

# FY 2007 Earnings Presentation

**Executive Officer and  
General Manager of  
Accounting and Finance Division**

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KURARAY CO., LTD.

# 1. Summary of FY2007 -1-

[ Billion¥ ]

	<b>FY2007</b>	<b>FY2006</b>	<b>Difference</b>
<b>Net Sales</b>	<b>417.6</b>	<b>385.3</b>	<b>32.3</b> [ 8.4% ]
<b>Operating Income</b>	<b>48.1</b>	<b>40.2</b>	<b>7.9</b> [ 19.7% ]
<b>Ordinary Income</b>	<b>42.8</b>	<b>36.5</b>	<b>6.3</b> [ 17.2% ]
<b>Net Income</b>	<b>25.6</b>	<b>22.4</b>	<b>3.1</b> [ 14.0% ]
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<b>Operating Margin</b>	<b>11.5%</b>	<b>10.4%</b>	<b>1.1</b> Point
<b>ROE</b>	<b>7.3%</b>	<b>6.4%</b>	<b>0.9</b> Point
<b>ROA</b>	<b>9.6%</b>	<b>8.1%</b>	<b>1.5</b> Point

**ROE:** Net Income / Average Shareholders' Equity

**ROA:** Operating Income / Average Total Assets

# 1. Summary of FY2007 -2-

[ Billion¥ ]

	<b>FY2007</b>	<b>FY2006</b>	<b>Difference</b>
<b>EPS</b>	<b>72.15</b> Yen	<b>60.95</b> Yen	<b>11.20</b> Yen
<b>Dividend per Share</b>	<b>22.00</b> Yen	<b>18.50</b> Yen	<b>3.50</b> Yen
<b>Payout Ratio</b>	<b>30.5</b> %	<b>30.4</b> %	<b>0.1</b> Point
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<b>CAPEX</b>	<b>42.7</b>	<b>37.7</b>	<b>5.0</b>
<b>Depreciation and Amortization</b>	<b>31.5</b>	<b>25.5</b>	<b>6.0</b>
<b>R&amp;D expenses</b>	<b>15.3</b>	<b>13.0</b>	<b>2.3</b>

## 2. Summary of Consolidated BS / Assets

[ Billion¥ ]

	End of Mar.08	End of Mar.07	Difference	
<b>Current Assets</b>	<b>196.3</b>	<b>218.0</b>	<b>(21.7)</b>	Share Buyback
<b>Fixed Assets</b>	<b>294.1</b>	<b>290.7</b>	<b>3.4</b>	Tangible/Intangible Fixed Assets
				CAPEX (42.7)
				Dep. & Amort. (31.5)
				Foreign Exchange 2.6
				Consolidated with POVAL ASIA PTE., LTD. 6.6
				Others (3.4)
				<b>Total 17.0</b>
<b>Total Assets</b>	<b>490.4</b>	<b>508.7</b>	<b>(18.3)</b>	Investments and Other Assets (13.6)

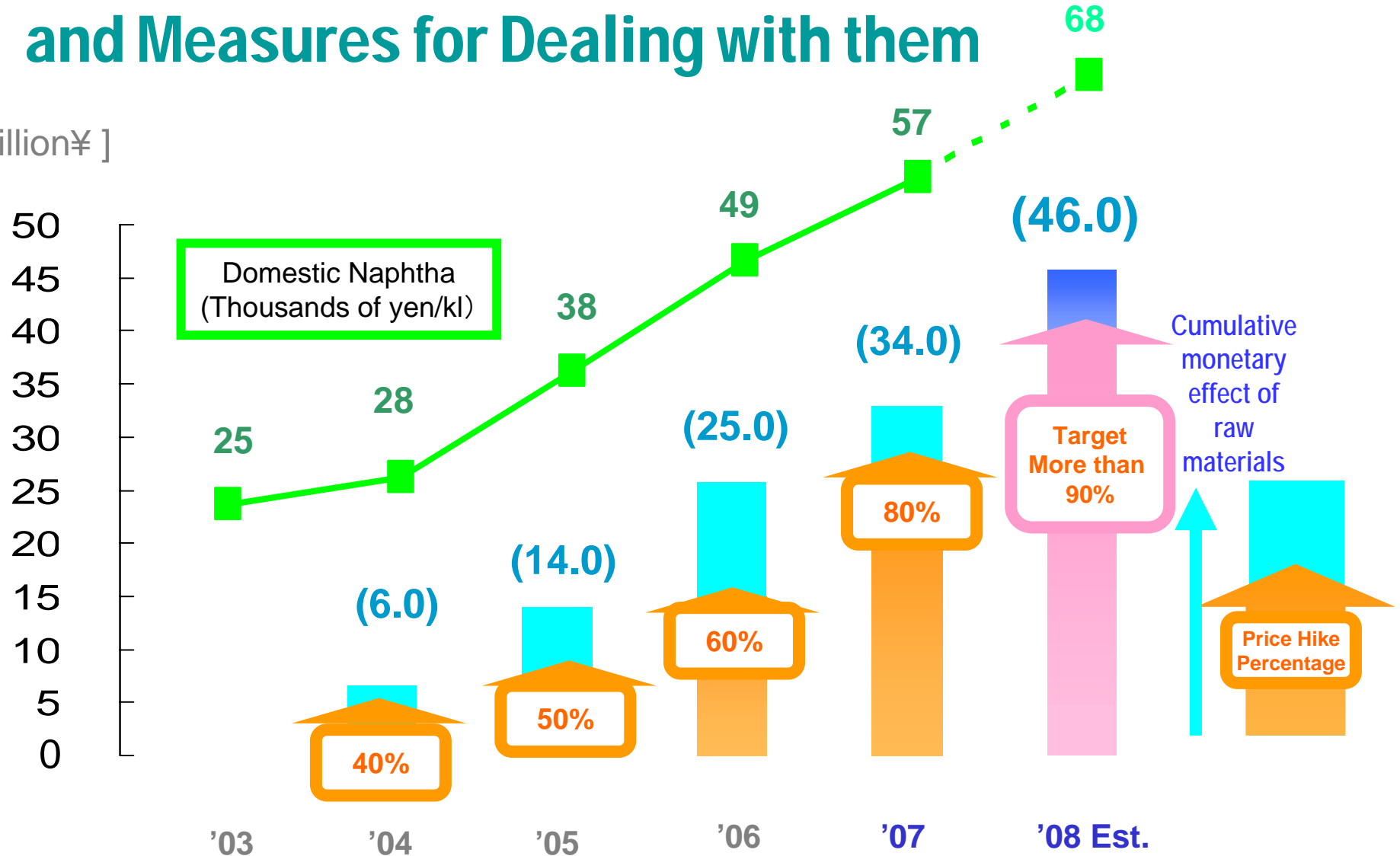
## 2. Summary of Consolidated BS /Liabilities and Net Assets

	End of Mar.08	End of Mar.07	Difference	[ Billion¥ ]
Current Liabilities	89.1	94.4	(5.3)	
Non-Current Liabilities	56.5	55.7	0.8	
<b>Total Liabilities</b>	<b>145.5</b>	<b>150.1</b>	<b>(4.6)</b>	
<b>Total Net Assets</b>	<b>344.8</b>	<b>358.6</b>	<b>(13.8)</b>	
<b>Total Liabilities and Net Assets</b>	<b>490.4</b>	<b>508.7</b>	<b>(18.3)</b>	

Share Buyback  
(30.0)  
Retained  
Earnings and  
others  
+16.2

### 3. The Effects of Raw Material and Fuel Costs and Measures for Dealing with them

[ Billion¥ ]



\* The cumulative monetary effect of raw material and fuel costs (in units of 1.0 billion yen) and cumulative transference of increased costs to customers based on FY2004

## 4. Factors Affecting the Change in Operating Income Result

**FY2007**

**¥48.1 billion**

Raw materials	(9.0)
Selling price increase	+11.8
Sales volumes and composition improvement	+13.0
Depreciation & amortization	(6.0)
Foreign exchange	+0.4
Effects by changing overseas subsidiaries fiscal year	+1.3
Common expenses and others	(3.6)

**UP  
¥7.9  
Billion**

**FY2006**

**¥40.2 billion**

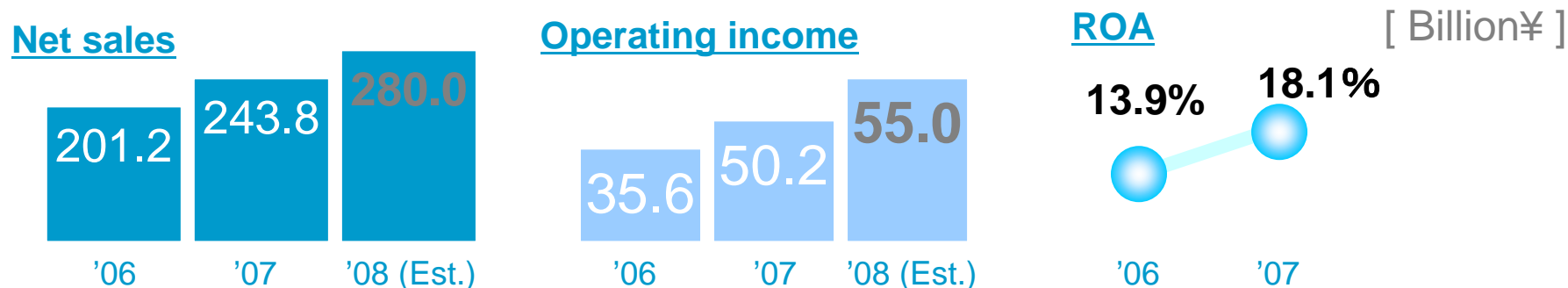
	'06	'07
Domestic Naphtha/kl	¥49 thousand	¥57 thousand
Dollar (average)	¥116	¥114
Euro (average)	¥146	¥161

# 5. Segment Highlight

[ Billion¥ ]

	FY2007		FY2006		Difference	
	Net sales	Op. income	Net sales	Op. income	Net sales	Op. income
Chemicals and resins	243.8	50.2	201.2	35.6	42.6	14.5
Fibers and textiles	105.2	6.9	107.9	8.0	(2.7)	(1.1)
High-performance materials, medical products, and others	68.6	6.2	76.1	7.9	(7.6)	(1.7)
Elimination and corporate	—	(15.1)	—	(11.4)	—	(3.8)
<b>Total</b>	<b>417.6</b>	<b>48.1</b>	<b>385.3</b>	<b>40.2</b>	<b>32.3</b>	<b>7.9</b>

# 6. Segment Highlight / Chemicals and Resins



<p><b>Poval</b> Increased income on increased sales</p>	<p>The resin business saw progress in price adjustment and improvement in product portfolio as well as increase in demand. Sales of Poval films for optics rose thanks to increased demand for LCD displays. The demand for PVB films for construction applications was strong in Europe.</p>
<p><b>EVAL</b> Increased income on increased sales</p>	<p>The increased portion of raw material and fuel costs was gradually passed on to product prices. The trouble in the plant of a material supplier in the U.S. affected the figures. Sales for food packaging applications remained solid. Regarding automobile applications, the business enjoyed volume growth on a global basis while seeing weak demand in the U.S.</p>
<p><b>Isoprene</b> Increased income on increased sales</p>	<p>Regarding <i>SEPTON</i>, we tried to adjust prices and cut costs as well as promote differentiated products. While specialty chemical products performed well mainly in foreign markets, fine chemicals struggled with aroma chemicals and agricultural intermediates facing tougher competition.</p>
<p><b>Methacrylic</b> Decreased income on increased sales</p>	<p>Price-raising of MMA resins could not fully offset their rising raw material and fuel costs. The demand for molding materials for optical materials for LCD applications remained strong.</p>

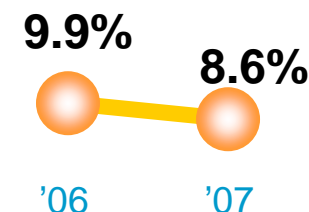
# 6. Segment Highlight / Fibers and Textiles

Net sales

Operating income

ROA

[ Billion¥ ]



## **KURALON**

Flat income on slightly increased sales

The demand for asbestos-substitute FRC (fiber-reinforced cement) applications remained strong. However, rising raw material and fuel costs affected the product line as a whole.

## **Man-made leather**

Decreased income on decreased sales

Light industry products performed well while the demand for shoe applications was weak. Rising raw material and fuel costs affected the product line as a whole.

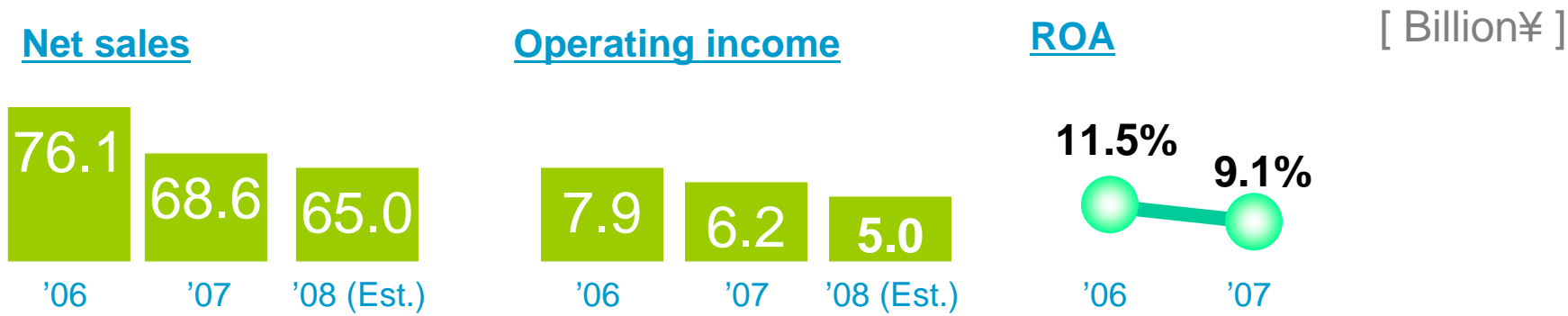
## **Non-woven fabrics and fastening materials**

The Non-woven fabrics businesses saw steady demand for automobile. Sales of hook and loop fasteners to applications in the industrial materials were firm. However, rising raw material and fuel costs affected both businesses, respectively.

## **VECTRAN Polyester and others**

High-strength fiber *VECTRAN* performed well mainly in the U.S. market. Last November, the production capacity was expanded to 1,000 tons a year.

# 6. Segment Highlight / High-Performance Materials, Medical Products, and Others



**Medical Products**  
 Decreased income on decreased sales

Sales of dental materials increased abroad, especially in the U.S and Europe. Last October, the dialyzer business merged with the counterpart of Asahi Kasei Medical Co., Ltd.

**High-performance products and others**

GENESTER, heat-resistant polyamide resin, continued to show solid sales in electronics materials applications. The activated carbon business for applications such as water purifiers also performed solidly. However, rising raw material and fuel costs affected the product line. With the exception of some engineering businesses, other related businesses remained sluggish overall, which forced lower earnings.

\* Sales decreased because of the discontinuation of the production of opto-screens in December 2006 and the withdrawal from the business.

# 7. Forecast for FY2008

[ Billion¥ ]

	1H	2H	Annual
Net Sales	220.0	230.0	450.0
Operating Income	24.0	27.0	51.0
Ordinary Income	22.0	26.0	48.0
Net Income	13.0	15.0	28.0
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CAPEX	28.0	17.0	45.0
Depreciation and Amortization	18.0	20.0	38.0
R&D Expenses	8.0	8.0	16.0

**(Assumptions for FY2008)**

Domestic Naphtha/kl      ¥68 thousand

Dollar      ¥105

Euro      ¥160

## Forecast for FY2008: Net Sales and Operating Income by Segment

[ Billion¥ ]

	Net Sales			Operating Income		
	1H	2H	Annual	1H	2H	Annual
Chemicals and resins	137.0	143.0	280.0	26.0	29.0	55.0
Fibers and textiles	51.0	54.0	105.0	3.5	3.5	7.0
High-performance materials, medical products, and others	32.0	33.0	65.0	2.5	2.5	5.0
Elimination and corporate	—	—	—	(8.0)	(8.0)	(16.0)
<b>Total</b>	<b>220.0</b>	<b>230.0</b>	<b>450.0</b>	<b>24.0</b>	<b>27.0</b>	<b>51.0</b>

# kuraray

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