1H of FY2007 Earnings Presentation

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I General Review

Representative Director and President Yasuaki Wakui

II Summary of 1H FY2007 Consolidated Results

Managing Director Nobuo Iwawaki

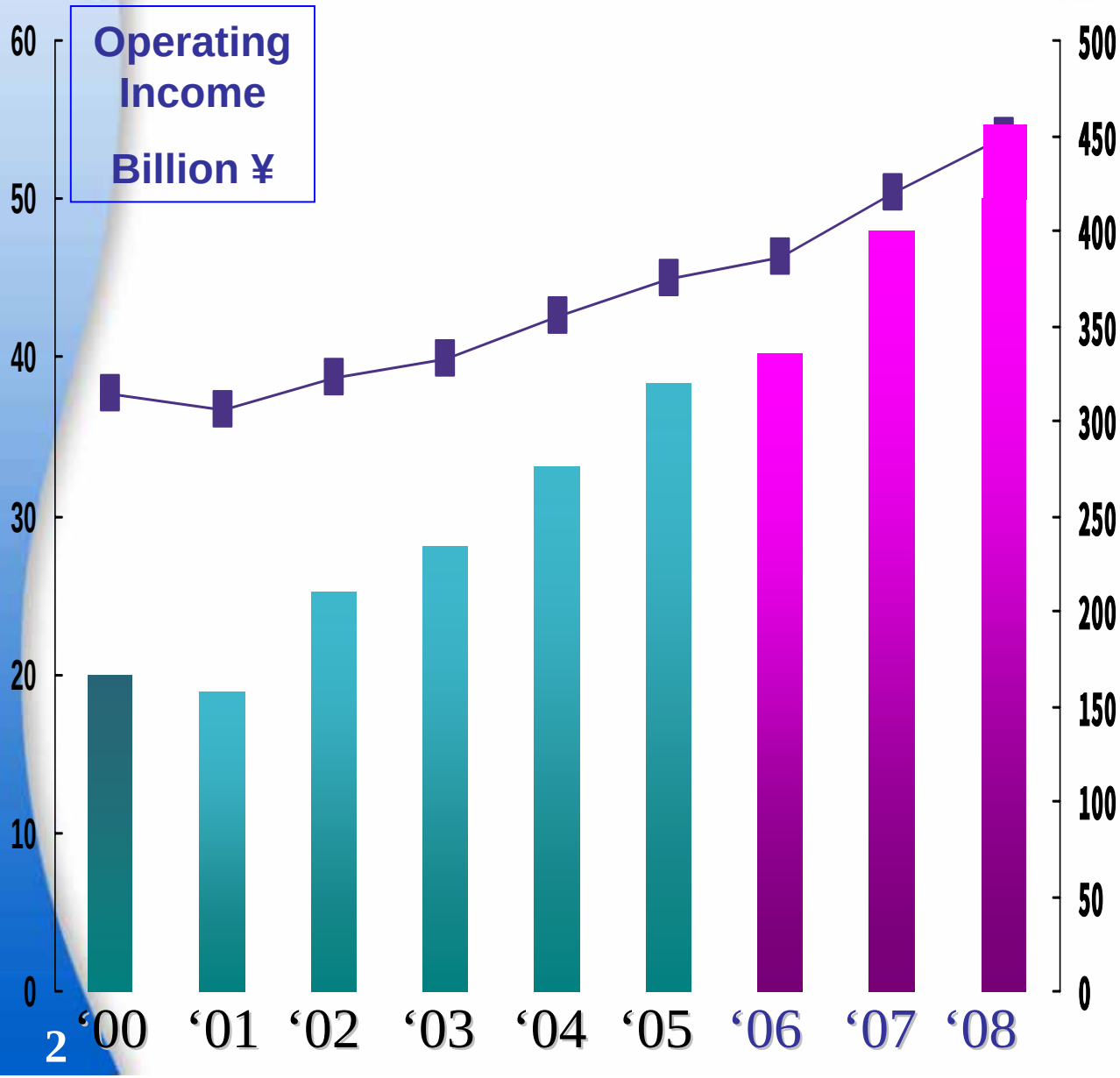
III Toward creating New Businesses

Representative Senior Managing Director
Junsuke Tanaka

KURARAY CO., LTD. October 30, 2007

Summary of Financial Results

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GS-21

	Net Sales	Operating Income
2006	385.3	40.2
2007 (est.)	**420.0**	**48.0**
2008 (est.)	450.0	50.0～

Toward Progressive Refinement

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Rising high raw materials and fuel prices

Shorter product life cycles through tougher competition

Progressive Refinement

Worsening global environmental issues

Increasing the Value of unique and high performance materials and devices produced using less amount of raw materials

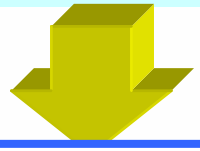
Realize *"Sustainability"*

by living in harmony with global environment

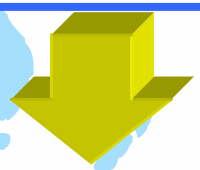
Entering New Markets

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- Emerging countries have been developing
  - Increasing of per capita GDP
  - More sophisticated demand from end users



Increased demand for highly value-added products



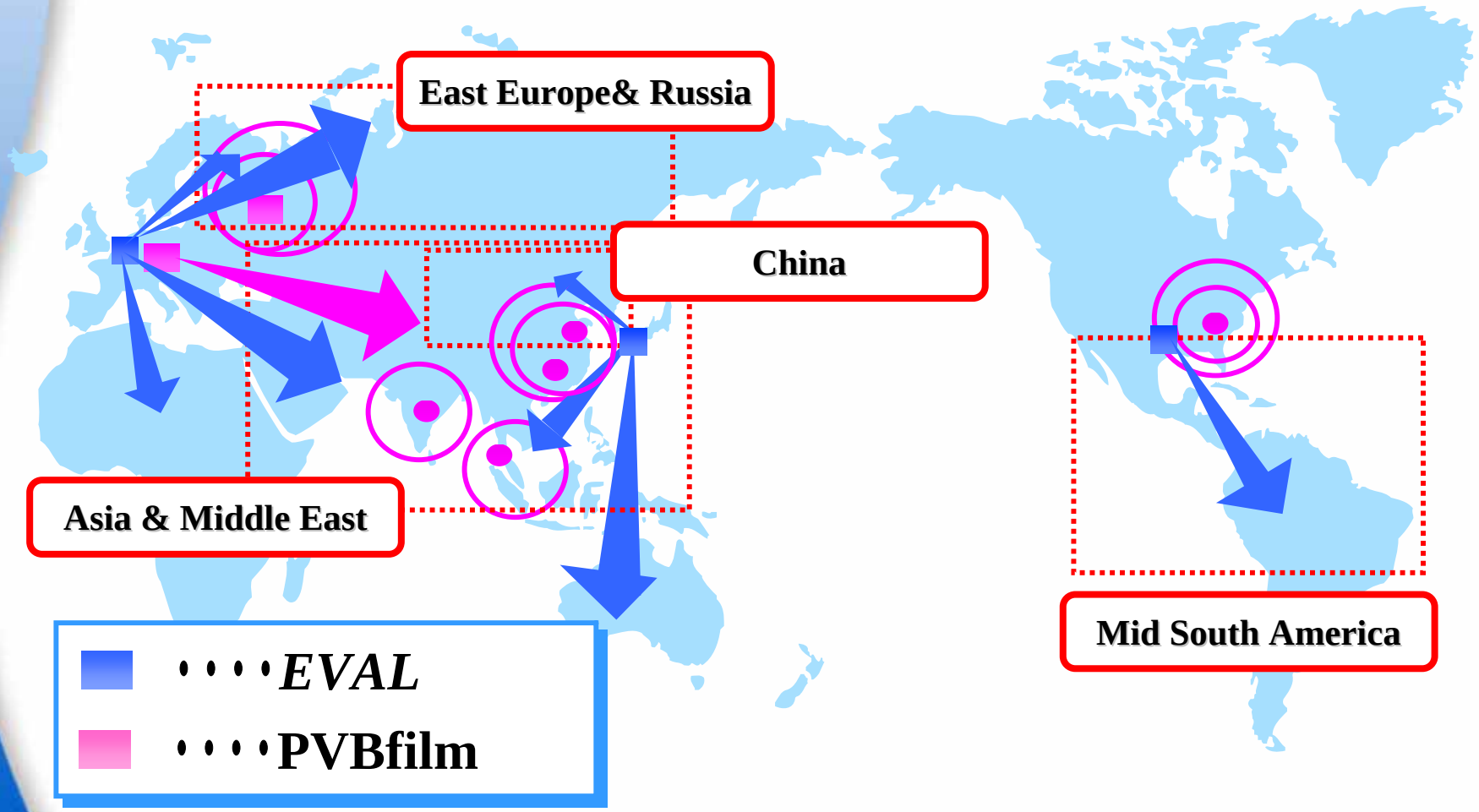
Expansion of our potential markets

Entering New Markets (ex.)

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North America・Western Europe

China・India・Russia・Mid South America



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II Summary of 1H FY2007 Consolidated Results

Managing Director Nobuo Iwawaki

Summary of 1H FY2007

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Billion¥

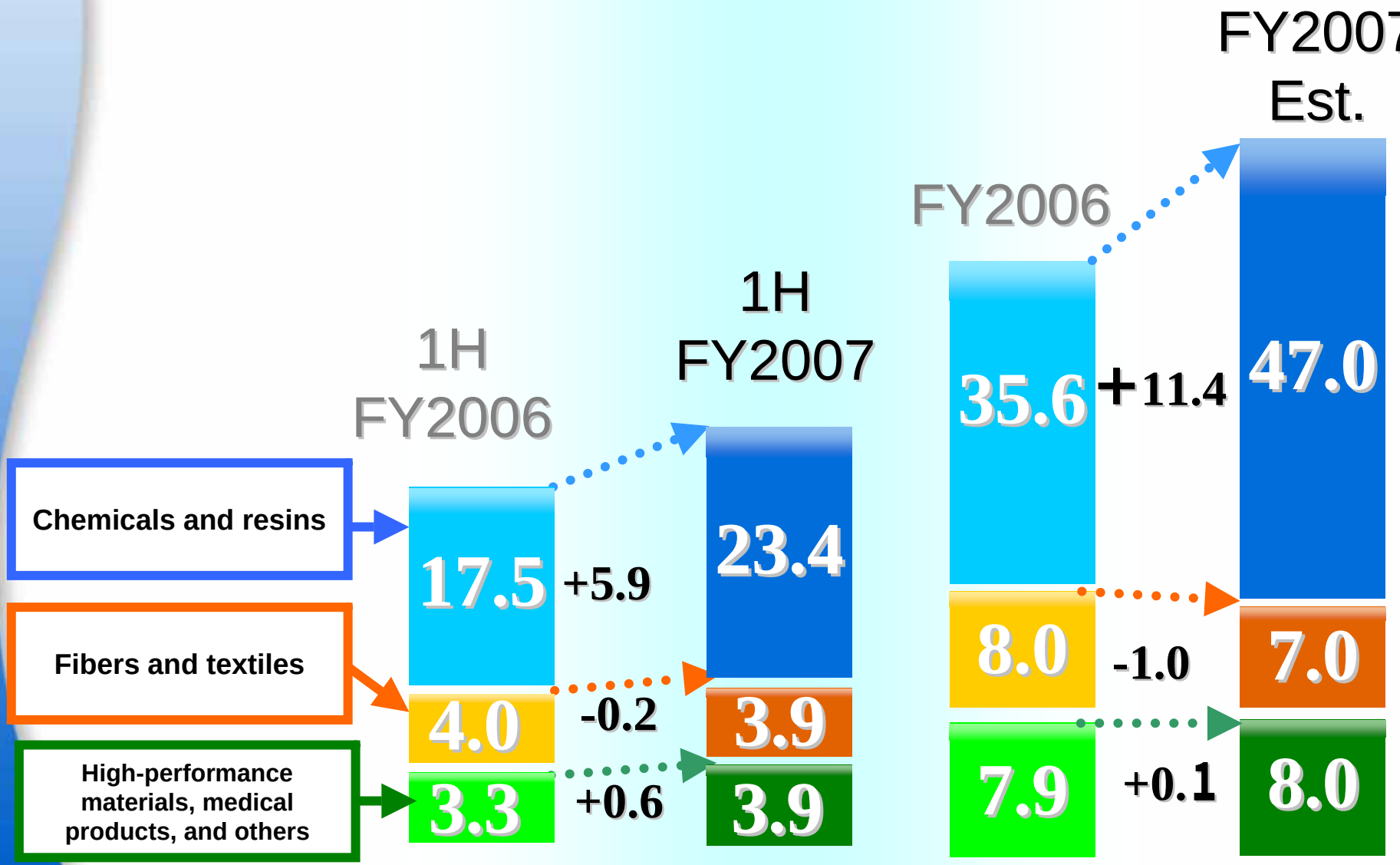
	1H FY2007	1H FY2006	Difference
Net Sales	206.2	191.3	14.9
Operating Income	24.3	19.1	5.1
Ordinary Income	22.7	17.3	5.4
Net Income	13.9	9.9	4.0
Operating Margin	11.8%	10.0%	1.8point
R O E	8.0%	5.8%	2.2point
R O A	9.7%	7.9%	1.8point

ROE：1H Net Income x 2/Average Shareholders' Equity　　**ROA：1H Operating Income×2/Average Total Assets**

Change in the operating Income by segment

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Billion ¥



Summary of Consolidated Balance Sheets / Assets

Billion ¥

	End of Sep. 2007	End of Mar. 2007	Difference
Current Assets	197.1	218.0	-20.8
Fixed Assets	297.9	290.7	7.2
Total Assets	495.0	508.7	-13.7

Share Buy Back

Fixed Assets

CAPEX	22.7
DEP&Amort.	-14.4
Foreign Exchange	4.9
Others	-0.9
Total	**+12.3**

Summary of Consolidated Balance Sheets / Liabilities and Net Assets

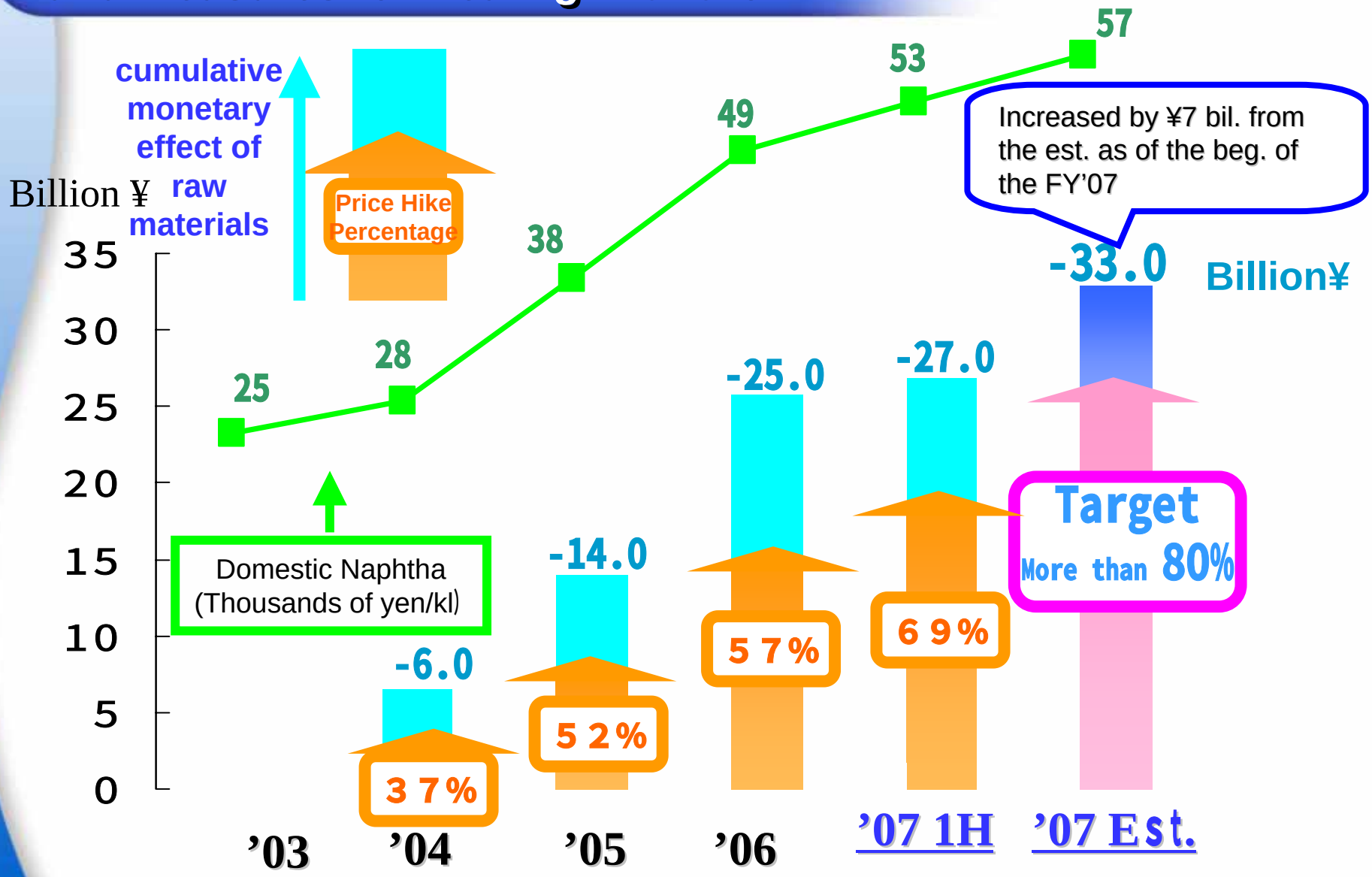
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Billion ¥

	End of Sep. 2007	End of Mar. 2007	Difference
Current liabilities	94.4	94.4	-0.0
Non-current liabilities	59.2	55.7	3.5
Total liabilities	153.6	150.1	3.5
Total net assets	341.4	358.6	-17.1
Total liabilities and net assets	495.0	508.7	-13.7

Share Buy Back
-30.0
Retained earnings
+13.0

The Effects of Raw Materials and Fuel Costs and Measures for Dealing with them



*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

Factors Affecting the Change in Operating Income / Result

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1H FY2007	**24.3 billion yen**
Raw materials	-3.5
Selling price increase	+5.5
Sales volumes and composition improvement	+4.5
Depreciation and amortization	-1.6
Foreign exchange	+1.5
Common expenses and others	-1.3
1H FY2006	**19.1 billion yen**

5.1 Billion yen UP

	1H FY2006	1H FY2007
Domestic Naphtha／kl	47.5 thousand yen	53.3 thousand yen
Dollar	115 yen	119 yen
Euro	146 yen	162 yen

Factors Affecting the Change in Operating Income / Est.FY07

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FY 2007 Est.	**48.0 billion yen**
Raw materials	-8.0
Selling price increase	+11.5
Sales volumes and composition improvement	+10.0
Depreciation and amortization	-6.5
Foreign exchange	+1.8
Common expenses and others *	-1.0
FY 2006 Result	**40.2 billion yen**

7.8 Billion UP

*Includes 1.3 billion yen as Effects by changing overseas subsidiaries fiscal year

	'06 Annual	'07 2H Assumption
Domestic Naphtha／kl	49.3 thousand yen	60.0 thousand yen
Dollar	116 yen	115 yen
Euro	146 yen	160 yen

Segment Highlight

Billion¥

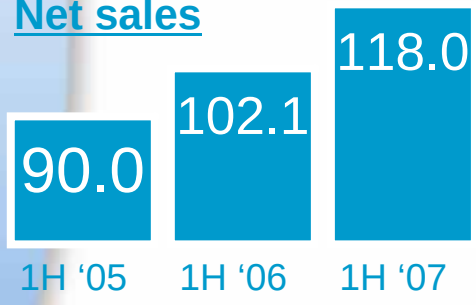
	1H FY 2007		1H FY 2006		Difference	
	Net sales	Op. income	Net sales	Op. income	Net sales	Op. income
Chemicals and resins	118.0	23.4	102.1	17.5	15.9	5.9
Fibers and textiles	53.3	3.9	53.1	4.0	.2	-0.2
High-performance materials, medical products, and others	34.9	3.9	36.1	3.3	-1.2	0.6
Elimination and corporate	—	-6.9	—	-5.7	—	-1.2
Total	206.2	24.3	191.3	19.1	14.9	5.1

Segment Highlight (Chemicals and Resins)

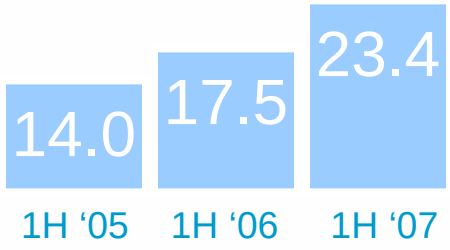
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Billion ¥

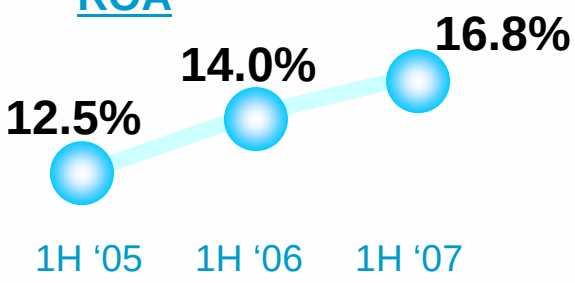
Net sales



Operating income



ROA

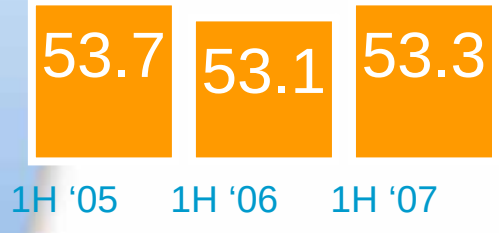


Poval Increased income on increased sales	Sales of poval films for optics rose owning to increased demand . The annual production capacity expanded from 61 mil. m^2 to 91 mil. m^2. We tried to promote Poval resin's price-raising. The PVB film business saw strong demand for construction applications.
EVAL Increased income on Increased sales	Sales for food packaging applications remained solid. The business enjoyed volume growth in automobile applications due to demand in Asian markets The increased portion of raw materials and fuel costs were gradually passed on to product prices.
Isoprene Decreased income on increased sales	Regarding *SEPTON*, we tried to raise the price and cut costs as well as promote differentiated products. While specialty chemical products performed well mainly in foreign markets, fine chemicals continued to struggle with aroma chemicals and agricultural intermediates facing tougher competition.
Methacrylic Decreased income on increased sales	Price-raising could not offset the rising raw materials and fuel costs resulting in decreased income on increased sales. The demand for molding materials for optical materials for LCD applications remained strong.

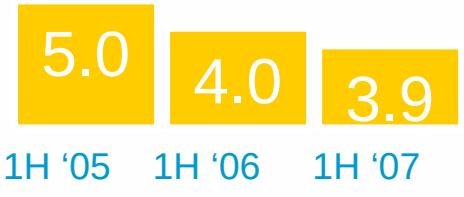
Segment Highlight (Fibers and Textiles)

Billion ¥

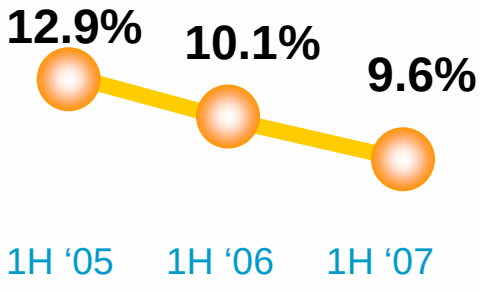
Net sales



Operating income



ROA



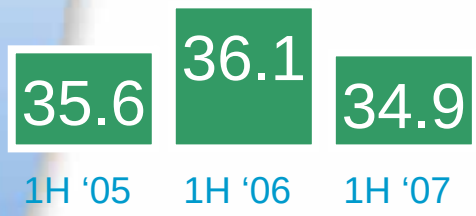
KURALON Increased income on increased sales	The demand for asbestos-substitute FRC (fiber-reinforced cement) applications remained strong. The increased portion of raw materials and fuel costs were eventually passed on to product prices.
Man-made leather Decreased income on decreased sales	Although some including light industry products and polishing materials performed well, the product line was affected by weak demand for shoe applications and increased raw materials and fuel costs
Non-woven fabrics and fastening materials	While the sales volume in automobile and other applications remained solid, rising raw material costs reduced the income in the Non-woven fabrics Fastening materials demand for automobile applications expanded.
Polyester and others	The polyester business saw solid demand in core areas such as sport clothing. Although the business was affected by rising raw materials and fuel prices, we tried to raise prices and cut costs. *VECTRAN,* high-strength fiber, performed well mainly in the U.S. market

Segment Highlight

High-performance materials, medical products, and others

Billion ¥

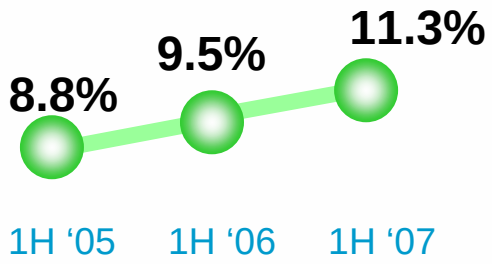
Net sales



Operating income



ROA



Medical products Increased income on increased sales	In the medical business, sales of dental materials increased abroad, especially in the U.S. The dialyzer business merged with the counterpart of Asahi Kasei Medical Co., Ltd. in October 2007.
High-performance materials, others	*GENESTAR*, heat-resistant polyamide resin, continued to show solid sales in electronics materials applications in Asian markets. The activated carbon business for applications such as water purifiers performed solidly. The engineering business, which saw strong orders, and other related businesses remained solid.

Forecast for 2007

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Billion ¥

	1 H	2 H	Annual
Net sales	206.2	213.8	420.0
Operating income	24.3	23.7	48.0
Ordinary Income	22.7	21.3	44.0
Net Income	13.9	11.6	25.5
CAPEX	22.7	23.3	46.0
Depreciation and amortization	14.4	17.6	32.0
R&D expenses	7.4	8.1	15.5

	(1H Result)	(2H Assumption)
Domestic Naptha／kl	53．3thousand yen	60．0thousand yen
Dollar	119yen	115yen
Euro	162yen	160yen

Reference

Billion ¥

Forecast for 2007 Net Sales and Operating Income by Segment

	Sales			Operating Income		
	1H	2H	Annual	1H	2H	Annual
Chemicals and resins	118.0	127.0	245.0	23.4	23.6	47.0
Fibers and textiles	53.3	51.7	105.0	3.9	3.1	7.0
High-performance materials, medical products, and others	34.9	35.1	70.0	3.9	4.1	8.0
Elimination and corporate	—	—	—	-6.9	-7.1	-14.0
Total	206.2	213.8	420.0	24.3	23.7	48.0

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III Toward creating New Businesses

Representative Senior Managing Director

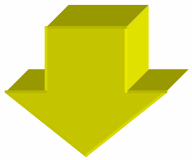
Junsuke Tanaka

Developing New Businesses

To realize sustainable growth of Kuraray



Create new major businesses supporting our future



A new business structure and efforts started in October 2007

Efforts to Create New Businesses ASAP

I	Focusing management resources on certain themes through selection and concentration
II	How to search for and determine themes for new business development
III	New efforts to ensure the results of R&D effectively lead to new businesses and products
IV	Abolishing the “Not Invented Here (NIH)” Policy

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I Focusing management resources on certain themes through selection and concentration

Screening development themes

(Profitability, expectancy effects, urgency, etc.)

Focusing management resources on the screened themes

(Reshuffle of 120 development staff members)

Rapid creation of new businesses

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II How to search for and determine themes for new business development

- Specifying business domains with top-down approach

  "Electronics/optical materials" "Environment/energy field"
  Material/device businesses that can be developed based on characteristic raw materials/materials and processing technology

- Determining multiple development themes while imagining business prospects within the specified business domains

  Finding sufficient themes within a focus domain to approach a market collectively from the area as a whole rather than separately from scattered points

- Installing a group to search for new businesses

  •Installing a group for development theme search to find sufficient fine development themes (Increasing the number of group members from 23 to 60)

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III New efforts to ensure the results of R&D effectively lead to new businesses and products

- Building a steadfast business model at the beginning of the development process
- Introducing a leader to promote the R&D process as a whole from the view point of management. (Introducing a New Business Development and Promotion Department)
- Establishing a business structure where production technology development starts in an early stage of the development process

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IV Abolishing the “Not Invented Here (NIH)” Policy

- Collaborating with external research organizations such as universities
- Allying with other companies through measures including M&A. (Cooperation with office of Strategy Planning required)
- Establishing a committee to consider development themes and business models

Making enough discussions at a committee composed of not only development staff members but also other in-house members including sales representatives and external experts.

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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.