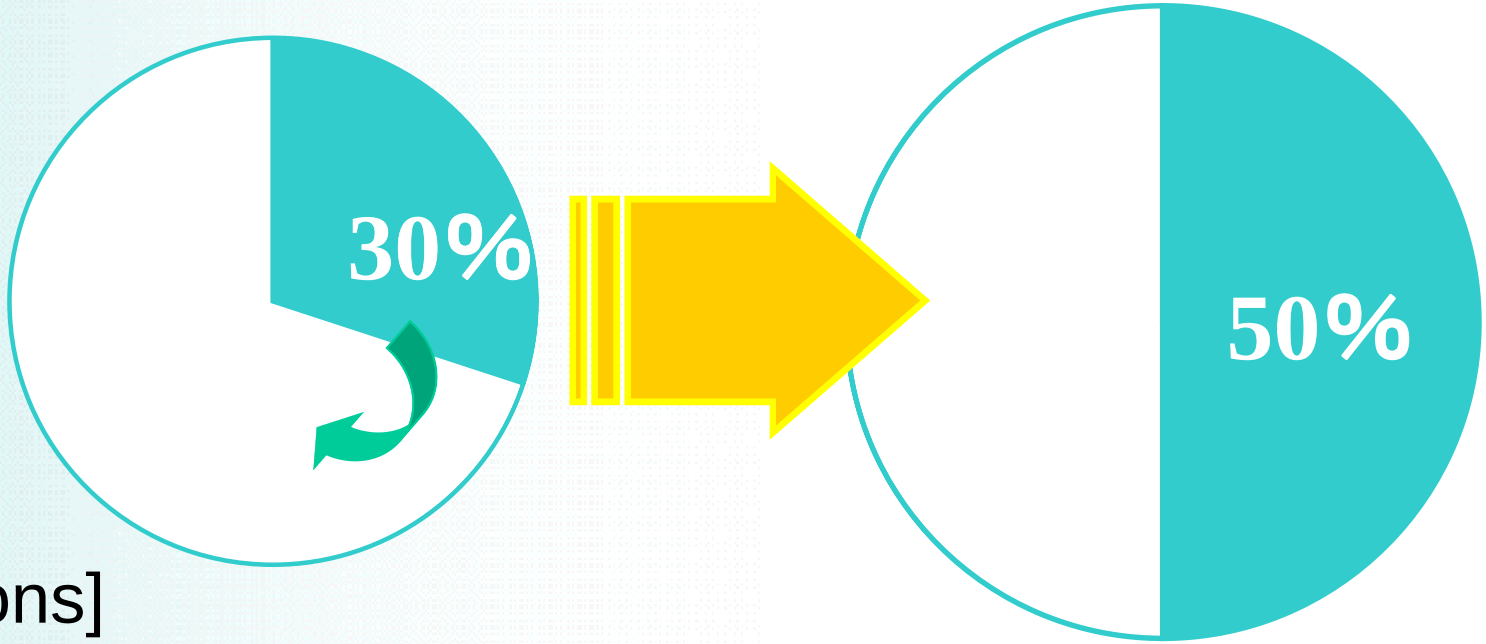
GENESTAR features

(1) High reflectivity
(against white color)
(2) Light durability
(3) Heat resistance
(4) Reflow resistance
(5) Low water absorbency
(6) Chemical resistance
(7) Abrasion resistance
(resistant to friction)

☆ *GENESTAR* for LED

Share of LED application in the total Kuraray's *GENESTAR* shipping volume

FY2009 **FY2012**



[Assumptions]

	FY2009	FY2012
LED ratio (TV)	aprx. 2-3%	aprx. 25%
LED ratio (Note PC)	aprx. 50%	90% and more
Edge type ratio	aprx. 50%	aprx. 80%

* Currently adopted by: Mainly Korean manufactures including Samsung

kuraray

☆ Development of the New Ballast Water Treatment System

International agreement for mandatory ballast water management (International Maritime Organization (IMO))

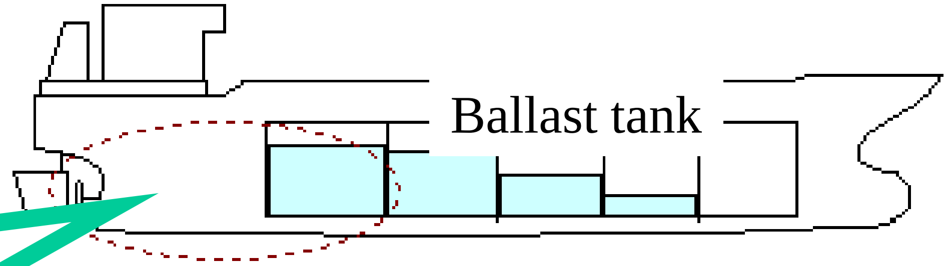
Mandates the installation of ballast water treatment equipment in ships

- New ships — From 2011
- Mandatory implementation for all ships including existing ones — From 2017

At peak: ¥2 trillion market

Aim to achieve net sales of ¥50 bil. yen in 2016 at its peak

☆ Ballast Water Treatment System



Non-woven fabric special filter

(1)Intake

(2) Filtration

(3) Sterilization by chemical agent

Ballast tank

Solid chemical agent that can be stored at room temp for the first time in the world

(4)Discharge

"Intake" Sea water containing plankton, mud-sand, and bacteria
"Discharge" Clean sea water meeting emissions standards.

- Energy saving
- Space saving

New system friendly to environment

kuraray

未来に化ける新素材。

kuraray