



1H of FY2008 (Apr. to Sep.) Earnings Presentation

Executive Officer and
General Manager of Corporate Management Division

Yuichi Kawarasaki

October 30, 2008

KURARAY CO., LTD.

1. Summary of 1H FY2008 (1)

[Billion¥]

	1H FY2008	1H FY2007	Difference
Net Sales	209.3	206.2	3.1 [1.5%]
Operating Income	23.3	24.3	-1.0 [-4.2%]
Ordinary Income	22.3	22.7	-0.4 [-1.9%]
Net Income	13.4	13.9	-0.5 -3.5%
Operating Margin	11.1%	11.8%	-0.7 Points
ROE*	7.8%	8.0%	-0.2 Points
ROA*	9.4%	9.7%	-0.3 Points

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

ROA: 1H Operating Income x 2 / Average Total Assets

1. Summary of 1H FY2008 (2)

[Billion¥]

	1H FY2008	1H FY2007	Difference
EPS	38.50Yen	38.59Yen	-0.9Yen
Dividend per Share	12.00Yen	11.00Yen	+1.00Yen
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CAPEX	19.8	22.7	-2.9
Depreciation and Amortization	17.2	14.4	+2.8
R&D expenses	8.1	7.4	+0.7

2. Summary of Consolidated BS (1) / Assets

[Billion¥]

	End of Sep. 2008	End of Mar. 2008	Difference	
Current Assets	199.4	196.3	+3.1	
Fixed Assets	297.9	294.1	+3.8	<div style="border: 1px solid orange; padding: 5px;"> <p>Tangible/Intangible Fixed Assets</p> <p>CAPEX 19.8</p> <p>Depreciation & Amortization -17.2</p> <p>Foreign Exchange -2.2</p> <p>Others +1.5</p> <hr style="border-top: 1px dashed orange;"/> <p>Subtotal +1.9</p> <p>Investments and Other Assets</p> <p>Subtotal +1.9</p> </div>
Total Assets	497.2	490.4	+6.9	

2. Summary of Consolidated BS (2) / Liabilities and Net Assets

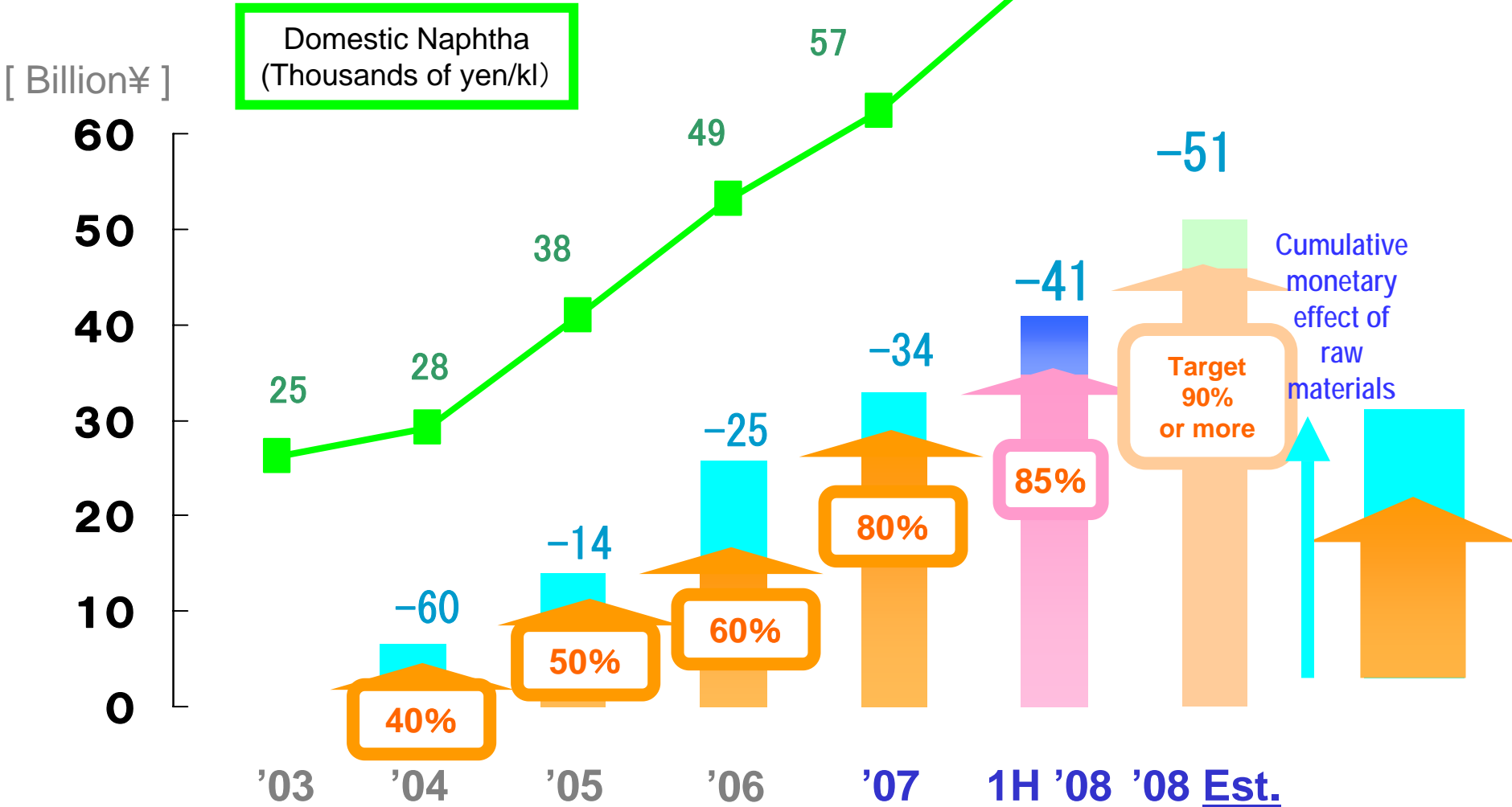
[Billion¥]

	End of Sep. 2008	End of Mar. 2008	Difference
Current Liabilities	83.9	89.1	-5.1
Non-Current Liabilities	61.4	56.5	+4.9
Total Liabilities	145.3	145.5	-0.2
Total Net Assets	351.9	344.8	+7.1
Total Liabilities and Net Assets	497.2	490.4	+6.9

Retained Earnings
+9.4
Foreign Currency
Translation
Adjustments, etc.
-2.3

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

Image chart for raw material and fuel costs



* 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 FY2003

4. Factors Affecting the Change in Operating Income

1H of FY2007 24.3

Raw materials -10.4

(Market Situation -13 Currency +2.6)

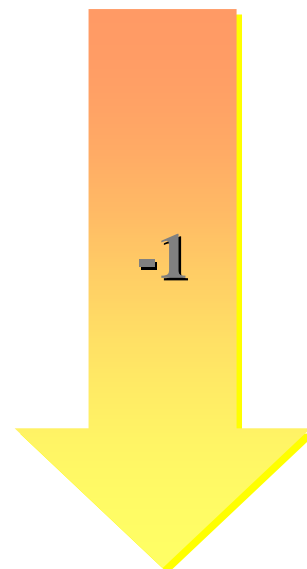
Selling price increase +9.2

Sales volumes and Product Mix +5.9

Depreciation & amortization -2.8

Foreign exchange -2.2

Common expenses, etc. -0.7



1H of FY2008 23.3

	1H FY2007	1H FY2008
Domestic Naphtha/kl	¥53.3thousand	¥68.8thousand
Dollar (average)	119yen	106yen
Euro (average)	162yen	163yen

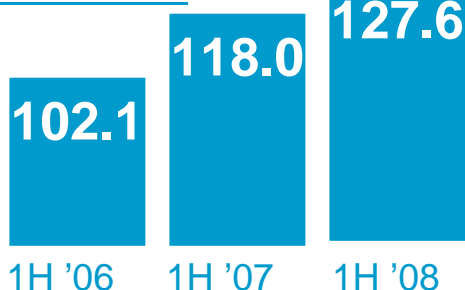
5. Segment Highlight

[Billion¥]

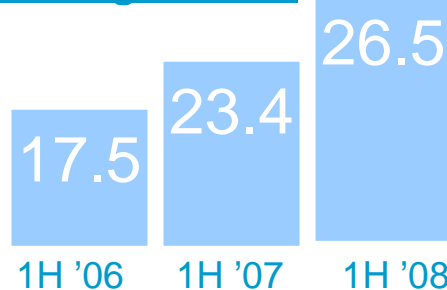
	1H FY2008		1H FY2007		Difference	
	Net sales	Op. income	Net sales	Op. income	Net sales	Op. income
Chemicals and resins	127.6	26.5	118.0	23.4	-9.6	+3.1
Fibers and textiles	51.1	2.9	53.3	3.9	-2.2	-1.0
High-performance materials, medical products, and others	30.6	2.7	34.9	3.9	-4.3	-1.2
Elimination and corporate	—	-8.8	—	-6.9	—	-1.9
Total	209.3	23.3	206.2	24.3	+3.1	-10

6. Segment Highlight / Chemicals and Resins

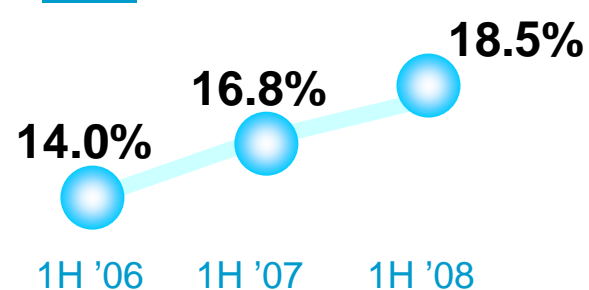
Net sales



Operating income



ROA



[Billion¥]

Poval

Increased income on increased sales

PVA Resin business saw progress in price-raising, as global supply shortage continued. While sales of Poval films for optics increased, the business was affected by the inventory adjustment of LCD displays for the latter part of 1H. The demand for PVB films for construction applications remained strong in Europe.

EVAL

Decreased income on increased sales

While the demand for Auto applications in the U.S. has been decreased, sales for food packaging applications and in the Asian and emerging markets remained solid. Although we eagerly forged ahead with price-raising as the raw material and fuel costs soared, the damage could not be offset.

Isoprene

Flat income on flat sales

Regarding *SEPTON*, we tried to raise the price and cut costs as well as promote differentiated products. Specialty chemical products suffered from weak demand for solvents but enjoyed solid demand for the others. Although the fine chemicals business saw its sales fall due to the shutdown of production lines for some aroma chemicals, its profitability improved.

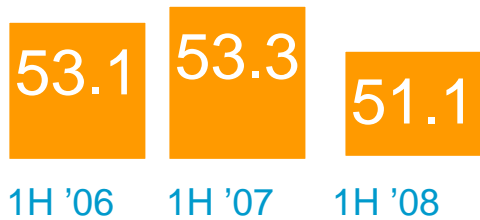
MMA

Decreased income on flat sales

Sales of molding materials and sheets, especially general-purpose products, struggled to grow. While the business saw progress in price-raising as the raw material and fuel costs soared, it could not offset the increase in costs.

6. Segment Highlight / Fibers and Textiles

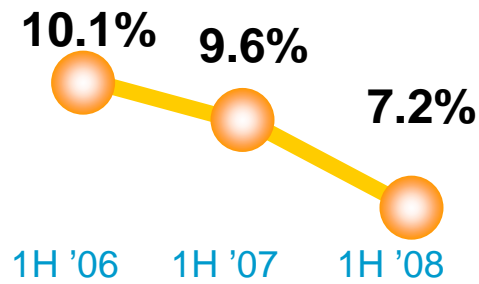
Net sales



Operating income



ROA



[Billion¥]

KURALON

Flat income on increased sales

The demand for asbestos-substitute FRC (fiber-reinforced cement) applications remained solid. Sales of products for applications in the construction, fisheries industry, and other fields were weak, affected by the sluggish domestic economy.

Man-made leather

Decreased income on flat sales

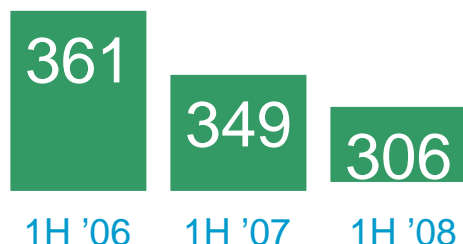
Light industry products performed well. However, the product line as a whole struggled on the weak demand for apparel applications as well as that for shoe applications, which had been seen since last year.

Others

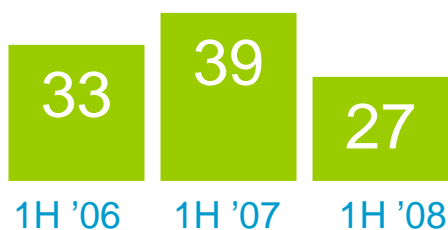
Regarding non-woven fabrics, we forged ahead with price-raising. The demand for fastening materials, especially differentiated products such as *Ecomagic*, was solid. The polyester business saw low performance in the uniform field.

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

Net sales

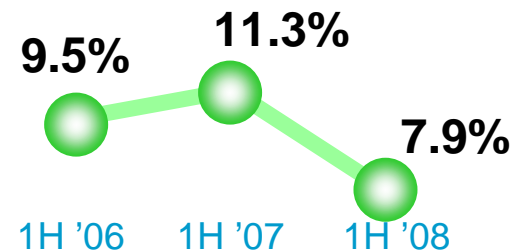


Operating income



ROA

[Billion¥]



Medical Products

Flat income on decreased sales

The demand for dental materials remained solid especially in the European market.

However, sales of medical products declined as a result of the merger of the dialyzer business into Asahi Kasei Kuraray Medical Co., Ltd. last October.

High-performance products and others

The *GENESTER* business saw flat income on flat sales. Regardless of price-raising, it was affected by the soaring raw material and fuel costs. The income from the activated carbon business was also damaged by the increase in the raw material and fuel costs. The income from the other related businesses declined as well, including the engineering business, which saw the orders fall due to the worse business conditions.

7. Forecast for FY2008

	1H	2H	Annual
Net Sales	209.3	215.7	425.0
Operating Income	23.3	22.7	46.0
Ordinary Income	22.3	20.7	43.0
Net Income	13.4	12.6	26.0
<hr/>			
CAPEX	19.8	20.2	40.0
Depreciation and Amortization	17.2	20.8	38.0
R&D Expenses	8.1	7.9	16.0

	(Result)	(Assumption)	(Annual Ave.)
Domestic Naphtha / kl	¥68. 8thousand	¥71thousand	70thousand
Dollar	106Yen	100Yen	103Yen
Euro	163Yen	130Yen	147Yen

Operating Income (Annual)

[Billion¥]

FY2007 Result

48.1

Raw materials -16.7

(Market Situation -21.1 Currency +4.4)

Selling price increase 20.4

Sales volumes and Product Mix 6.9

Depreciation & amortization -6.6

Foreign exchange -5.3

Common expenses, etc. -0.8

-2.1

FY2008 Forecast

46.0

Domestic Naphtha/kl

FY2008 assumption

¥70thousand

FY2007 result

¥57thousand

Dollar (average)

103Yen

114Yen

Euro (average)

147Yen

161Yen

Reference

Forecast for FY2008: Net Sales and Operating Income by Segment

[Billion¥]

	Net Sales			Operating Income		
	1H	2H	Annual	1H	2H	Annual
Chemicals and resins	127.6	140.4	268.0	26.5	28.0	54.5
Fibers and textiles	51.1	46.9	98.0	2.9	1.1	4.0
High-performance materials, medical products, and others	30.6	28.4	59.0	2.7	2.3	5.0
Elimination and corporate	—	—	—	- 8.8	- 8.7	- 17.5
TOTAL	209.3	215.7	425.0	23.3	22.7	46.0

kuraray

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.