
KURARAY 1H of FY2006 Earnings Presentation

**Managing Director
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KURARAY CO., LTD.

November 2, 2006

kuraray

. Summary of 1H FY2006 Consolidated Results

1. Summary of Consolidated Statements of Income

(Billions of yen)

	1H FY 2006	1H FY2005	Difference	
Net Sales	191.3	179.3	12.0	6.7%
Cost of Sales	137.0	127.3	9.7	7.6%
Gross Profit	54.3	51.9	2.3	4.5%
SG&A	35.1	34.8	0.3	0.8%
Operating Income	19.1	17.1	2.0	11.9%
Ordinary Income	17.3	15.0	2.3	15.1%
Net Income	9.9	9.2	0.7	7.5%

. Summary of 1H FY2006 Consolidated Results

2. Financial Indices

(Billions of yen)

	1H FY 2006	1H FY2005	Difference
Gross Profit Margin	28.4%	29.0%	-0.6point
OP Margin	10.0%	9.5%	+0.5point
ROA ^{*1}	7.9%	7.5%	+0.4point
ROE ^{*2}	5.8%	5.8%	-

*1 ROA: 1H FY06 OP Income x 2/Average Total Assets

*2 ROE: 1H FY06 Net Income x 2/Average Shareholders' Equity

. Summary of 1H FY2006 Consolidated Results

3. Summary of Consolidate Balance Sheets / Assets

(Billions of yen)

	Sept. 2006	Mar. 2006	Difference											
Current assets	210.0	200.7	9.3	<div style="border: 1px dashed green; padding: 5px;"> <table style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="2" style="background-color: #006633; color: white; text-align: center; padding: 2px;">IH 2006</td> </tr> <tr> <td style="padding: 2px;">CAPEX</td> <td style="text-align: right; padding: 2px;">16.7</td> </tr> <tr> <td style="padding: 2px;">DEP</td> <td style="text-align: right; padding: 2px;">12.8</td> </tr> <tr> <td style="padding: 2px;">Foreign Exchange</td> <td style="text-align: right; padding: 2px;">2.9</td> </tr> <tr> <td style="padding: 2px;">Others</td> <td style="text-align: right; padding: 2px;"></td> </tr> </table> </div>	IH 2006		CAPEX	16.7	DEP	12.8	Foreign Exchange	2.9	Others	
IH 2006														
CAPEX	16.7													
DEP	12.8													
Foreign Exchange	2.9													
Others														
Property, plant, and equipment	165.2	159.4	5.8											
Intangible fixed asset	35.2	34.6	0.5											
Investment and other assets	78.5	86.7	8.1											
Fixed assets	278.9	280.7	1.8											
Total assets	488.9	481.4	75											

. Summary of 1H FY2006 Consolidated Results

4. Summary of Consolidate Balance Sheets / Liabilities and Net Assets

(Billions of yen)

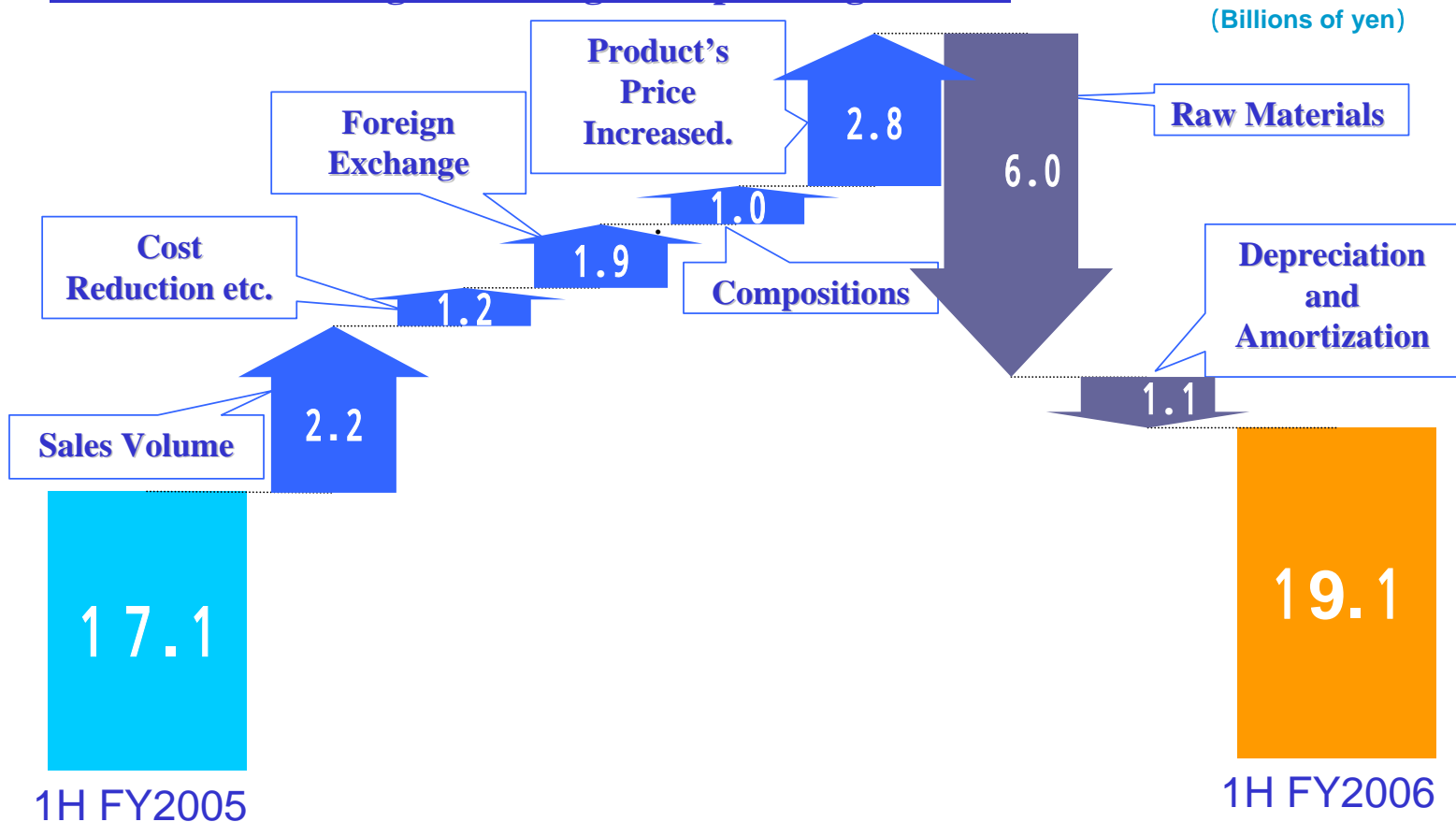
	Sept. 2006	Mar. 2006	Difference
Current liabilities	85.4	79.2	6.2
Noncurrent liabilities	55.2	60.6	5.5
Total liability	140.6	139.9	0.7
Net assets	348.3	341.5^{*1}	6.8
Minority Interest	(2.4)	(2.4)	0
Total liabilities and net assets	488.9	481.4	7.5
Equity ratio^{*2}	70.8%	70.5%	0.3point

*1 The amount of net assets as of March 31, 2006 is defined as the aggregate amounts of shareholders' equity and minority interest.

*2 Equity ratio = (Net assets – Minority interest)/(Total liabilities + Net assets)

. Summary of 1H FY2006 Consolidated Results

5. Factors Affecting the Change in Operating Income



. Segment Highlights

1. Net Sales and OP Income

(Billions of yen)

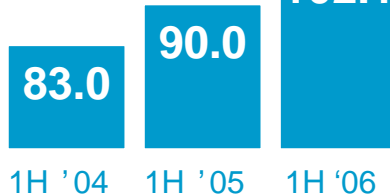
	1H FY2006		1H FY2005		Difference	
	Net Sales	OP Income	Net Sales	OP Income	Net Sales	OP Income
Chemical and resins	102.1	17.5	90.0	14.0	12.1	3.5
Fibers and textiles	53.1	4.0	53.7	5.0	0.6	1.0
High-performance materials, medical products and others	36.1	3.3	35.6	3.6	0.5	0.3
Elimination and corporate		5.7		5.5		0.2
Total	191.3	19.1	179.3	17.1	12.0	2.0

. Segment Highlights

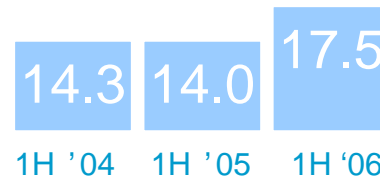
(Billions of yen)

2. Chemical and resins

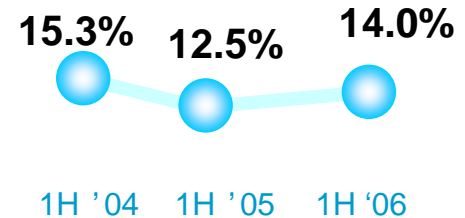
Net Sales



OP Income



ROA



Poval

Increased Income on Increased Sales

Sales of Poval films expanded due to strong demand for LCDs and price hikes. The Poval resin business faced tougher competition in Asian markets while enjoying volume growth in Europe. The PVB film business saw strong demand for construction applications in Europe. The product line as a whole was negatively affected by rising raw material and fuel costs.

EVAL

Decreased Income on Increased Sales

Sales for fuel tank applications were weak, whereas those for food packaging applications remained solid. Despite continued efforts to raise selling prices, the EVAL business suffered impact from a further increase in raw material and fuel costs.

Isoprene

Flat Income on Increased Sales

SEPTON enjoyed volume growth, but aroma chemicals and agrochemical intermediates struggled due to intensifying competition. The product line as a whole was negatively affected by rising raw material and fuel costs.

Methacrylic

Decreased Income on Decreased Sales

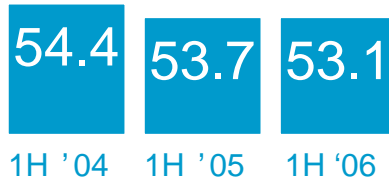
Pellets for general applications enjoyed healthy growth. Methacrylic sheets saw sluggish demand, negatively affected by downsizing of monomer business.

. Segment Highlights

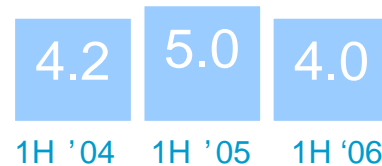
(Billions of yen)

3. Fiber and textiles

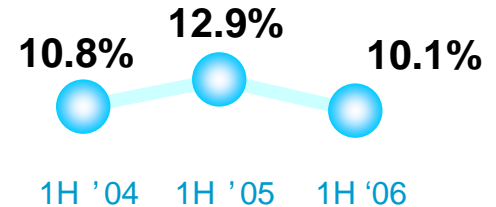
Net Sales



OP Income



ROA



KURALON

Decreased Income on
Increased Sales

The business saw solid demand for asbestos-substitute FRC (fiber-reinforced cement) applications, though negatively affected by rising raw material and fuel costs.

Man-made Leather

Decreased Income on
Flat Sales

Solid performance continued in applications for light-industry products and polishing materials for industrial use, while demand for shoes applications remained weak.

Non-woven Fabrics Fastening Materials

Decreased Income on
Decreased Sales

The business enjoyed volume growth mainly in automotive applications, while hygienic materials reported disappointing performance. The product line as a whole was negatively affected by rising raw material and fuel costs.

Polyester

Decreased Income on
Decreased Sales

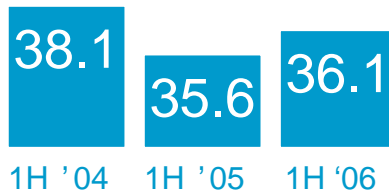
Efforts to shift to differentiated products were still underway. The product line as a whole was negatively affected by rising raw material and fuel costs.

. Segment Highlights

(Billions of yen)

4. High-performance materials, medical products, and others

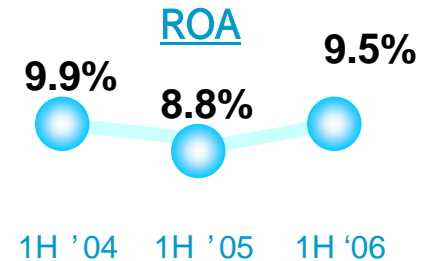
Net Sales



OP Income



ROA



Opto-screen

Decreased Income on
Decreased Sales

The business saw lower sales due to a decrease in demand for RPTVs (rear projection televisions) and price declines. Kuraray has decided to withdraw from the opto-screen business in FY2006.

Medical products

Decreased Income on
Decreased Sales

Sales of dental materials increased in the US market, while the medical equipment business was negatively affected by NHI (National Health Insurance) price revision.

High-performance materials, others

GENESTER enjoyed strong demand from Asian markets, where it was used for electronics material applications. The activated carbon business witnessed a solid demand for applications such as water purifiers. Engineering and other business remained solid.

. Forecast for FY2006

(Billions of yen)

	1H	2H	Full Year
Net Sales	191.3	193.7	385.0
Operating Income	19.1	21.9	41.0
Ordinary Income	17.3	19.7	37.0
Net Income	9.9	12.1	22.0
CAPEX	16.7	23.8	40.5
D/A	12.8	15.2	28.0
R&D Expenses	6.9	7.6	14.5

Assumptions	Currency	Raw Materials
	¥115/\$	Crude Oil(Dubai) : \$61/bbl.
	¥145/Euro	Naphtha : 50,000 yen/ t

Appendix : Forecast by segment

(Billions of yen)

	Net Sales			OP Income		
	1H	2H	Annual	1H	2H	Annual
Chemical and resins	102.1	105.9	208.0	17.5	18.5	36.0
Fibers and Textiles	53.1	53.9	107.0	4.0	5.0	9.0
High-performance materials, medical products and others	36.1	33.9	70.0	3.3	4.2	7.5
Elimination and corporate			0	5.7	5.8	11.5
Total	191.3	193.7	385.0	19.1	21.9	41.0

Appendix : Production capacity of Major Products

(ton) PVA film (million m²)

	FY2004		FY2005		FY2006		FY2007		FY2008	
	1H	2H		2H	1H	2H	1H	2H	1H	2H
Poval		194,000								
		214,000								
PVA film (million m ²)			31	46			61	91		
			46	61			91	121		
PVB film							26,000			
							34,000			
<i>EVAL</i>		45,000					57,000			
		57,000					69,000			(~ 81,000)
<i>SEPTON</i>			31,000			35,000				
			35,000			41,000				
<i>GENESTAR</i>			3,000		4,000		4,500		5,500	
			4,000		4,500		5,500		11,000	FY2010 12,500t



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.