



# Investor Presentation

## Financial Results FY2002

**President Yasuaki Wakui**

**KURARAY CO.,LTD.**

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# Overview of FY2002

## (1) External Environment

- » Vicious circle: deflation – further economic slowdown – credit retrenchment
- » Global recession, Iraq war, increased geopolitical risk
- » Increase in oil price, weaker dollars, stronger Euro

	FY2002	FY2001
Yen/\$	122	124
Yen/EURO	121	110
Crude oil/BL	\$24	\$23

## Measures introduced/implemented

### Enhancement of global competitive edge

- Improvement of earning structure (Aug. '01~)
- Restructuring of polyester business: Production operation split-off as a separate company: Polyester filament (Oct '01)、Polyester staple (April '03), Textile business transferred to an affiliated trading company (April '02)
- Capacity expansion underway at Eval Europe (construction started in Feb. '03)
- Septon Company of America started operation (Sept. '02)

### Enhancement of development/entrepreneurial capabilities

- Establish Corporate Strategy and Planning Division (March '03)
- Decided to open R&T Center in the US (July '02)
- Establish Optical Device R&D center (March '03)
- Opened Shanghai Office (April '02)

### Realignment of management structure

- In-house company system introduced (April '02)
- Established Kuraray Business Service (April '02)、Implementation of BPR
- Stock option system introduced (Oct. '02)



# Summary of FY2002

## Consolidated Operating Results

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### (1) Sales · Income · Cash Flow (unit: ¥billion)

	FY2002	FY2001	Increase/Decrease	
Net Sales	322.5	305.9	16.6	5.4%
Operating Income	25.2	19.0	6.2	32.9%
Ordinary Income	22.4	18.8	3.6	19.0%
Net Income	8.1	2.9	5.2	180.9%
ROE	2.8%	1.0%	1.8%	

	FY2002	FY2001	Increase/ Decrease
CF from Operating activities	37.3	18.7	18.6
(Depreciation)	(19.1)	(16.1)	(3.0)
Capex	19.1	50.7	▲ 31.6
Dividend/ Treasury stock purchased	10.8	3.4	7.4

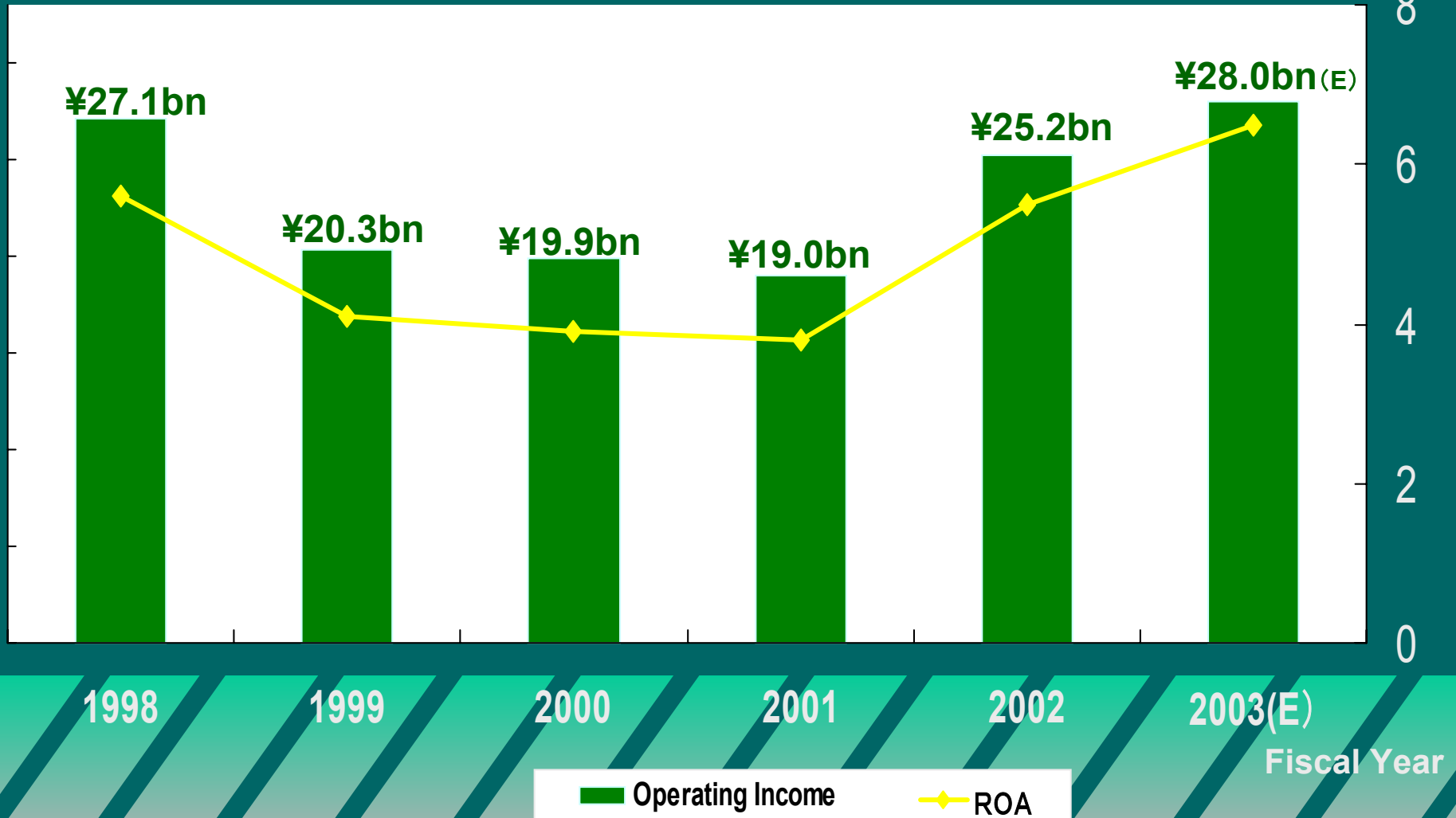
## (2) Financial ratios

	End of March,2003	End of March,2002	Increase/ Decrease
<b>Gross Profit Margin</b>	<b>28.5%</b>	<b>25.4%</b>	<b>3.1%</b>
<b>Operating Income Ratio</b>	<b>7.8%</b>	<b>6.2%</b>	<b>1.6%</b>
<b>ROA</b>	<b>5.5%</b>	<b>3.8%</b>	<b>1.7%</b>
<b>Total Assets Turnover (Times)</b>	<b>0.71</b>	<b>0.61</b>	<b>0.1</b>
<b>Equity Ratio</b>	<b>67.3%</b>	<b>59.6%</b>	<b>7.7%</b>
<b>Int. bearing debt ratio</b>	<b>12.9%</b>	<b>27.4%</b>	<b>▲ 14.5%</b>

ROA : Operating Income/Average Total Assets



### (3) Improvement in Operating Income and ROA





# Segment Information

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## (1) Sales · Income

(unit: ¥billion)

	FY2002		FY2001		Increase/Decrease	
	Sales	Operating Income	Sales	Operating Income	Sales	Operating Income
Chemical and resins	144.7	19.9	119.8	15.5	24.9	4.4
Fibers and textiles	109.9	4.8	114.8	3.8	(4.9)	1.0
High performance materials, medical products and others	67.9	8.3	71.3	6.8	(3.4)	1.5
Elimination and corporate	-	(7.8)	-	(7.1)	-	(0.7)
Total	322.5	25.2	305.9	19.0	16.6	6.2

## (2) Factors causing variances in Operating Income

(unit: ¥billion)

	Chemicals and resins	Fibers and textiles	High performance materials, medical products and others	Elimination and corporate	Total
Selling Price	(2.5)	(0.5)	(1.4)	-	(4.4)
Sales Volume and Compositions	3.1	(1.6)	1.9	-	3.4
Foreign Exchange Effect	0.2	0	(0.2)	-	0
Raw Material Costs	0.6	0.3	0.2	-	1.1
Cost reduction, etc.	3.0	2.8	1.0	(0.7)	6.1
Total	4.4	1.0	1.5	(0.7)	6.2

FY2001  
→FY2002

15.5→19.9

3.8→4.8

6.8→8.3

(7.1)→(7.8)

19.0→25.2

### (3) Chemical and resins

(unit: ¥billion)

	FY2002	FY2001	Increase/ Decrease
<b>Net Sales</b>	<b>144.7</b>	<b>119.8</b>	<b>24.9</b>
<b>Operating Income</b>	<b>19.9</b>	<b>15.5</b>	<b>4.4</b>
<b>Assets Identifiable</b>	<b>172.4</b>	<b>182.5</b>	<b>(10.1)</b>
<b>ROA (%)</b>	<b>11.2%</b>	<b>8.5%</b>	<b>2.7%</b>

ROA for FY01 is based on assets as of March 02

<b>Poval</b>	Increase Sales/Profit	Recovery of demand in Asia. KSE makes good start. Excellent performance by PVA film for LCDs
<b>&lt;Eval&gt;</b>	Increase Sales/Profit	Demand increased for food packaging and automobile use in Japan, US, Europe, and Asia
<b>MMA</b>	Increase Sales/Profit	Increased sales of value added products such as those used for optical. Volume increases in general purpose
<b>Isoprene</b>	Increase Sales/Profit	Elastomer: Sales increased in both domestic and overseas markets. Chemicals: Sales firm for agrochemicals intermediates and aroma chemicals. Healthy growth in Diols sales

## (4) Fibers and textiles

(unit: ¥billion)

	FY2002	FY2001	Increase/ Decrease
<b>Net Sales</b>	<b>109.9</b>	<b>114.8</b>	<b>(4.9)</b>
<b>Operating Income</b>	<b>4.8</b>	<b>3.8</b>	<b>1.0</b>
<b>Assets Identifiable</b>	<b>84.3</b>	<b>98.3</b>	<b>(14.0)</b>
<b>ROA (%)</b>	<b>5.3%</b>	<b>3.8%</b>	<b>1.5%</b>

ROA for FY01 is based on assets as of March 02

<b>&lt;KURALON&gt; &lt;KURALON K- II &gt;</b>	<b>Flat Sales/ Increase Profit</b>	<b>Increased demand for &lt;KURALON K-II&gt;. Growth in filament sales. Weaker sales for conventional products</b>
<b>Polyester</b>	<b>Sales down/ Deficit reduced</b>	<b>Unprofitable products discontinued/deemphasized. Accelerated differentiation. Positive effect of spin-off</b>
<b>&lt;CLARINO&gt;</b>	<b>Increased Sales/Profit</b>	<b>Healthy growth in sales of sports shoes to U.S. and China markets Sales growth in apparel and interior products</b>
<b>Nonwoven Fabric</b>	<b>Increased Sales/Reduced Profit</b>	<b>Negative impact of reduced consumer spending and cheaper imports. Sales increase in melt-blown nonwoven fabric</b>
<b>Fastenings</b>	<b>Decrease Sales/Profit</b>	<b>Negative effect of users' relocation of production bases to overseas markets</b>



**(5) High performance materials, medical products and others**  
 (unit: ¥billion)

	FY2002	FY2001	Increase/ Decrease
<b>Net Sales</b>	<b>67.9</b>	<b>71.3</b>	<b>(3.4)</b>
<b>Operating Income</b>	<b>8.3</b>	<b>6.8</b>	<b>1.5</b>
<b>Assets Identifiable</b>	<b>76.6</b>	<b>74.0</b>	<b>2.6</b>
<b>ROA (%)</b>	<b>11.0%</b>	<b>9.1%</b>	<b>2.4%</b>

ROA for FY01 is based on assets as of March 02

<b>Opto-screens</b>	<b>Increase Sales/Profit</b>	<b>Increased demand in China and U.S.</b>
<b>High performance materials</b>	<b>Increase Sales/Profit</b>	<b>Increased sales of &lt;GENESTAR&gt;, successful winning of large-scale contract for hollow fiber membrane</b>
<b>Medical</b>	<b>Flat Sales/ Increase Profit</b>	<b>Dental materials : excellent performance in US and European market Artificial organ: effect of NHI drug price reduction</b>
<b>Affiliated companies (domestic)</b>	<b>Decrease Sales/ Increase Profit</b>	<b>Growth in activated carbon sales. Business firming up for other affiliated companies</b>

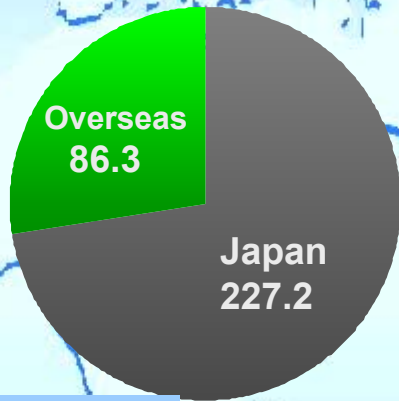


# Sales by Geographical Segment

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(¥Billion)

FY2000



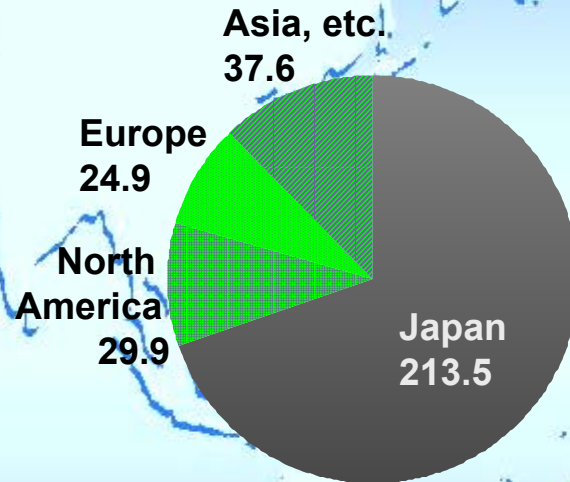
Total Sales

¥313.7bn

% of overseas sales

27.5%

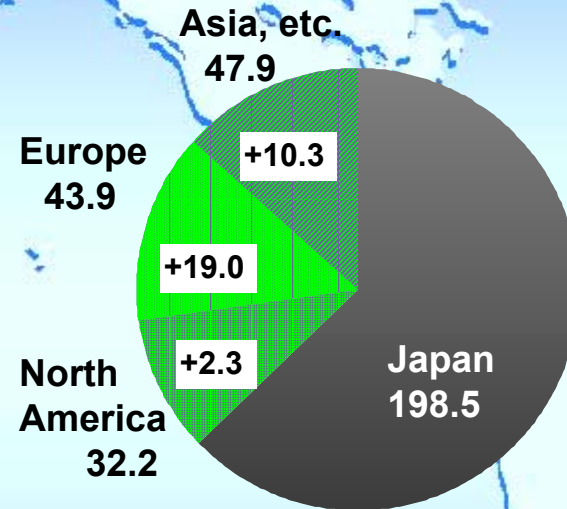
FY2001



¥305.9bn

30.2%

FY2002



¥322.5bn

38.4%



# Earnings Estimate

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## for FY 2003

### (1) Overall

(unit: ¥billion)

	1st Half	2nd Half	Full Year	Year-on-Year Comparison	
Net Sales	165.0	175.0	340.0	17.5	5.4%
Operating Income	12.0	16.0	28.0	2.8	11.1%
Ordinary Income	11.0	15.0	26.0	3.6	16.1%
Net Income	6.0	8.0	14.0	5.9	72.8%
Capex	12.0	17.0	29.0	9.9	51.8%
Depreciation	10.0	11.0	21.0	1.9	9.9%

\* Major Capital Investment...EVAL Europe N.V., MMA resin (for optical use)

\* Assumptions...Foreign Exchange Rate 120¥/\$, 120¥/EURO, Crude Oil(Dubai) 23\$/bl

## (2) Earnings Estimate by Segment

(unit: ¥billion)

	Net Sales			Operating Income			Year-on-Year Comparison	
	1st Half	2nd Half	Annual	1st Half	2nd Half	Annual	Sales	Op. Income
Chemicals and resins	76.0	81.0	157.0	9.5	12.5	22.0	12.3	2.1
Fibers and textiles	53.0	55.0	108.0	2.5	3.0	5.5	(1.9)	0.7
High performance materials, medical products and others	36.0	39.0	75.0	4.0	5.0	9.0	7.1	0.7
Elimination and corporate	—	—	—	(4.0)	(4.5)	(8.5)	—	(0.7)
Total	165.0	175.0	340.0	12.0	16.0	28.0	17.5	2.8

### (3) Strategies by business unit

Chemicals and resins	Poval	Realize synergy with KSE. Efficient global operation. Increased sales in PVA film for LCDs
	<EVAL>	Expansion in China/Asia in addition to Japan, U.S. and Europe. Accelerate development of new applications
	MMA	Stimulate demand for optical applications (PTV screen, light guide pannel for LCD)
	Isoprene	Global expansion of Elastomer sales. Recovery of profitability in vitamin-related business
Fibers and textiles	<KURALON> <KURALON K- II >	Increase in filament sales such as rubber materials. Focused efforts on development of ECC market
	Polyester	Improvement in profitability through restructuring measures. Enhanced product differentiation.
	<CLARINO>	Increase in sales volume. Enhanced demand for use in interior goods and car seat materials.
	Nonwoven fabric/ Fastenings	System for overseas production/sales established. Shift to higher value-added products.
High performance materials, medical products and others	Opto-screens	Enhanced demand for PTV application in U.S. and China. Emphasis on product development.
	High performance materials	Focused promotion of <GENESTAR> as a key product. Expansion of environment-related business.
	Medical	Global expansion of dental materials business. Sales promotion and development of artificial organs



# Realignment of

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# Management Structure

- ◆ **Strengthening of functions of corporate auditors**
  - » Number of auditors increased from 4 to 5 (of which 3 are outside auditors who are not employees or former directors)
  
- ◆ **Establishment of management consultative committee**
  - » Provides advice to the president regarding management of the Group in order to ensure compliance, establish shareholder-oriented management and to improve transparency.
  
- ◆ **Adoption of executive officer system**
  - » Executive officers will have tenure of one year, and will supervise business operations and execution of administrative functions. They will have executive responsibility and responsibility for operating performance.
  - » In order to ensure timely management decisions, the maximum number of directors will be reduced from 30 to 10, and their tenure reduced from 2 years to 1 year.



# Statement of

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# Corporate Mission

- ◆ We in the Kuraray Group are committed to pioneering new business domains through highly original technology, while contributing to the preservation of the natural environment and enhancement of the quality of life.



**【Reference】**

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# Toward Remaining 3 years of 'G-21'

- Original strategic targets remain unchanged

Reinforcement of  
Core Businesses

'Market in'

'Eco-friendly'

**Profitability + Corporate citizenship**

- Review of the first 2 years

**Positives**

- Operating performance on recovery track
- Efficiency of asset utilization enhanced

**Negatives**

- Lack of speed
- Lack of entrepreneurship

**Actions to be taken**

Quick response to changes in market structure



Speedy and powerful business promotion through in-house company system, and enhancement of the Company's ability to originate innovative ideas and proposals through reinforced corporate functions



**【 Reference】**

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## **Basic Measures To Be Implemented for the Remaining 3 Years of the plan**

### **》 Seeking Growth in Areas of Strength**

- Enhancement and expansion of vinyl-acetate and optics-related product ranges
- Stable and sustained realization of scale merit from expanded production capacity
- Additional management resources to be concentrated in capital expenditure and R&D

### **》 Enhancing Functions as Incubator of the Next Generation Businesses**

- Open R&T center in the U.S.
- Establish Optical Device R&D center
- Create new units for business alliances and M&A  
(Corporate Strategy and Planning Division)



# Changes in Strategic Areas (1)

			Chemicals and resins	Fibers and textiles	High performance materials, medical products and others
<b>Focused business</b>	<b>Strategic areas</b>	<b>IT</b>	PVA film for LCDs	<KURALON> for battery separator	PTV screens <GENESTAR>
		<b>Eco-friendly</b>	<EVAL> <SEPTON> <HYBRAR>	<KURALON> substitute for asbestos	
		<b>Environment</b>			Activated carbon
		<b>Medical</b>			
	<b>Diversified areas</b>		PVA (other use) Isoprene Fine chemical	<KURALON>, <KURALON K-II> (Other uses) <Clarino>	
<b>Other businesses (incl. those subject to restructuring)</b>			MMA monomer, etc.	Polyester, Non-woven fabric, etc.	Affiliated Companies



# Changes in Strategic Areas (2)

(unit: ¥billion)

		FY2000 Actual Results	FY 2001 Actual Results	FY 2002 Actual Results	FY 2003 Target	FY 2005 Target	
<b>Focused business</b>	<b>Strategic areas</b>	<b>IT</b>	<b>20.0</b>	<b>23.0</b>	<b>30.0</b>	<b>37.0</b>	<b>60.0</b>
		<b>Eco-friendly</b>	<b>40.0</b>	<b>45.0</b>	<b>47.0</b>	<b>52.0</b>	<b>70.0</b>
		<b>Environment</b>	<b>10.0</b>	<b>10.0</b>	<b>13.0</b>	<b>14.0</b>	<b>16.0</b>
		<b>Medical</b>	<b>15.0</b>	<b>15.0</b>	<b>15.0</b>	<b>16.0</b>	<b>18.0</b>
	<b>Strategic areas total</b>		<b>85.0</b>	<b>93.0</b>	<b>105.0</b>	<b>119.0</b>	<b>164.0</b>
	<b>Diversified areas</b>		<b>75.0</b>	<b>74.0</b>	<b>95.0</b>	<b>97.0</b>	<b>106.0</b>
<b>Focus Business total</b>		<b>160.0</b>	<b>167.0</b>	<b>200.0</b>	<b>216.0</b>	<b>270.0</b>	
<b>Other businesses (incl. those subject to restructuring)</b>		<b>154.0</b>	<b>139.0</b>	<b>122.5</b>	<b>124.0</b>	<b>130.0</b>	
<b>Total</b>		<b>314.0</b>	<b>306.0</b>	<b>322.5</b>	<b>340.0</b>	<b>400.0</b>	



**【Reference】**

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## Factors Contributing to the Change in Op. Income between FY2002 and FY2003

	Chemicals and resins	Fibers and textiles	High performance materials, medical products and others	Elimination and corporate	Total
Selling Price	(0.3)	(0.5)	(1.0)	-	(1.8)
Sales Volume and Compositions	2.9	0.6	1.1	-	4.6
Foreign Exchange Effect	(0.4)	(0.2)	(0.2)	-	(0.8)
Raw Material Costs	(0.9)	(0.1)	0.0	-	(1.0)
Cost reduction, etc.	0.8	0.9	0.8	(0.7)	1.8
Total	2.1	0.7	0.7	(0.7)	2.8

19.9→22.0

4.8→5.5

8.3→9.0

(7.8)→(8.5)

25.2→28.0



## 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.**