

KURARAY 1H of FY2005

Earnings Presentation

<Earnings Results 1H FY2005>

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Summary of 1H FY2005 Consolidated Results

(1) Net Sales and OP Income

(Billion of Yen)

	1H FY2005	1H FY2004	Difference	
Net Sales	179.3	175.6	+3.7	+2.1%
Operating Income	17.1	16.7	+0.4	+2.1%
Ordinary Income	15.0	15.9	-0.9	-5.7%
Net Income	9.2	9.8	-0.6	-6.3%
CAPEX	19.5	15.8	+3.7	+23.6%
D/A	11.7	10.2	+1.5	+14.3%

Impact of Rising Raw Material Costs

(Billion of Yen)

	1H FY04 1H FY05	FY04 FY05 (Forecast)
Impact of Rising Raw Material Costs	4.2	6.3
Transfer of Increased Costs to Customers	2.7	4.2
Difference	1.5	2.1
Cost Transfer Ratio	64%	67%

Assumption	Crude oil (\$)	31 45	34 49
	Naphtha (¥)	28,000 35,000	31,000 40,000

(2) Financial Indices

(Billion of Yen)

	1H FY05	1H FY04	Difference	
Gross Profit Margin	29.0%	28.6%	-	+0.4%
OP Income Ratio	9.5%	9.5%	-	0%
OP Cashflows	12.6	20.3	-7.7	-37.9%

	30 Sept.05	31 March 04	Difference	
ROA(Annual Conversion)	7.5%	7.6%	-	-0.1%
ROE(Annual Conversion)	5.8%	6.0%	-	-0.2%
Int. Bearing Debt	28.6	29.7	-1.0	-3.5%
Shareholders' Equity	322.1	312.9	+9.2	+2.9%
Total Assets	458.7	454.9	+3.7	+0.8%
Equity Ratio	70.2%	68.8%	-	+1.4%

ROA : 1H FY05 OP Income \times 2 / Average Total Assets

ROE : 1H FY05 Net Income \times 2 / Average Shareholders' Equity

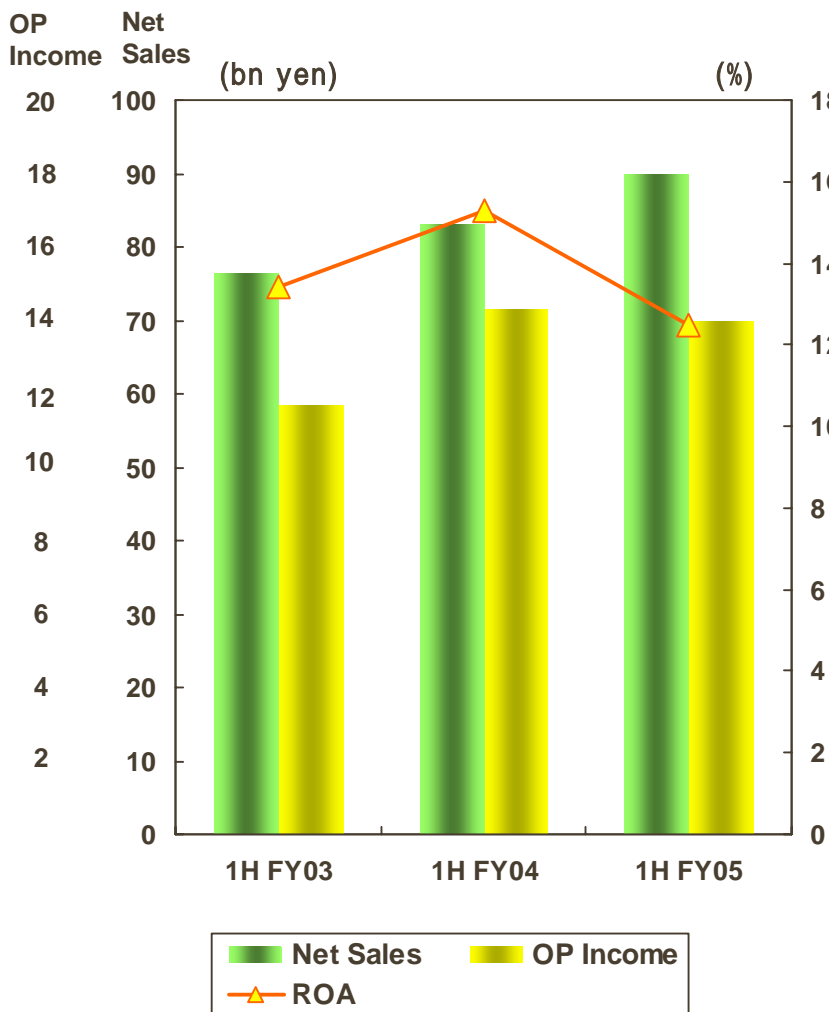
Segment Highlights

(1) Net Sales and OP Income

(Billion of Yen)

	1H FY2005		1H FY2004		Difference	
	Net Sales	OP Income	Net Sales	OP Income	Net Sales	OP Income
Chemical and resins	90.0	14.0	83.1	14.3	+6.9	-0.3
Fibers and Textiles	53.7	5.0	54.5	4.2	-0.8	+0.8
High-performance materials, medical products and others	35.6	3.6	38.0	3.9	-2.4	-0.4
Elimination and corporate	-	-5.5	-	-5.7	-	+0.2
Total	179.3	17.1	175.6	16.7	+3.7	+0.4

Chemical and resins



Poval Flat Income on Increased Sales

- >PVA film for LCDs: New Production Line Started Operation.
- >PVA Resin: Sales Declined in Japan, Europe and Asia.
- >PVB films: Business Grew Steadily.

<EVAL> Lower Income on Increased Sales

- >Sales Grew Steadily in Japan and Europe for Food Packaging etc.
- >Sales Growth Slowed Down in US.
- >Impact of Surging Raw Material Costs.

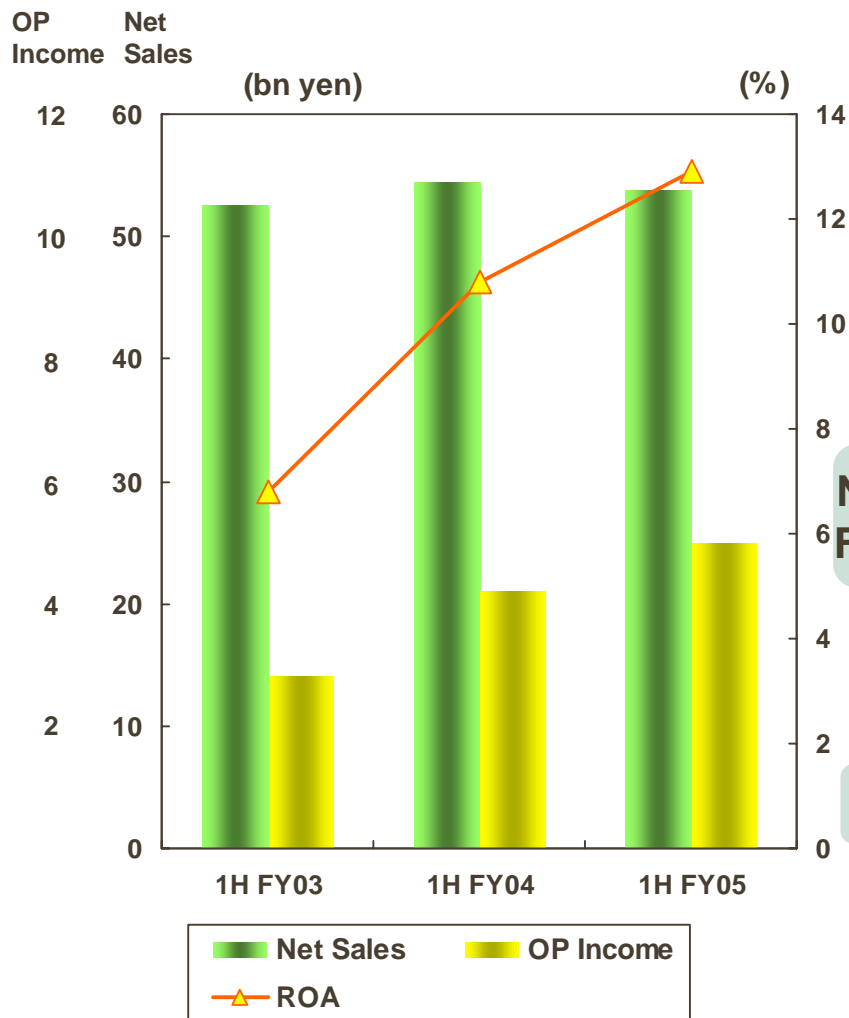
Isoprene Flat Income on Increased Sales

- >Thermoplastic Elastomer: Brisk Sales for Substitutes for Vulcanized Rubber and Soft PVC. Sales Expanded in Asia, Europe and U.S.
- >Fine Chemicals: Favorable Growth in Pharmaceutical and Agro-Chemical Intermediates.
- >Impact of Surging Raw Material Costs Felt Across the Overall Isoprene Business

Methacrylic Increased Income on Flat Sales

- >Moderating Demand for General Purpose Products.
- >Strong Demand for Light Guide Plate for LCD.
- >Kyodo Monomer Co., Ltd., a Joint Venture, to be Discontinue at the End of this 1st Half.

Fiber and textiles



<KURALON> <KURALON K- >

Increased Income on Increased Sales

><KURALON> Strong Overseas Growth, Notably in Europe, for FRC Applications as Substitute for Asbestos.

><KURALON K- > Sales Expanded due to Its Soluble Characteristic.

Man-made Leather

Increased Income on Flat Sales

>Chinese Demand for Sports Shoes Applications has Run Its Cycle

>Sales for Miscellaneous such as Bags and Abrasives for Manufacturing Use were Strong.

Non-woven Fabrics Fastening Materials

**Increased Income on Increased Sales
Increased Income on Increased Sales**

>Products Price Stop Falling, and Cost Reduction on Non-woven Fabrics Advanced.

>Strong Domestic Demand for Hook and Loop Fasteners.

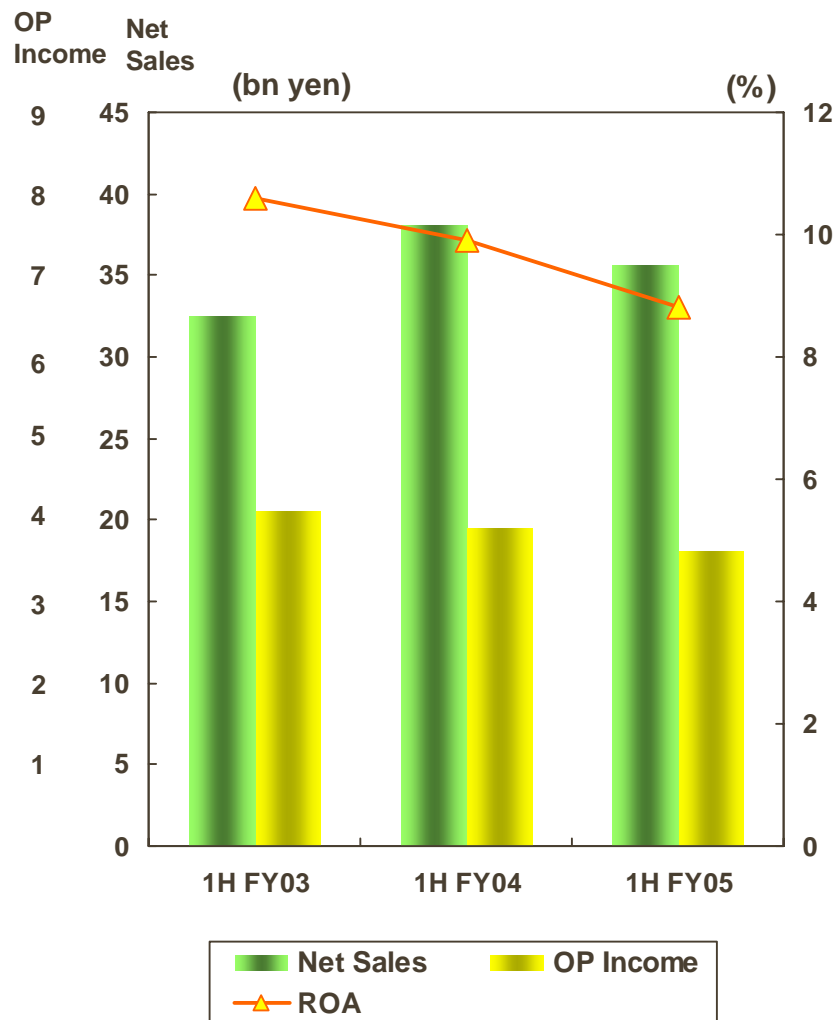
Polyester

Increased Income on Decreased Sales

>Filament Fibers:Earnings Increased due to Reduced Production of Unprofitable Products and Textile Business such as Uniform Showed a Good Result.

>Staple Fibers:Improving Steadily by Advancing the Earnings Restructuring.

High-performance materials, Medical products and others



Opto-screen

Decreased Income on Decreased Sales

- >Expanded Sales of MD-type Opto-screens for Rear-projection TV
- >Demand for CRT-type screen Fell Sharply, Leading to Reduced sales.

Medical products

Increased Income on Flat Sales

- >Dialyzer:Difficult Business Environment due to Intensified Competition.
- >Dental Materials:Overseas Sales Expanded in U.S.
- >Contact Lenses: To be Transferred to Facile Co., Ltd. at the End of this 1st Half.

High-performance materials, others

- ><GENESTAR>:Steady Increase in Sales of <GENESTAR> for Use in Electronic Materials.
- >Steady Growth in Business Related to Activated Carbon, Engineering and Other Related Businesses.

Factors Affecting the Change in Operating Income



Forecast for FY2005

(1) Highlights

(Billion of Yen)

	1H	2H	Annual	Year-to-Year Change	
Net Sales	179.3	195.7	375.0	+20.1	+5.7%
Operating Income	17.1	20.9	38.0	+4.8	+14.5%
Ordinary Income	15.0	19.0	34.0	+3.1	+10.0%
Net Income	9.2	10.8	20.0	+1.5	+8.1%
CAPEX	19.5	18.5	38.0	-7.7	-16.8%
D/A	11.7	14.3	26.0	+4.7	+22.1%

* Major capital Investment...Eval Company of America

* Assumptions...Currency 110yen/\$, 135yen/Euro, Crude Oil(Dubai) 52\$/bl

(2) Forecast by Segment

(Billion of Yen)

	Net Sales			OP Income		
	1H	2H	Annual	1H	2H	Annual
Chemical and resins	90.0	102.0	192.0	14.0	18.0	32.0
Fibers and textiles	53.7	57.3	111.0	5.0	4.0	9.0
High-performance materials, medical products and others	35.6	36.4	72.0	3.6	3.9	7.5
Elimination and corporate	-	-	-	-5.5	-5.0	-10.5
Total	179.3	195.7	375.0	17.1	20.9	38.0

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.