

FY2009 Earnings Presentation

Representative Director and President

Fumio Ito

April 30, 2010

KURARAY CO., LTD.

1. FY2009 Results

FY2009

FY2008

FY2009

[Billion yen]

Initial Forecast

Announced at beginning of FY2009

Net Sales

332.9

376.8

340.0

**Operating
Income**

30.5

29.3

20.0

**Ordinary
Income**

28.9

26.8

17.0

Net Income

16.3

13.0

10.5

(Average rate for the period)

Yen/U.S. Dollar

93

101

100

Yen/Euro

131

144

135

2. FY2009 Overview

■ Implementation of Profit Structure Improvements

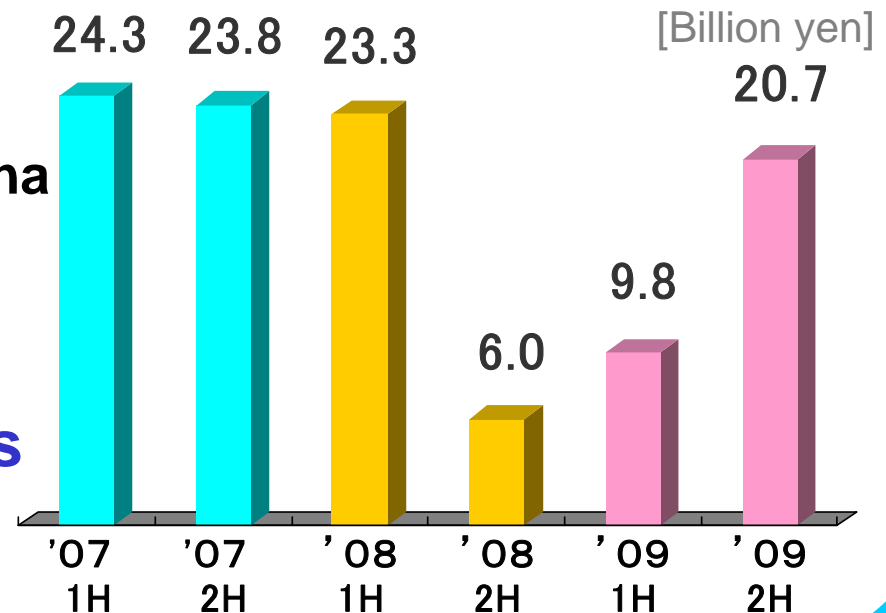
- Reduce fixed costs ⇒ Improve break-even point
- Lower CAPEX, reduce inventories

■ Partial Market Recovery

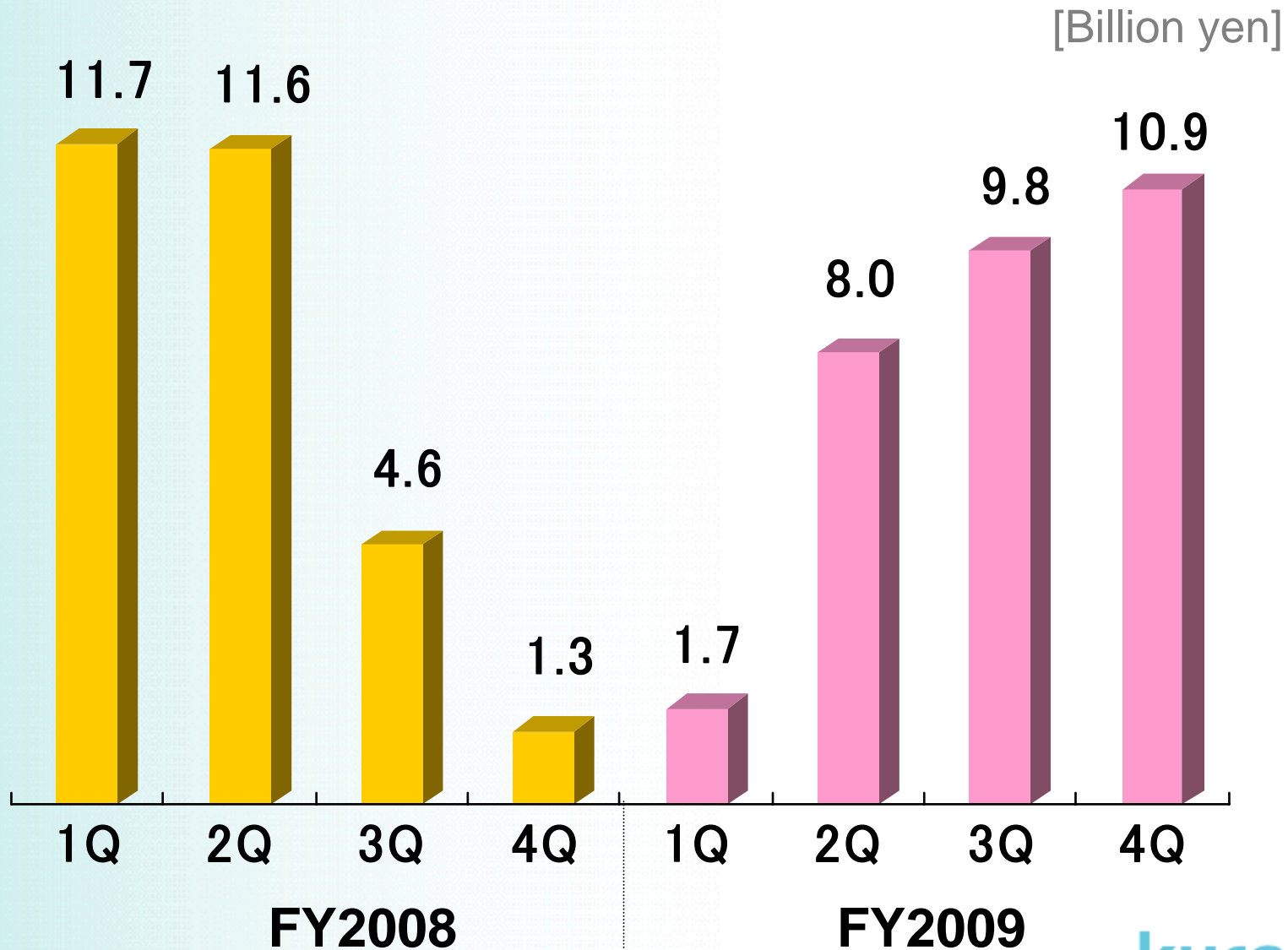
- LCD-related demand strong
- Recovery of demand in China

■ Show the Strengths of No. 1/“Only 1” Products

Recovery of Operating Income after “Lehman Shock”



Ref: Quarterly Results (Operating Income)



3. Further Profit Structure Improvements in FY2010

- **Raise product prices and promote high-value-added products to counter renewed rise in raw material and fuel costs**
- **Continue structural reform of low-profit businesses such as fibers and textiles**
- **Ongoing cost-cutting measures**

4. Forecast for FY2010

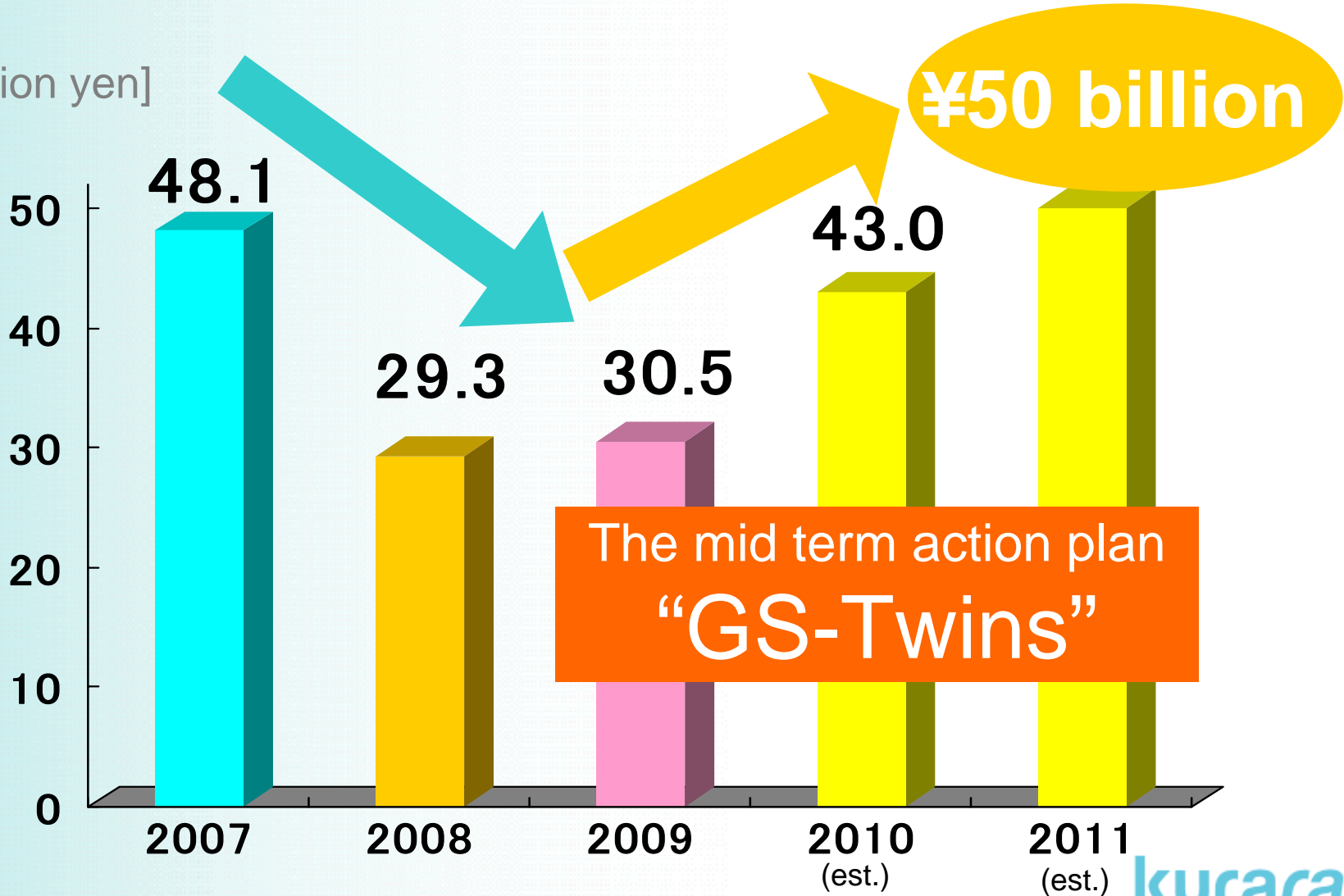
Net Sales	¥360.0 billion
Operating Income	¥43.0 billion
Ordinary Income	¥41.0 billion
Net Income	¥24.0 billion
Cash Dividends per Share	¥24.00

We are aiming for operating income of *¥50.0 billion* in FY2011 (the final year of “GS-Twins”).

5. "GS-Twins" Profit Structure Improvements

➔ FY2011 Operating Income Target: ¥50 billion

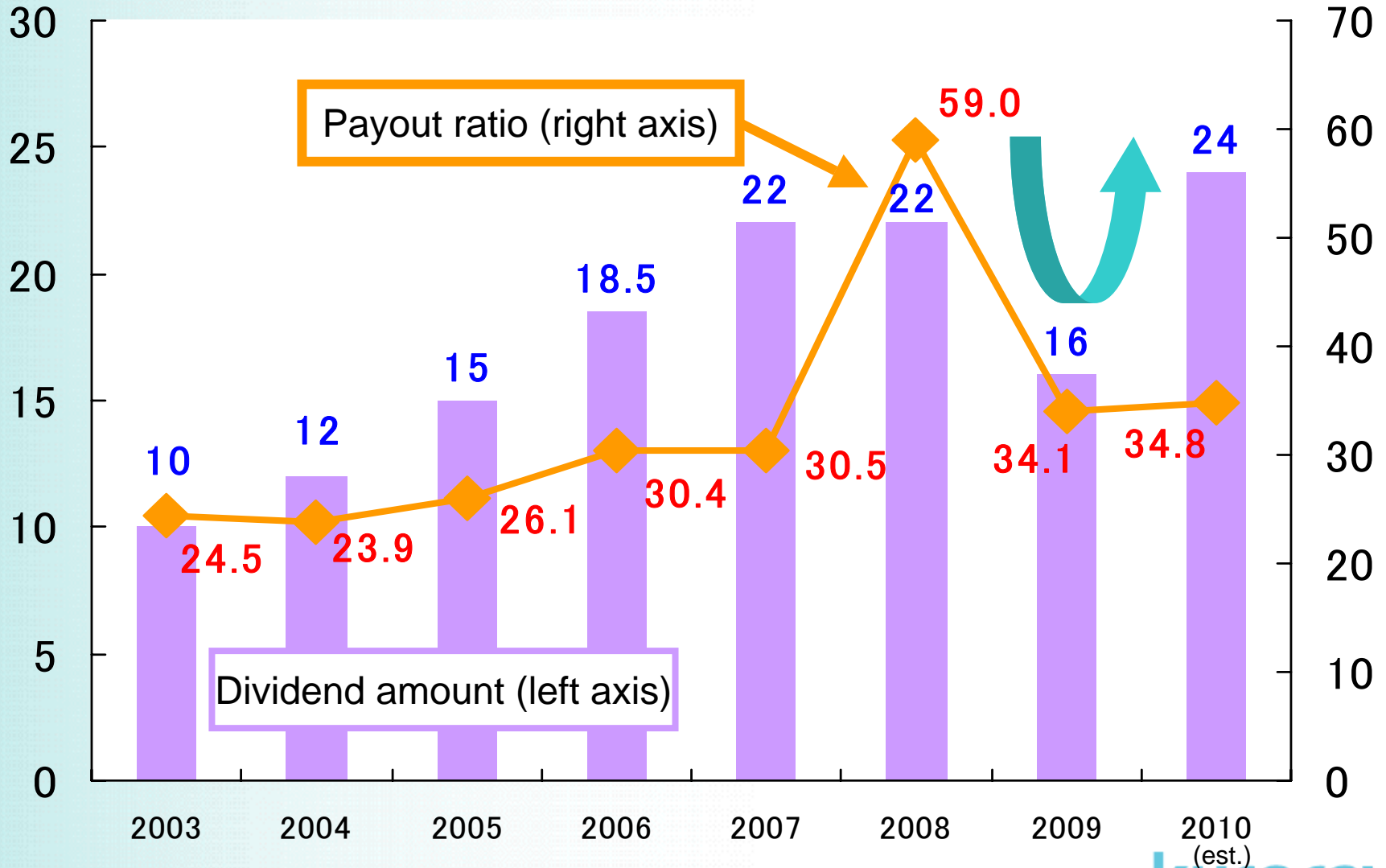
[Billion yen]



6. Trends of Dividends per share

Cash dividends per share (yen)

Payout ratio (%)



7. FY2010 Action Plan for Further Sustained Growth

Go on the offensive!

- Create and expand new businesses
- Expand core businesses
 - Accelerate global strategy
 - Expand production facilities

Summary of FY2009 Results

Executive Officer

General Manager of Corporate Management
Planning Office

Officer Responsible for Environmental Business
Development and Promotion Division

Yuichi Kawarasaki

April 30, 2010

1. Summary of FY2009 Results [1]

[Billion yen]

FY2009 **FY2008** **Difference**

Net Sales	332.9	376.8	-43.9 [-12%]
Operating Income	30.5	29.3	+1.2 [+4%]
Ordinary Income	28.9	26.8	+2.1 [+8%]
Net Income	16.3	13.0	+3.3 [+26%]
ROE	5.0%	3.9%	+1.1 points
ROA	5.9%	5.6%	+0.3 points
Operating Margin	9.1%	7.8%	+1.3 points

1. Summary of FY2009 Results [2] [Billion yen, except EPS/BPS]

	FY2009	FY2008	Difference
Operating CF	80.5	46.9	+33.6
Investing CF*	-21.8	-42.5	+20.6
Free CF*	58.7	4.4	54.3
<hr/>			
EPS	¥46.86	¥37.29	+¥9.57 [+26%]
BPS	¥961.24	¥924.48	+¥36.76 [+4%]
<hr/>			
CAPEX <small>(acceptance basis)</small>	19.9	38.9	-19.0
Depreciation and Amortization	36.5	37.1	-0.7
R&D Expenses	15.3	16.4	-1.1

* Investing CF, FCF: excluding net cash used in time deposit and short-term investment securities

2. Segment Highlights

[Billion yen]

	FY2009		FY2008		Difference	
	Net sales	Op. income	Net sales	Op. income	Net sales	Op. income
Chemicals and resins	202.9	43.0	224.3	37.1	-21.5	+5.9
Fibers and textiles	80.0	-1.7	96.1	0.9	-16.1	-2.6
High-performance materials, medical products, and others	50.0	4.2	56.3	4.4	-6.3	-0.1
Elimination and corporate	—	-15.0	—	-13.0	—	-2.0
Total	332.9	30.5	376.8	29.3	-43.9	+1.2

3. Segment Highlights by Business

Chemicals and resins

Poval resin recovered in Asian market. Sales of optical-use Poval film were strong. A weak construction market in Europe slowed recovery of PVB film. *EVAL* sales gained momentum in all regions, particularly for auto market in Asia. Sales of isoprene chemicals were steady.

Fibers and textiles

Recovery was generally slow, with weak demand for *CLARINO* man-made leather and *VECTRAN*. Restructuring of these businesses is under way.

High-performance materials, medical products, and others

In medical products, sales volume of dental materials recovered. *GENESTAR* sales recovered gradually for applications in electrical/electronic materials, and demand for use in LED reflectors expanded. Activated carbon and other businesses remained steady.

4. Market Trends by Area

Japan and Asia

Sales of Poval resin, *EVAL* and other products were strong with recovery of Asian markets. Sales of optical-use Poval film and *GENESTAR* LCD-related materials increased. However, recovery in Japan was delayed for methacrylic resin, *CLARINO* and other fiber and textile products.

North America

EVAL and *SEPTON* are on road to recovery, but demand for *CLARINO* lacked momentum. Strong yen also negatively impacted sales.

Europe

Poval resin and *EVAL* moved toward recovery, but PVB film was impacted by the weak construction market. On the whole, there was pronounced stagnation in the first half, and the strong yen also had a negative impact.

Note: Fiscal term of overseas consolidated subsidiaries is January 1 – December 31, 2009

5. Summary of Consolidated BS [1] (Assets)

[Billion yen] March 31, 2010 March 31, 2009 Difference

Current assets	249.3	201.4	+48.0
Fixed assets	253.5	270.5	-17.0
Total assets	502.8	471.9	+30.9

Fixed assets	
CAPEX	+19.9
Depreciation & amortization	-36.5
Foreign exchange	+1.8
Impairment and other	-4.2
<hr style="border-top: 1px dashed orange;"/>	
Subtotal	-19.0
Investments and other assets	
Subtotal	+2.0

Overseas subsidiaries term-end exchange rate

	Dec. 31, 2009	Dec.31,2008
Yen / Dollar	92	91
Yen / Euro	132	128

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

[Billion yen]	March 31, 2010	March 31, 2009	Difference
Current liabilities	76.6	69.0	+7.5
Non-current liabilities	88.4	77.8	+10.6
Total liabilities	165.0	146.9	+18.1
Net assets	337.8	325.0	+12.8
Total liabilities and net assets	502.8	471.9	+30.9

Overseas subsidiaries term-end exchange rate

	Dec. 31, 2009	Dec.31,2008
Yen / Dollar	92	91
Yen / Euro	132	128

6. Forecast for FY2010

[Billion yen]

	1H	2H	Full Year
Net Sales	175.0	185.0	360.0
Operating Income	19.0	24.0	43.0
Ordinary Income	18.0	23.0	41.0
Net Income	10.5	13.5	24.0
EPS	—	—	¥68.95
Dividends per Share	¥12.00	¥12.00	¥24.00
CAPEX	10.5	11.5	22.0
(acceptance basis)			
Depreciation and Amortization	16.5	18.0	34.5
R&D Expenses	8.0	8.5	16.5

7. Factors Affecting the Change in Operating Income 19

FY2010 (Est.)

¥43.0 billion

Sales volume	+8.3
Utilization	+7.8
Selling price, product mix	+5.9
Raw material and fuel costs	-12.0
Foreign exchange	-1.5
Depreciation and amortization	+2.0
Cost and expense reduction	+2.0

+¥12.5 billion



FY2009

¥30.5 billion

Raw Material and Fuel and Foreign Exchange

FY09 actual

FY10 assumption

Domestic naphtha/kl	¥ 36,000	¥ 50,000
Dollar (average)	¥ 93	¥ 90
Euro (average)	¥ 131	¥ 130

Ref: FY2010 Forecast by Segment

[Billion yen]

	Net Sales			Operating Income		
	1H	2H	Full year	1H	2H	Full year
Chemicals and resins	110.0	115.0	225.0	24.5	27.5	52.0
Fibers and textiles	40.0	45.0	85.0	-0.5	1.5	1.0
High-performance materials, medical products, and others	25.0	25.0	50.0	2.0	3.0	5.0
Eliminations and corporate	—	—	—	-7.0	-8.0	-15.0
Total	175.0	185.0	360.0	19.0	24.0	43.0

Development of New Businesses

■ Environmental:

Water treatment business

(sewage treatment and recycling,
recovery of valuable resources in the sludge, ballast water)

■ Energy:

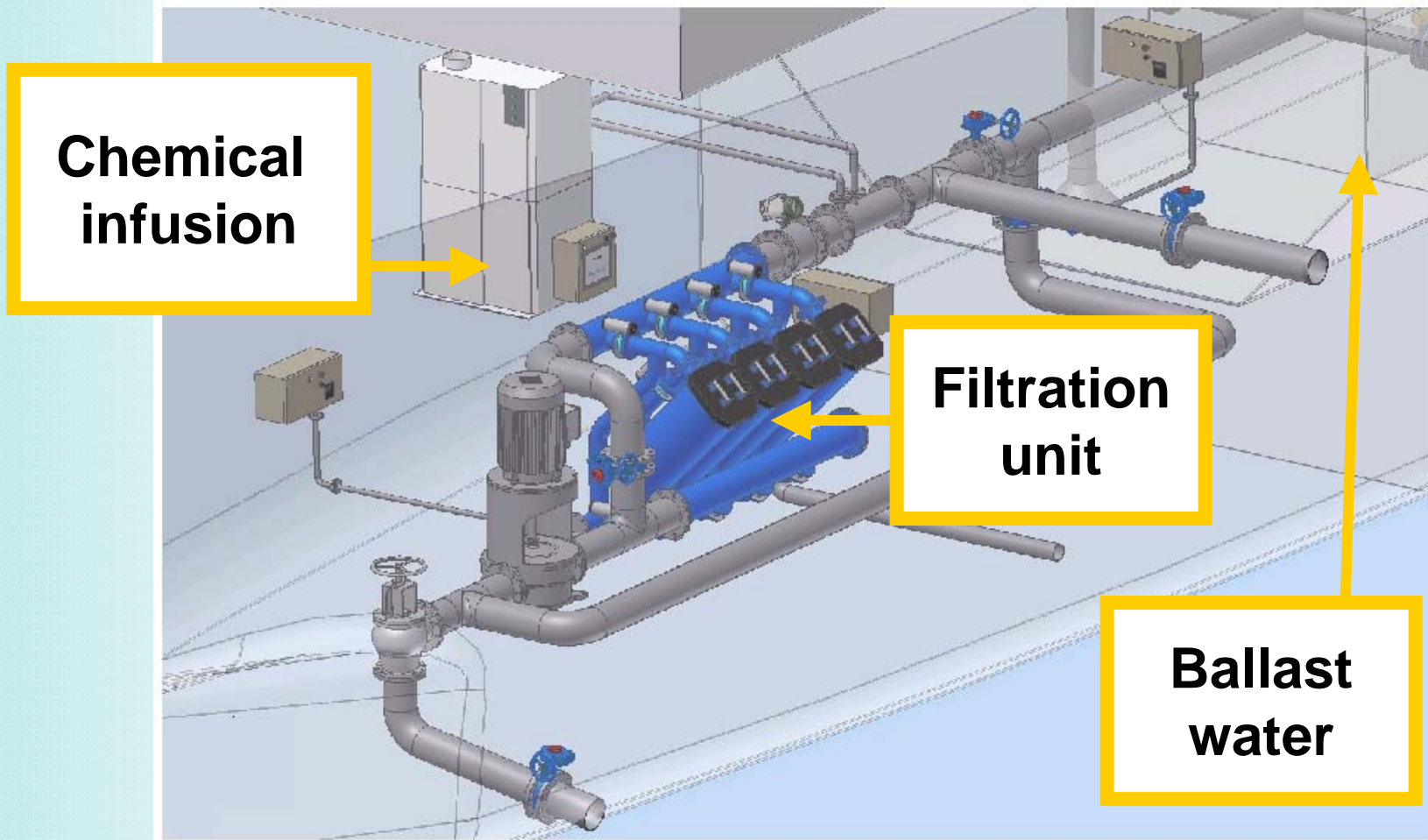
Solar energy (solar panel encapsulant, etc.)

Hydrogen energy (fuel cell materials, etc.)

■ Optical and electronic:

LED devices, illumination parts, transparent
conductive films, etc.

MICROFADE



MICROFADE



Start of sales planned for Oct. 2011

Roadmap to Commercialization

- | | |
|--|--------------|
| ■ IMO* basic approval (G9) | October 2010 |
| ■ IMO final approval (G9) | July 2011 |
| ■ Ministry of Land, Infrastructure,
Transport and Tourism approval (G8) | October 2011 |
| ■ Start of sales | October 2011 |

*International Maritime Organization

Sales target of ¥50 billion at peak in 2016

G9 : Approval concerning environmental safety by IMO

G8 : Type approval by national authorities

☆ Market Scale for Ballast Water Management System

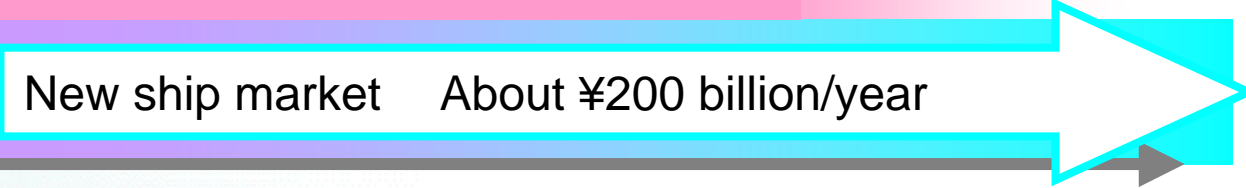
(Market scale)

Market approx.
¥2 trillion

[Our target share]



Existing ship market
(about 40,000 ships)



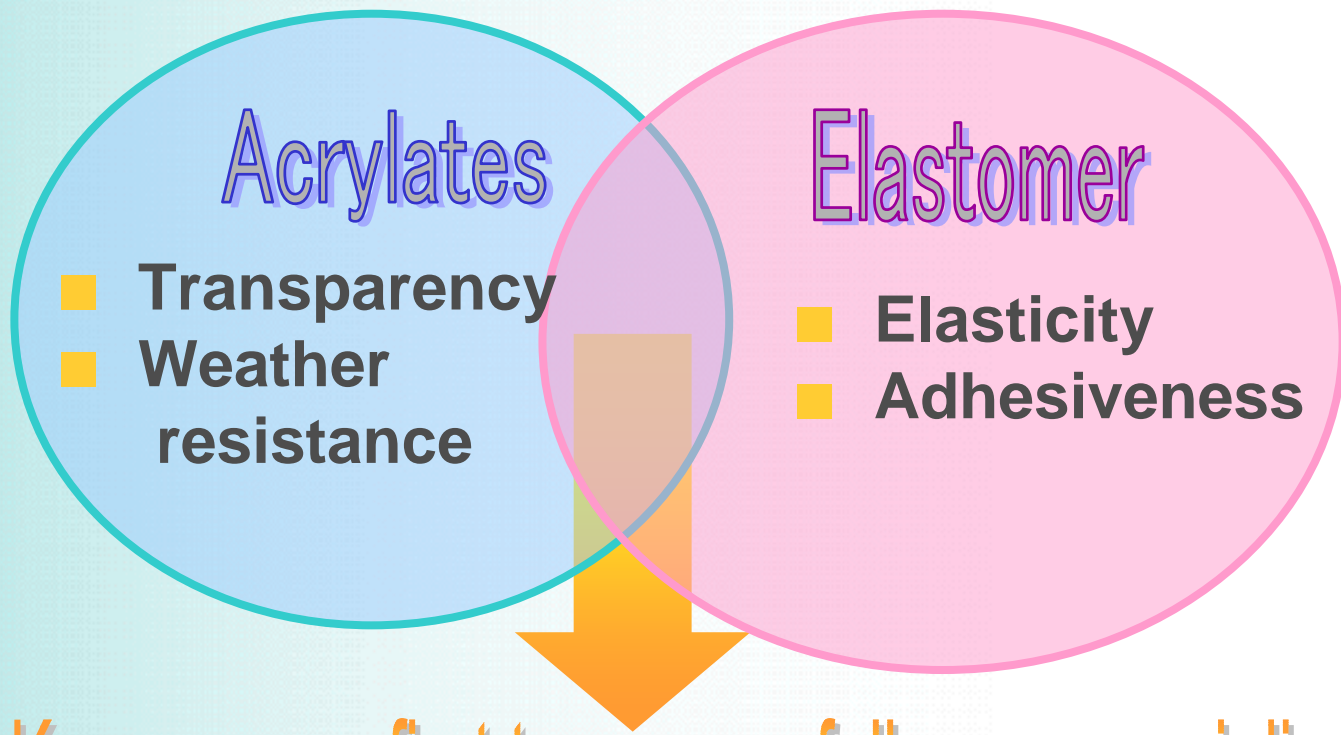
2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018

Around end of 2010
Expected completion of enforcement terms

Around end of 2011
Mandatory installation in new ships

2017 Mandatory installation in existing ships

Full-Scale Development of New Material, "Acrylic Thermoplastic Elastomer"



Kuraray was first to successfully commercialize

New acrylic thermoplastic elastomer



Full-Scale Development of New Material, “Acrylic Thermoplastic Elastomer”

Expected Applications

Adhesives	Transparent adhesive for films
Film, light guide components	Light guides for LED illumination, etc.
Molding materials	Body of electronic devices, grips, etc.

Potential Markets

- **Acrylic adhesive applications** **200,000 tons**
- **Transparent resins for film and light guide components** **50,000 tons**
- **High-performance TPE market** **400,000 tons**

(Our estimates as of 2009)

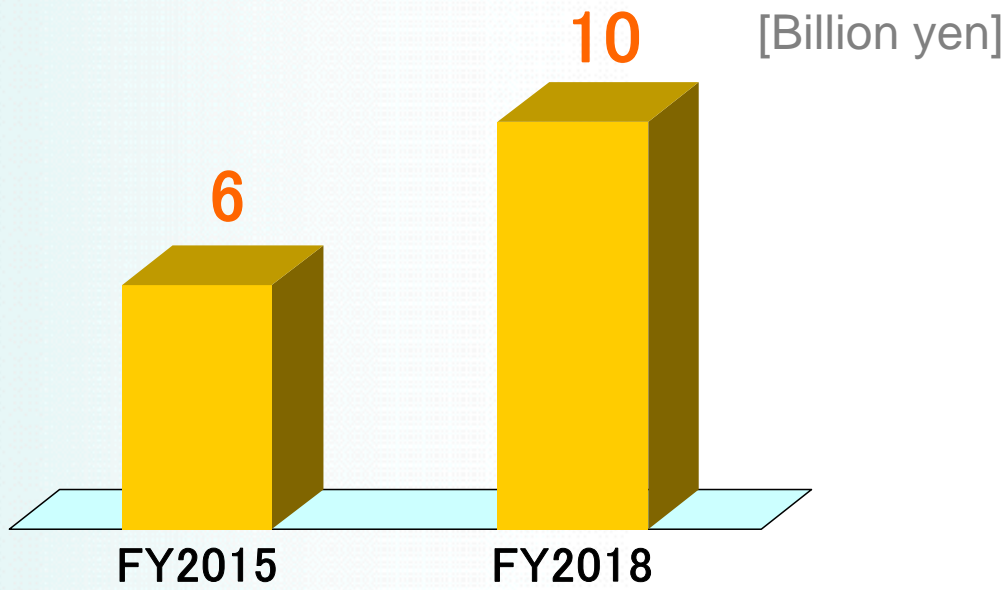
Full-Scale Development of New Material, “Acrylic Thermoplastic Elastomer”

Production Facility

- Capital investment
- Production capacity
- Planned start of operations

approx. ¥5.0 billion
5,000 tons / year
Sept. 2011

Sales Targets



未来に化ける新素材。

kuraray

All financial figures are rounded to the nearest hundred million yen.

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