

# **KURARAY**

## **Earnings Presentation FY 2006**

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**Kuraray Co., Ltd.**  
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# 1. Summary of FY 2006 Consolidated Results

## 1. Summary of Consolidated Statements of Income

(Billions of yen)

	<b>FY 2006</b>	<b>FY 2005</b>	<b>Difference</b>	
<b>Net sales</b>	<b>385.3</b>	<b>375.1</b>	<b>10.2</b>	<b>2.7%</b>
<b>Cost of sales</b>	<b>275.9</b>	<b>266.3</b>	<b>9.6</b>	<b>3.6%</b>
<b>Gross profit</b>	<b>109.4</b>	<b>108.8</b>	<b>0.6</b>	<b>0.6%</b>
<b>Operating income</b>	<b>40.2</b>	<b>38.3</b>	<b>1.9</b>	<b>5.1%</b>
<b>Ordinary income</b>	<b>36.5</b>	<b>32.8</b>	<b>3.8</b>	<b>11.5%</b>
<b>Net income</b>	<b>22.4</b>	<b>21.2</b>	<b>1.2</b>	<b>5.8%</b>

# 1. Summary of FY 2006 Consolidated Results

## 2. Financial Indices

	FY2006	FY2005	Difference
Gross profit margin	28.4%	29.0%	-0.6point
Op. margin	10.4%	10.2%	0.2point
ROA *1	8.1%	8.2%	-0.1point
ROE *2	6.4%	6.5%	-0.1point
CAPEX	37.7	33.9	3.8
Depreciation and amortization	25.5	25.2	0.3
R&D expenditures	13.0	14.1	-1.0

(Billions of yen)

\*1 ROA : FY06 Op. income / Average total assets

\*2 ROE : FY06 Net income / Average shareholders' equity

# 1. Summary of FY 2006 Consolidated Results

## 3. Summary of Consolidated Balance Sheets: Assets

(Billions of yen)

	End March 2007	End March 2006	Difference	
<b>Current assets</b>	<b>218.0</b>	<b>200.7</b>	<b>17.3</b>	<b>FY2006</b>
Property, plant, and equipment	174.2	159.4	14.8	CAPEX 37.7
Intangible fixed assets	35.2	34.6	0.6	Depreciation and amortization -25.5
Investment and other assets	81.3	86.7	-5.3	Foreign exchange 7.1
<b>Fixed assets</b>	<b>290.7</b>	<b>280.7</b>	<b>10.0</b>	Disposals and others -4.0
<b>Total assets</b>	<b>508.7</b>	<b>481.4</b>	<b>27.3</b>	

# 1. Summary of FY 2006 Consolidated Results

## 4. Summary of Consolidated Balance Sheets: Liabilities and Net Assets

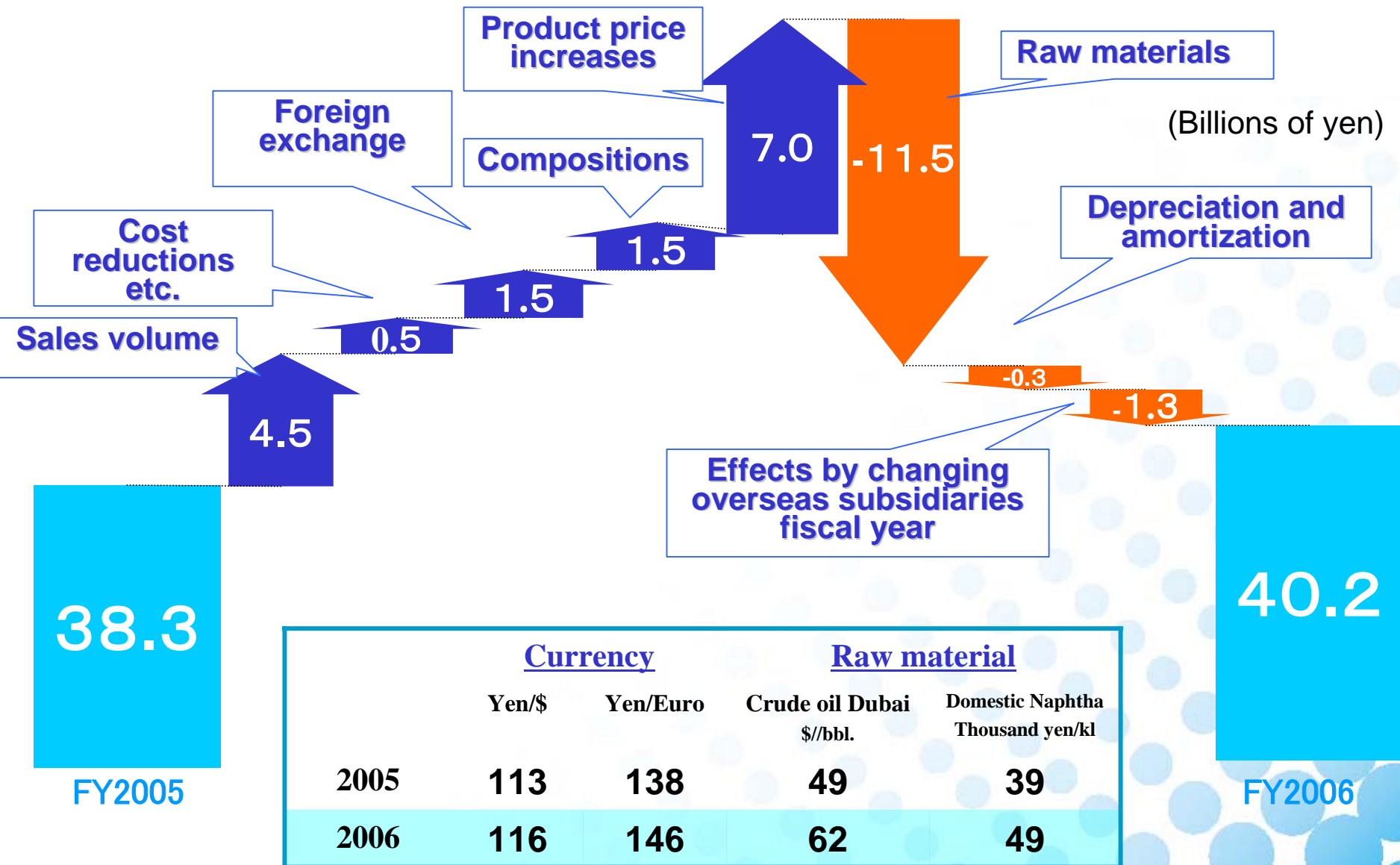
(Billions of yen)

	End March 2007	End March 2006	Difference
Current liabilities	94.4	79.2	15.2
Noncurrent liabilities	55.7	60.6	-4.9
<b>Total liabilities</b>	<b>150.1</b>	<b>139.9</b>	<b>10.2</b>
<b>Net assets</b>	<b>358.6</b>	<b>341.5</b>	<b>17.1</b>
Minority interests	2.5	2.4	0.1
<b>Total liabilities and net assets</b>	<b>508.7</b>	<b>481.4</b>	<b>27.3</b>
<b>Share holders Equity ratio</b>	<b>70.0%</b>	<b>70.5%</b>	<b>-0.5point</b>

**Shareholder's Equity=Net asset – Minority Interest.**

# 1. Summary of FY 2006 Consolidated Results

## 5. Factors Affecting the Change in Operating Income



	<u>Currency</u>		<u>Raw material</u>	
	Yen/\$	Yen/Euro	Crude oil Dubai \$/bbl.	Domestic Naphtha Thousand yen/kl
2005	113	138	49	39
2006	116	146	62	49

## 2. Segment Highlight

### 1. Net Sales and Operating Income by Segment

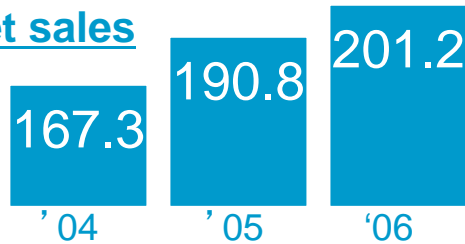
(Billions of yen)

	FY 2006		FY 2005		Difference	
	Net sales	Op. income	Net sales	Op. income	Net sales	Op. income
Chemicals and resins	<b>201.2</b>	<b>35.6</b>	<b>190.8</b>	<b>31.9</b>	<b>10.5</b>	<b>3.8</b>
Fibers and textiles	<b>107.9</b>	<b>8.0</b>	<b>109.1</b>	<b>9.5</b>	<b>-1.2</b>	<b>-1.5</b>
High-performance materials, medical products, and others	<b>76.1</b>	<b>7.9</b>	<b>75.2</b>	<b>8.5</b>	<b>0.9</b>	<b>-0.5</b>
Elimination and corporate	<b>—</b>	<b>-11.4</b>	<b>—</b>	<b>-11.5</b>	<b>—</b>	<b>0.1</b>
<b>Total</b>	<b>385.3</b>	<b>40.2</b>	<b>375.1</b>	<b>38.3</b>	<b>10.2</b>	<b>1.9</b>

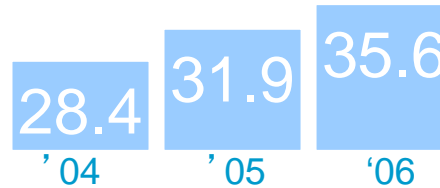
# 2. Segment Highlight

## 2. Chemicals and Resins

**Net sales**

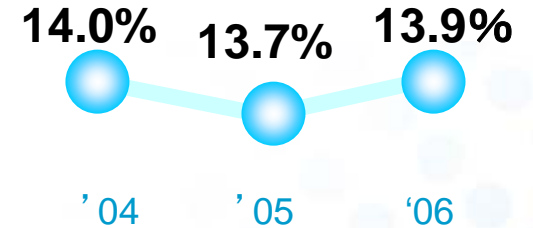


**Operating income**



**ROA**

(Billions of yen)



### Poval

Increased income on increased sales

Poval films for optics for use in LCD displays expanded. The Poval resin business enjoyed volume growth in Europe despite the influence of rising costs of raw materials and fuel, and faced tougher competition in Asian markets. The PVB film business saw strong demand for construction applications in Europe.

### EVAL

Decreased income on Decreased sales

Sales for food packaging applications remained solid, whereas those for automobile applications stagnated. Raw materials and fuel costs were not adequately passed on to product prices.

### Isoprene

Decreased income on increased sales

SEPTON remained solid. Specialty chemical products performed well, while aroma chemicals and agricultural intermediates struggled due to tough competition. The product line as a whole was negatively affected by rising raw materials and fuel costs.

### Methacrylic

Decreased income on decreased sales

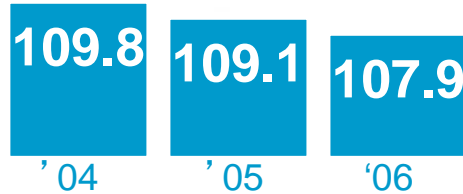
Sales of optical materials for LCD applications expanded, molding materials and sheets for general applications performed solidly. The monomer business contracted. The product line was negatively affected by rising raw material and fuel costs.

## 2. Segment Highlight

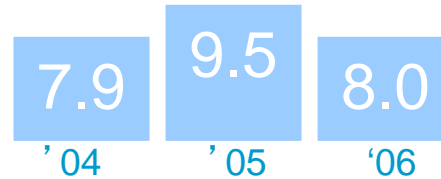
### 3. Fibers and Textiles

(Billions of yen)

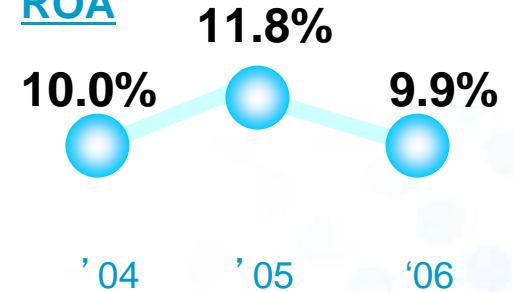
#### Net sales



#### Operating 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

Light industry products performed solidly, while demand for shoe applications was sluggish. The product line was negatively affected by rising raw materials and fuel costs.

#### **Non-woven fabrics and 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 materials and fuel costs.

#### **Polyester and others**

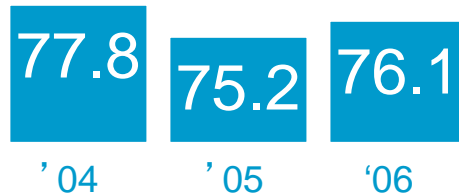
A shift to differentiated polyester products was undertaken. Promotion of the use of Vectran high-strength fiber in new applications continued.

## 2. Segment Highlight

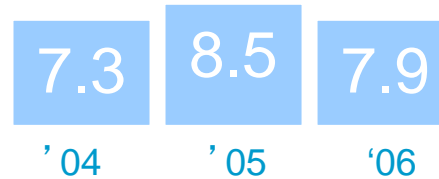
(Billions of yen)

### 4. High Performance Materials, Medical Products and Others

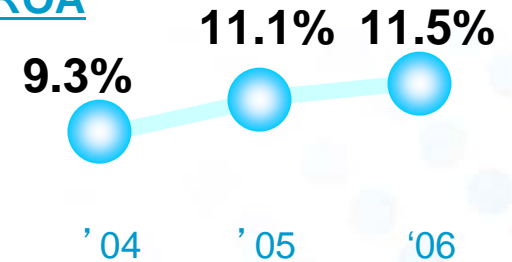
#### Net sales



#### Operating income



#### ROA



#### Opto-screen

Kuraray ceased production of opto-screens as of December 2006, and withdrew from the business

#### Medical products

Decreased income on decreased sales

Sales of dental materials increased in the U.S. and other overseas markets. Dialyzer and therapeutic apheresis devices businesses declined owing to the impact of price revisions for pharmaceuticals. Kuraray has reached a basic agreement on the merger of its dialyzer and therapeutic apheresis devices businesses with Asahi Kasei Medical Co., Ltd. in October 2007.

#### High-performance materials, others

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

### 3. Forecast for 2007

(Billions of yen)

	1 H	2 H	Annual
Net sales	200.0	215.0	415.0
Operating income	20.0	25.0	45.0
Ordinary Income	18.0	23.0	41.0
Net Income	10.5	13.5	24.0
CAPEX	28.0	18.0	46.0
Depreciation and amortization*	15.0	17.0	32.0
R&D expenses	7.0	7.0	14.0

Assumptions

Exchange rates  
 ¥115 / \$  
 ¥150 / Euro

Raw materials  
 Domestic Naphtha: ¥50,000 / t  
 Crude oil (Dubai): \$57 / bbl.

\* Includes an increase in depreciation of approximately 3.0 billion yen due to partial revisions to depreciation and amortization methods.

# 【Reference】Forecast for 2007

## by Net Sales and Operating Income by Segment

	Sales			Operating Income		
	1H	2H	Annual	1H	2H	Annual
Chemicals and resins	110.0	125.0	235.0	19.0	22.0	41.0
Fibers and textiles	55.0	55.0	110.0	4.0	5.0	9.0
High-performance materials, medical products, and others	35.0	35.0	70.0	3.5	4.5	8.0
Elimination and corporate	—	—	—	-6.5	-6.5	-13.0
<b>Total</b>	<b>200.0</b>	<b>215.0</b>	<b>415.0</b>	<b>20.0</b>	<b>25.0</b>	<b>45.0</b>

# kuraray

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