

Strategy for further growth

November 29, 2007

**Representative Director and
President**

Yasuaki Wakui

Forecast for FY2007

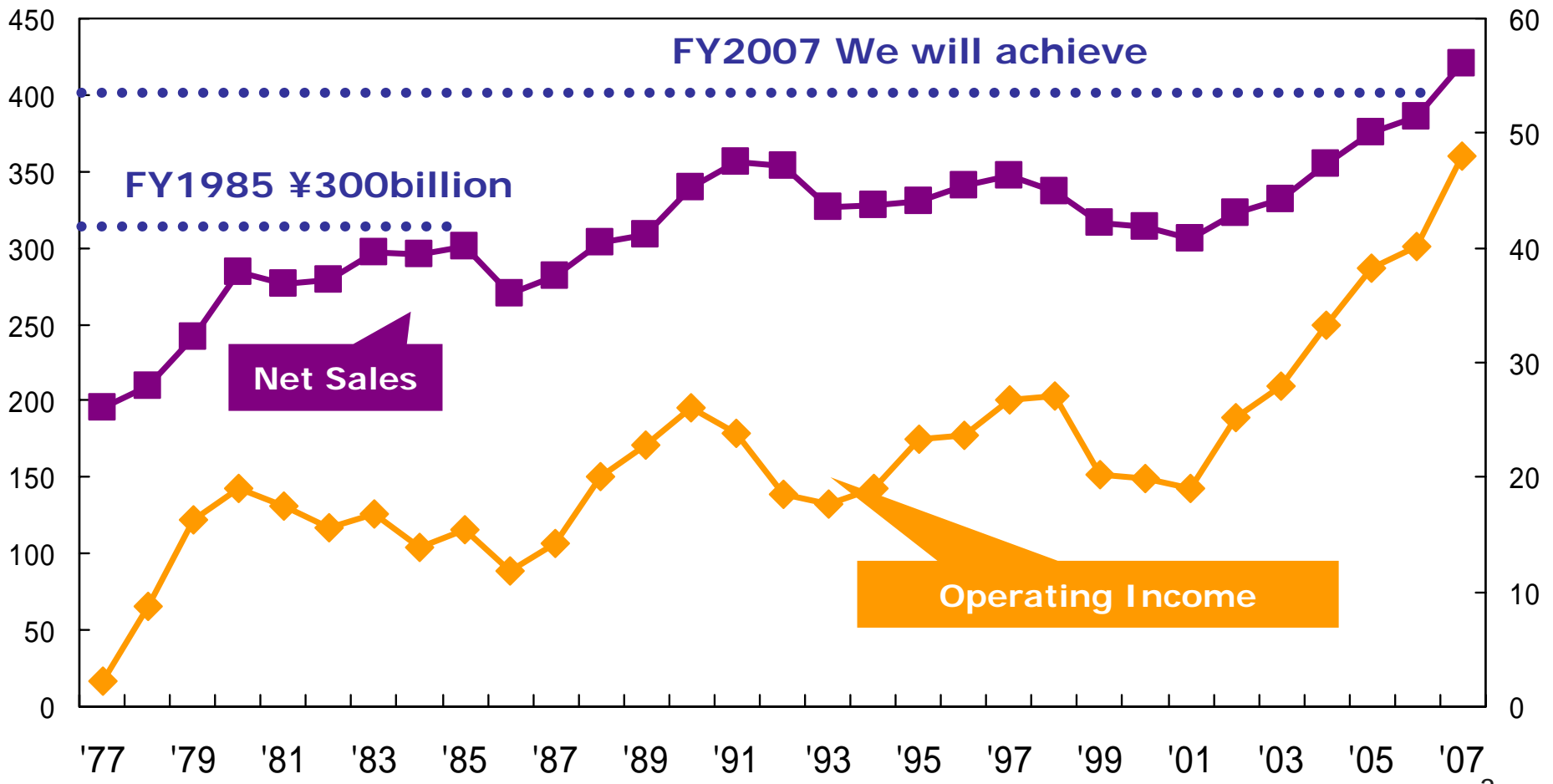
Billion¥

	FY2007	FY2007 2H est.	FY2007 est.
Net Sales	206.2	213.8	420.0
Operating Income	24.3	23.7	48.0
Net Income	13.9	11.6	25.5
Operating Margin	11.8%	11.1%	11.4%
R O E	8.0%	-	-
R O A	9.7%	-	-
Dividend	¥11	¥11	¥22

Net Sales & Operating Income Growth for last 30 years

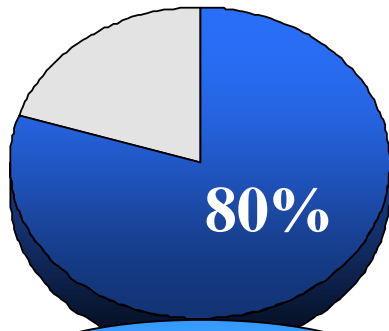
Sales
Billion¥

Operating Income
Billion¥

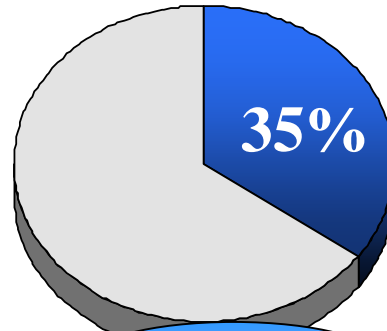


The world no.1 Products

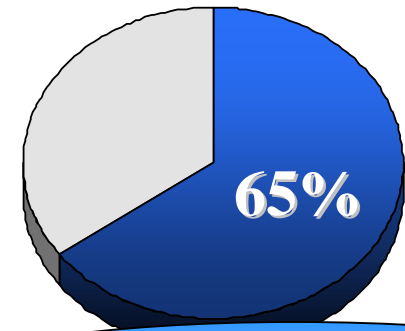
Company Estimate



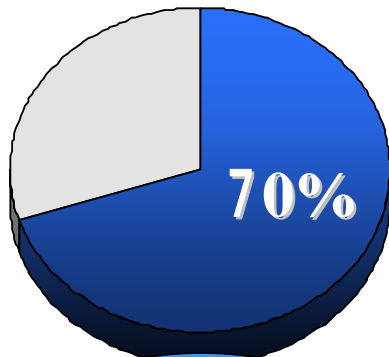
PVA film for LCD



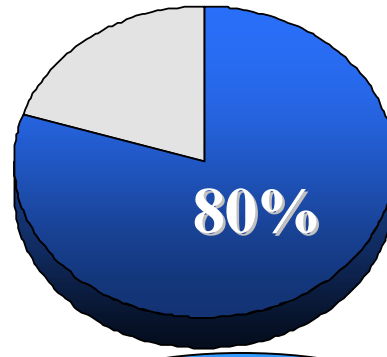
Poal Resins



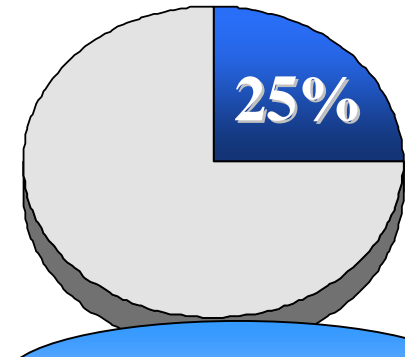
Methacrylic molding Resin for light guide plate



EVAL



KURALON



Man-made leather

<other than above>

World largest producer of comprehensive range of Isoprene Chemicals

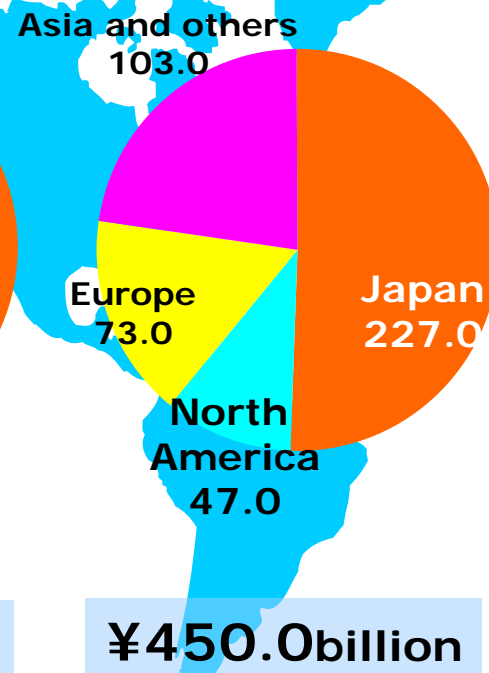
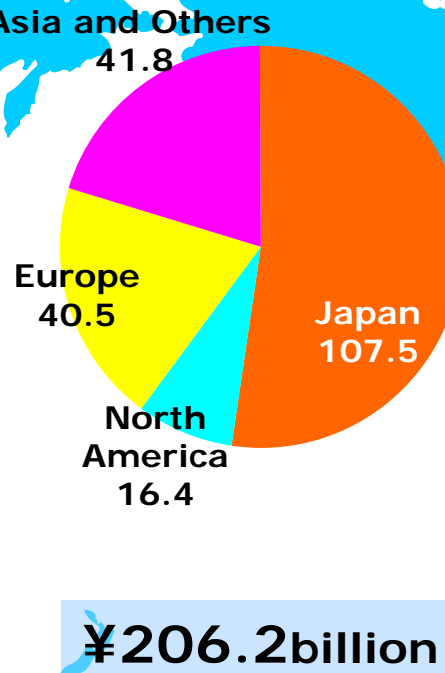
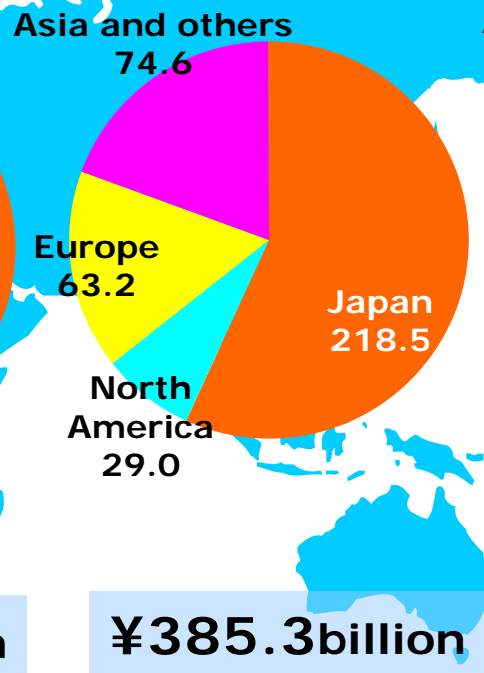
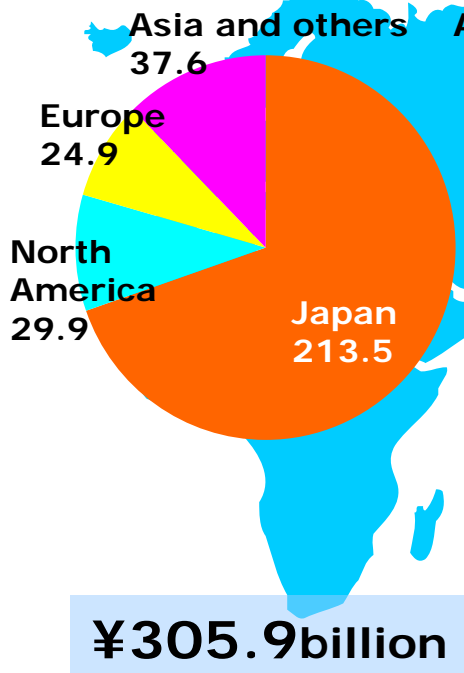
Trends of Overseas Sales

FY2001

FY2006

**1H of
FY2007**

**Plan for "GS-21"
FY2008 est.**



30%

43%

48%

50%

Past 7 years(FY2001-FY2007)Acquisition and Withdrawal

Acquisition

- Dec 2001 **PVA related business (Europe)**
(Clariant AG, Germany)
PVA resin 50,000
70,000t/y
(Capacity expansion in Jan 2005)
PVB resin 16,000
29,000t/y (Current Capacity)
- Dec 2004 **PVB film business (Europe)**
(HTT AG, Germany)
PVB film 26,000t/y
- Apr 2005 **Polyarylate fiber business (US)**
(Celanese Advanced Materials Inc., US)
Marketing · Sales · R&D divisions

Sales Increase
approx. 38 billion yen(FY2006)

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**
85,000t 65,000t/y
- Oct 2005 **Sale of the Contact Lens business**
- 2H 2006 **Withdrawal from rear projection
TV screen business**
- Oct 2007 **Transfer of Dialyzer business to
joint venture with Asahi Kasei
Medical Co.**

Financial Strategy

- Procure external funds for new projects and M&As as required

<GS-21 : FY'06 ~ FY'08>

- Dividend payout ratio of 30% or more
- Total shareholder return ratio*
during “GS-21” (FY06-08) to 70%

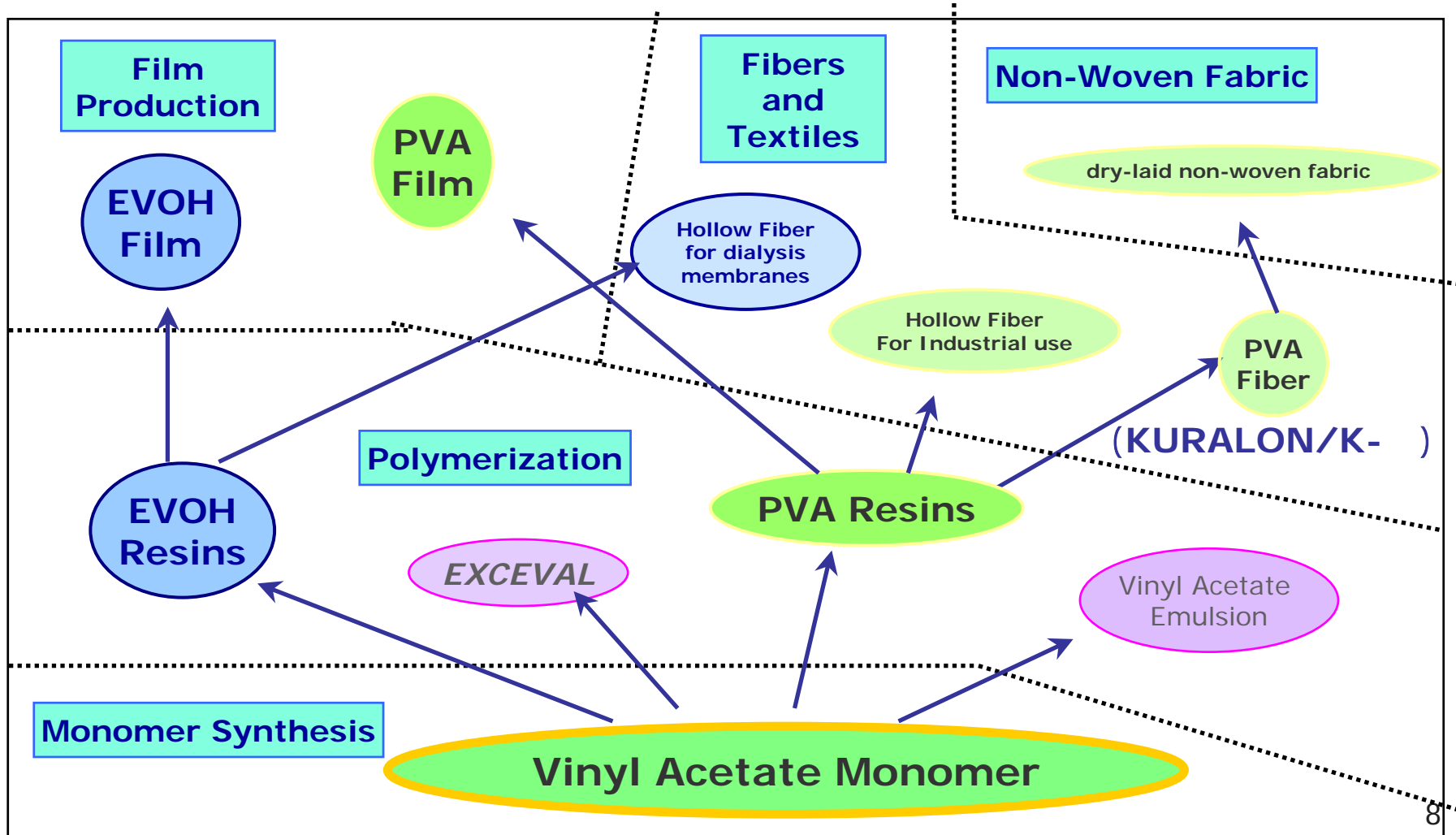
Completion of ¥30billion Treasury Stock Purchases
FY2007 (Jun. ~ Sep.)

Improve asset efficiency

KURARAY'S M&A Strategy

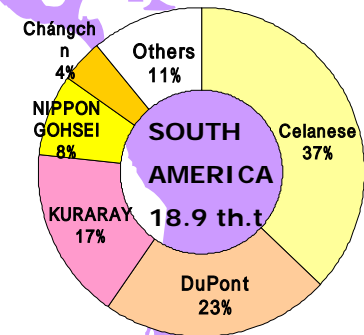
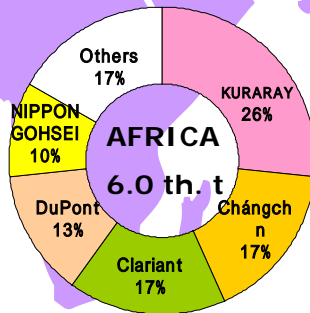
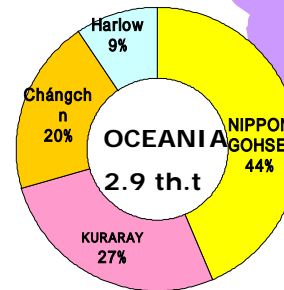
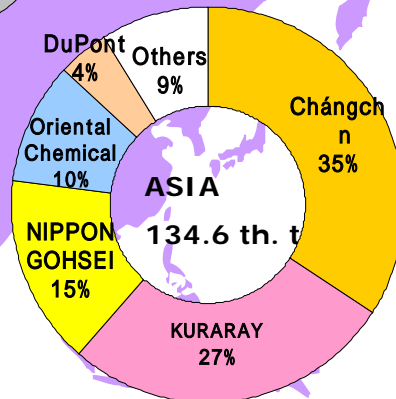
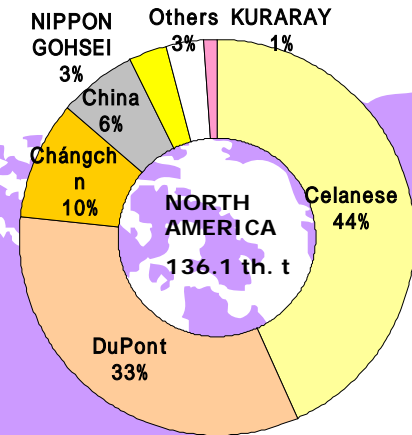
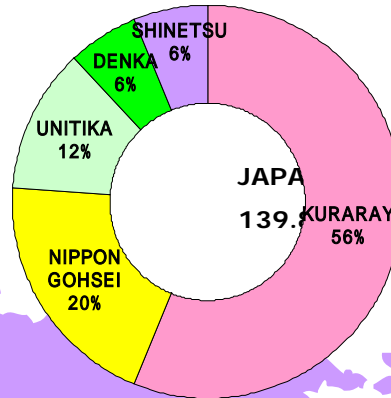
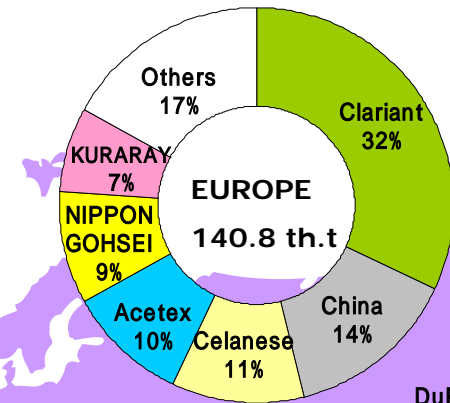
Expand the Business of Vinyl Acetate Monomer

Expand the business from Upstream to Down stream by unique technology



PVA Resins World Market Share FY2000

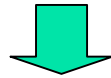
Kuraray estimate for year 2000
 Except China; Sum of self-consumption and external sales



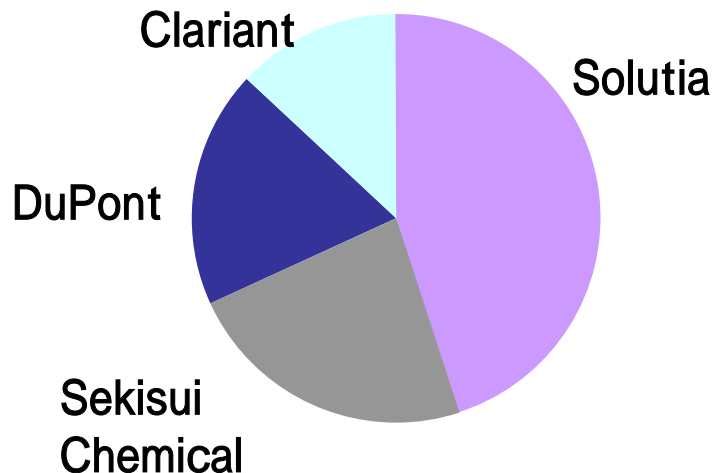
Acquisition of PVA/PVB Business from Clariant(Dec.2001)

Significance of the acquisition of the PVS/PVB business from Clariant (previously Hoechst)

- Acquiring a No1 position in the PVA resin market in Europe
- Establishing a stable leading position in the PVA resin market in the world
- Benefiting from the synergy effect in the PVA business
- Embarking upon the PVB resin business
- Securing high-quality personnel



Significance of embarking upon new businesses while reinforcing and expanding existing businesses

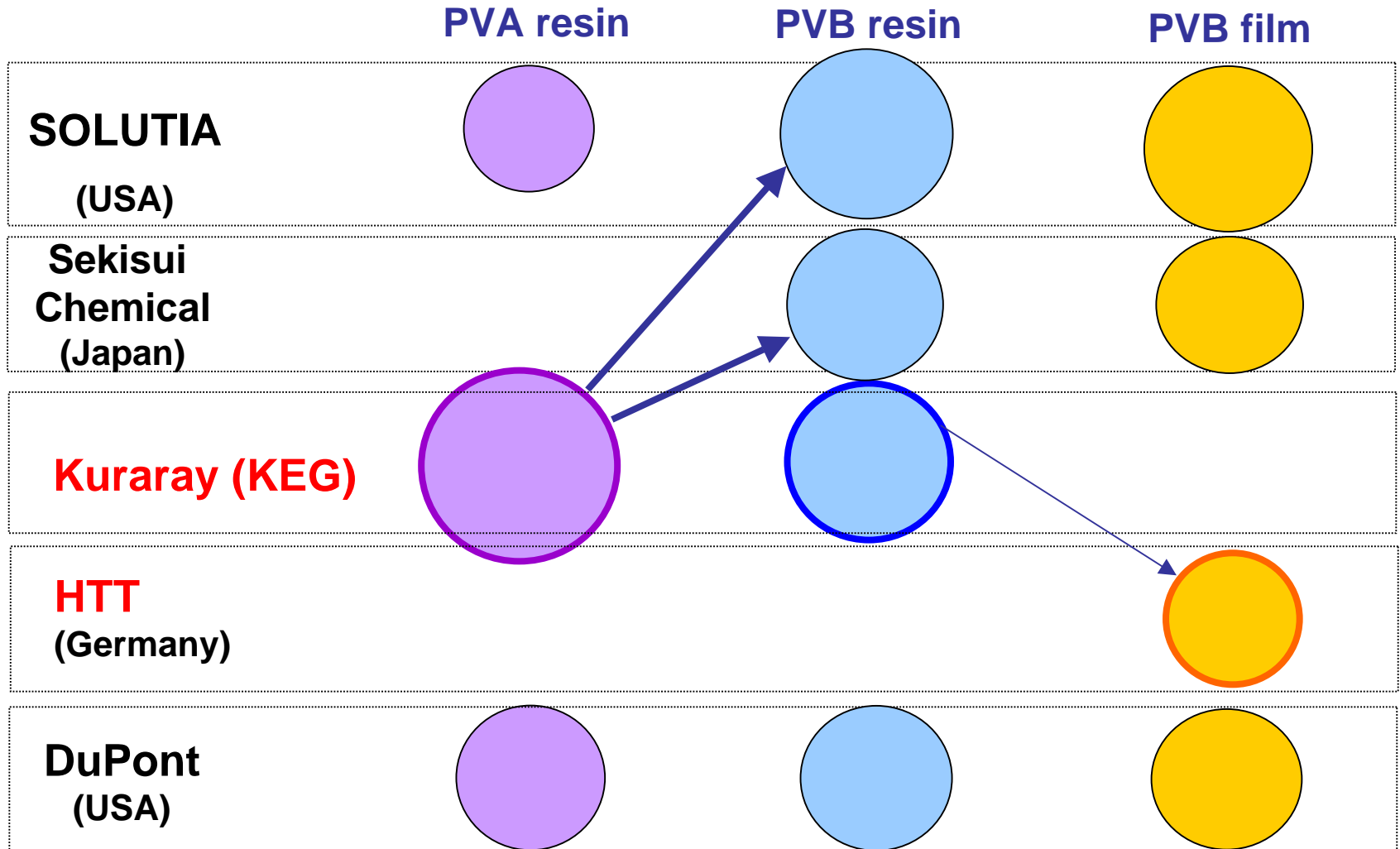


Major usage of PVB resin

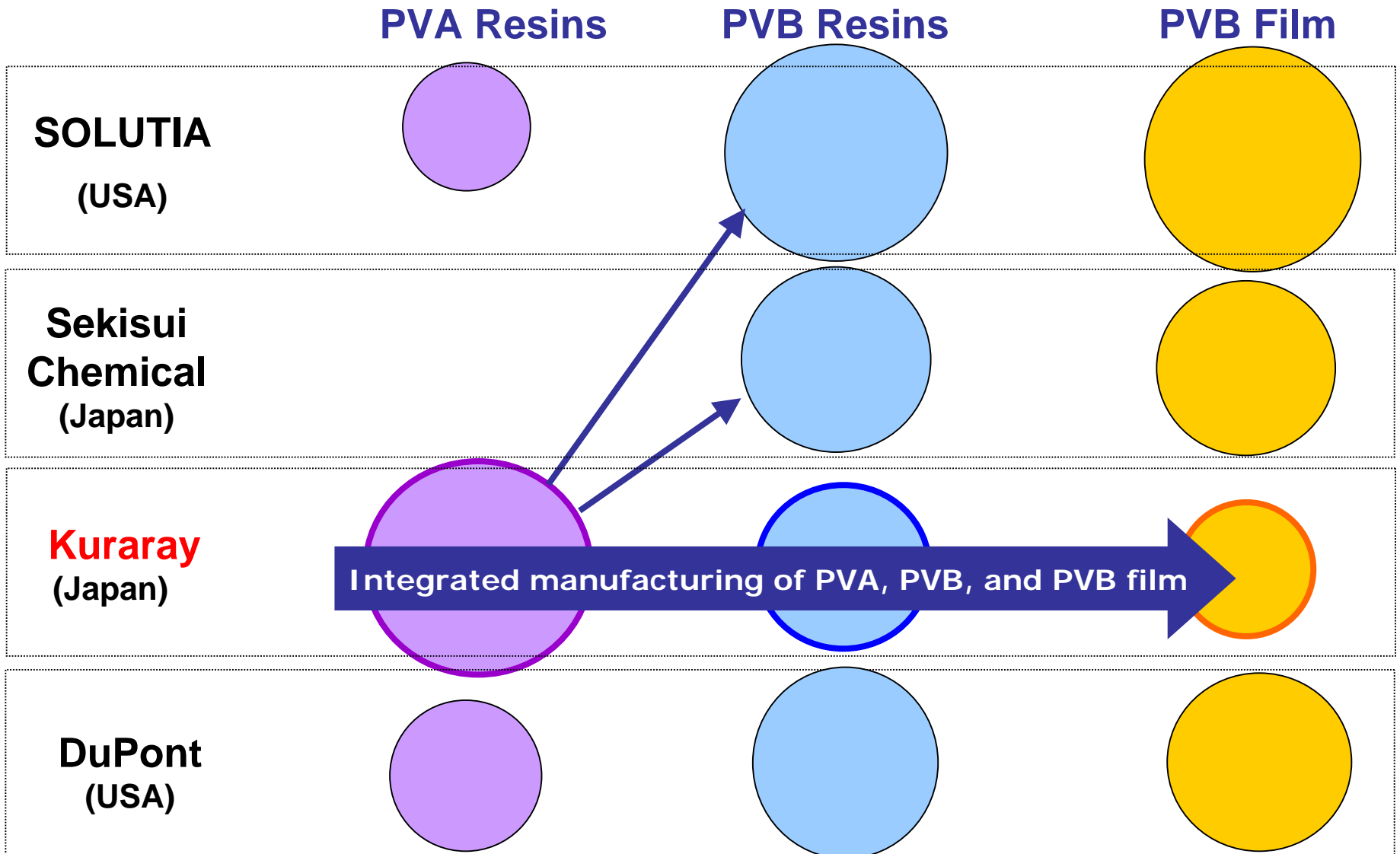
PVB film (interlayer film for safety glass)

Before Acquisition of PVB Film Business from HTT(Dec.2004)

Flow of materials through PVB resin/film manufactures

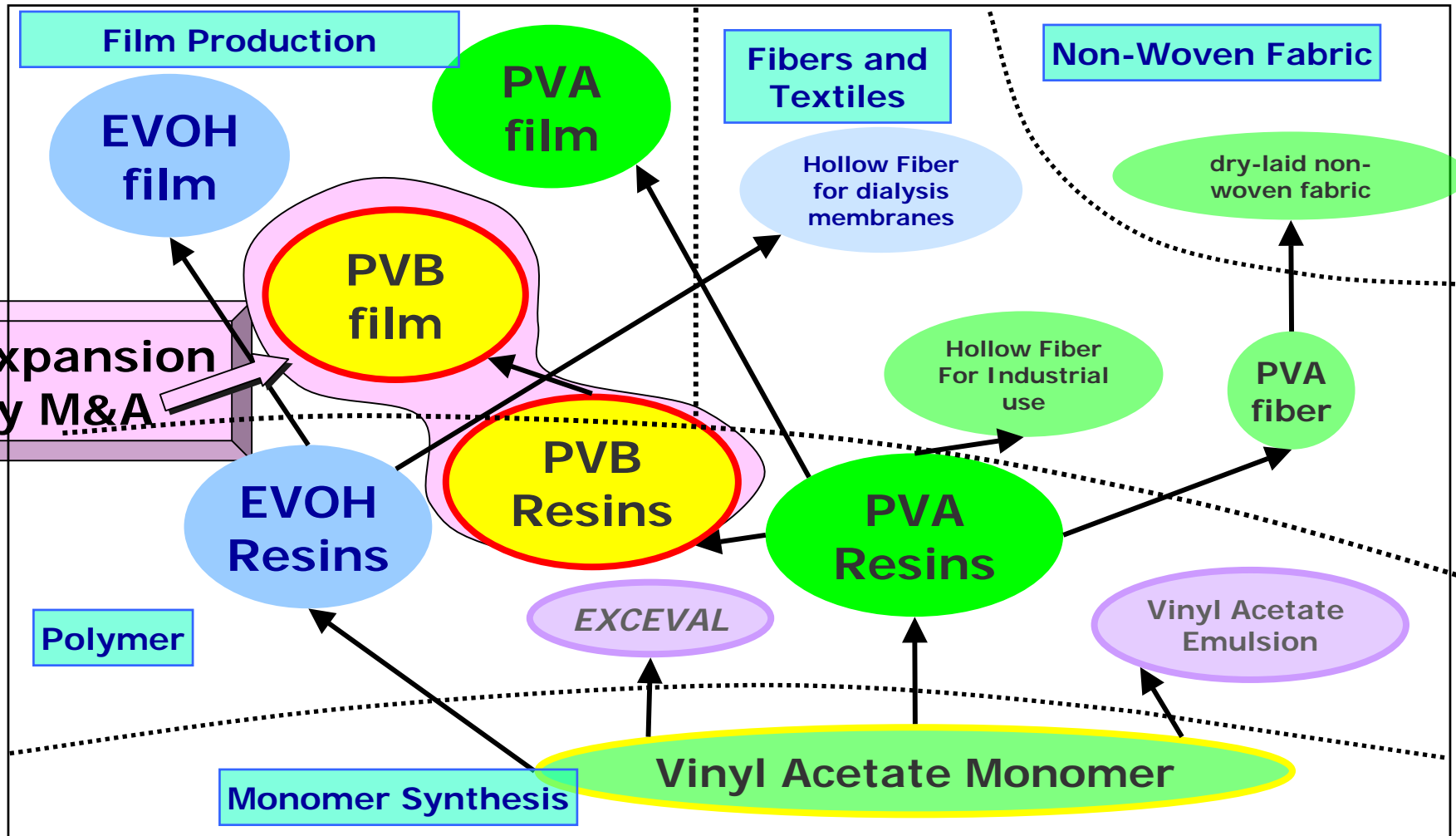


After Acquisition of Film Business from HTT(Dec.2004)



Expand the Business of Vinyl Acetate Monomer

Business expansion strategy: Harmonize original material and other's



Reinforced Capacity After Acquisition

Reinforced capacity for manufacturing PVA resin, PVB resin, PVB film, VECTRAN (fiber) resulting from acquisition

	01	02	03	04	05	06	07 ^t _{FY}
PVA Resins(KEG)	50,000		70,000				70,000
PVB Resins(KEG)	16,000		20,000	25,000	29,000		29,000
PVB Film(KEG)			26,000				34,000
VECTRAN (kuraray)					250	600	1,000

Future M&A Strategy

Organizational Approach

- Establishing “Office of Corporate Strategy and Planning” under the direct control of top management

Specifying domains

- Existing businesses and their peripheral businesses
- High-performance material businesses in growing domains such as optical, automobile, and energy
- New businesses for us

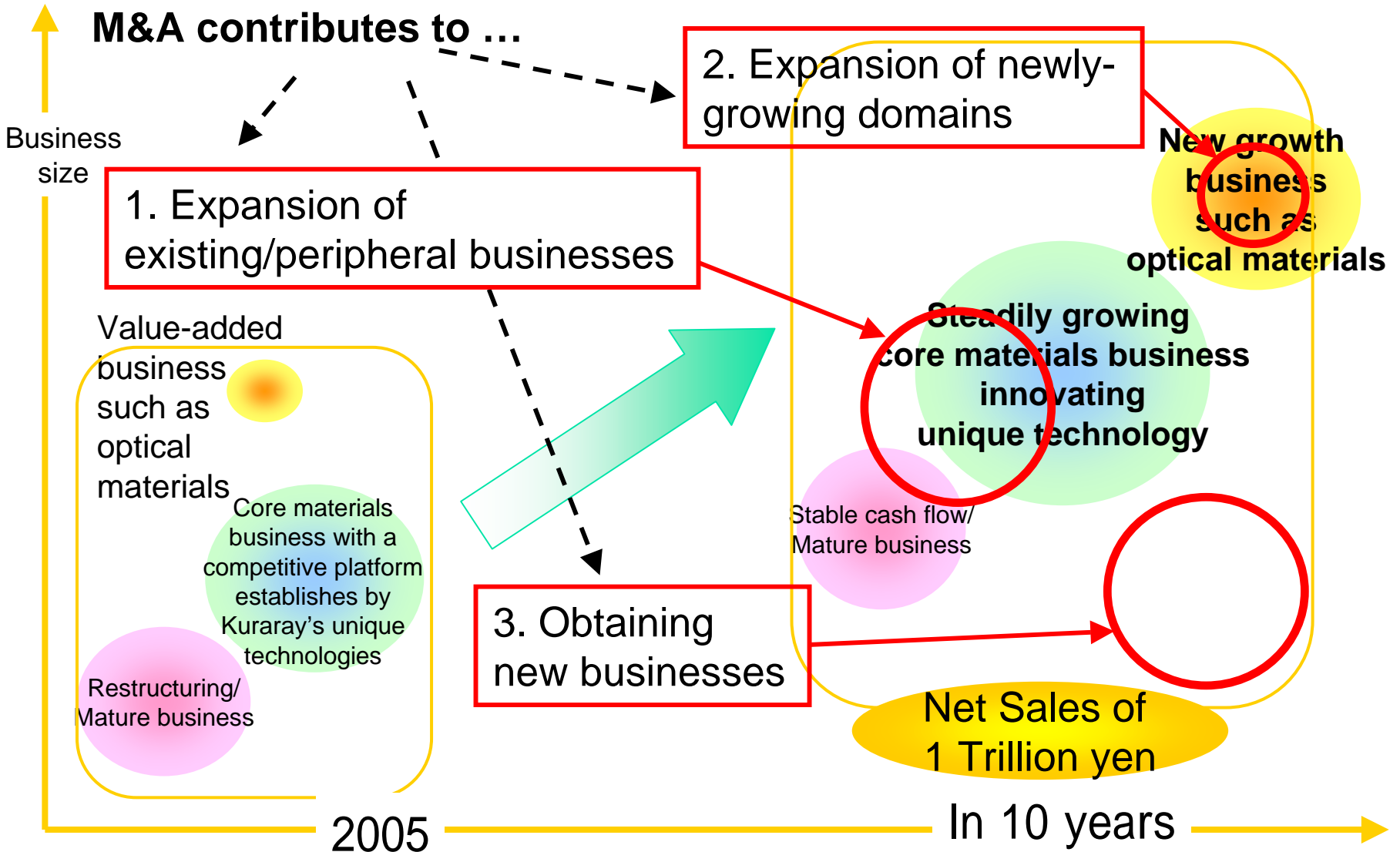
Target

- Domestic as well as overseas corporations
- Medium-and-small companies with excellent technologies and products
- Businesses outside of big companies’ core competence
- Businesses that went out of the core competence after restructuring
- Businesses owned by funds

Short list
Long list

Aggressive M&A

Future M&A Strategy



kuraray

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