

Kuraray FY2003 Earnings Presentation

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FY2003 Overview

(1) External Environment

- » Deflation of Japanese economy continued
- » Raw material and fuel prices rose steeply,
Foreign exchange rate : Yen rose against US Dollar
- » US economy recovered, economy of China expanded
- » Geopolitical risk worsened

(2) Kuraray's Response

- » Develop and launch new products
- » Promote cost cuts
- » Improve business portfolio

	FY03 (Results)	FY02 (Results)
Yen/\$	113	122
Yen/Euro	133	121
Crude Oil/bl	\$27	\$24

FY2003 Highlights

(1) Sales/Income/Cash flow

(Unit: billion of Yen)

	FY03	FY02	Increase/Decrease	
Net Sales	332.1	322.5	9.6	3.0%
Operating Income	28.0	25.2	2.8	11.4%
Recurring Income	24.6	22.4	2.2	9.7%
Net Income	15.2	8.1	7.1	88.6%

	FY03	FY02	Increase/Decrease	
Depreciation/Amortization	20.8	19.1	1.7	
Operating Cash flow	30.8	37.3	-6.5	
Capital Expenditure	32.2	19.1	13.1	
Dividends (plan)	3.7	3.4	0.3	
(per share)	(10Yen)	(9Yen)	(+1Yen)	
Acquisition of Own Shares	4.3	7.3	-3.0	

(2) Financial Ratios

	FY03	FY02	Increase/ Decrease
Gross Profit Margin	28.9%	28.5%	0.4%
Operating Income Ratio	8.4%	7.8%	0.6%

	31-March-04	31-March-03	Increase/ Decrease
ROA	6.7%	5.5%	1.2%
Total Assets Turnover (Times)	0.79	0.71	0.08
Equity Ratio	72.7%	67.3%	5.4%
ROE	5.2%	2.8%	2.4%

ROA : OP-Income/Average Total Assets

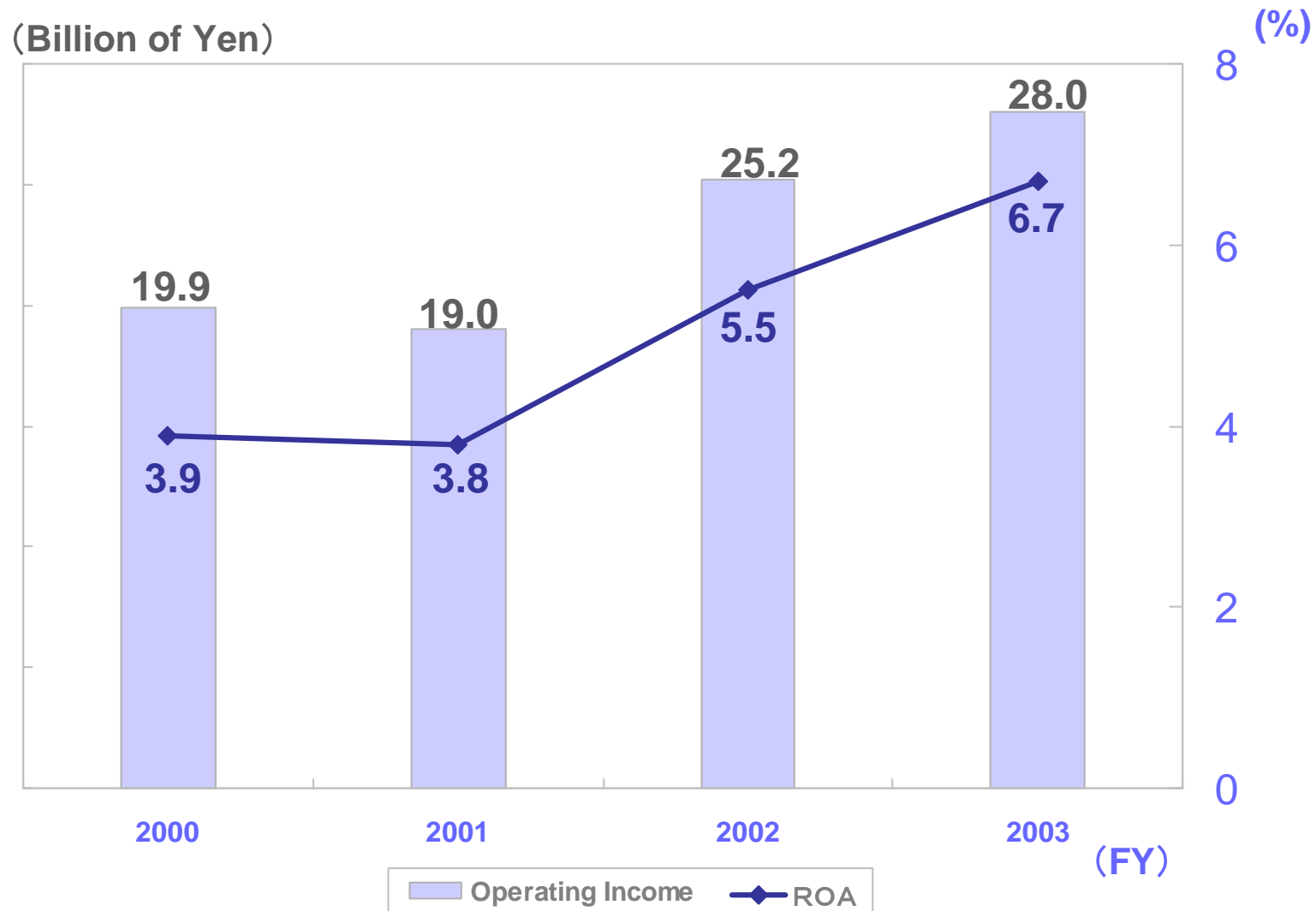
ROE : Net Income/Average Shareholders' Equity

(3)Improving in Financial Ratio

	FY00	FY01	FY02	FY03
ROE	1.4%	1.0%	2.8%	5.2%
ROA	3.9%	3.8%	5.5%	6.7%
Operating Income Ratio	6.4%	6.2%	7.8%	8.4%
Total Asset Turnover(Times)	0.62	0.61	0.70	0.79

(Unit: billion of Yen)	FY00	FY01	FY02	FY03
Inventories(months)	75.5(2.9)	71.2(2.8)	63.5(2.4)	61.9(2.2)
Fixed Assets (except land)	104.0	141.9	142.4	149.9
Total Assets	512.5	487.4	426.9	413.2

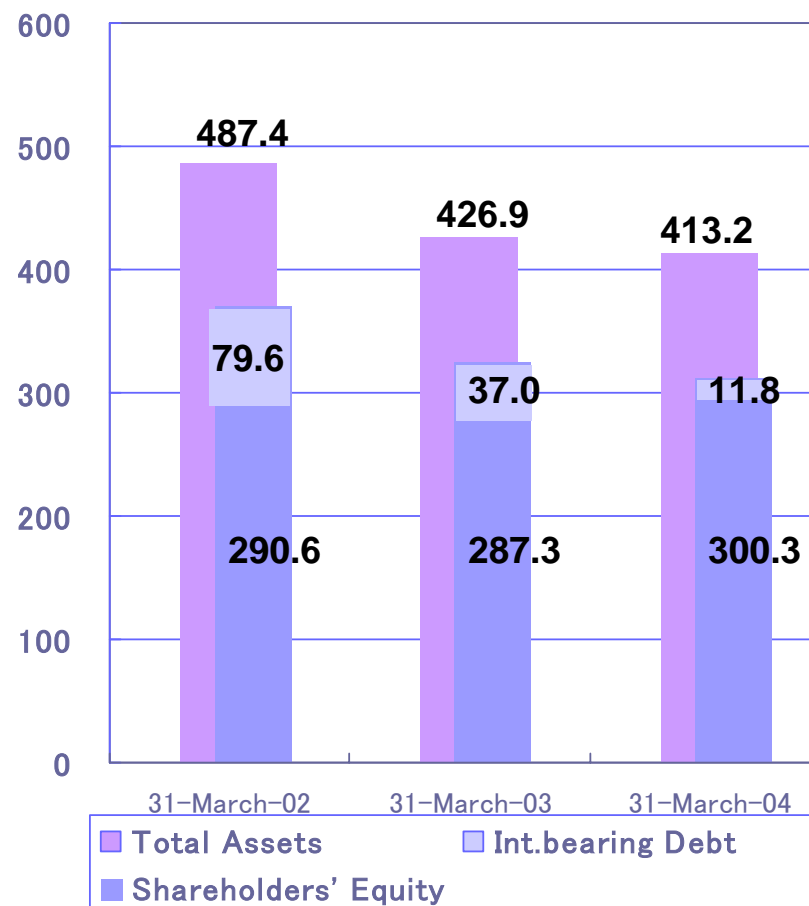
(4) Improvement in Operating Income and ROA



(5) Financial Condition

	FY03	FY02	Increase/ Decrease
ROA(%)	6.7	5.5	1.2
Int.bearing Debt Ratio (%)	3.9	12.9	-9
Equity Ratio (%)	72.7	67.3	5.4
Interest Coverage Ratio(times)	44.5	18.1	26.4

(Billion of Yen)



※Interest coverage ratio=(OP-income+Interest received+Dividends received)/Interest expenses

(6) Extraordinary income and loss

Extraordinary income	Gain from Sales of Fixed Assets	4 bn yen	Disposal of real estate including commercial buildings, factory sites, etc.
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Extraordinary loss	Extraordinary loss on business restructuring	5 bn yen	Loss on closure of vitamin A facilities
			Extraordinary retirement payment
			Loss on valuation of real estate, etc.

Segment Highlights

(1) Sales/Operating Income

(Unit: billion of Yen)

	FY03		FY02		Increase/ Decrease	
	Sales	OP- Income	Sales	OP- Income	Sales	OP- Income
Chemicals and Resins	155.9	25.2	144.7	19.9	11.2	5.3
Fibers and Textiles	106.0	5.3	109.9	4.8	-3.9	0.5
High performance materials, Medical products and Others	70.2	8.0	67.9	8.3	2.3	-0.3
Elimination and Corporate	—	-10.5	—	-7.9	—	-2.6
Total	332.1	28.0	322.5	25.2	9.6	2.9

(2) Factors Causing Variances in Operating Income (Unit: billion of Yen)

	Chemical and Resins	Fibers and Textiles	High performance materials, Medical products and Others	Elimination and Corporate	Total
Price	0.7	-0.5	-1.2	-	-1.0
Sales Volume and Compositions	4.8	0.1	1.1	-	6.0
Currency	-0.8	-0.4	-0.9	-	-2.1
Raw Material Costs	-1.5	-0.4	0.1	-	-1.8
Cost Reduction, etc.	2.1	1.7	0.6	-2.6	1.8
Total	5.3	0.5	-0.3	-2.6	2.9

**FY02
→FY03**

19.9→25.2

4.8→5.3

8.3→8.0

-7.9→-10.5

25.2→28.0

(3) Chemical and Resins

(Unit: billion of Yen)

	FY03	FY02	Increase/ Decrease
Net Sales	155.9	144.7	11.2
OP-Income	25.2	19.9	5.3
Asset Identifiable	184.0	172.4	11.6
ROA (%)	14.1%	11.2%	2.9%

Poval	Increases in both Revenues and Profits	Expansion of Chinese market and Improvement in condition of Asian market. Expansion in demand for optical-use film.
<EVAL>	Increases in both Revenues and Profits	Demand remained firm in both Japan and abroad for use in food packaging and gasoline tank.
MMA	Increases in both Revenues and Profits	Recovery in Japanese market, expansion in demand from overseas markets including China.
Isoprene	Increases in both Revenues and Profits	Elastomer plant in US fully operational with firm demand in markets. Start of sale of new product. Aroma chemicals and pharmaceutical intermediates also firm.

(4)Fibers and Textiles

(unit: billion of Yen)

	FY03	FY02	Increase/ Decrease
Net Sales	106.0	109.9	-3.9
OP-Income	5.3	4.8	0.5
Asset Identifiable	79.0	84.3	-5.3
ROA (%)	6.5%	5.3%	1.2%

<KURALON> <KURALON K- II >	Decrease in revenues, growth in profits.	Smooth expansion of FRC in Japan and abroad.
Polyester	Decrease in revenues, decrease in losses.	Contraction in size of business with strategy of specialization in highly differentiated materials.
Man-made Leather	Increases in both revenues and profits.	Demand remained firm for use as shoe material
Nonwoven Fabric	Revenues flat, decrease in profits.	Delay in recovery of market with continued influx of cheap imports.
Fastenings	Decreases in both revenues and profits.	Signs of bottoming out of domestic demand and start of operation in China.

(5) High performance materials, Medical products and Others

12

(Unit: billion of Yen)

	FY03	FY02	Increase/ Decrease
Net Sales	70.2	67.9	2.3
OP-Income	8.0	8.3	-0.3
Asset Identifiable	76.1	76.6	-0.5
ROA (%)	10.5%	11.5%	-1.0%

Opto-screens	Revenues flat, decrease in profits.	Increase in quantity of CRT type. Influence of stronger Yen, change in sales composition.
Medical	Decrease in revenues, profits flat.	Influence of lower prices for artificial organs, steady expansion of dental materials.
High performance Materials	Increase in revenues, decrease in loss.	Major expansion of demand for use in GENESTAR electronic parts.
Affiliated Companies (Domestics)	Increases in both revenues and profits.	Activated carbon business strong.

FY2004 Outlook

13

(1) Highlights

(Unit: billion of Yen)

	1H	2H	Annual	In comparison with FY2003	
Net Sales	165.0	180.0	345.0	12.9	3.9%
Operating Income	15.0	18.0	33.0	5.0	17.9%
Recurring Income	14.0	17.0	31.0	6.4	26.0%
Net Income	8.0	9.0	17.0	1.8	11.8%
Capital Expenditure	15.0	19.0	34.0	1.8	5.6%
Depreciation/ Amortization	10.5	12.0	22.5	1.7	8.2%

* Major Capital Investment...Eval Europe, PVA Film, KSE, <SEPTON>

* Assumption...Currency ¥110/\$,¥130/EURO, Crude Oil(Dubai) 29\$/bl

(2) Estimated Segment Profit

(Unit: billion of Yen)

	Net Sales			Operating Income		
	1H	2H	Annual	1H	2H	Annual
Chemical and Resins	80.0	85.0	165.0	13.0	16.5	29.5
Fibers and Textiles	52.0	56.0	108.0	3.0	3.0	6.0
High performance materials, Medical products and Others	33.0	39.0	72.0	4.0	4.5	8.5
Elimination and Corporate	-	-	-	-5.0	-6.0	-11.0
Total	165.0	180.0	345.0	15.0	18.0	33.0

Sales and Profit contributed by Major Investments

15

	Investment Matters	Capacity	Start operation	Sales Contribution
Poval	KSE	20,000t	Jan. 05	4.5bn Yen
PVA film	Film for LCDs	15millionm ²	April 05	5.0bn Yen
<EVAL>	EE	12,000t	Dec. 04	9.0bn Yen
TPE	<SEPTON>	4,000t	Jan. 05	2.5bn Yen
MMA for optical use	Pellets	20,000t	Jan. 04	6.0bn Yen
	Sheets	5,000t	April 04	
Opto-screen	Screens	1.8million sheets	April 04	8.0bn Yen
<GENESTAR>	Nonanediamine	2,000t	July 04	1.5bn Yen
Total of Sales Contribution				36.5bn Yen
Total of Profit Contribution				10.0bn Yen



Estimation of Factor Causing Variances in OP-Income(FY03, FY04)

	Chemical and Resins	Fibers and Textiles	High performance materials, Medical products and Others	Elimination and Corporate	Total
Price	0.5	0	-0.5	-	0
Sales Volume and Composition	4.0	0.2	1.0	-	5.2
Currency	-0.7	-0.1	-0.5	-	-1.3
Raw Material Costs	-1.0	-0.3	-0.2	-	-1.5
Cost Reduction, etc.	1.5	0.9	0.7	-0.5	2.6
Total	4.3	0.7	0.5	-0.5	5.0

**FY03
→FY04**

25.2→29.5

5.3→6.0

8.0→8.5

-10.5→-11.0

28.0→33.0

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.