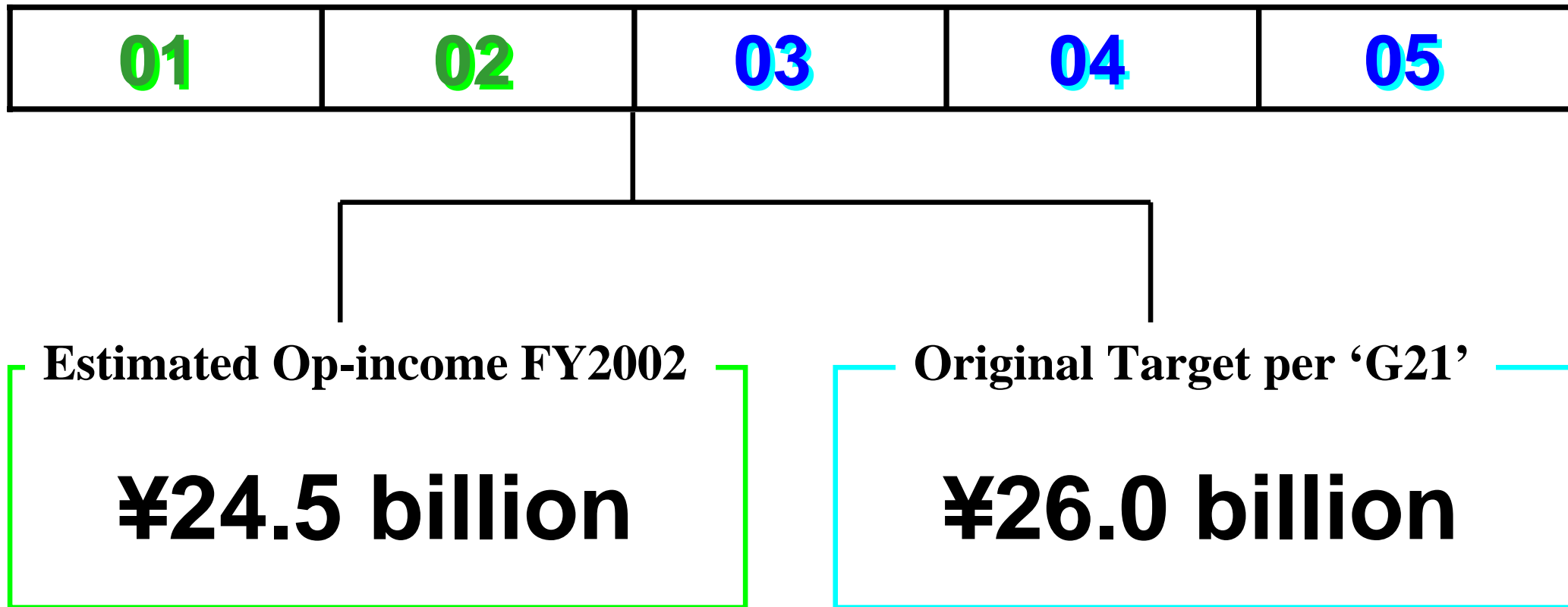


‘G-21’ Medium-Term Plan:
Update and Outlook
for Remaining 3 Years

President Yasuaki Wakui
KURARAY CO., LTD.

February 2003

'G21' Medium-Term Plan / 5-Year Plan



Determine reasons for the shortfall and ensure achievement of Plan targets over remaining 3 years

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

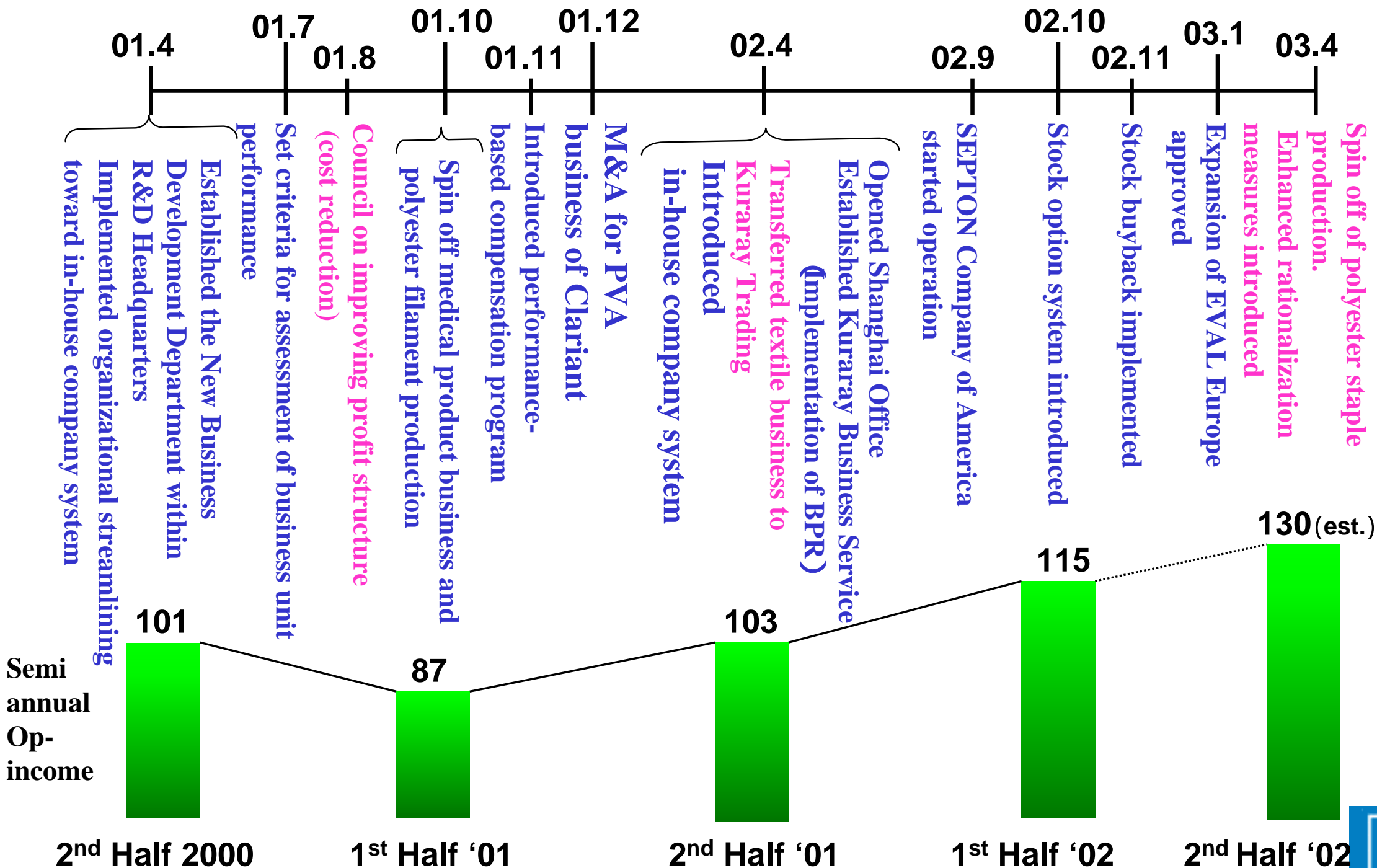
- Operating performance on recovery track
- Efficiency of asset utilization enhanced

Negatives

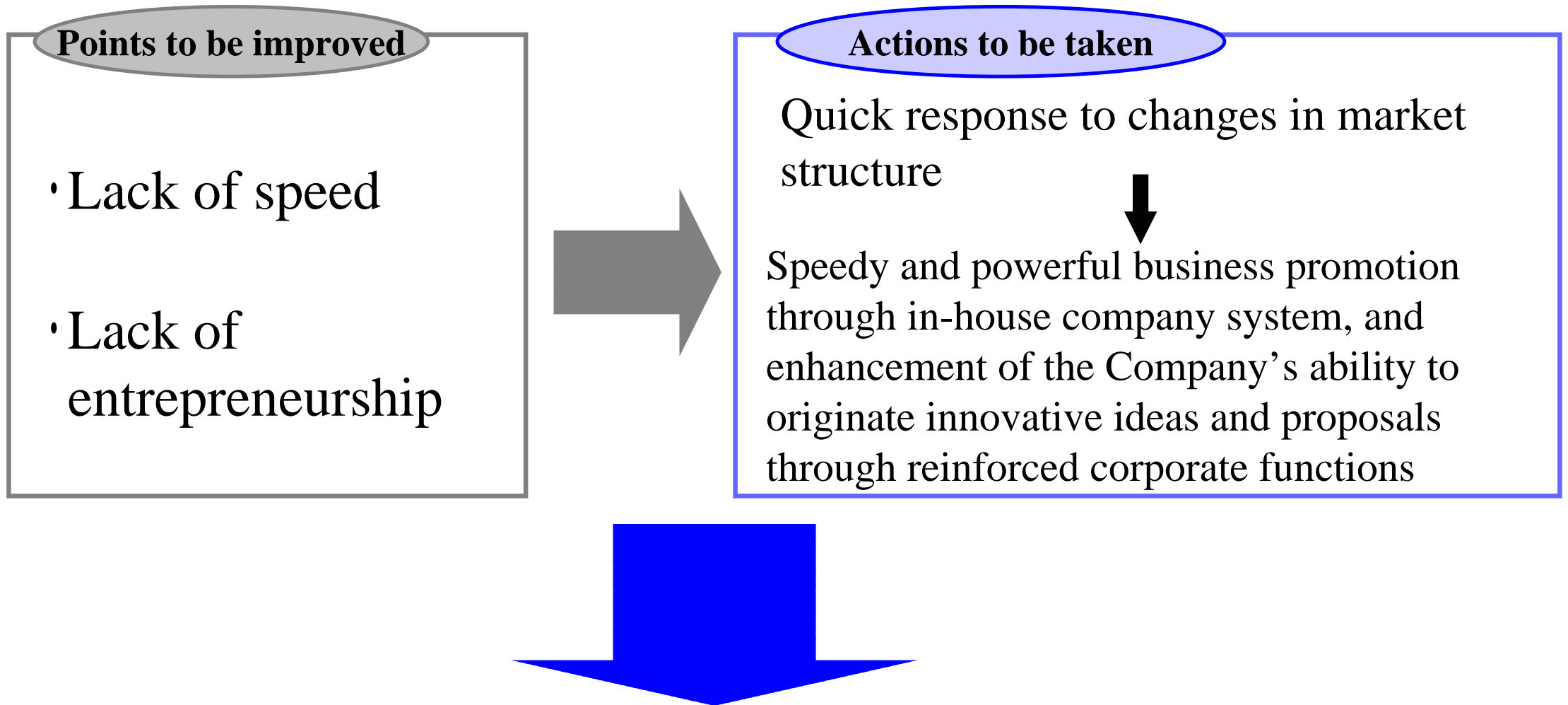
- Lack of speed
- Lack of entrepreneurship

Measures Implemented

in the First 2 Years



Focusing on Profit Growth



Action Plans for Remaining 3 Years Driven by Company Heads

From Profitable Growth to Profit Growth

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 product development center for optical devices
- Create new units for business alliances and M&A

Measures by Segment

[Chemicals & Resins]

POVAL

- Profit enhancement by expansion of the main business centers in Japan/Europe/Asia
 - Expansion of KSE
 - Revenue improvement at KSA
 - Securing global new demand by focusing on strategic products
- Maintain the dominant share and improve profitability for PVA film for LCD's

EVAL

- Expansion of global marketing volume with another production enhancement in sight (EVALCA in U.S.)
 - Develop automobile-related applications
 - Develop new applications
- Enhancement of R&D and launch of new products
(Development of super barrier materials)

Measures by Segment

【 Chemicals & Resins 】

MMA

- Revenue expansion by raising the share of polymer-related products
(Decrease export volume of low margin monomer-related products)
- Enlargement of optics-related product range
(PTV front board, Light Guide Panel for LCD, etc.)
- Expansion of production capacity (pellet, sheet)

Isoprene Chemicals

< TPE >

- Full-scale deployment of SEPCA in U.S. and sales increase for another production capacity expansion

< Fine Chemicals >

- Expansion of aromachemicals and pharmaceutical intermediates
- Profit recovery for vitamin-related products
(Alliance with partners, expansion of business domain into derivatives)

Measures by Segment

[Fibers & Textiles]

KURALON, KURALON K-II

< KURALON >

- Expansion of filament business (rubber materials, etc.)
Full-scale operation of new production lines and further expansion (another production expansion in sight)

< K- >

- Accelerated marketing of ECC (Engineered Cementitious Composites)

Polyester

< Filament >

- Expansion of products with differentiation
(Rate of differentiated products, 30% in 2002 70% in 2005)
- Enhancement of comprehensive production lines “from filament to woven products” in collaboration with Kuraray Trading

< Staple >

- Implementation of restructuring plan (spin off of production, halving capacity, withdrawal from unprofitable products)

Measures by Segment

【 Fibers & Textiles 】

Man-made Leather

- Expansion of sales volume (materials for shoes and interior furnishing)
- Profitability improvement through cost reduction
- Development of the next generation products

Non-Woven Fabrics & Fastening Materials

- Recovery of profitability (cost reduction and development of new applications)
- Establishment of production center & sales network overseas (especially in China and other Asian countries)

Measures by Segment

**[High-Performance Materials,
Medical Products, and Others]**

Medical Products

- **Expansion of business for dental materials**
 - Further penetration into European and U.S. markets
 - Full-scale entry into Chinese market
- **Development and launch of new dialytic membranes products**

Opto-Screens

- **Expanded applications for PTV in U.S. and China**
- **Augment screen production capacity**
- **Profitability enhancement through improved production efficiency**

High-Performance Materials

- **Promotion of PA9T (GENSTAR) to make it mainstay material product**
 - Expansion in electronic components area and full-scale market expansion for automobile area
- **Early contribution to revenue by newly-started businesses**
(Liquid crystalline polymer film, etc.)
- **Enhancement of eco-related businesses (PVA Gel, Membranes/Appliances)**

Capital Expenditure

(¥Billion)

	2001 ~ 02	2003 ~ 05	' G-21 ' Total
New Plant & Expansion	20.0	40.0	60.0
Rationalization/Other	15.0	40.0	55.0
CAPEX Total	35.0	80.0	115.0

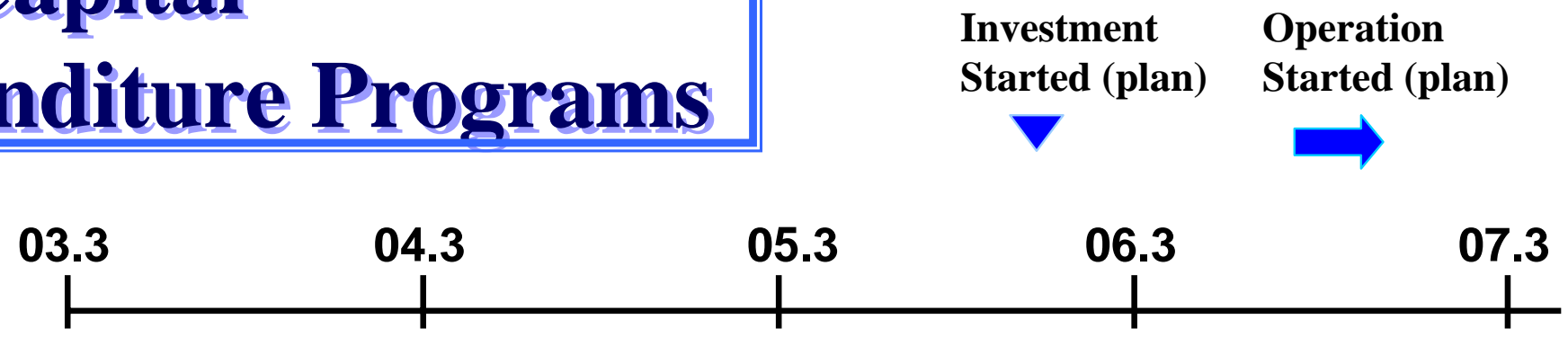
M&A Strategy

2001~02 ¥30 Billion

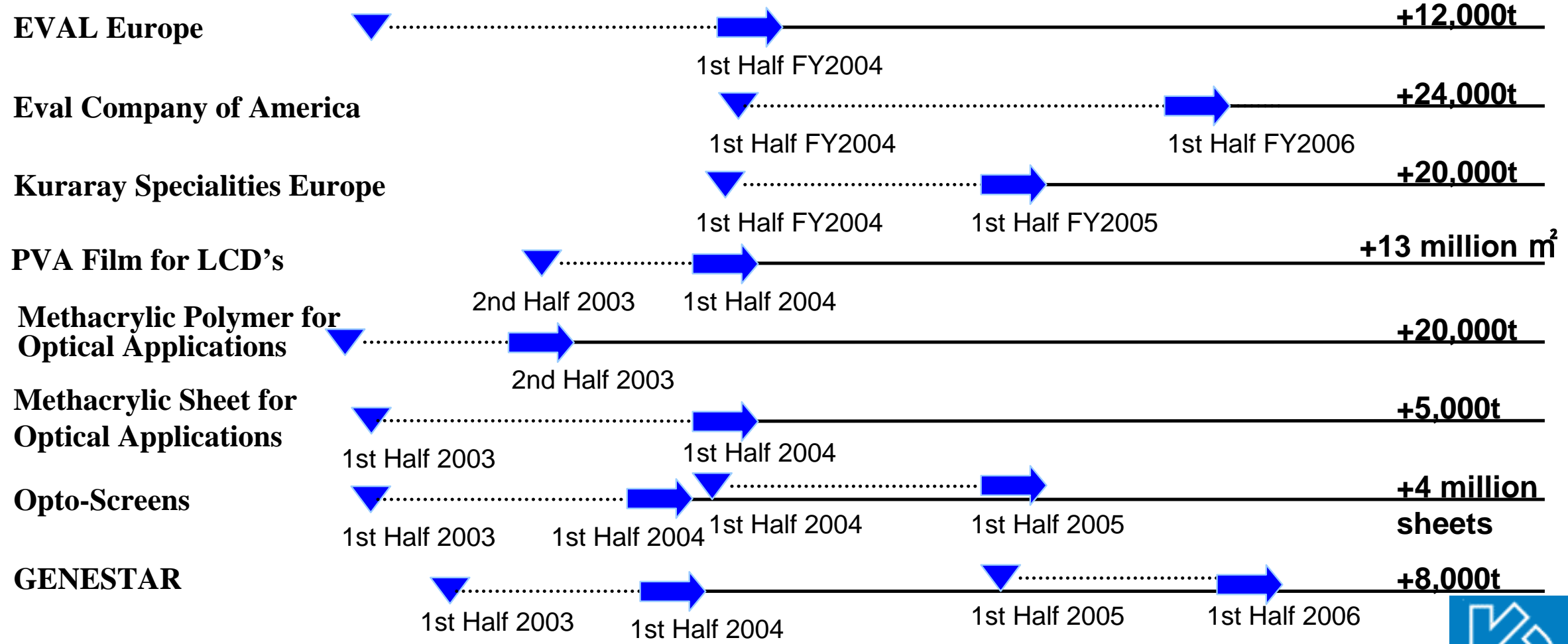
2003~05 + α

Study both upstream and downstream expansion through horizontal and vertical M&A in order to strengthen and enhance the core businesses

Major Capital Expenditure Programs

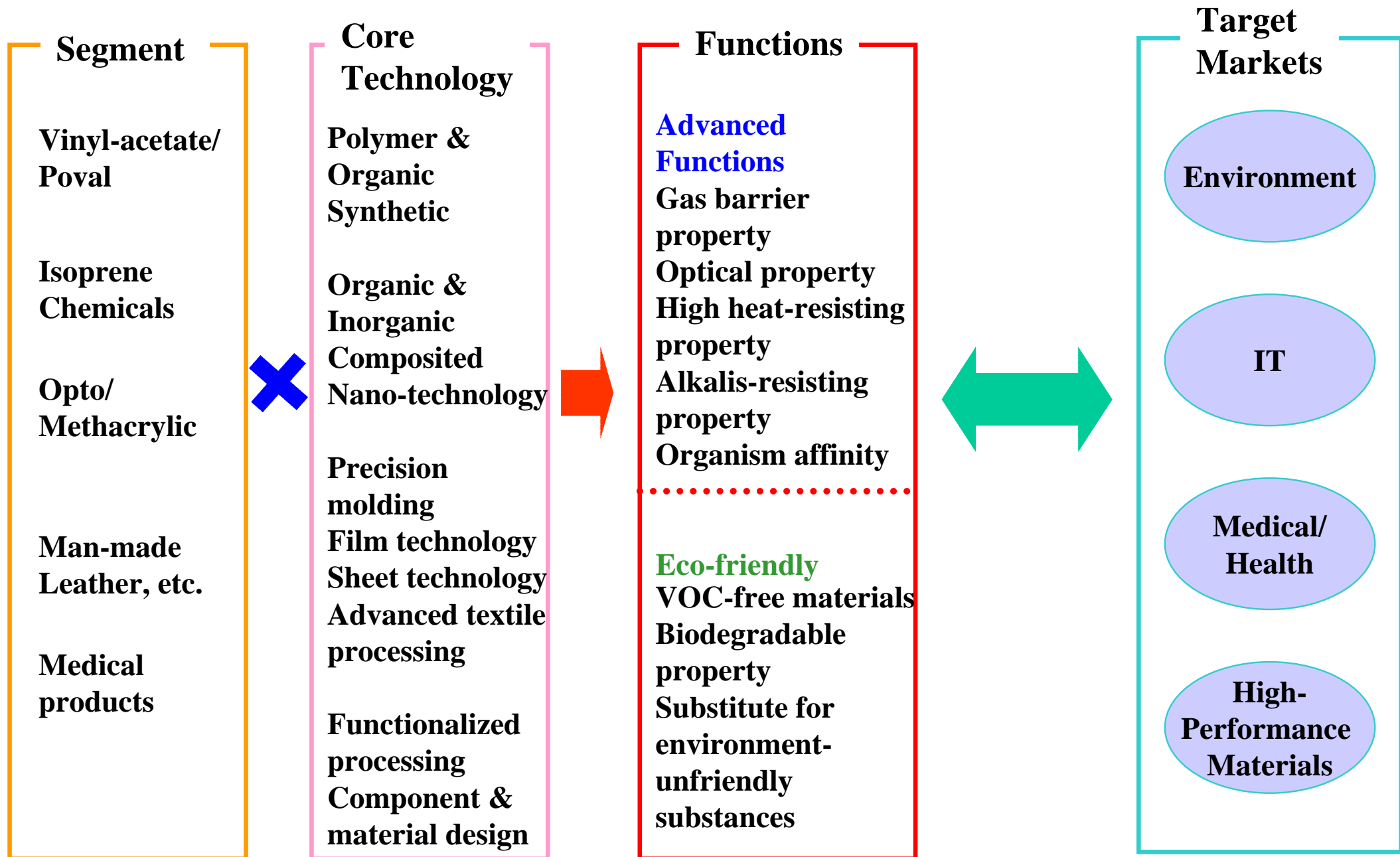


Expansion Scale

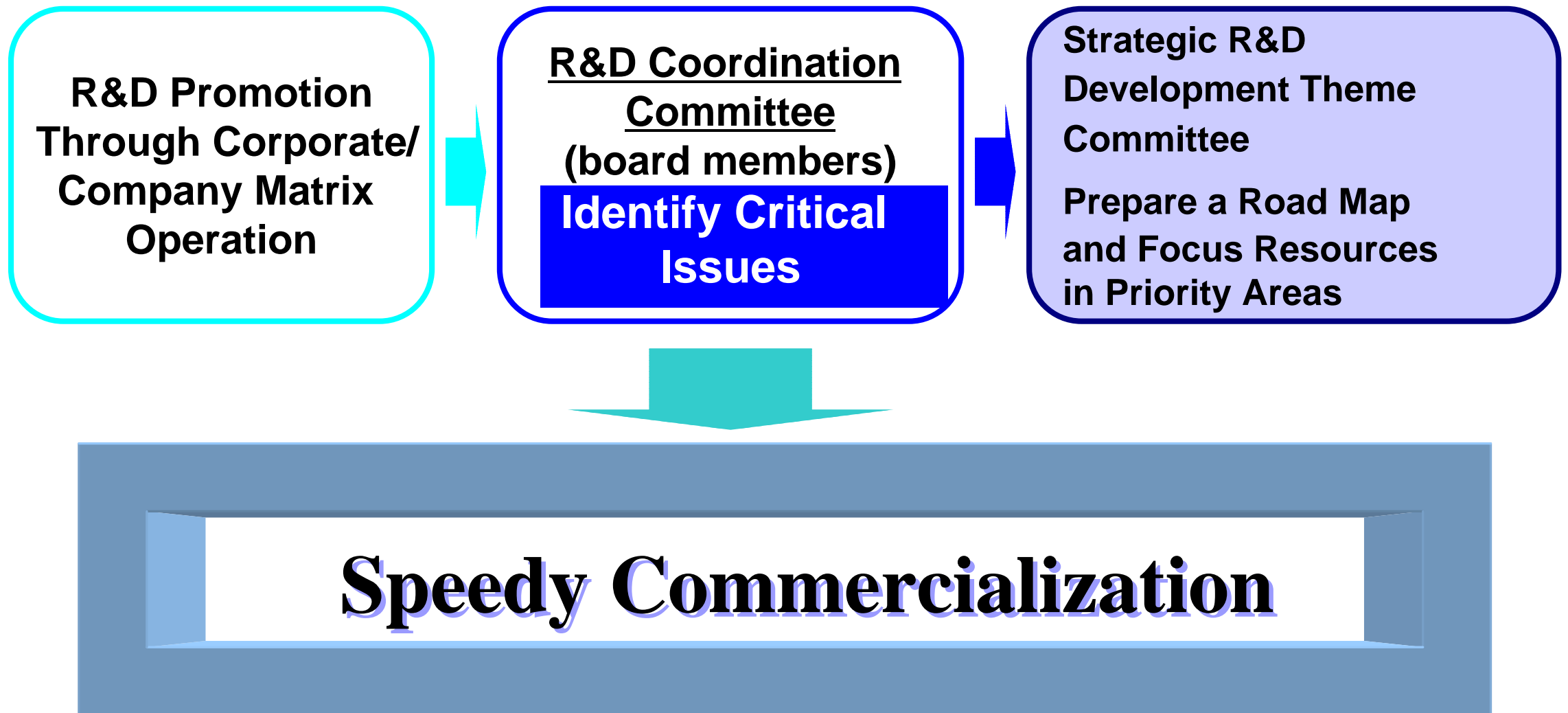


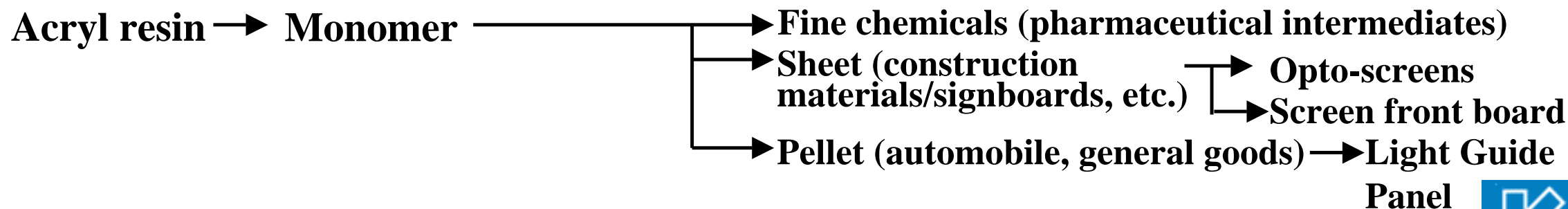
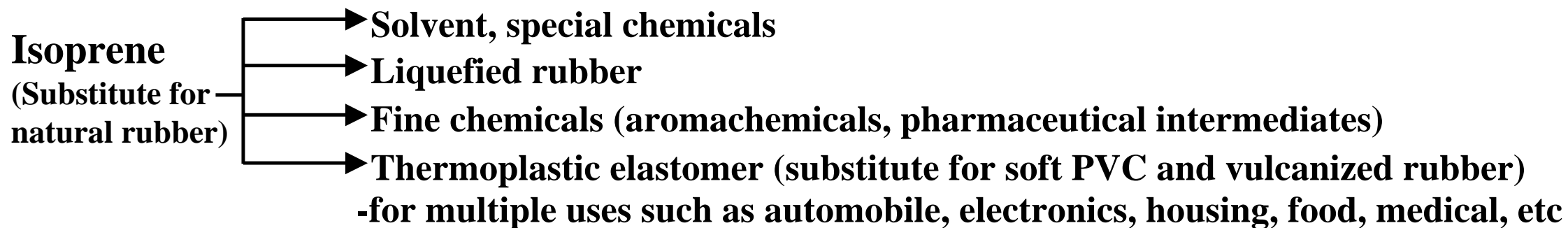
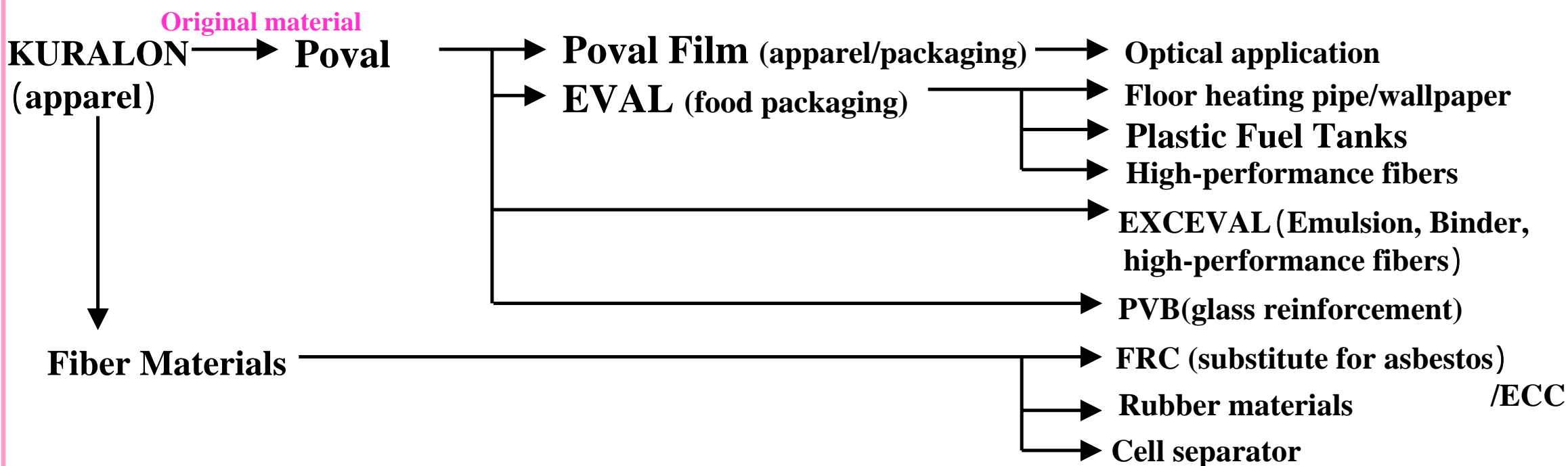
Toward Further Growth

(Proprietary Technologies, Advanced Functions, 'Market In')



Speedy Commercialization of R&D Results

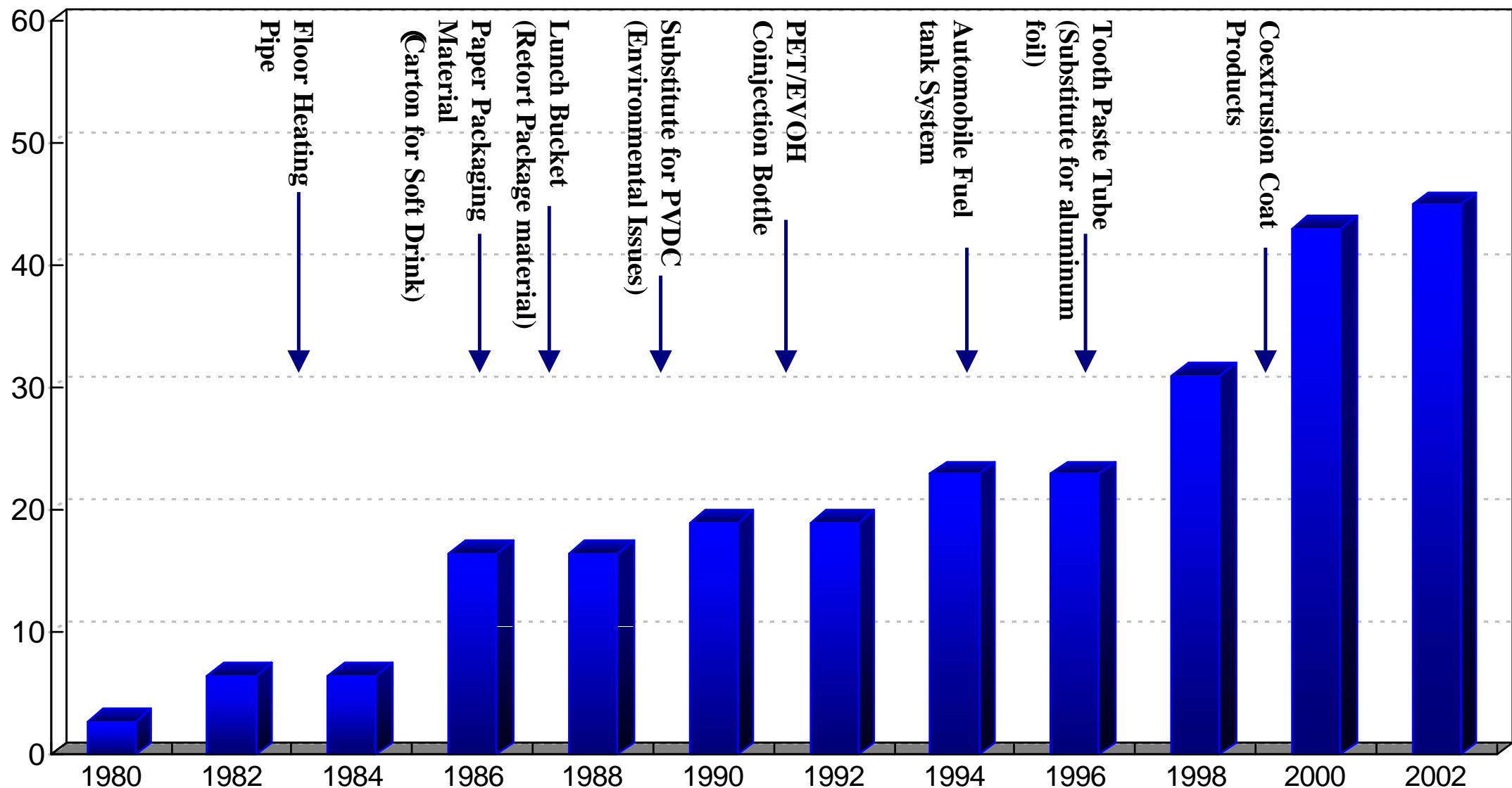




Business Model Orientated for Application Development

Example of EVAL : Continuous Application Development

Production Capacity (1000 tons)



Targets for the Final Year (fiscal 2005)

- **ROA** ••• **More than 8%**
- **Net Sales** ••• **¥400 billion**
- **Operating Income** ••• **¥40 billion**

Assumptions

Exchange Rate: ¥120/Dollar, ¥120/Euro

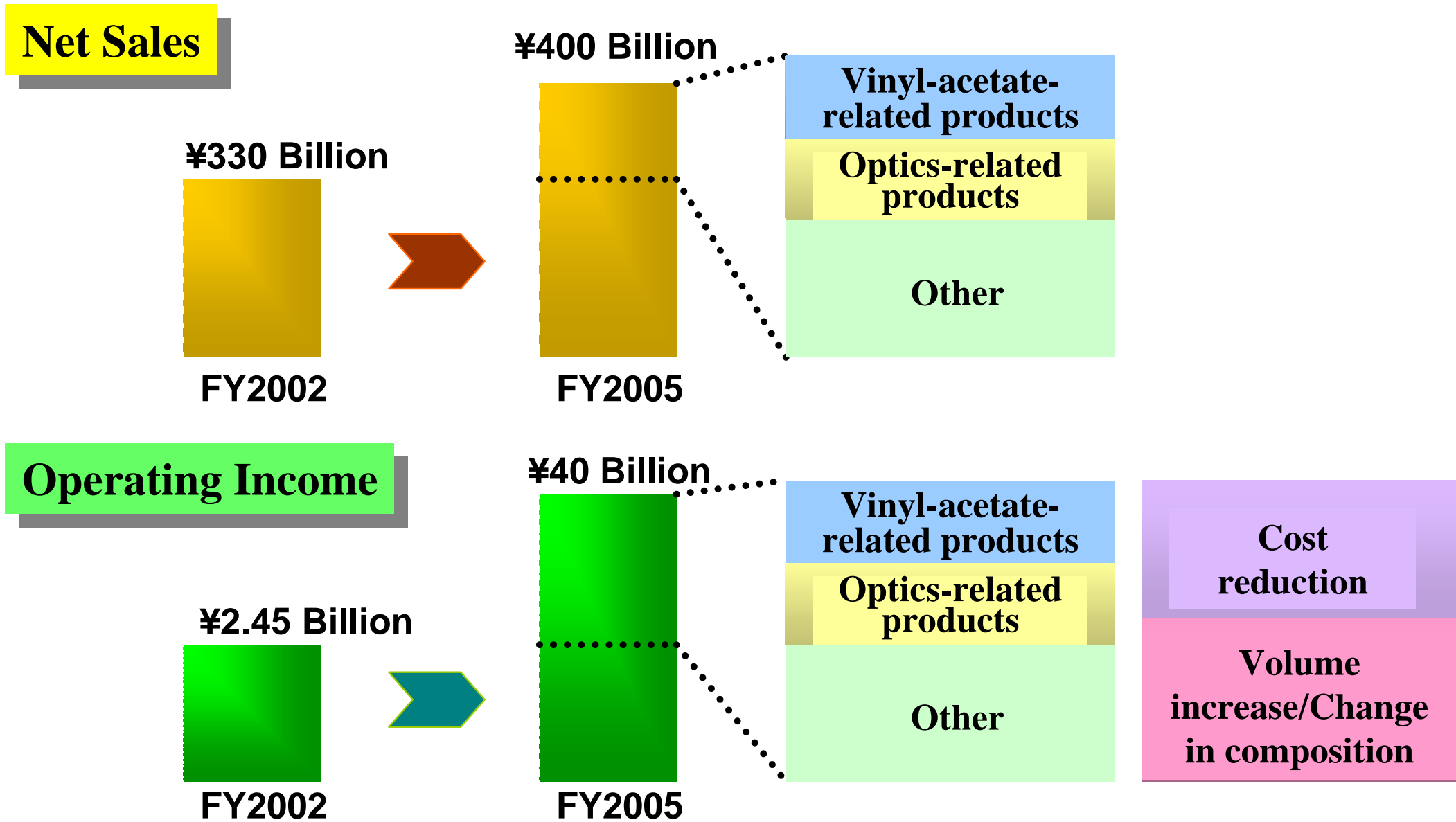
Oil Price: \$25/Barrel

Targets by Segment

(Unit: ¥Billion)

		FY2002	FY2003	FY2005
Chemicals & Resins	Net Sales	148.0	158.0	190.0
	Operating Income	19.5	22.0	30.0
Fibers & Textiles	Net Sales	112.0	110.0	110.0
	Operating Income	5.0	6.0	7.0
High-Performance Materials, Medical Products & Others	Net Sales	70.0	77.0	100.0
	Operating Income	7.5	8.0	11.0
Elimination or Corporate	Operating Income	- 7.5	- 8.0	-8.0
Total	Net Sales	330.0	345.0	400.0
	Operating Income	24.5	28.0	40.0

Factors Contributing to the Change in Net Sales & Operating Income Between FY2002 and FY2005



Efficient Asset Utilization

March 2001

March 2006 (Unit: ¥Billion)

Notes and Accounts Receivable/ Inventories 172.3	Liabilities (Notes and Accounts Payable 57.0) 223.0	Notes and Accounts Receivable/ Inventories 158.0	Liabilities (Notes and Accounts Payable 48.0) 135.0
Tangible Fixed Assets 127.5	Shareholders' Equity 289.5	Tangible Fixed Assets 170.0	Shareholders' Equity 310.0
Financial Assets 182.4		Financial Assets 70.0	
Other 30.3		Other 47.0	
512.5		445.0	

Total Asset Turnover: 0.61 times 0.90 times

Inventory turnover: 2.9 months 1.8 months

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.