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New Medium-Term Business Plan “GS-21”

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1. Over view of “G-21”the current Medium-Term Business Plan

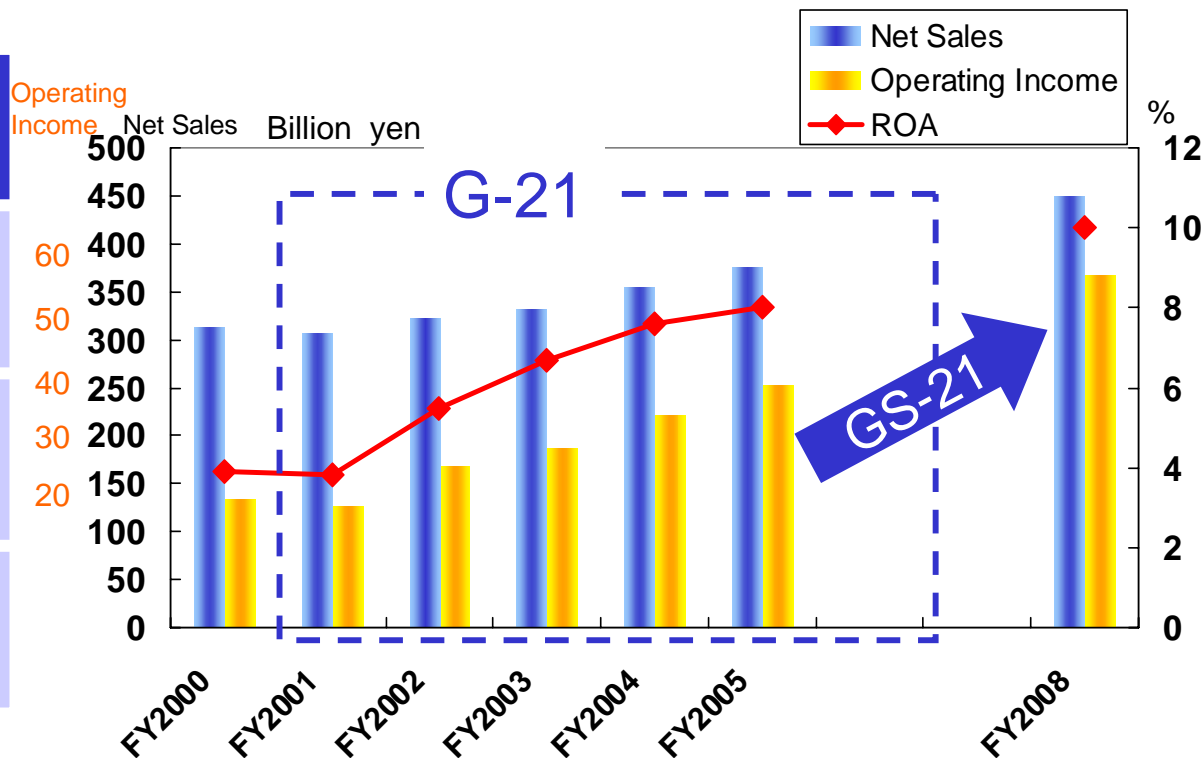
1. Target & Result
2. Business Portfolio Improvement
3. New Business Development

I Over view of "G-21"

1. Target & Result- (1) Net Sales/Operating income -

- Continuous revenue and earnings growth since FY2002
- Sales and earnings were 5% less than planned
- Operating income nearly doubled, ROA of over 8% was achieved

	FY2000	FY2005 Forecast	G-21 FY2005 Target
Net Sales	313.7	375.0	400.0
Operating Income	19.9	38.0	40.0
ROA	3.9%	8.2%	Over 8%



I Over view of “G-21”

1. Target & Result- (2) Main Management Indicators-

		FY2000	FY2005	Target
Net Sales	bn yen	313.7	375.0	400.0
Operating Income	bn yen	19.9	38.0	38.0
Operating Income Ratio		6.4%	10.1%	
Total Asset	bn yen	512.5	470.0	
Shareholder Equity Ratio		56.5	70.4%	
Dividends	yen	9	14	
ROA		3.9%	8.2%	Over 8%
ROE		1.4%	6.1%	
R&D Expenditures	bn yen	12.3	14.0	
Total Number of Employees		7,121	6,800	

I Over view of “G-21”

2. Business Portfolio Improvement

Acquisition

- Dec 2001 **PVA related business (Europe)**
(Clariant AG, Germany)
PVA resin 50,000
⇒70,000t/y
(Capacity expansion in Jan 2005)
PVB resin 20,000t/y
- Dec 2004 **PVB film business (Europe)**
(HTT AG, Germany)
PVB resin 26,000t/y
- Apr 2005 **Polyarylate fiber business (US)**
(Celanese Advanced Materials Inc., US)
Marketing・Sales・R&D divisions

Sales Increase
approx. 30 billion yen (FY2005)

Sale/Shrinkage

- Oct 2001 **Polyester filament**
Production capacity shrinkage
20,000t→13,000t/y
- Apr 2003 **Polyester staple**
Production capacity shrinkage
40,000t→12,000t/y
- Dec 2003 **Withdrawal from**
Vitamin A production
- Sept 2005 **Dissolution of MMA monomer**
production joint venture
Kyodo monomer production 20,000t
Production capacity shrinkage
85,000t→65,000t/y
- Oct 2005 **Sale of the Contact Lens business**

Sales Decline
approx. 24 billion yen (FY2005)

3. New Business Development

Other Themes

Strategic R&D Themes

■ Optical Device

Backlight Device

MIRABRIGHT

■ New Gas-Barrier Material

Have both Highly gas-impermeability and plasticity

EVAL SP

Retort Treatment-Durable Nanotechnological Barrier Material

KURARISTER

■ Next-Generation Man-Made Leather

Eco-friendly, High-Quality Man-Made Leather

TIRRENINA

■ *GENESTAR* New Process

Continued Development

- Inorganic EL
- High Polarization and Stretchability Optical-Use PVA film
- High Quality Opto-screens
- High Performance, Halogen-Free Electrolyte Membrane (Fuel cells)
- New Styrene Elastomer
- Acrylic Elastomer
- Soft Acrylic Resin
- Easy-on-the-Skin *EVAL* Textile
- ECC (Engineered Cementitious Composites) High tenacity concrete reinforcing agent

Ⅱ . 10-year Corporate Vision

- 1. Business Environment – 10-Year Outlook**
- 2. 10-year Corporate Vision**

Outlook of Business Growth

Basic Policies to Realize Visions

Improvement in Business Performance

1. Business Environment –10-Year Outlook

- Increasing concern over the global environment and resource
⇒ Stifling of mass production, high energy consumption economy
- Geographically imbalance in the global economy, lower growth rate
⇒ Increasing intensity in global competition
- Diversified senses of value
⇒ More sophisticated market needs and rapid changes
- Fiscal deficit of Japan's economy, aging society and declining birthrate
⇒ Growing risk associated with fundamental structure

Shift "Quantity" to "Quality"

2. 10-year Corporate Vision

Toward Exciting Innovation and Outstanding Earnings Recognized throughout the World, To Make Kuraray Group a Sustainably Growing Diversified Specialty Chemical Company

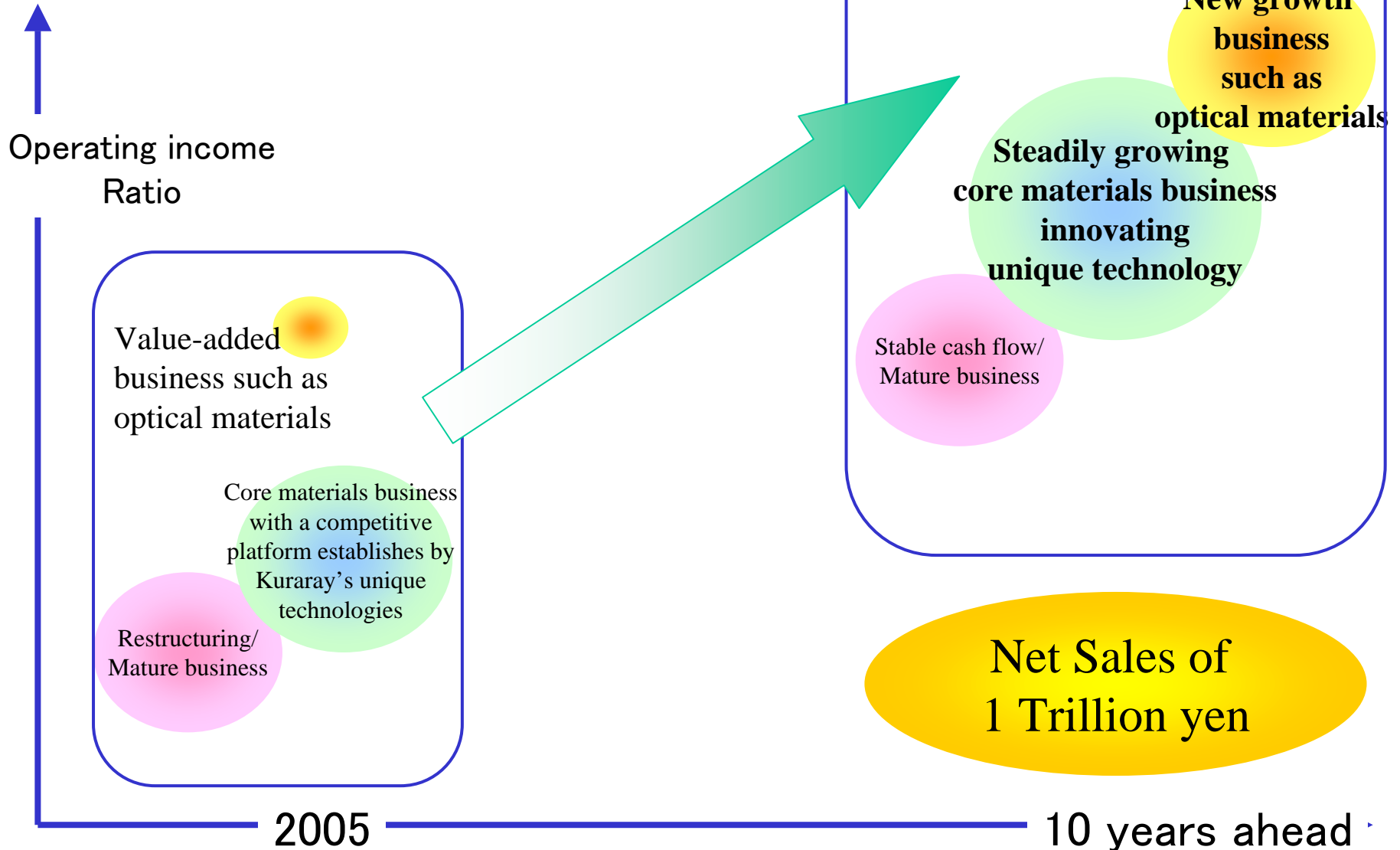
KURARAY's Corporate Culture

To Contributing to the World and Individual Wellbeing through Actions that Others are unable to Produce

Targeting Net Sales of 1 Trillion yen in 2015

II 10-year Corporate Vision

Outlook of Business Growth



Basic Policies to Realize Visions

Dynamic growth in world leading products driven by core technologies

Core Competence

Establish competitive advantage through outstanding quality to meet market needs

Refinement

Sustainability

Contribute to the global environment and a sustainable society

Create new businesses through multifaceted technological innovation in promising markets

Frontier

Vitality

Establish a people-oriented enterprise and open-minded organization culture

Improvement in Business Performance

Billion Yen

	2005	2008	2015	Goals
Net Sales	375.0	450.0	1,000.0	Revenue growth of 10% /y (versus GDP growth of 3% /y)
Operating Income	38.0	50.0	150.0	Earnings growth of 15%/y
Operating Income Ratio	10%	11%	15%	World class high profitability

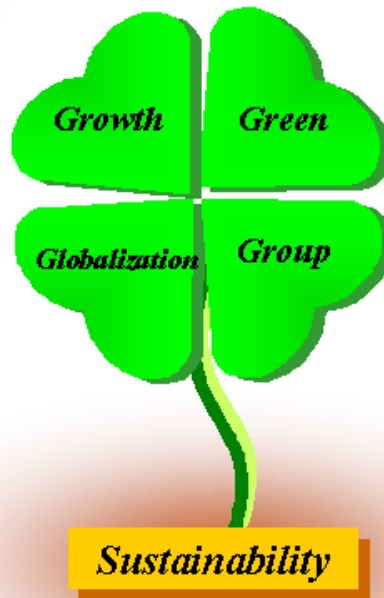
Ⅲ. New Medium-Term Business Plan “GS-21”

1. Financial performance Goals
2. Sales and OP Income Plan by Segment
3. Sales Plan by market domain
4. Priority Issue and Policies
5. Resource Allocation

III. New Medium-Term Business Plan “GS-21”

Growth
Green
Globalization
Group

+ Sustainability





FY 2008 Stretch Target

Net Sales	550.0 Billion Yen
Operating Income	60.0
ROA	10%
ROE	8%

FY2008 Commitment

Net Sales	450.0 Billion Yen
Operating Income	50.0
ROA	9%
ROE	7%

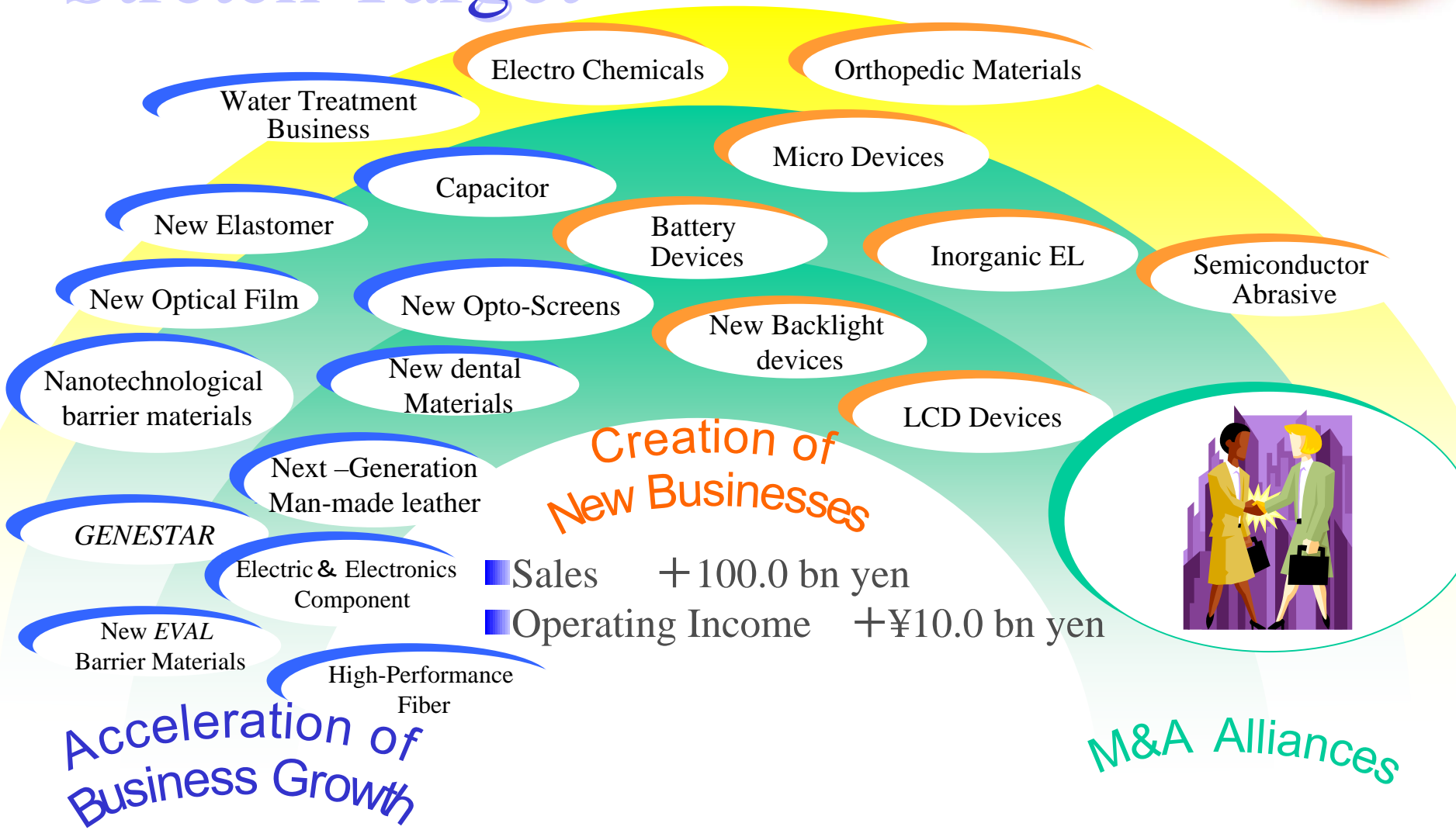
FY2005 Forecast

Net Sales	375.0 Billion Yen
Operating Income	38.0
ROA	8%
ROE	6%

- Create new business, expand operations through M&A (¥100 billion net sales and ¥10 billion operating income)



Stretch Target





Billion Yen

2.Sales and OP Income Plan by Segment

		FY2005	FY2008	Increase /Decrease
Chemicals and Resins	Net Sales	192.0	235.0	+43.0
	Operating Income	32.0	42.0	+10.0
Fibers and Textiles	Net Sales	111.0	120.0	+9.0
	Operating Income	9.0	12.0	+3.0
High-Performance Materials, Medical Products and Others	Net Sales	72.0	95.0	+23.0
	Operating Income	7.5	9.0	+1.5
Elimination and corporate	Operating Income	-10.5	-13.0	-2.5
Total	Net Sales	375.0	450.0	+75.0
	Operating Income	38.0	50.0	+12.0



3. Sales Plan by Market Domain

-(1) New Growth Fields-

Business expansion in revolutionary new materials as “new growth Fields” in the optics, automobiles, energy and other high growth industries

Sales

100

80

60

40

20

0

28.0

57.0

97.5

FY2000

FY2005

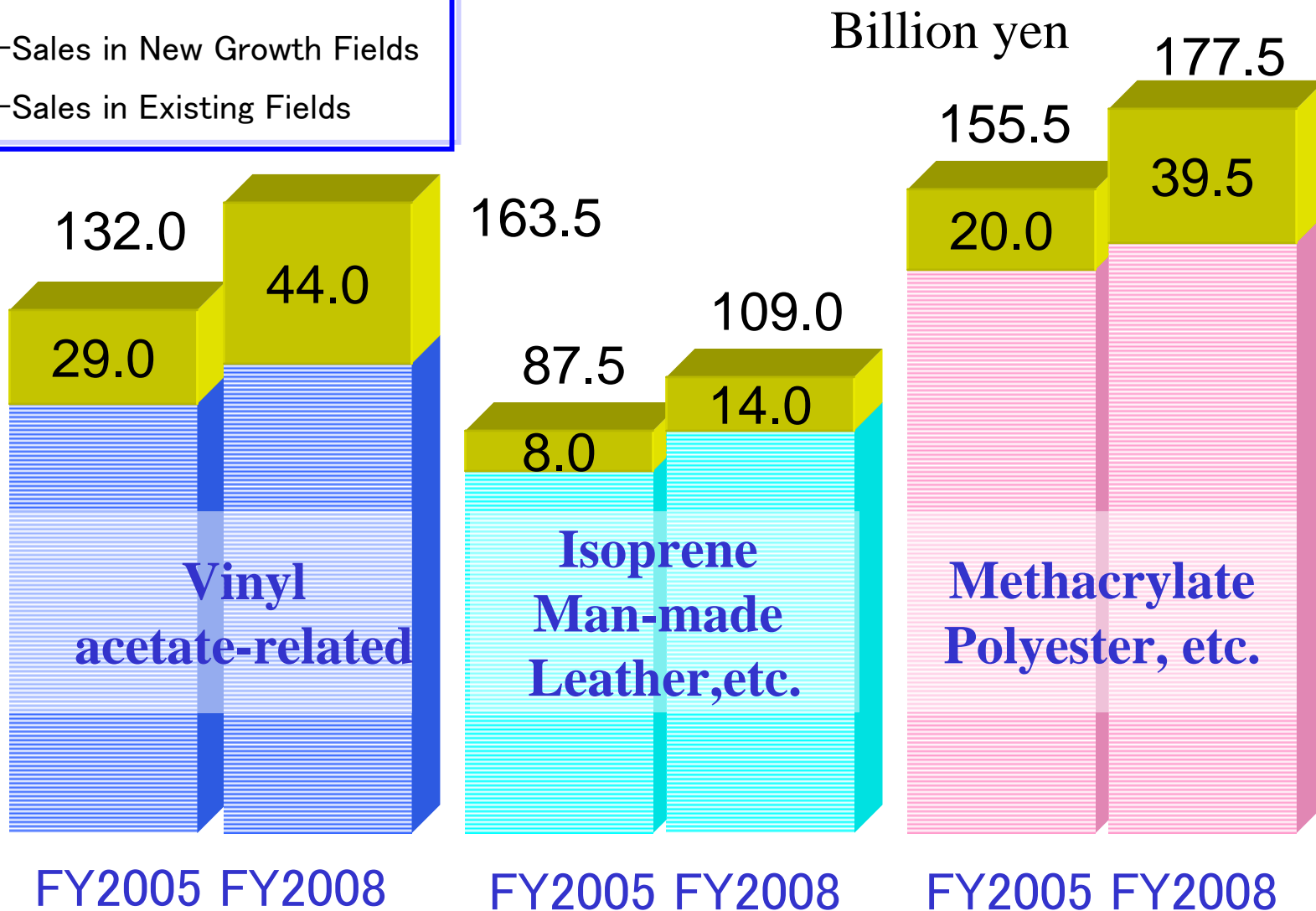
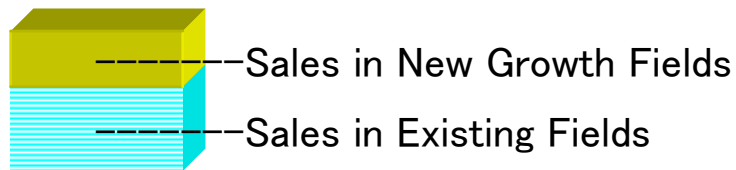
FY2008

Billion Yen

A 1.7-Fold expansion in sales through focused allocation of management resources



3. Sales Plan by Market Domain -(1) New Growth Fields





3. Sales Plan by Market Domain -(1) New Growth Fields

* () indicate global share

Core materials

**PVA resin(35%)、*EVVAL*(70%)
CLARINO(25%)
KURALON·*KURALON K-II* (80%)
 Isoprene (The Global
 comprehensive development)
 Dental materials(Domestic No.1)
 Active Carbon (Domestic No.1)**

Mature materials

**Methacrylate(Domestic No.3)
 non-woven fabric
 (Domestic dispo market No.1)
 Hook and loop fastener
 (Domestic No.1)
 Polyester(Domestic No.5)**

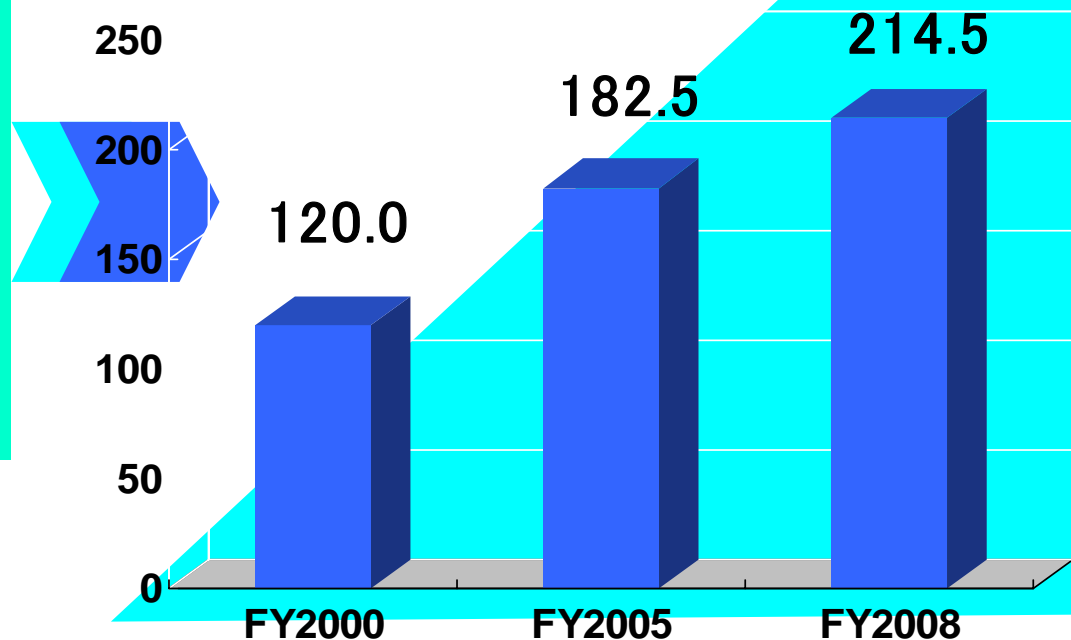
New growth fields

Optics : PVA film
Automobiles :
EVVAL(plastic gasoline tanks)
SEPTON, PVB film,
GENESTAR, *CLARINO*,
KURALON
Energy : Capacitor
Optics :
 Opto-screens
 Methacrylic backlight devices
Automobiles :
Mold-In-Fastener
 Car Sheets

3. Sales Plan by Market Domain

-(2) Core materials; growth fields-

Global business expansion of core materials other than “New Growth Fields” such as Vinyl-acetate related · Isoprene related · man-made leather related

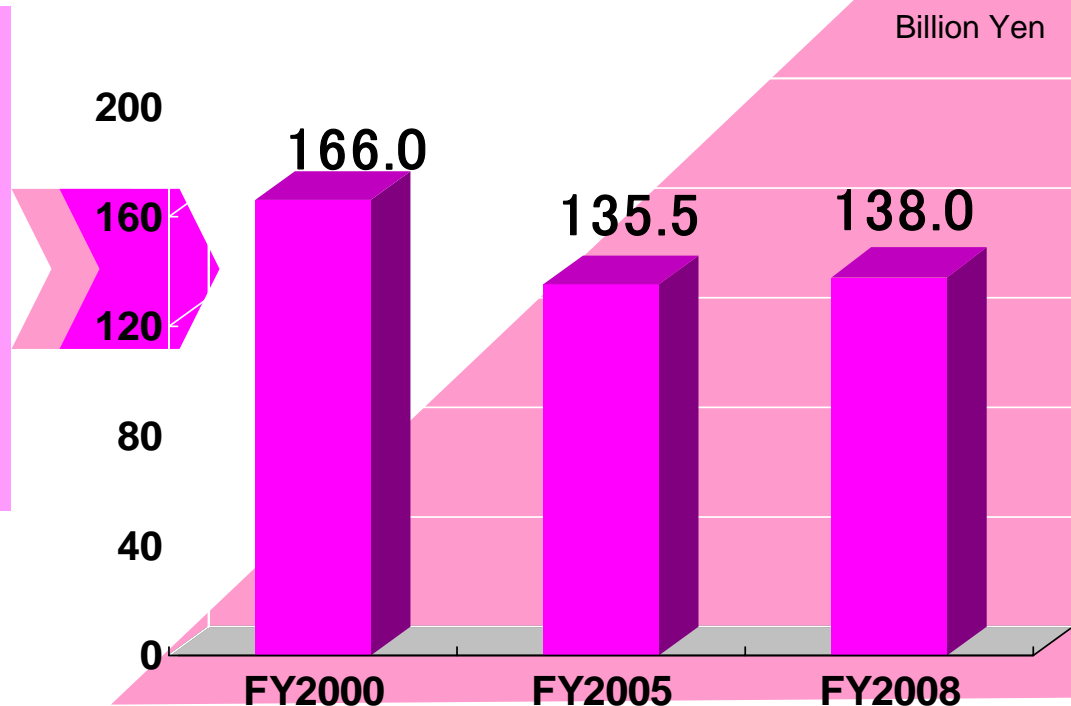


Strengthen sustainable growth (sales growth of 6% per year) through further technological innovation and new product development

3. Sales Plan by Market Domain

-(3) Mature materials; stable-fields

Establish a profitable group structure through differentiation and other strategies other than “New Growth Fields” in mature materials such as Methacrylic resin, Polyester



Assuring stable earnings through strengthened business efficiency and competitiveness. Consolidation and restructuring of business that are competitively disadvantaged



4. Priority Issue and Policies(1)

■ Accelerate the development of new business and new growth fields

- Focus on development themes with a demand-driven approach
- Promote the expansion and focus of research resources including introduction of outside resources

■ Pursue globally effective and speedy management

- Accelerate responsiveness to market
- Implement reforms to in-house company system for greater resource efficiency
- Establish a global Group management structure
- Strengthen efficiency of headquarter functions and management information systems.



4. Priority Issue and Policies(2)

■ Nurture and strengthen “human resources” the driving force for growth

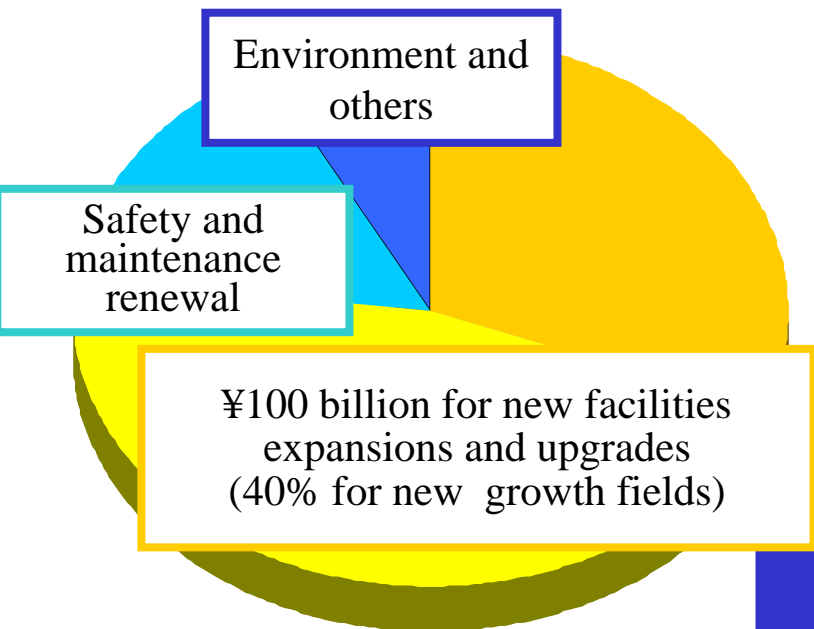
- Establish system to secure and educate personnel as purported by medium-term management strategy
- Reform personnel system to optimize employee assignments.

■ Contribute to the global environment and strive for sustainable corporate growth

- Formulate global level environment initiatives and expand sales of environmental product in accordance with Medium-Term Environmental Plan(FY2001-2010)
- Promote strengthening of manufacturing know-how and a through emphasis on safety and establish an internal controls system to strengthen risk management.



9. Resource Allocation (1) Capital Expenditure



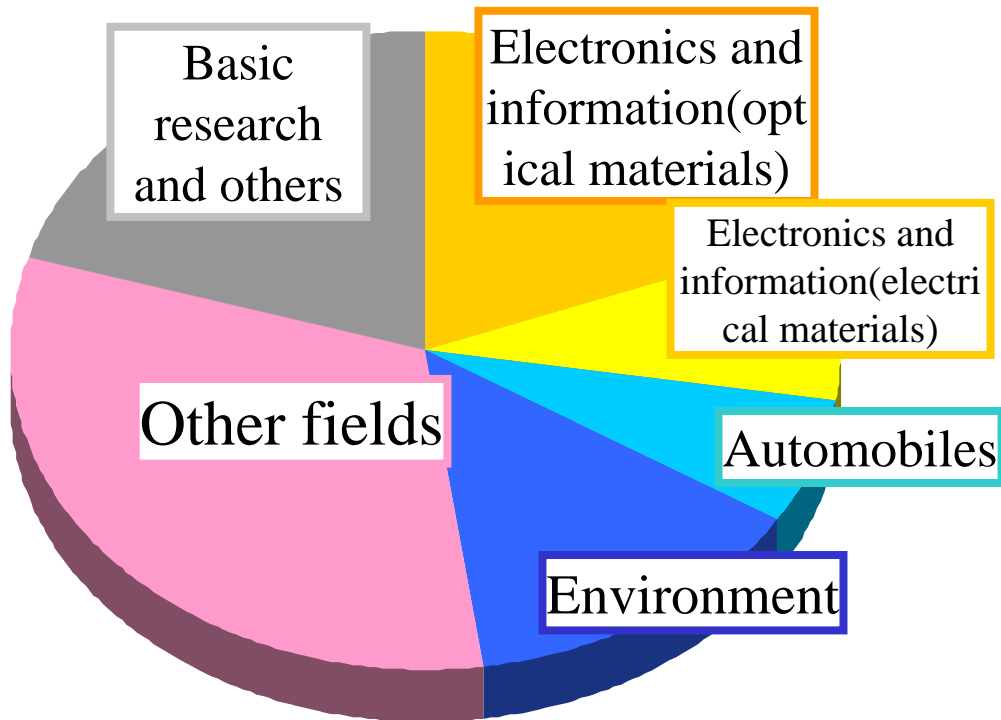
- Continue active investment of 130billion yen over 3 years for capital expenditure, investment and loans(including 100 billion yen for new additional facilities)
- Kuraray is currently considering separate strategic investment in new business and M&A over the next 3 to 5 years(approx.¥200 billion)

Projects		Becomes operative
EVAL	(4th line in US 24,000 t)	2H 2006
SEPTON	(6,000t in US)	2H 2006
Inorganic EL production test machine		2H 2006
Optical-use PVA film (30 million m²)		1H 2007
New Man-Made leather <i>TIRRENINA</i> (5 million m²)		1H 2008
GENESTAR (6,000t)		2H 2008



9. Resource Allocation

(2) Business Development Strategies

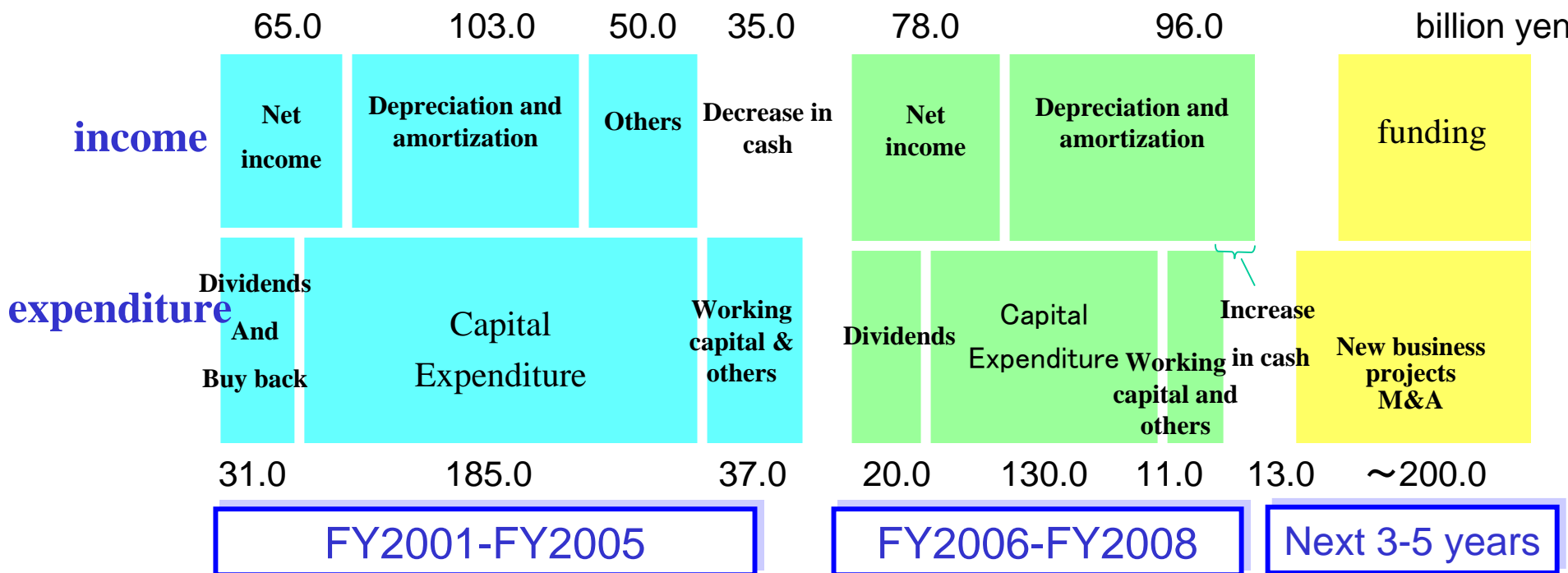


- Allocate 50 billion yen over three years for R&D
- Allocate resources on a strategic basis to highly functional materials that utilizing sophisticated processing technology and the development of materials in promising industry such as optical materials, automobiles and energy



9. Resource Allocation (2) financial strategies

- Procure external fund for new projects and M&A according to needs
- Maintain a dividend payout ratio of 25–30%, Sustain increasing in dividend through ROE improvement, Increase acquisition of own shares ,considering financial plasticity investment plan and the stock price





Appendix

Target & Results of “G-21”

1.Sales and Incomes by businesses

Billion yen

	FY2001		FY2002		FY2003		FY2004		Fy2005		Target	
	Sales	OP income	Sales	OP income	Sales	OP income	Sales	OP income	Sales	OP income	Sales	OP income
Chemicals and Resins	119.8	15.5	144.7	19.9	155.9	25.2	167.3	28.4	192.0	32.0	190.0	30.0
Fibers and Textiles	114.8	3.8	109.9	4.8	106.0	5.3	109.8	7.9	110.0	9.0	110.0	7.0
High- Performance Materials, Medical Products and others	71.3	6.8	67.9	8.3	70.2	8.0	77.8	7.3	72.0	7.5	100.0	11.0
Elimination and Corporate		(7.1)		(7.8)		(10.5)		(10.4)		(10.5)		(8.0)
Total	305.9	19.0	322.5	25.2	332.1	28.0	354.9	33.2	375.0		400.0	40.0

Target & Results of "G-21"

2.Sales and OP Income of Focus Business

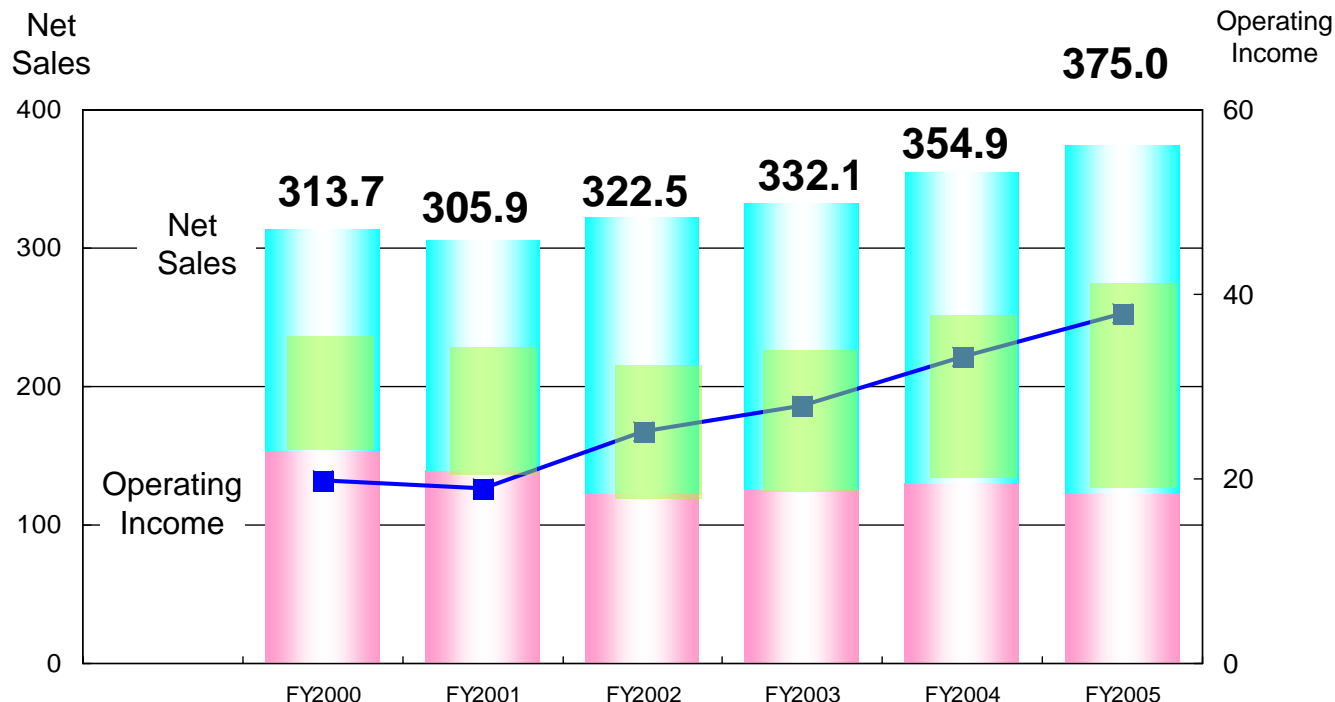
Billion yen

Focus Business

Core Business+ Strategic Areas

Poval
 EVAL
 Isoprene
 KURALON
 KURALON K- II

IT
 Environment
 Eco-friendly
 Medical



	FY2000	FY2001	FY2002	FY2003	FY2004	FY2005 (Forecast)	Target
Focus Business	160.0	167.0	200.0	207.0	224.5	250.0	270.0
<Strategic areas>	<85.0>	<93.0>	<105.0>	<113.0>	<122.0>	<130.0>	164.0
OP ratio of Focus Business	11%	11%	14%	16%	16%	16%	17%

Target & Results of "G-21"

3. Capital Expenditure (M&A)

Billion yen

185.0
Capital Expenditure

135.0

For new facilities, expansion and upgrade

115.0

Focus Business

Core Business

Poval

PVA film

EVAL

SEPTON

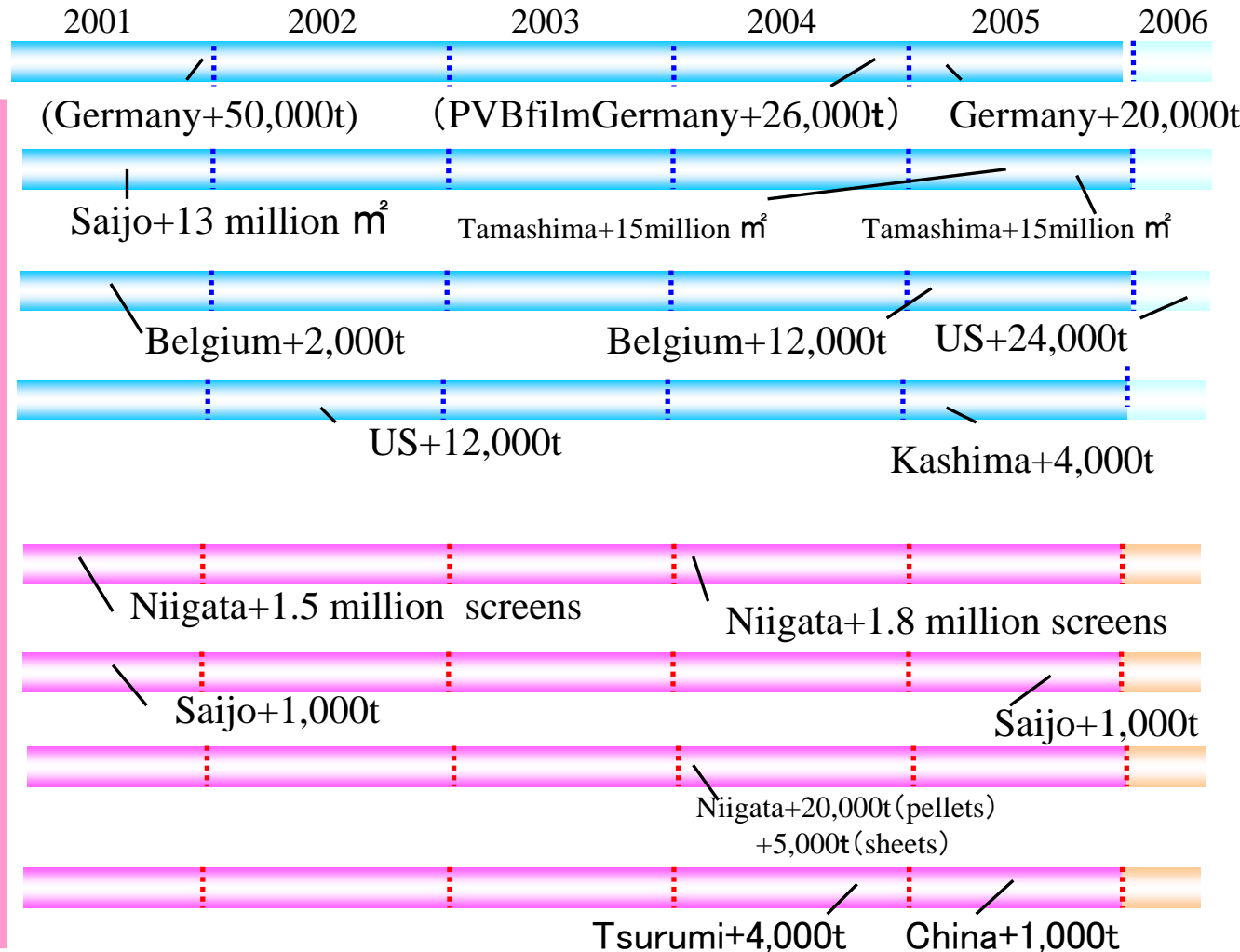
Strategic areas

Opto-screens

GENESTAR

Methacrylic resin (Optical use)

Activated carbon





1. Sales and Income Plan (Chemicals and Resins)

■ Raise profit growth based on priority investments outlined under “G-21”

■ Poval *EV*AL Isoprene:

Enhance competitive advantage through global strategies, accelerate growth through further technological innovation and product development, and proactively expand new growth fields such as optical materials

■ Methacrylic Resin:

Establish more stable growth structure through marketing new products such as high-value added optical materials and strengthen operations in China as a processing base

	FY2005	FY2008	Increase/ Decrease	Billon yen
Net Sales	192.0	235.0	+43.0	
Operating Income	32.0	42.0	+10.0	
OP ratio	16.7%	17.9%	+1.2%	



2. Sales and Income Plan (Fibers and Textiles)

■ Establish firm profitability in core materials, While strengthening and improving the product portfolio

■ *KURALON, KURALON K-II, CLARINO, etc.:*

Reinforce the base for growth by accelerating technological innovation in response to market needs, and investing in capacity expansions as well as process reformation

■ *Non woven Fabrics, Hook and loop fastener, Polyester, etc.:*

Establish a profitable group structure in mature domestic market by promoting new products differentiated through sophisticated process technologies

	FY2005	FY2008	Increase/ Decrease
Net Sales	111.0	120.0	+9.0
Operating Income	9.0	12.0	+3.0
OP ratio	8.1%	10%	+1.9%

Billon yen



3. Sales and Income Plan

(High-performance Materials, Medical Products and Others)

- Actively expand new growth fields through speedy technology innovation for multifaceted products.

■ **Opto- screens, GENESTAR, Liquid Crystalline Polymer Film , etc.:**

Establish competitiveness in the new growth domains through acceleration of technological innovation responding to customer needs

■ **Dental material, Activated carbon, etc.:**

Proactively expand business with differentiated new products and through global business development utilizing the competitiveness as a leading manufacture in Japan while focusing on efficient operation in the engineering and other businesses

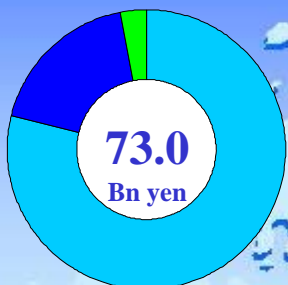
	FY2005	FY2008	Increase/ Decrease
Net Sales	72.0	95.0	+23.0
Operating Income	7.5	9.0	+1.5
OP ratio	10.4%	9.5%	-0.9%

Billon yen



4. Oversea Net Sales (Percentage of Oversea Net Sales : 43%⇒50%)

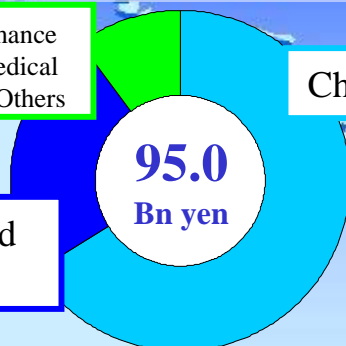
Europe



Asia

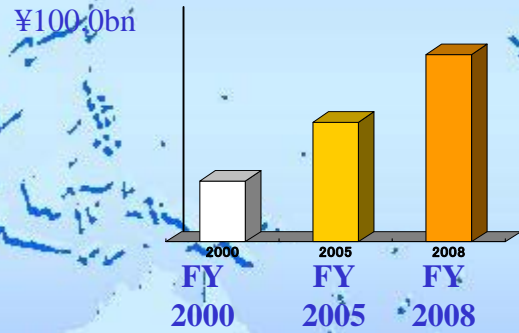
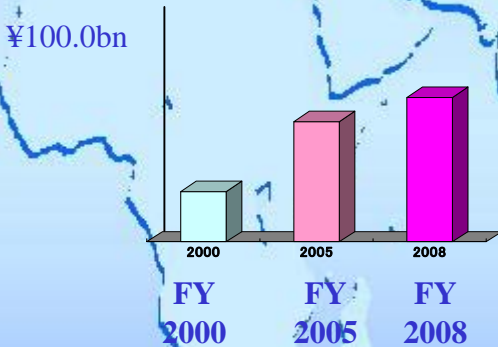
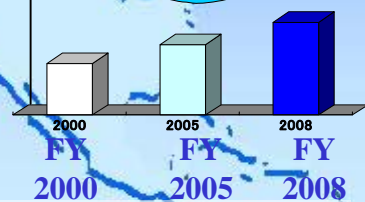
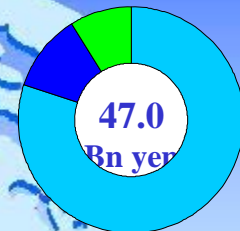
High-Performance Materials, Medical Products and Others

Fibers and Textiles



Chemicals and Resins

North America



■ Round graphs represent FY2008 forecasts

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.

