

IR Presentation

January 29, 2004

Kureha Chemical Industry Co., Ltd.

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Corporate Profile

Kureha Chemical Industry

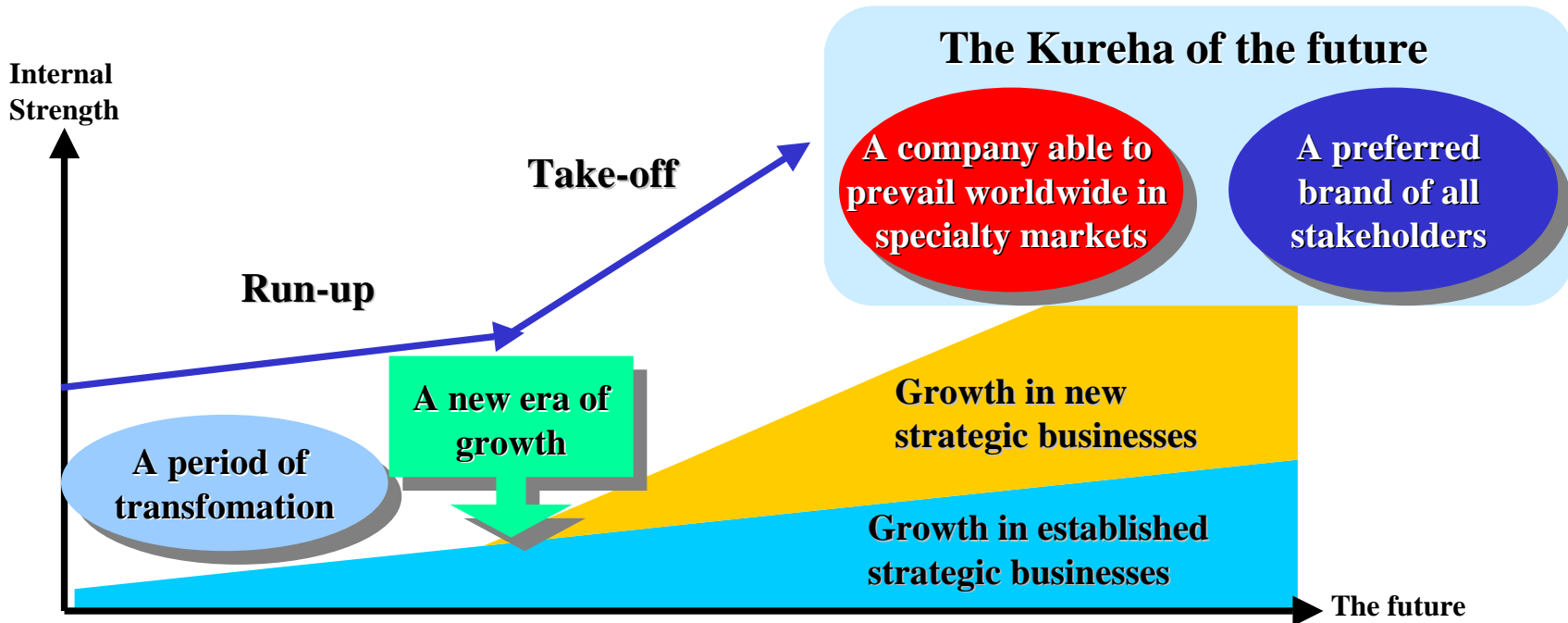
- Established : June 21, 1944
- Paid-in capital : ¥12.46 billion (September 30, 2003)
- Activities : Manufacture and sales of advanced materials, specialty products and plastics, and related activities
- Sales : Consolidated: ¥137.6 billion Non-consolidated: ¥84.0 billion
(year ended March 31, 2003)
- Assets : Consolidated: ¥167.3 billion Non-consolidated: ¥133.3 billion (September 30, 2003)
- Employees : Consolidated: 3,948 Non-consolidated: 1,474 (September 30, 2003)
- Head office : 1-9-11 Nihonbashi Horidome-cho, Chuo-ku, Tokyo

Group Companies

- Advanced Materials : Kureha Corporation of America, Kureha Chemicals GmbH, Kureha KPS, Inc
- Specialty Products : Rutgers Kureha Solvents GmbH and 2 other companies
- Plastics : Krehalon Industrie B.V. and 5 other European manufacturers of food packaging materials, Kureha Plastics Co., Ltd., Kureha Gosen Co., Ltd., Kakogawa Plastics Co., Ltd., and Sanko Plastics Co., Ltd.
- Other Operations : Kureha Techno Eng Co., Ltd., Kureha Environmental Engineering Co., Ltd., Kureha Special Laboratory Co., Ltd., Nishiki Trading Co., Ltd., Kureha Kosan Co., Ltd., and 16 other companies

. Our Vision

I. Our Vision



Preservation of core strengths, strategic focus and technologies

- **Core strengths** : Build a value chain that leverages core strengths
- **Strategic focus** : RD&M(R&D management) in which resources are focused on strategic fields at the R&D stage
- **Technologies** : Foster corporate culture that enhances strengths of individuals and the organization; recognize the value of failure, encourage people to take on challenges

. Goal of Medium-Term Management Plan

II. Goals of Medium-Term Management Plan(ending March 2006)

More Progress toward rapid growth

1. Strengthen base of operation

- Make more progress toward rapid growth
- Build a sound financial base that can support upcoming investments

2. Continue focusing on strategic fields

- Constantly review business portfolio
 - Increase profitability
- Apply strategic focus and selectivity to other businesses, operations and organizational units

3. Reach numeric goals

- Generate operating income of ¥14 billion in March 2006 fiscal year

4. Foster new strategic businesses

- Accelerate new business development to produce significant results in the near future

2006

New products produce benefits

Besela

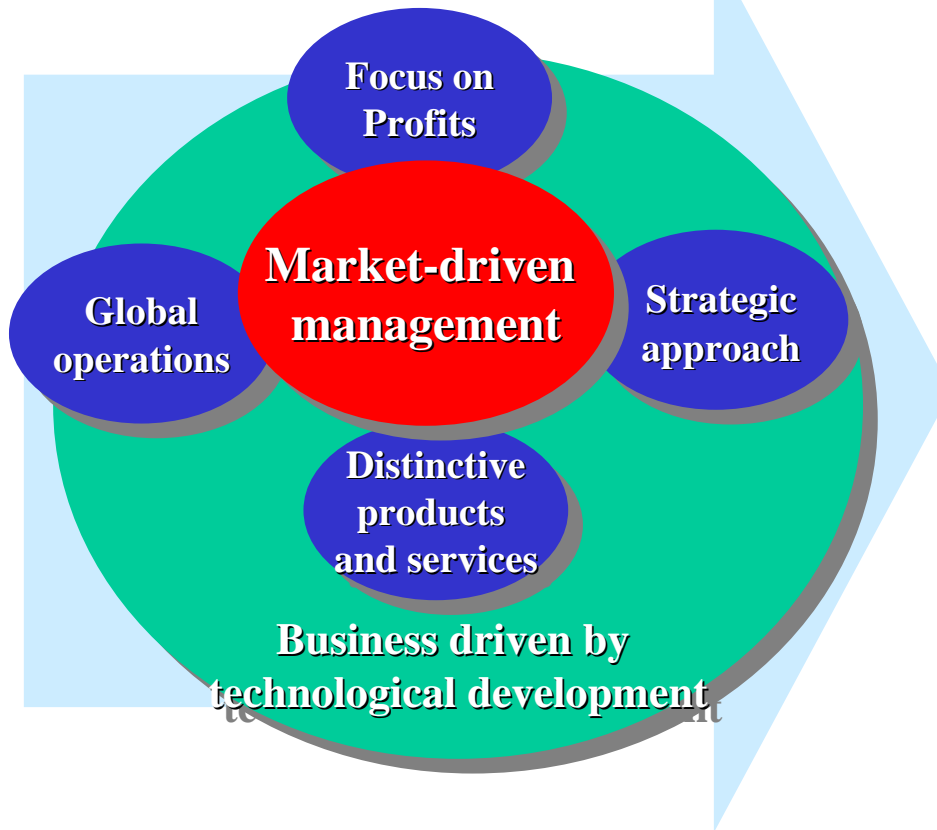
Overseas
Kremezin

PGA

Anti-HIV
agent

II - 1. Strengthen Base of Operations

(1) Market- Driven Management



Achieve goals of business plan

(3 conditions)

- Establish a roadmap and milestones
- Speed up executions
- Manage time limits

II - 1. Strengthen Base of Operations

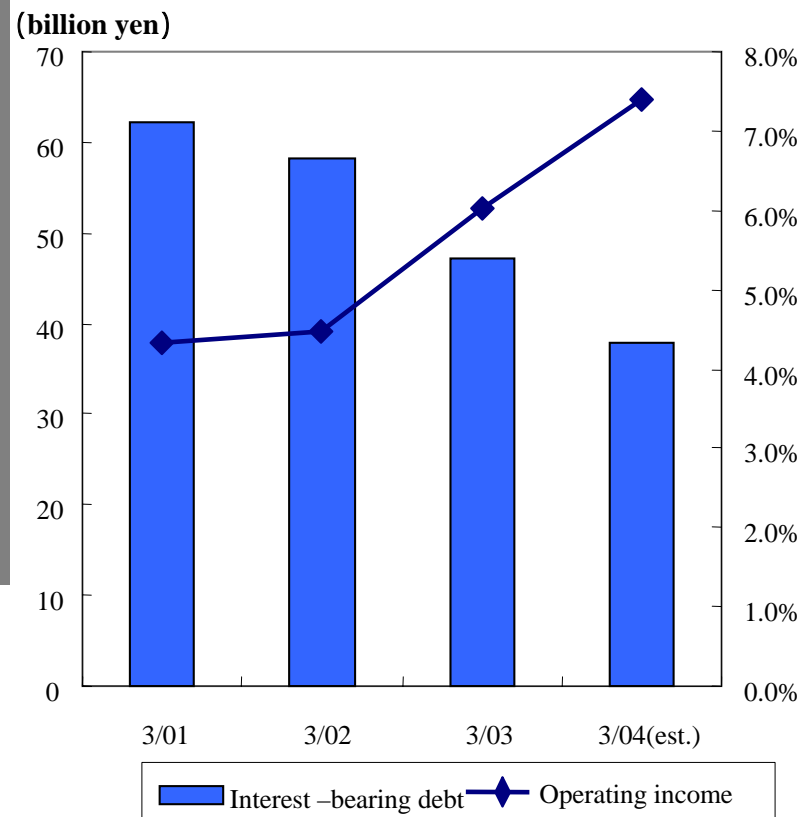
(2) Strengthen Financial Position

- Improve operating margin
- Use working capital more productively
(cut receivables and inventories)
- Loans to group companies to reduce cash and cash equivalents
- Sell idle assets and marketable securities

Increase cash flows

Reduce interest-bearing debt

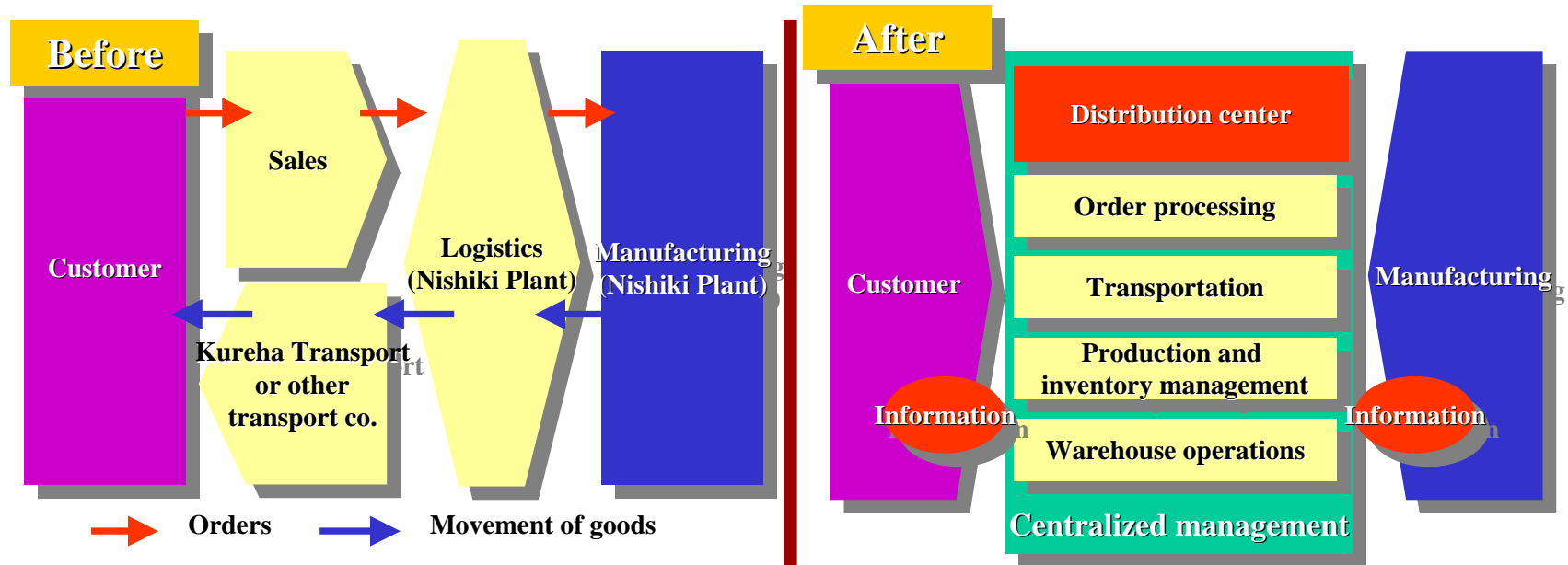
Interest-Bearing Debt and Operating Margin



II - 1. Strengthen Base of Operations

(3) Centralize Logistics Management (distribution center concept)

From partial to whole optimization = Cut costs and improve customer services



Problems:

- Overlapping functions because tasks are managed by separate division
- A trade-off between speed and cost
- Opportunity losses (lack of coordination with production plans)

Establishment of rules for transmission of information
Match sales, production and inventories

II. - 2. Continue Focusing on Strategic Fields

(1) PVC and Modifiers

PVC

- Conclude OEM production for Taiyo PVC Co., Ltd.(end of March 2004)
- Use PVC production facilities effectively, cut losses on removal of equipment
- Continue procuring PVC monomer from Keiyo Monomer Co., Ltd. (for PVDC)

Modifiers

- Continue OEM production for Rohm & Haas

II. - 2. Continue Focusing on Strategic Fields

(2) An Even Tighter Strategic Fields

Pull out of non-strategic operations

- Natural turf business Planned sales of approx. ¥1 bil. in current year
- Grand Turf(artificial turf)business Planned sales of approx. ¥0.8 bil. in current year

Conduct manufacturing in optimal locations

- Outsource DDVP(insecticide for agricultural use and disease prevention) production to overseas companies to cut costs (March 2005 fiscal year)

Cut non-strategic R&D themes

- Stop consideration of commercialization of CPA-926(drug for treatment of rheumatoid arthritis) by Kureha alone

II. - 2. Continue Focusing on Strategic Fields

(3) Growth in Environmental Business(1)

Kureha Environmental Engineering Co., Ltd.

- Has one of Japan's largest incineration capabilities(400 tons/day)
- Increase value-added services, such as incineration of medical waste

Kureha Techno Eng Co., Ltd.

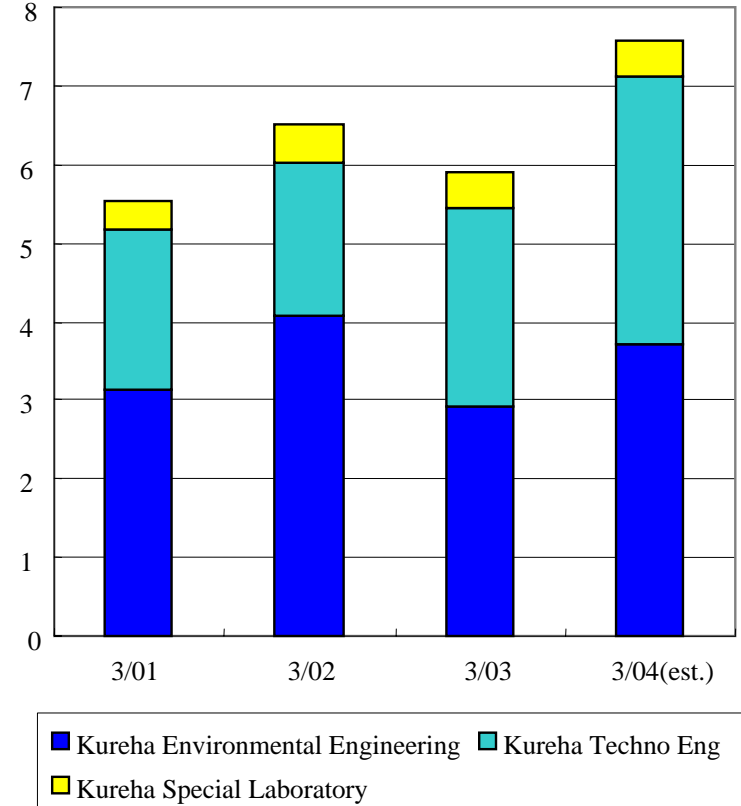
- Construction of incinerators for breaking down dioxins
- Sales of facilities for treatment of water and gases

Kureha Special Laboratory Co., Ltd.

- Environmental impact tests, soil contamination studies and other services for corporate and public-sector clients

Environmental Business Sales

(billion yen)



II. - 2. Continue Focusing on Strategic Fields

(3) Growth in Environmental Business(2)

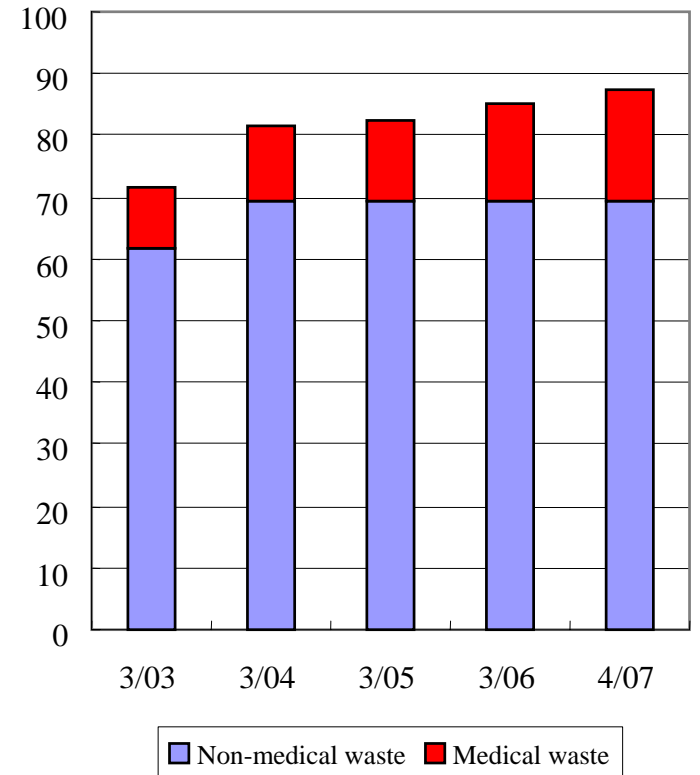
Treatment of medical waste by Kureha Environmental Engineering

- High market shares in Fukushima, Miyagi, Tochigi and Ibaraki prefectures
- Tighter regulations(adoptation of Tokyo model) is increasing demand

Chosen as model service provider by Tokyo's Katsushika Medical Association

- Capacity for medical waste disposal of 1,200 tons/month to be raised to 1,600 tons during March 2005 fiscal year
- Capital expenditures of approx. ¥0.7 bil. budgeted through March 2005, including cold storage and incinerator improvements

**Total Waste Incinerated
and Medical Waste** (thousand tons)

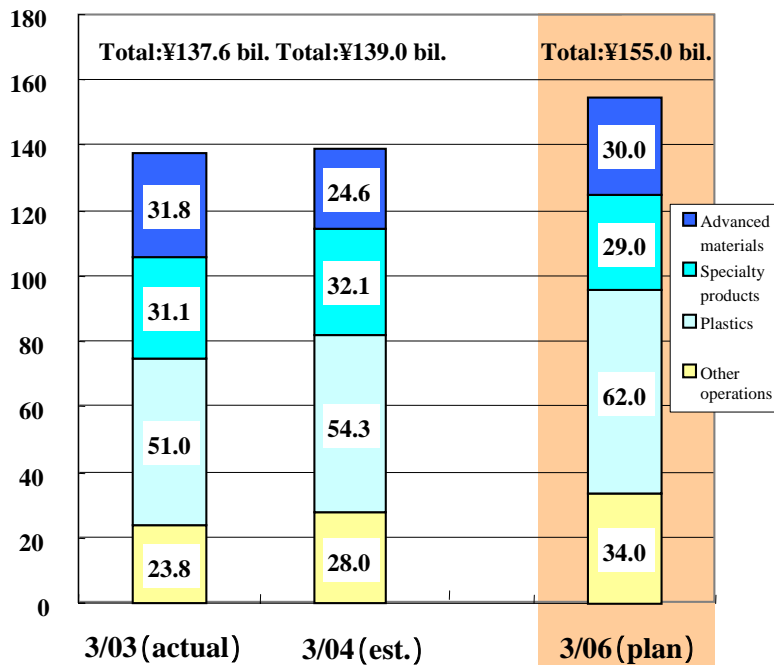


III. Business Plan

III. - 1. Financial Targets for Year Ending March 2006

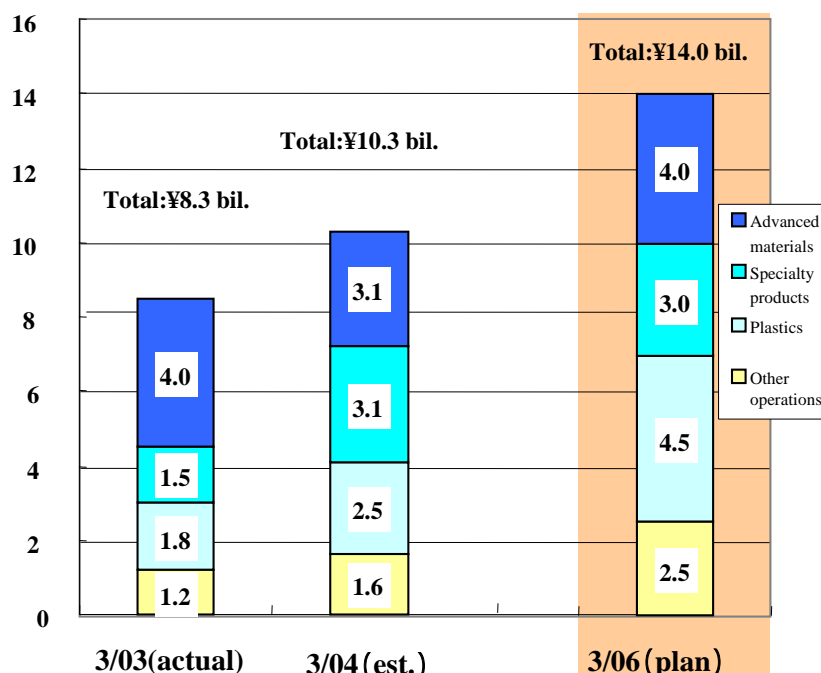
Consolidated Net Sales(Plan)

(billion yen)



Consolidated Operating Income(Plan)

(billion yen)

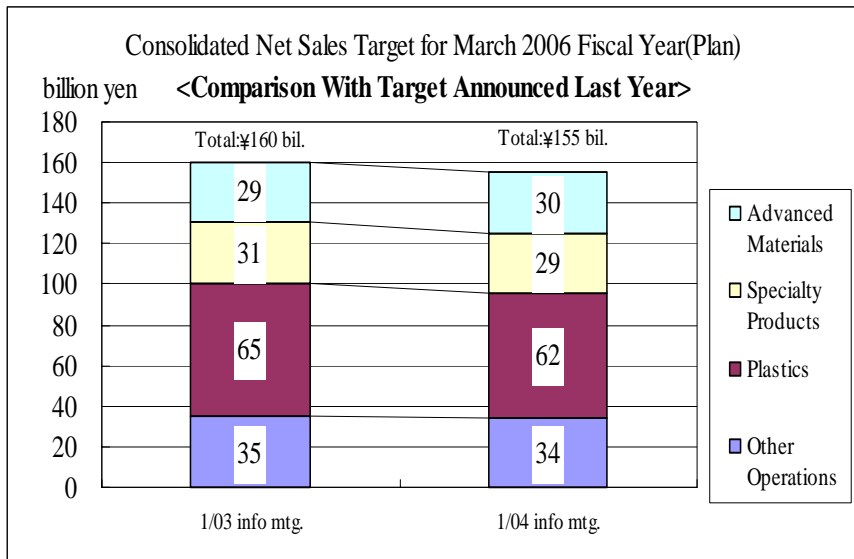


• **Advanced materials, particularly PPS super engineering plastics, will drive growth in sales and earnings over the next two years.**

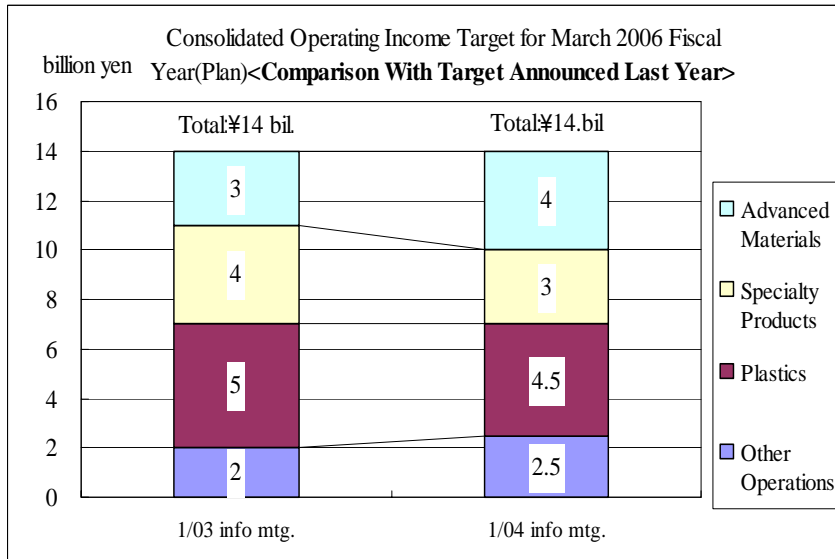
(3/03 results include a big contribution from modifiers, a business the company no longer has.)

• **Strong growth is foreseen in specialty products beginning in the March 2007 fiscal year.**

III. - 1. March 2006 Targets vs. Targets Announced Last Year



- In Advanced Materials, up ¥1.0 bil. due to strength in KPS, KF and battery materials
- In Specialty Products, down ¥2.0 bil. due to plan revisions in inorganic drugs, agricultural materials and health food
- In Plastics, down ¥3.0 bil. due to shutdown of natural and artificial turf businesses and delays in Besela operations
- In Other Operations, down ¥1.0 bil. due to review of plan for the construction business



- In Advanced Materials, up ¥1.0 bil. due to higher sales and lower expenses in KPS, KF and battery materials
- In Specialty Products, down ¥1.0 bil. due to lower sales from inorganic drugs, agricultural materials and health food; higher expenses for more geographic and application coverage of agricultural chemicals; and higher selling expenses for pharmaceuticals
- In Plastics, down ¥0.5 bil. due to delays in Besela operations
- In Other Operations, up ¥0.5 bil. due to growth in environmental engineering business

III. - 2. Advanced Materials

(1) Policies Through March 2006

- Fortron KPS(PPS) demand exceeding forecast (annual growth of approx. 10%)

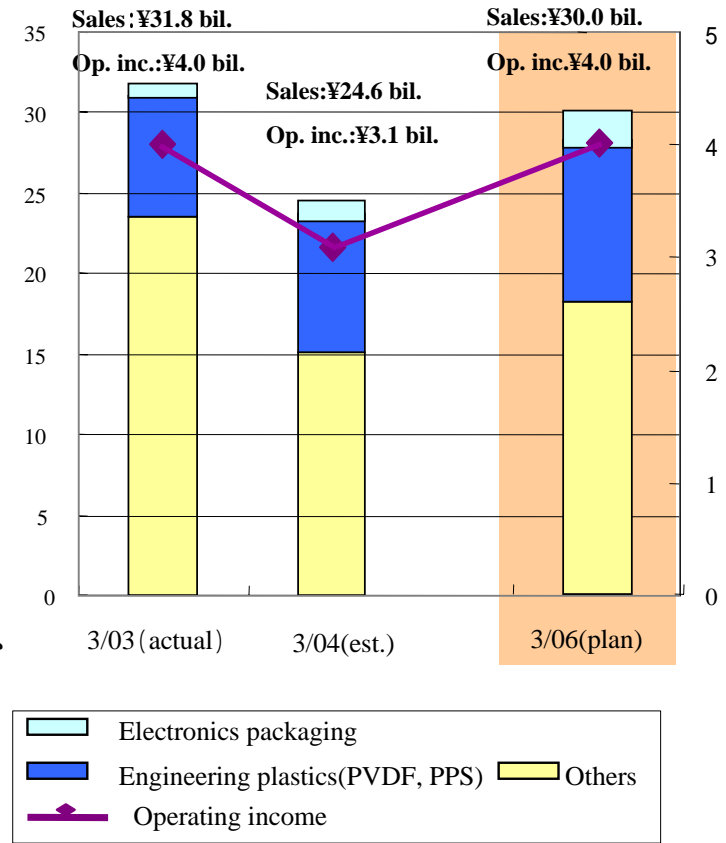
Continue to make capital expenditures in this sector

- Strong demand for PVDF(polyvinylidene fluoride), mainly for **precision water filtration and lithium-ion battery binders**

Meet demand by expanding monomer production facilities

- Increase sales of electronics packaging, mostly of Krefine(anti-static compound), an exclusive Kureha product

Net Sales and Operating Income Plan



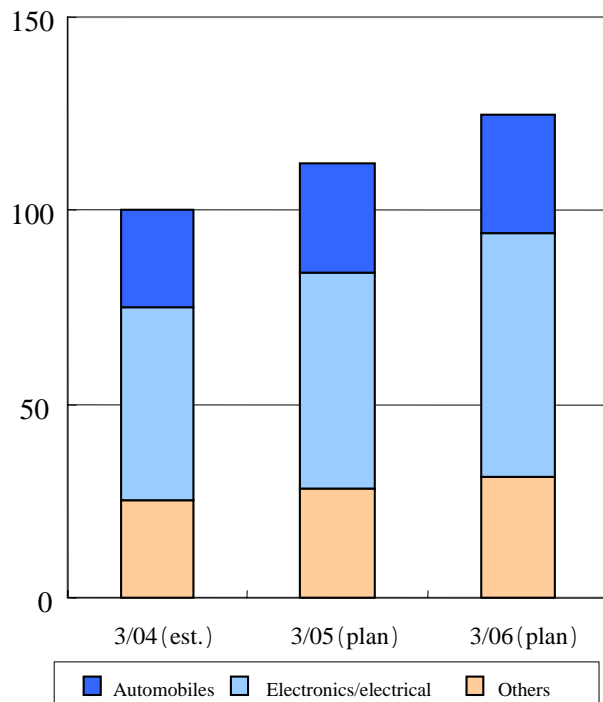
III. - 2. Advanced Materials

(2) Fortron KPS(PPS)

Status: Increasing production capacity as planned to meet growing demand

**Planned PPS Resin Shipments by Application
(in Japan)**

*3/04 forecast=100



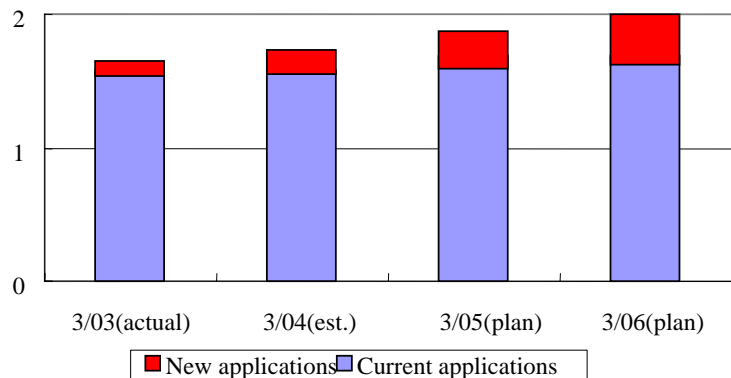
- Raised domestic output capacity from 5,400 to 6,000 tons/year(12/03) Plan to raise to 7,500 and then 10,000 tons/year as demand continues to grow.
- Kureha's half of Fortron Industries' net income, which is included in consolidated net sales, will be about ¥400 million in the current fiscal year and is expected to grow due to solid demand.
- Joint development of markets and applications with Polyplastics Co., Ltd. is raising market share of Kureha products in Japan and elsewhere in Asia.

III. - 2. Advanced Materials

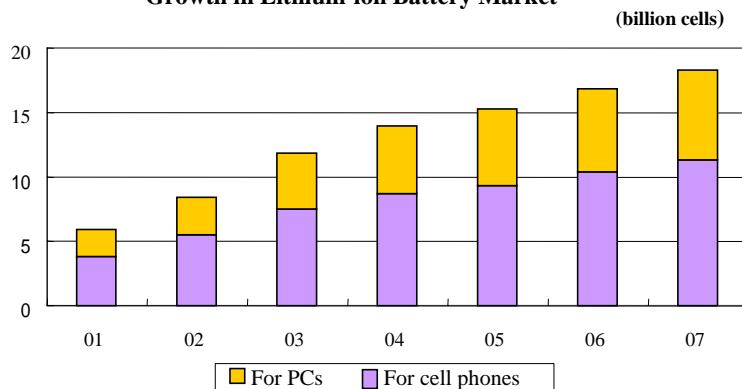
(3) PVDF(Polyvinylidene fluoride)

Status: Increasing Production capacity in line with growth in applications

Planned PVDF Production by Application(monomer basis)
(thousand tons)



Growth in Lithium-ion Battery Market
(billion cells)



General use

- Demand is strong for use in **current applications**, such as chemical valves and pipe coatings. Demand is growing for use in **new applications**, notably precision water purification filters.

Battery materials(electrode binder for lithium-ion batteries)

- Build on current market share of 70% to deepen relationships with Japanese and foreign battery manufactures.
- IT market rebound is raising demand for batteries used in notebook PCs, cell phones and products.



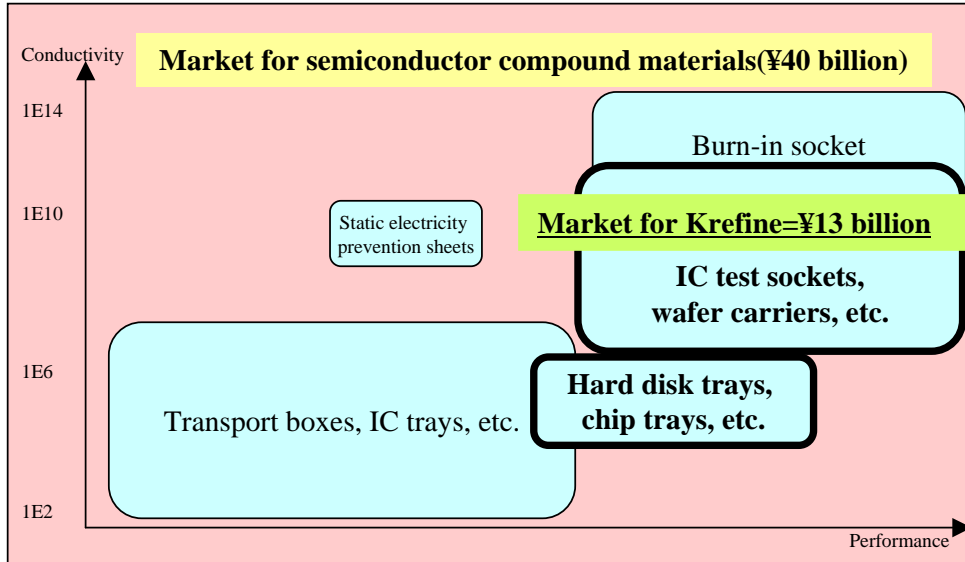
Added monomer production capacity

From 1,650 tons/year to 2,000 tons/year(11/03)

III. - 2. Advanced Materials

(4) Electronics Packaging

Status : Concentrating on obtaining approval for specific applications



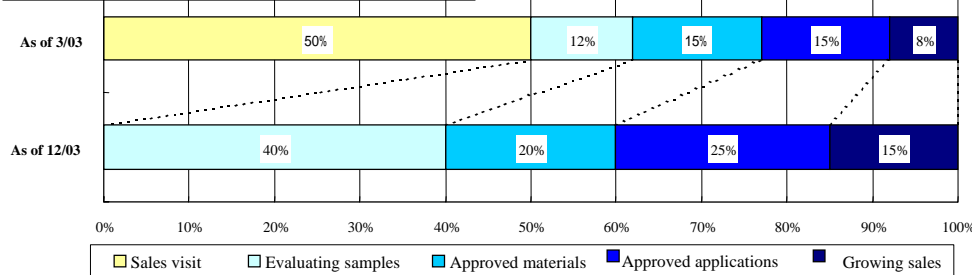
- Conducting global sales activities that concentrate on Krefine(anti-static compound), a product with many distinctive properties.

Targeting Japan, other parts of Asia and the U.S.

- Upgrading sales capabilities in the U.S., home to many prominent IT companies.

- Have contacted about 40 major hard disk, semiconductor and LCD manufacturers and started sales to some.

Status of Customer Relationships



III. - 3. Specialty Products

(1) Policies Through March 2006

• Pharmaceuticals

- Aim to generate earnings despite dual challenges of **(1)FY04 mandatory drug price reductions** and **(2)competition from generics following Nov. '03 expiration of patent on Kremezin, a drug for patients with chronic renal failure.**

- Continue development work on Kremezin

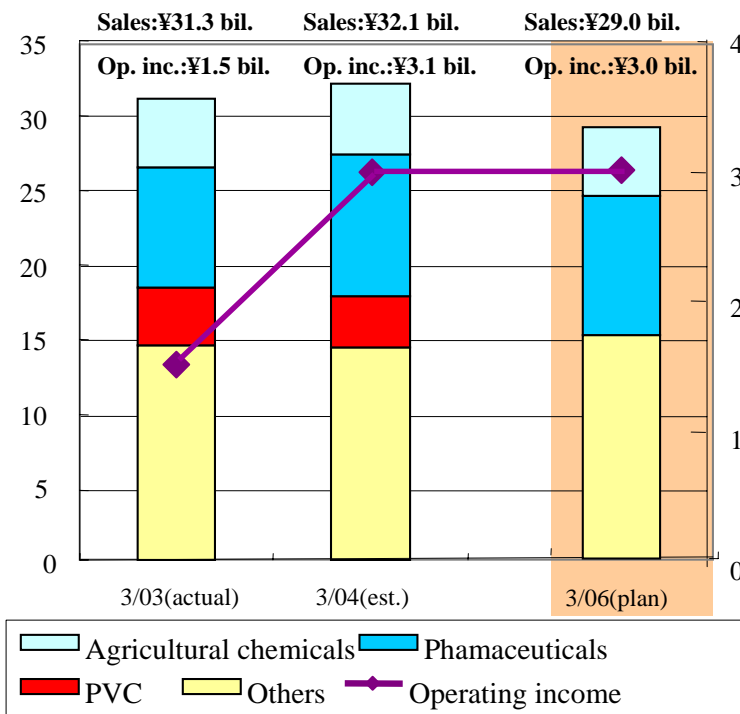
Conduct clinical trials in the U.S. and apply for approval.

Expand indications for Kremezin in Japan.

- Strengthen presence in the health food(using matsutake mushrooms) market. (Products were shipped to about 600 stores as of 12/03)

• In agricultural chemicals, expand applications for the fungicide Metconazole and the seed disinfectant Ipconazole.

Net Sales and Operating Income Plan



III. - 3. Specialty Products

(2) Krestin and Kremezin

Status: Focus on preserving and expanding deliveries to healthcare facilities

Factors Affecting Pharmaceutical Earnings

Mandatory drug price revision	Negative
Genetic competition for Kremezin	Negative
New indications for Kremezin	Positive
Start of Kremezin sales in S. Korea	Positive



Able to hold total earnings steady through March 2006 fiscal year

Preserve earnings as drug prices decline and Kremezin goes off patent

<Krestin (cancer immunotherapy drug)>

- Provide new evidence of efficacy
- Introduce fine-granule version

<Kremezin (for chronic renal failure)>

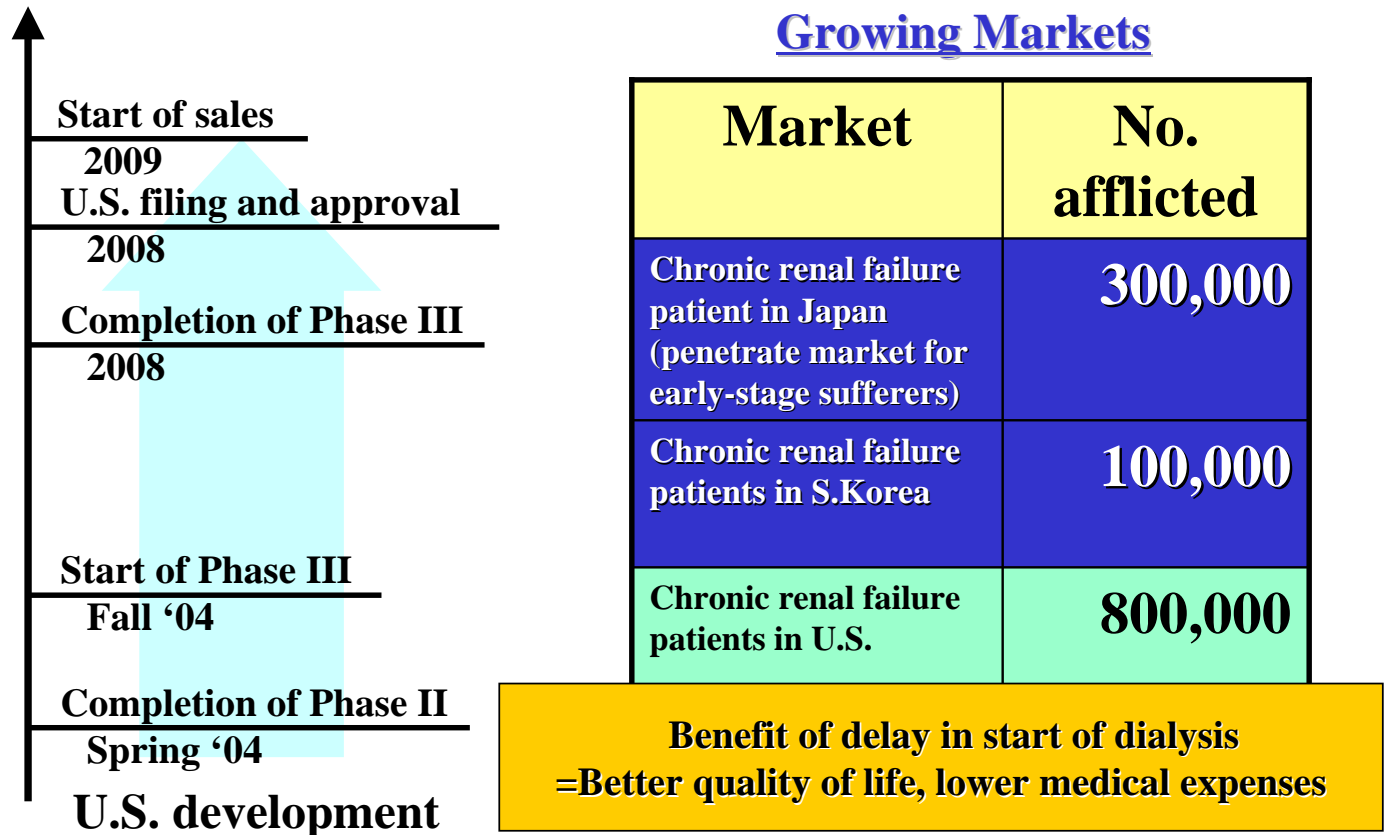
- Provide evidence of rapid efficacy
- Begin sales for new applications(Crohn's disease)
- Start sales in South Korea

Approval predicted in spring '04 = Start contributing to earnings in second half of fiscal year

III. - 3. Specialty Products

(3) U.S. Development of Kremezin

Status: Development has advanced from Phase II to Phase III clinical trials



III. - 3. Specialty Products

(4) Agricultural Chemicals

Status: Expand applications and applicable crops for the fungicide Metconazole and the seed disinfectant Ipcnazole – Now conducting a program to increase registrations(long-term strategy)

· Increase sales in established markets

**Metconazole: Wheat, rapeseed in Europe, Central and South America;
apples and garlic in S. Korea(registrations obtained in more than 30 countries)**

Ipcnazole: Used for rice seedlings in Japan

**Cut costs
through overseas
OEM production**

· Registrations obtained in new markets

Metconazole

Ipcnazole

Vietnam : Rice seedlings

Taiwan : Mango, peanuts

Japan : Wheat, citrus, grass

U.S. : Grass, fruit trees, others

Americas: Wheat, soybeans, vegetables

Europe, Middle East, Africa: Wheat, corn, others

III. - 4. Plastics

(1) Policies Through March 2006

- In household products, improve Krewrap pricing

Use improved product line to conduct proposal-driven sales

- Speed up growth of Krehalon compound sales in China

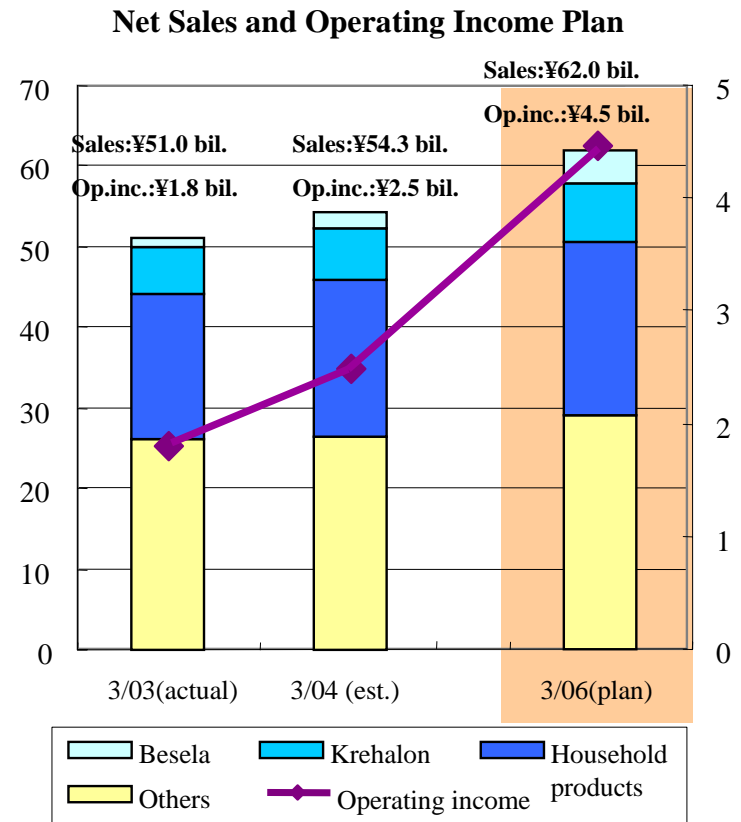
Increase output capacity to meet rapid growth in demand

- Develop more applications for Besela (high-barrier food wrapping film)

Products to replace retort pouches a success; next is Besela films to replace bottles, cans and vapor-deposit films

- Continue work on commercializing PGA (high-barrier bottle resin)

Now in R&D stage to meet specific user demands



III. - 4. Plastics

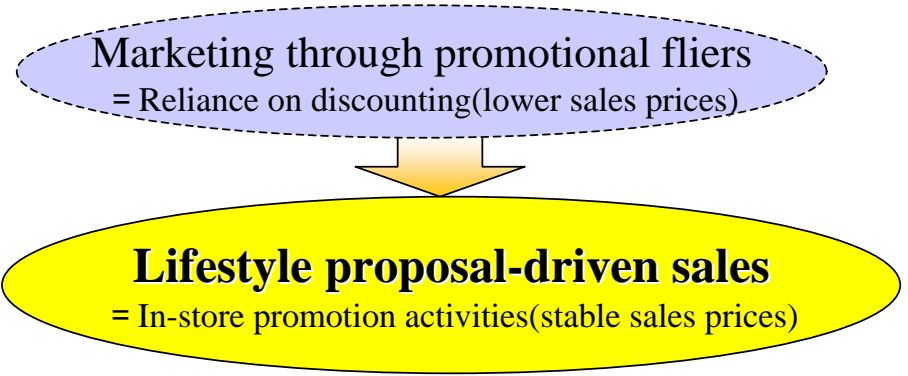
(2) Household Products

Status: Use improved products and proposal-driven sales to make Krewrap the brand of choice



<Improvements>

- Make it easier to cut film in clean, straight lines
- Make it easier to take the film from the roll
- Prevent free film from clinging to the roll again
- Securely fasten rolls inside boxes
- Introduce new designs for boxes



Minimize products in low-price range = Raise avg. unit price

Establish Krewrap as the brand for

“food preservation and cooking.”

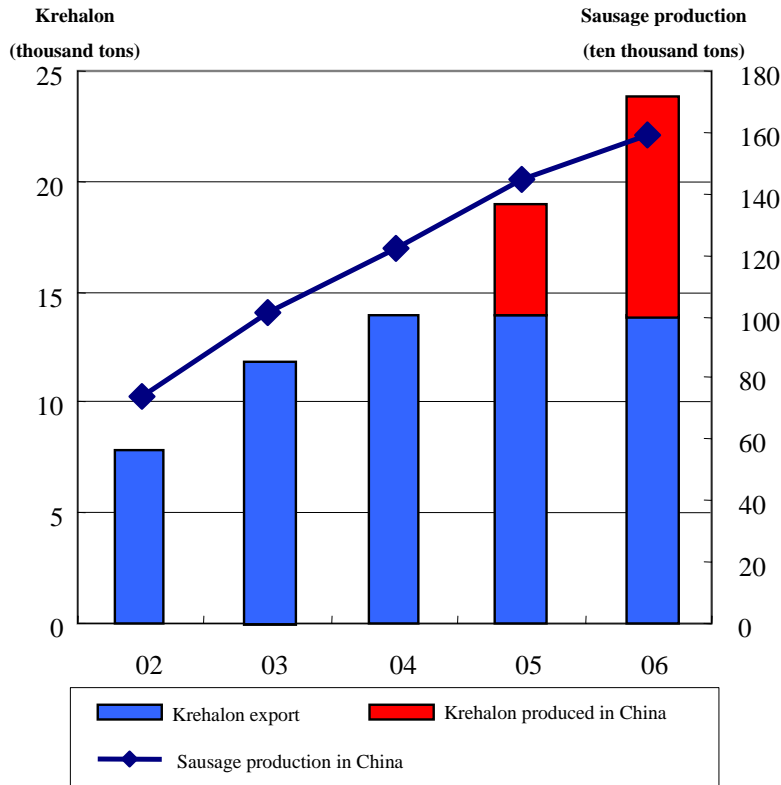
- Introduce improved Krewrap products from March '04.
- Reinforce the line of “Kichinto-san” series products.
- Conduct high-profile campaigns to tell consumers how easy it is to use Krewrap.

III. - 4. Plastics

(3) Krehalon Compounds Sold in China

Status: Commercial operation of Nantong Plant in China to begin in Oct.'05

Growth in Krehalon Demand and Production in China



- Strengthen commitment to Sowai Group.
- Sausage demand in China is growing 20% annually (Sowai Group's market share is 65%)
- Completed increase in Krehalon compound production facilities in Japan (annual output raised from 33,000 tons to 36,000 tons in Oct.'03)
- Nantong Plant in China to begin operation in Oct.'05
 - Pricing advantage as this is the only plant of this type in Asia.
- Leverage market shares of 85% in Japan and 80% in South Korea to increase Krehalon film sales throughout Asia over the long term.

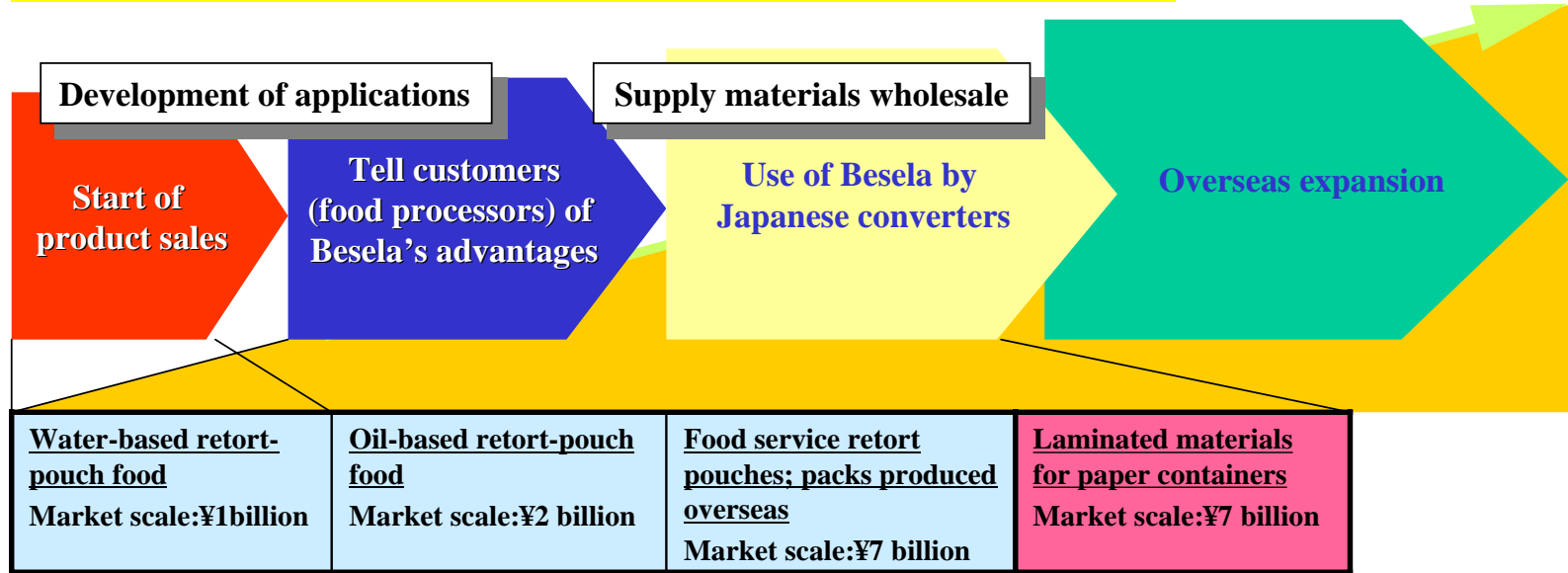
III. - 4. Plastics

Road map

(4) Besela (high-barrier food packaging material)

Status: Actions currently underway but one year behind schedule

Sales growth



Move quickly to establish new applications in all market sectors as new lineups are introduced.

Water-based retort: Half of the retort-pouch products made by Kureha's largest Besela users (food processors) now use Besela—Encourage canned food producers to also switch to Besela

Oil-based retort: Sell Besela to producers of curry sauces and spaghetti sauces, an enormous market

Foodservice: Propose Besela as an alternative for canned foods to Japanese distributors of imported food products

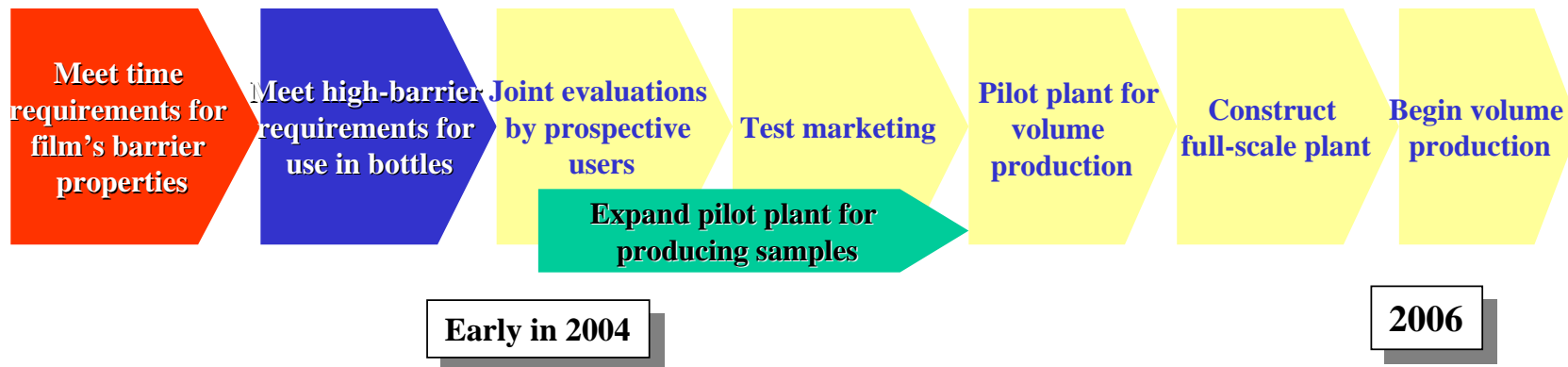
III. - 4. Plastics

(5) Development of PGA(high-barrier bottle resin)

Status: Plan to begin operation of PGA plant in 2006

For PGA, which breaks down in water, the key performance indicator regarding commercialization is the length of time this material can preserve its properties as a barrier to air. (Soft drink companies demand anywhere from five months to one year.)

Road map



At present, Kureha is in the final stage of verifying the ability of PGA to function as a barrier to air in bottles. Once this process is completed, the next scheduled step will be evaluations by prospective users (soft drink companies).

. Beyond the Medium-Term Management Plan

.Beyond the Medium-Term Management Plan

(New strategic businesses)

Food packaging materials

Barrier technology

High-barrier bottle resin
PGA

Selectively permeable membrane

High-performance materials

Optic wavelength control technology

Heat absorbing window material

Electric charge control technology

Anode material for lithium-ion batteries

Pharmaceuticals/
Agricultural chemicals

Genetic drugs
Adsorptive drugs

Anti-HIV drugs

Expand Kremezin outside Japan

Enlarge applications and sales regions for agricultural chemicals

Metconazole
Ipconazole

Kremezin Prepare to sell in U.S.(Europe)

Disclaimer

- This material is presented to foster a deeper understanding of Kureha Chemical Industry and not for the purpose of soliciting investors.
- This material contains judgments based on information available to Kureha Chemical Industry at the time of compilation. Actual results may differ materially from forecasts due to a range of factors.
- Investors are asked to form their own judgments about, and take responsibility for use of this material.