

**Kuraray FY2003**  
**Earning Presentation**  
Progress of “G-21”

**Kuraray Co., LTD.**  
**President Yasuaki Wakui**

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# Characteristics of FY2003 Results

## Highlights

- Higher Revenues and Income for 2 consecutive years
  - Record Operating Income and Net Income
- Growth in Gross Profit Amount
  - Better Business Portfolio and Production Innovation
- Efficient Asset Utilization, **ROA 6.7% (+1.2%)**
- New Earnings Growth
  - Growth Structure Independent of Business Cycle

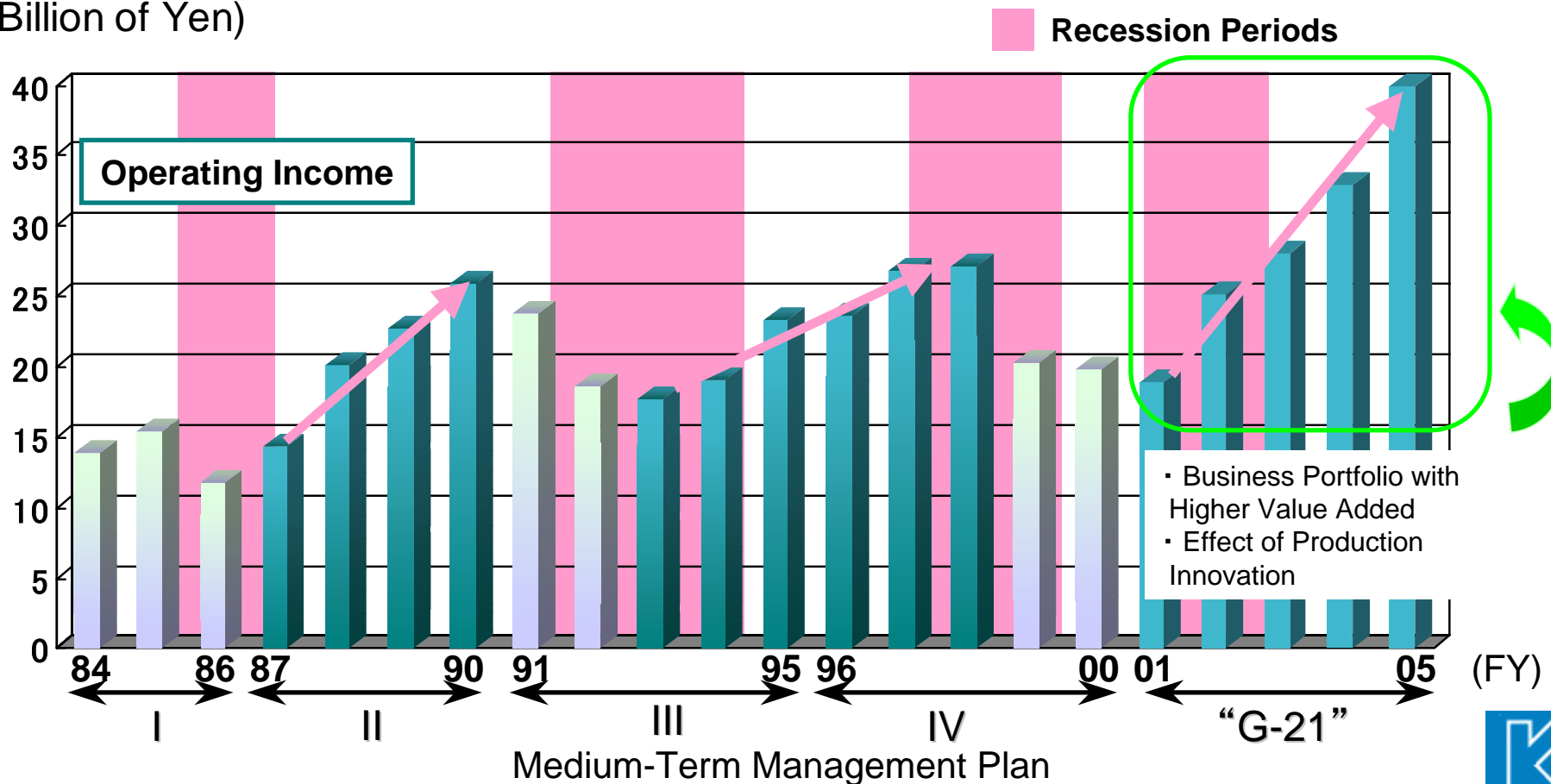
# Medium-Term Management Plan and Earnings Trend (1)

Business Diversification Capitalizing on Original Technologies



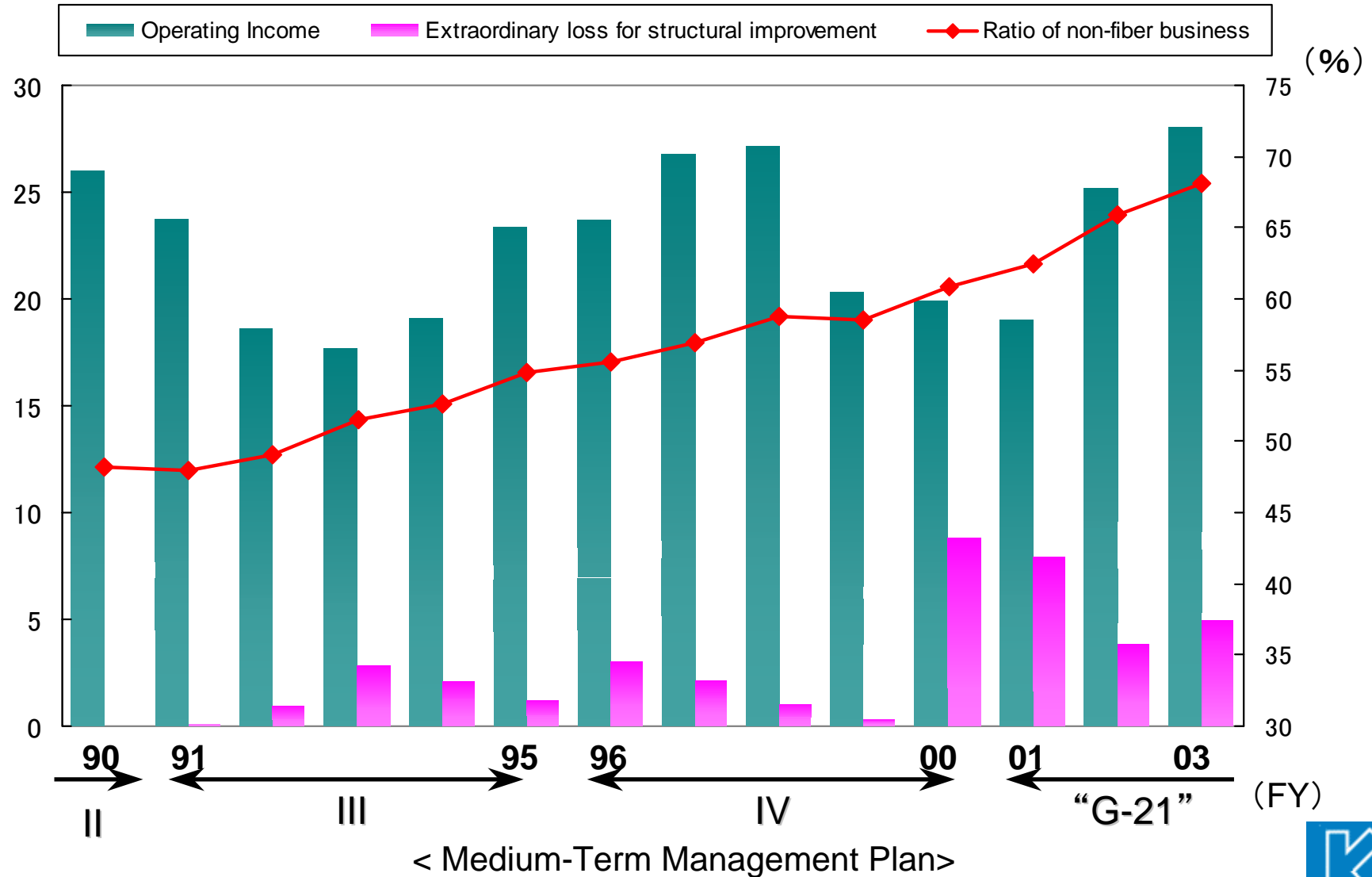
Medium-term Management Plan to Emphasize Long-term Vision

(Billion of Yen)



# Medium-Term Management Plan and Earnings Trend (2)

(Billion of Yen)



< Medium-Term Management Plan >



# Characteristics of our Business

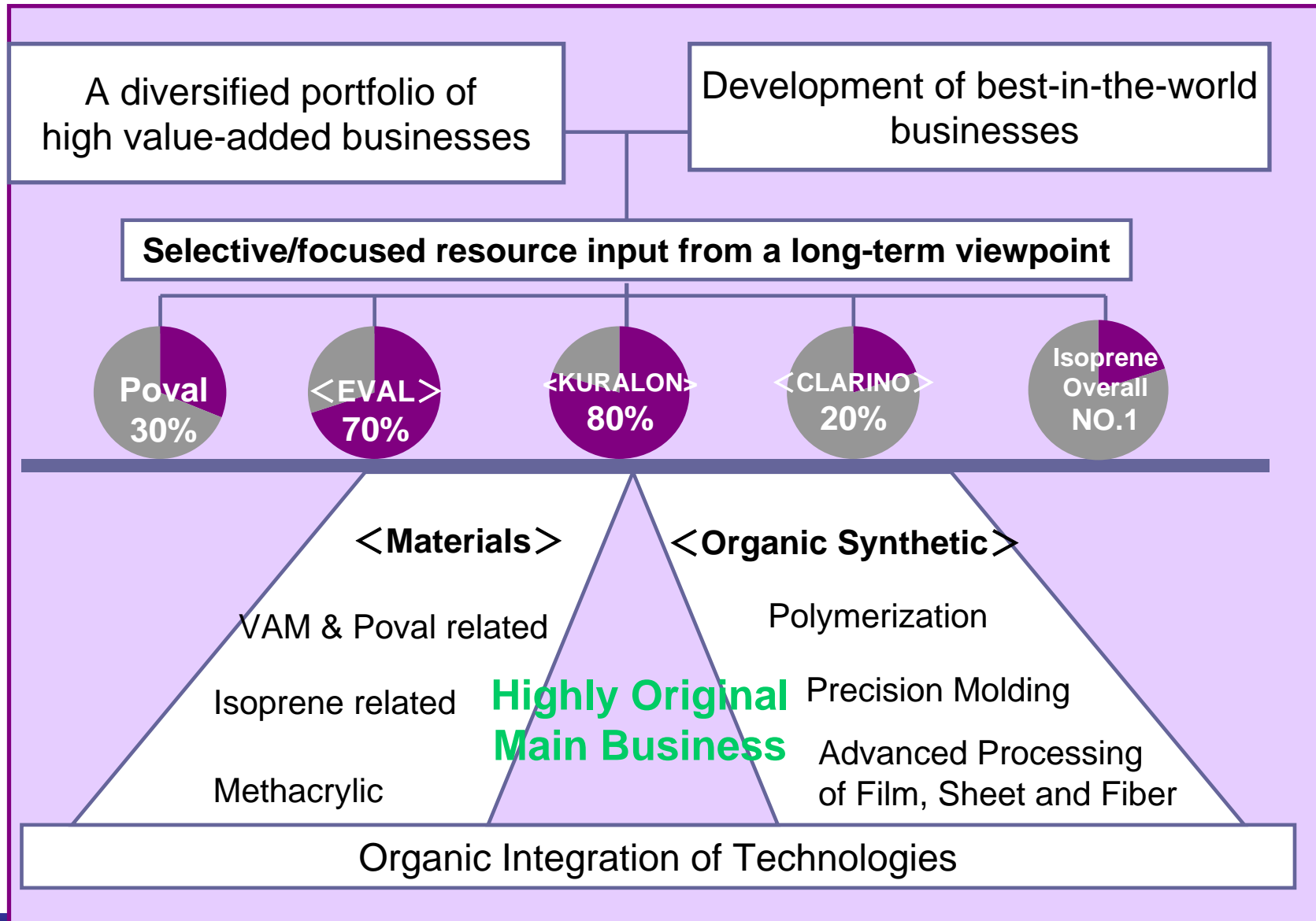
4

- **Portfolio of Best-in-the-world Businesses Using Original Technologies**
- **Relationship of Deep Trust with Major Clients Based on Development of Market-rooted Applications**
- **High Proportion of Eco-friendly Products in Sales**
- **Global Business Development Capability Reflecting Characteristics of the Business**

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# Portfolio of Best-in-the-world Businesses Using Original Technologies (1)



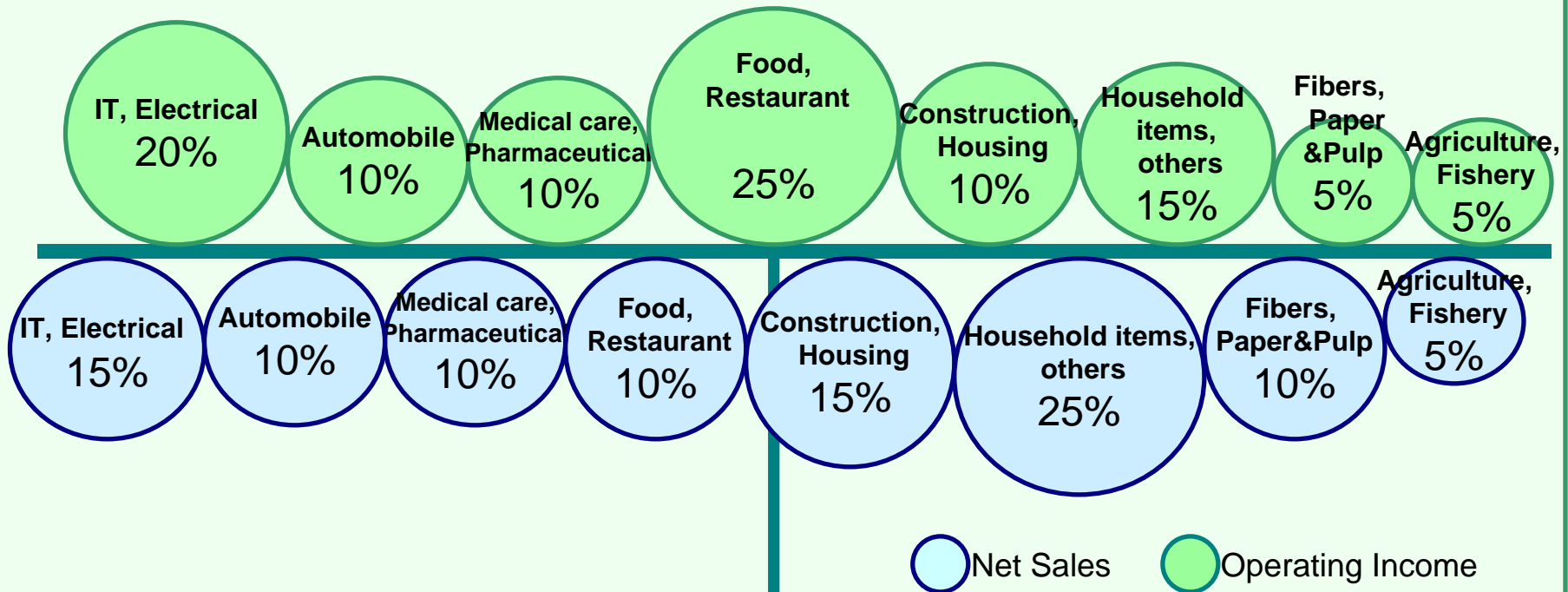
# Portfolio of Best-in-the-world Businesses Using Original Technologies (2)

## Portfolio of User Industries

Penetration of diverse market fields using capacity to develop applications for products with special characteristics

←High growth (Strategic fields)

Steady Growth→



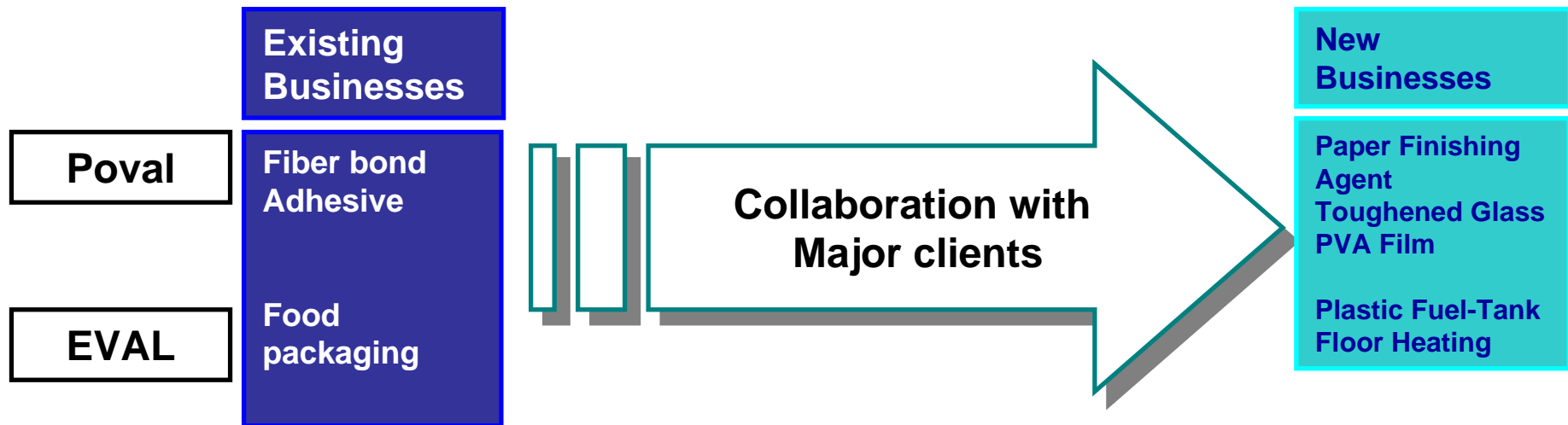
% : Percentage of Consolidated Sales and Consolidated Operating Income (rounded)

# Characteristics of our Business

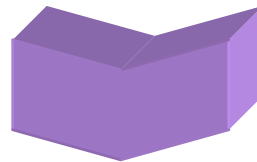
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# Relationship of Deep Trust with Users

Tenacious development of new applications for Unique products



Pioneering Application Development ··· Strong Ties and Mutual Trust with Customers



Ahead of Competition, Build a Position of Absolute Advantage through Competitive Power



# Characteristics of our Business

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# Eco-friendly Products

Products that cause Low Burden on Global Environment, and Products that Reduce the Burden.

## Products

Sales of Eco-friendly Products: 150 billion Yen

47% of consolidated sales

<KURLON> for Asbestos-substitute  
 <EVAL> for Prevention of gasoline vaporization leak  
 <SEPTON> used for Substitute for Soft PVC and vulcanized rubber  
 Activated carbon for water-purification and air-filtration, etc.

## R&D

Ecological investment 01-03 annual average  
 1 billion yen  
 (5% of total capex)

**Ecological Investment Considering the Whole Process**

(Medium-Term Plan, approx. 6 billion yen)

**Turn 'Environment' into a Business Opportunity**

**Development of Eco-friendly Manufacturing Methods**

# Characteristics of our Business

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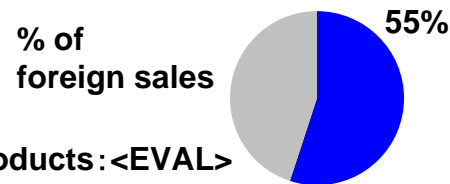
# Globalization Strategy

Foreign Sales 137.1bnYen (41.3%), Target 50% in FY2005

## Optimum Location for Production and Sales / Localization

### Business Development Reflecting Business Characteristics

#### Global production ...5 Production locations



Products: <EVAL>  
Poval  
<SEPTON>

FY91 EVAL Company of America into a sub  
FY99 EVAL Europe operational  
FY01 Poval M&A in Europe  
FY02 SEPTON Company of America operational

#### Final processing near place of consumption



Product: <Clarino>  
(consumer needs by area)

Intermediate product ... Japan  
Final processing  
... Consumer/purchaser areas (China etc.)

#### Development in Japan, Marketing abroad



Products:  
Dental materials, Opto-screen  
<KURALON>, <Kuralon K-II>  
(Accumulation of special technologies as an asset)

Development ... In Japan  
Marketing ... Abroad

#### R&D Structure :

Inauguration of R&T center in USA in April 2004 → Establishment of 3 Production Centers Worldwide

# Challenges for Later-Half of the Medium-Term Plan(1)

## Lack of Speed

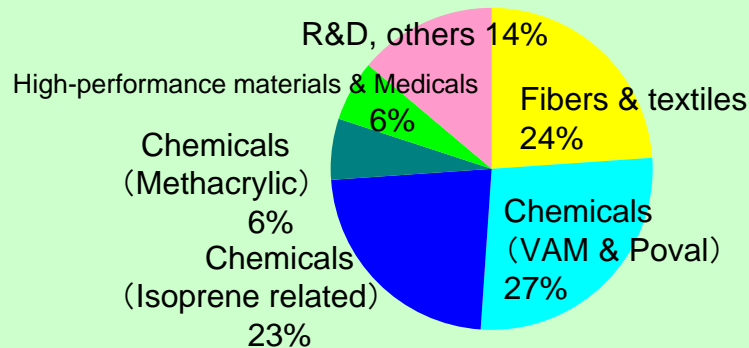
**Focused Input of Resources into High-priority Development Projects**

## Lack of Entrepreneurship

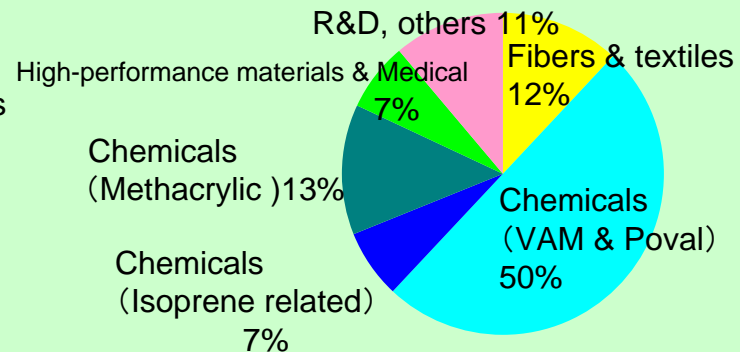
**Actively Invest in Leading Edge, Quickly Changing Growth Fields  
Utilize External Resources**

### Prioritization of Capital Expenditure

**Previous Medium-Term Management Plan : 108.9 billion yen (FY1996~FY2000)**

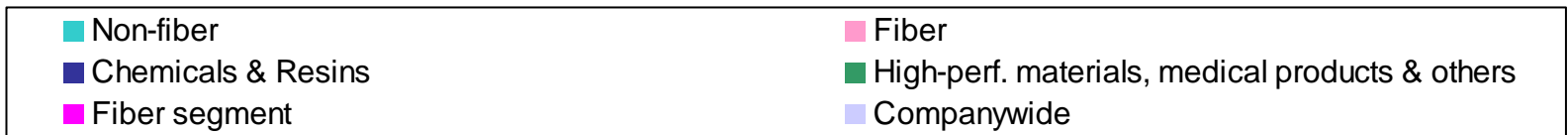
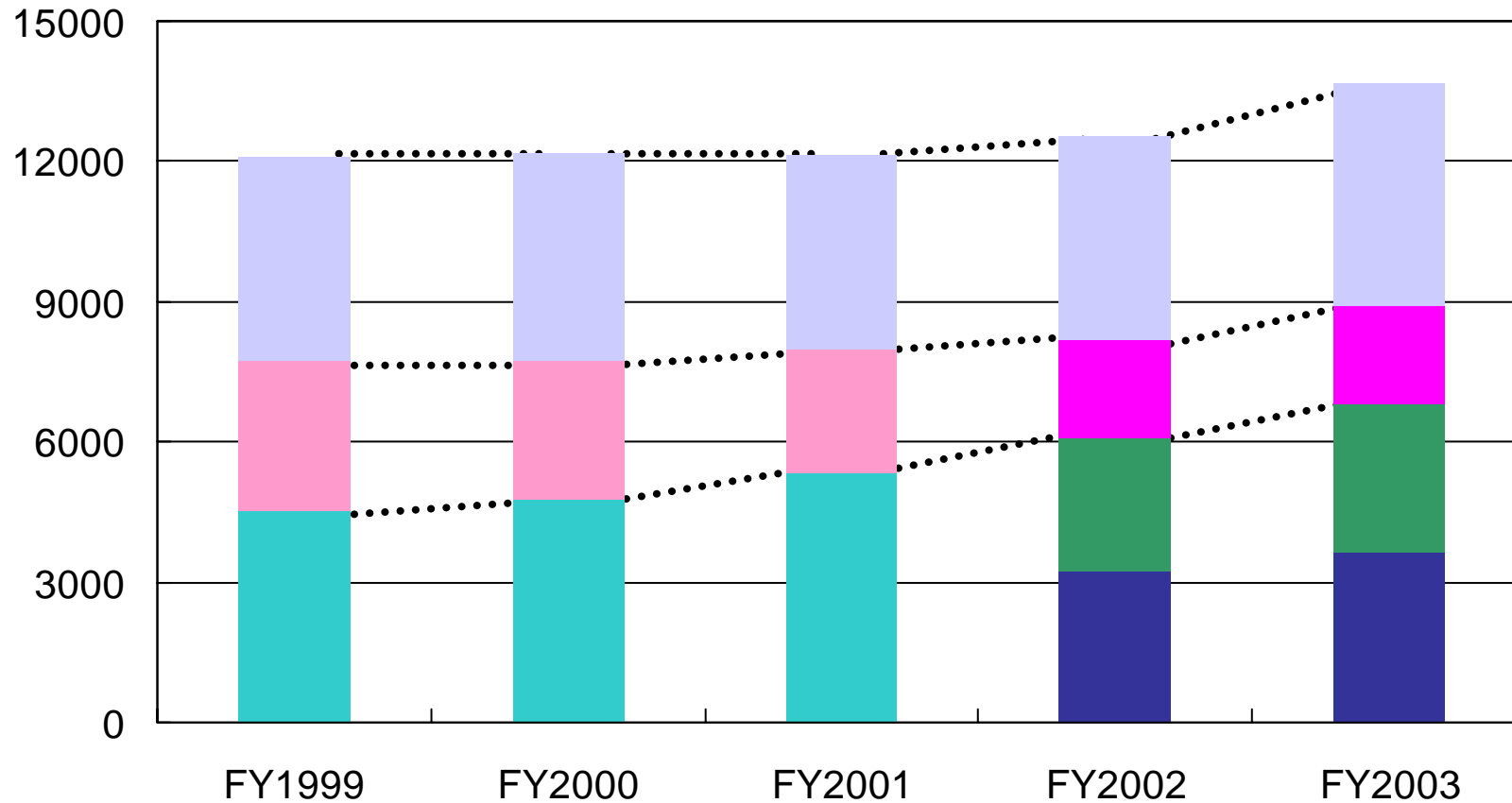


**'G-21': 130.0 billion yen (FY2001~FY2005)**



# Challenges for Later-Half of the Medium-Term Plan(2)

(Million Yen) R&D Expenditure in Segmentation



# Towards the Goals of 'G-21' (1)

## Target for FY2005

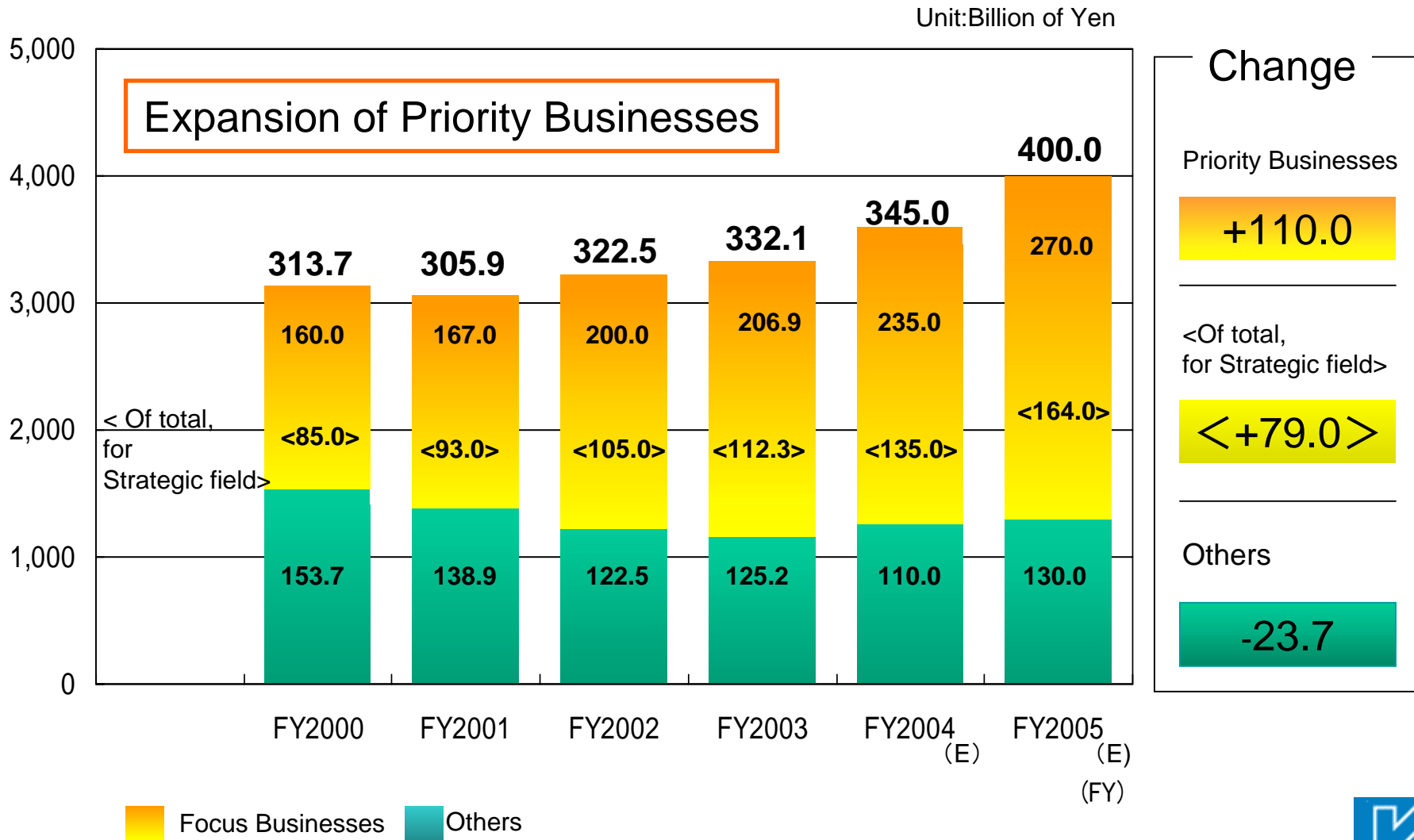
**Sales: 400 billion yen,  
Operating Income: 40 billion yen,  
ROA  $\geq$  8%**

<b>01</b>	<b>02</b>	<b>03</b>	<b>04</b> (Forecast)
Sales 305.9 bn yen Operating Income 19 bn yen ROA 3.8%	Sales 322.5 bn yen Operating Income 25.2 bn yen ROA 5.5%	Sales 332.1 bn yen Operating Income 28.0 bn yen ROA 6.7%	Sales 345.0 bn yen Operating Income 33.0 bn yen ROA 8.0%

**Cost Reduction by  
Production Innovation**

**Positive Results of  
Capital Expenditure and R&D**

# Towards the Goal of 'G-21' (2)



## 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.**