

Mid Term Business Plan Progress Report

January 25, 2006

KUREHA CORPORATION

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KUREHA CORPORATION

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Overview of KUREHA CORPORATION

- Established: June 21, 1944
- Paid-in capital: 12.46 billion yen (Sep '05)
- Operations: Manufacture and sale of advanced materials, specialty chemicals and specialty plastics. Also engaged in related businesses
- Sales: 130.4 billion yen (consolidated), 80.2 billion yen (non-consolidated) (Mar 05)
- Total assets: 173.4 billion yen (consolidated), 138.7 billion yen (non-consolidated) (Sep 05)
- Number of employees: 3,806 (consolidated), 1,395 (non-consolidated) (Sep 05)
- Head office: 3-3-2, Nihonbashi- Hamacho, Chuo-ku, Tokyo 103-8552

Overview of affiliated companies (32 consolidated subsidiaries, down 3 Yon Y)

- Advanced materials: 5 consolidated subsidiaries – Kureha America Inc., Kureha GmbH, Kakogawa Plastics Co., Ltd., Resinous Kasei Co., Ltd., Kureha Chemicals Shanghai Co., Ltd.
- Specialty chemicals: No consolidated subsidiaries
- Specialty Plastics: 8 consolidated subsidiaries -- Kureha Plastics Co., Ltd., Kureha Gosen Co., Ltd., Kureha Extech Co., Ltd., Krehalon Industrie B.V. and four other subsidiaries engaged in the packaging products industry in Europe
- Other operations: 19 consolidated subsidiaries -- Kureha Kankyo Co., Ltd., Kureha Special Laboratory Co., Ltd., Kureha Engineering Co., Ltd., Kureha Construction Co., Ltd., Kureha Transport Co., Ltd., Nishiki Trading Co., Ltd., Kureha Service Co., Ltd., and 12 other companies

(As of January 1, 2006)

I. Corporate Vision

Mid Term Business Plan and Goals

KUREHA CORPORATION

To be a leading specialty products company developing its business globally

- Capex peaking from March 05 to March 08
- Generating investment return and improving profitability
- Proactively investing in new businesses for increased growth

Goals for term ending March 09:
Sales of Y180 bn, operating
profit of Y20 bn, ROE of 10%

Recent name change reflects the
diversification of Kureha's business
beyond the chemical industry

New corporate
mission to enhance
employee motivation

**Investing in new
businesses**

**Investment return from
core businesses**

Continuous selection
**Investment in core
businesses**

Selection and focus
**Withdrawal from commodity
businesses**

New Kureha

New Plan

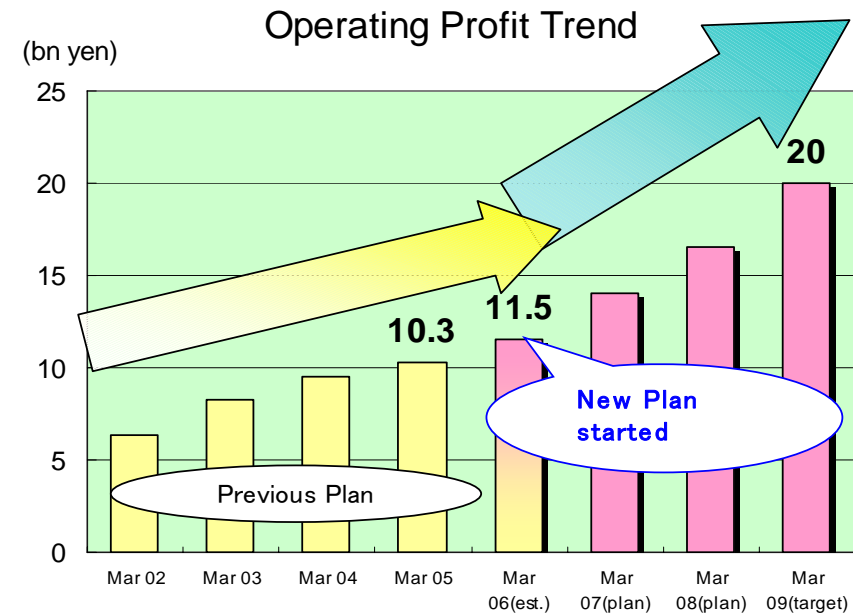
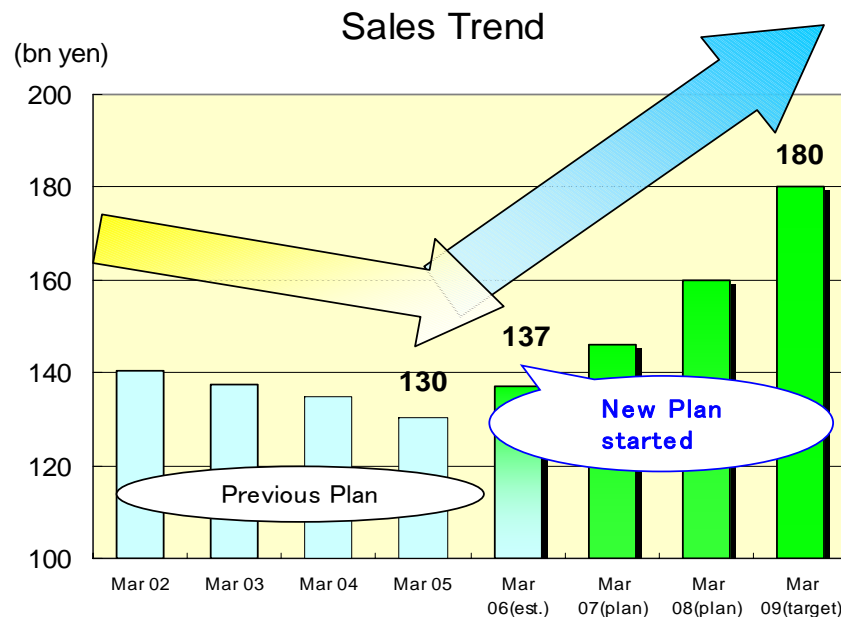
Previous plan

KUREHA

New Plan: Pursuing Sustained Growth

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The past trend of *declining sales, and profit increase* to shift to *expansion of both sales and profit* in FY ending March 06



- ✓ **Aiming for business expansion and continuous growth of profits from core businesses**
- ✓ **Products under development scheduled to commercialize during New Plan and contribute to earnings from March 2010 onwards**

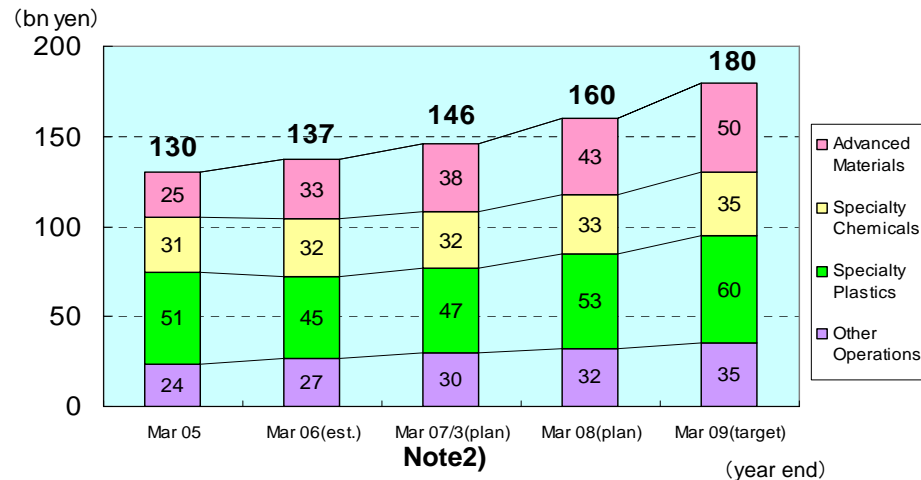
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II. New Plan: Progress Update

Road to March 09 (Trend by Segments)

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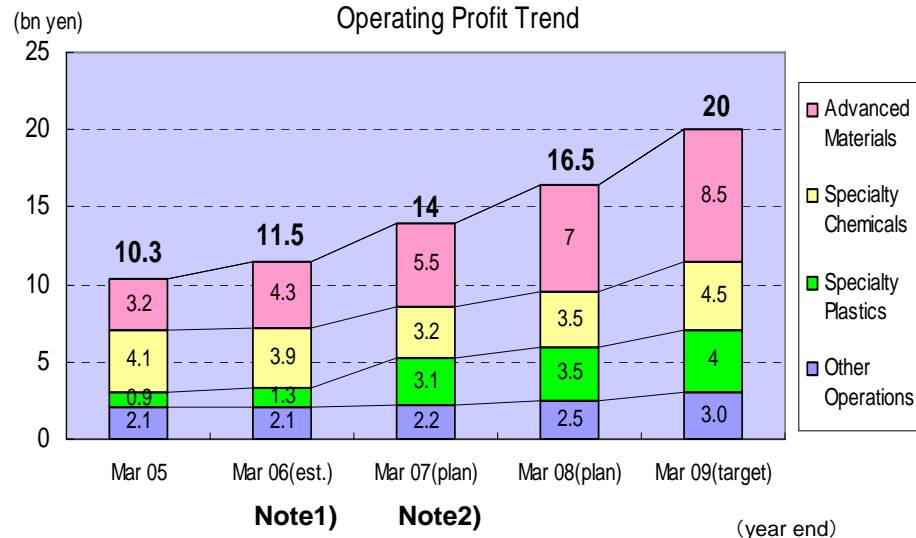
Sales Trend



Sales

- ✓ *Advanced Materials Division* including PPS resin, Krefine, etc. will become a major sales driving force
- ✓ *Specialty Chemicals Division* will be affected by official drug price cut, but expanded volumes of agrochemicals and pharmaceuticals expected to offset this setback
- ✓ *Specialty Plastics Division* will benefit from global business development of Besela and ML40, and further expansion of household products
- ✓ *Other Operations Divisions* will witness growth mainly in the environmental and engineering related businesses

Operating Profit Trend



Operating Profit

- ✓ *Advanced Materials Division* will continue to increase profits while offsetting increasing depreciation
- ✓ *Specialty Chemicals Division* will see a temporary decline in profits due to increased R&D costs and drug price cut, but will recover through expanded sales of agrochemicals and pharmaceuticals
- ✓ *Specialty Plastics Division* will see increased profits due to expanded sales and cost cutting measures in packaging materials, as well as strengthened earnings from household products
- ✓ *Other Operations Divisions* will enjoy a growth in profits due to business expansion from industrial waste processing and engineering

Note 1) Risk factors related to Kremezin will be explained later

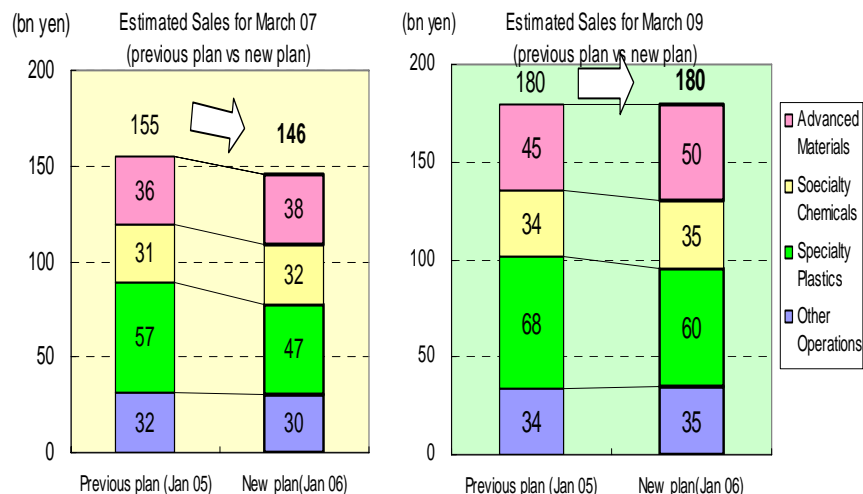
Note 2) March 07 forecast is under consideration

KUREHA

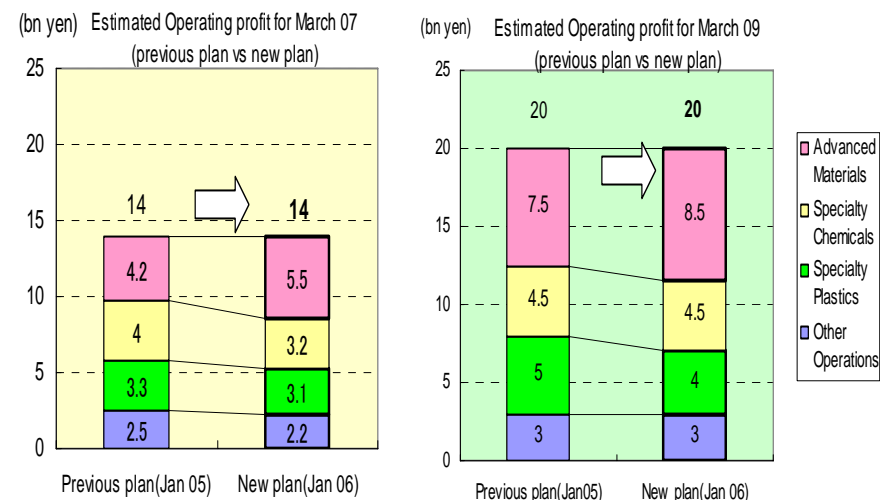
Difference Between Previous Figures and Current Assumptions

KUREHA CORPORATION

1. Comparison of Sales



2. Comparison of Operating Profit



Difference from Previous Figures

March 07

- 【Advanced Materials】 advanced plastics ↑
- 【Specialty Chemicals】 pharmaceuticals→, agrochemicals ↑, industrial chemicals ↑
- 【Specialty Plastics】 food packaging materials ↓, household products→
- 【Other Operations】 environmental related ↓, engineering related→

March 09

- 【Advanced Materials】 advanced plastics ↑
- 【Specialty Chemicals】 pharmaceuticals→, agrochemicals→, industrial products ↑
- 【Specialty Plastics】 food packaging materials ↓, household products→
- 【Other Operations】 environmental related ↓, engineering related ↑

Difference from Previous Figures

March 07

- 【Advanced Materials】 advanced plastics ↑
- 【Specialty Chemicals】 pharmaceuticals ↓, agrochemicals→, industrial chemicals→
- 【Specialty Plastics】 food packaging materials ↓, household products→
- 【Other Operations】 environmental related ↓, engineering related→

March 09

- 【Advanced Materials】 advanced plastics ↑
- 【Specialty Chemicals】 pharmaceuticals→, agrochemicals→, industrial chemicals→
- 【Specialty Plastics】 food packaging materials ↓, household products→
- 【Other Operations】 environmental related ↓, engineering related ↑

Note: Kakogawa Plastics is included in the Advanced Materials Division from March 06, having previously been part of the Specialty Plastics Division. This change also reflected in the previous plan (announced in January 2005).

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Areas of Focus in FY Ending March 06

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1. Infrastructure

☆ Aggressive Capex to Continue, Exceeding Depreciation

Advanced Materials Capacity Expansion at Iwaki Factory

- PPS resin : 6,200t/y (April 05) ⇒ 7,500t/y
(FI in US: 6,800t/y (Dec 05) ⇒ 8,600t/y)
- PVDF: 1,500t/y (Dec 05) ⇒ 2,500t/y

Upgrade Utility Supply Facilities (Commence, April 06)

- Supply facility to meet demand for steam (change from 60,000KW to 40,000KW). Shortage to be met by cheap late-night electricity
- Shift from C-heavy oil and oil-coke to coal

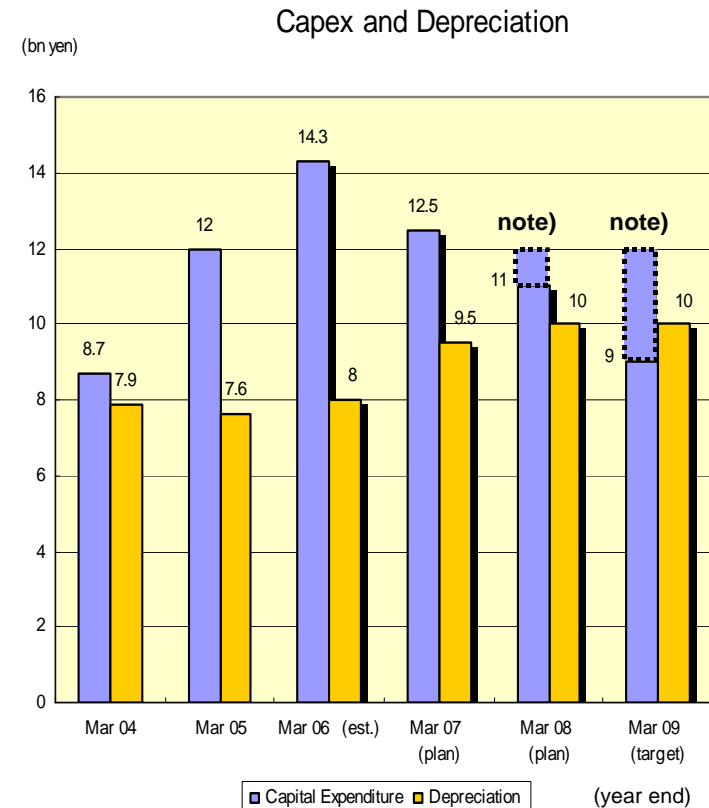
☆ Improve Efficiency of Operational Systems

Moved Headquarters (sold old HQ building)

Improved IT operations and concentrated group companies to improve efficiency

Introduced ERP System at Domestic Group Companies

Accelerated speed of management decision making processes, and increased efficiency through systems integration



note) assumptions : investments in products under development

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Areas of Focus FY Ending March 06

2. Selection of Core Businesses

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☆ Strengthening Business Tie-ups with Other Companies

Advanced Materials

- ☆ Carbon products business: Capacity expansion at Kureha Chemicals Shanghai (carbon fiber processing), acquisition of US company TTSM (a carbon products manufacturing and sales company) in January 06
- ☆ Optical materials business: Strengthening relationship with Elmeck Electronics Industries to facilitate expansion of R&D and manufacturing capabilities

Specialty Chemicals

- ☆ Pharmaceutical business: Kremezin to enter Phase 3 clinical trials in 2006 in Europe and US. Negotiations to continue with possible partners. Licensing-out to OCERA (Domain Associates group company) in the US and an additional gastrointestinal and liver disease application

Specialty Plastics

- ☆ PVDC compound business in China: Plastic plant with 10,000t/y capacity to begin operations at Nantong SKT New Material JV

☆ Sale of Non-core Business to Focus Management Resources

Specialty Plastics

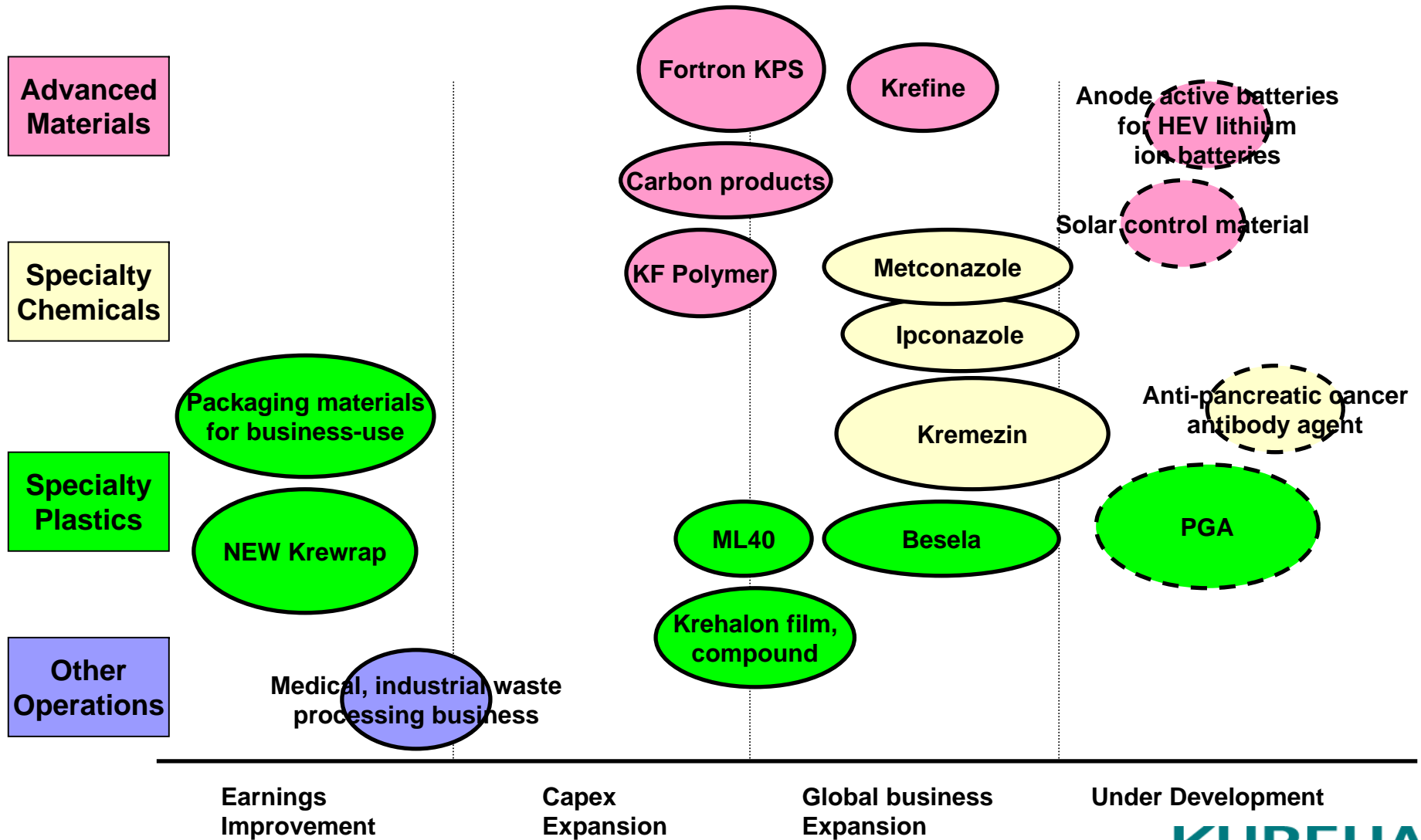
- ☆ Packaging materials business in Europe: In Sep 05, sold KREHALON SYNCLAIR PACKAGING B.V. (Netherland), which makes non-shrinkable multi-layer film, but was not competitive. Strengthening ML40, shrinkable multi-layer film business in Europe

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III. Current Position and Outlook for Key Businesses

Summary of Businesses and Products

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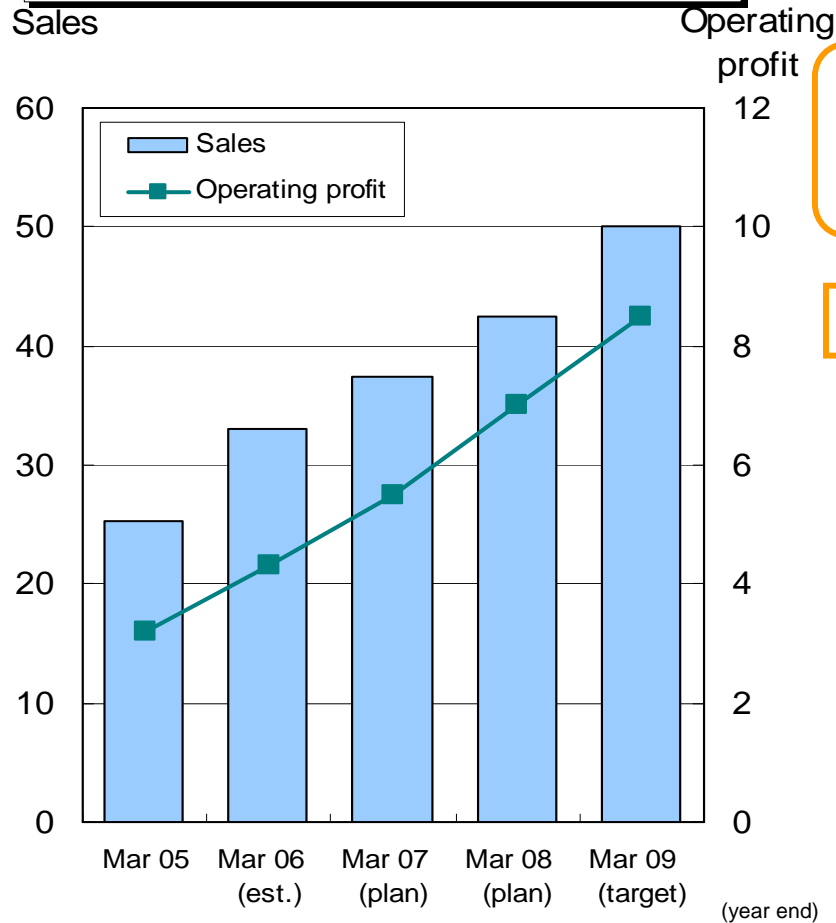


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Advanced Materials Division: Overview

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Sales and Operating Profit (bn yen)



Follow Growth Trend

Large-scale Capex in Core Businesses

- Fortron KPS (PPS resin) (7,500t/y→10,000t/y in Apr 06)
- KF Polymer (PVDF resin) (1,500t/y→2,500t/y in Dec 05)

Depreciation to peak between March 07 and March 09

However, will be offset by sales and profit growth

- KPS to drive expansion of divisional sales and profits
- In addition to conventional applications, KF to be applied to an increasing number of new applications, including membrane filter for water purification and automotive tube coating. This will contribute to profits in the latter part of the New Plan period
- The acquisition of a US insulation materials producer will enable the establishment of a triangular network of production between Japan, US and China.

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Fortron KPS (PPS Resin)

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Advantages of PPS resin: Heat resistance and stability

→ Growing demand from automotive and electronics sectors

Advantages of linear PPS : high toughness high performance in both extrusion and injection products

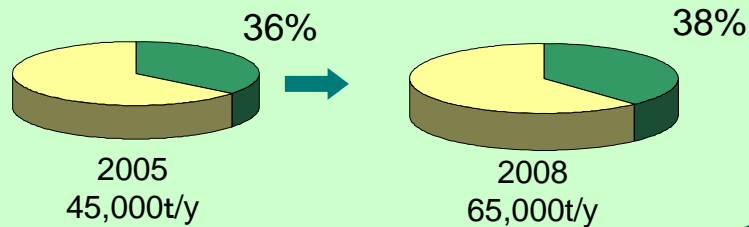
→ Growing demand for use in bag filter applications

Production Capacity:

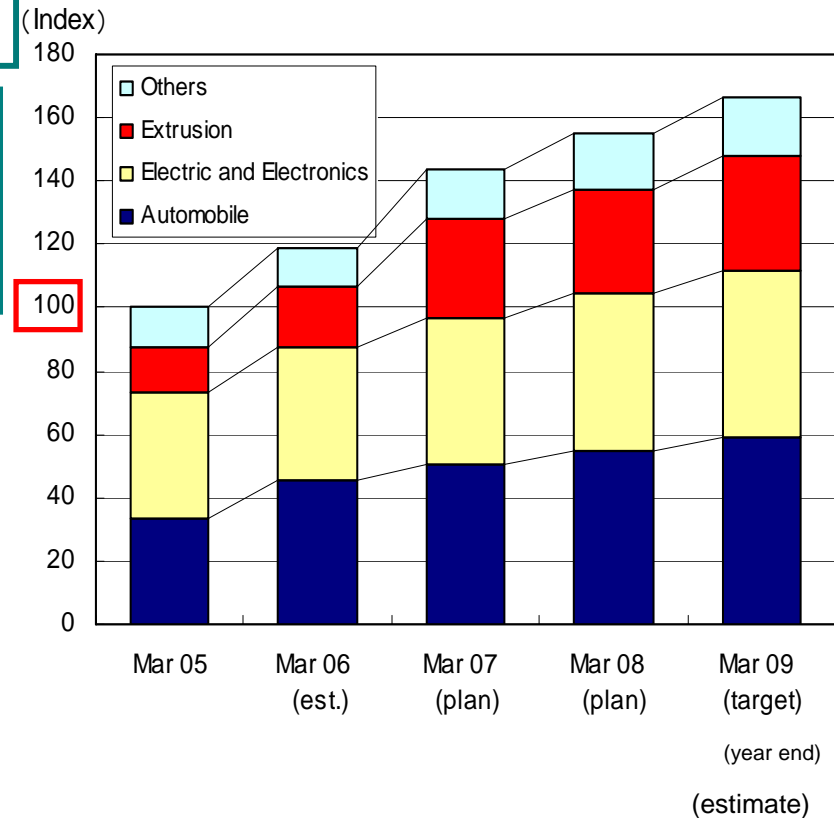
Iwaki factory: 7,500t/y → 10,000t/y (Apr 06)

US FI: 8,600t/y (Dec 05) → 15,000t/y (July 07)

Kureha Group's Estimated Global Capacity



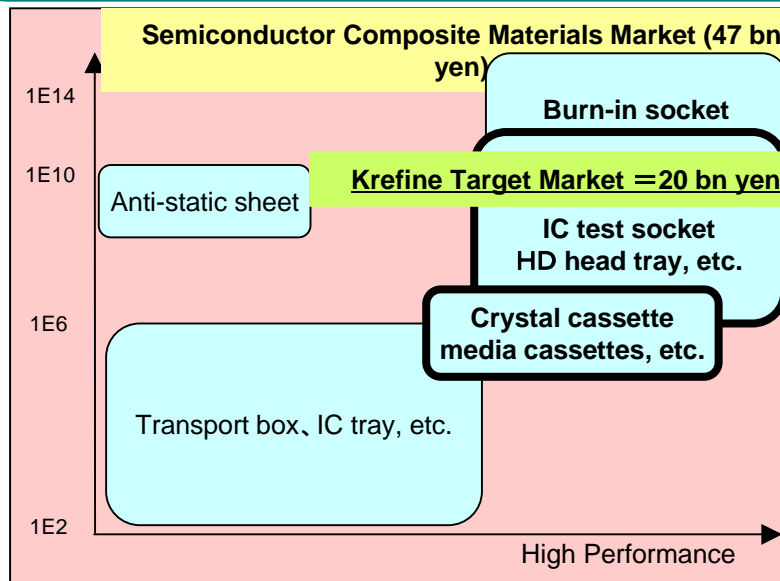
KPS resin : Shipment Plan by Application
(March 05=100)



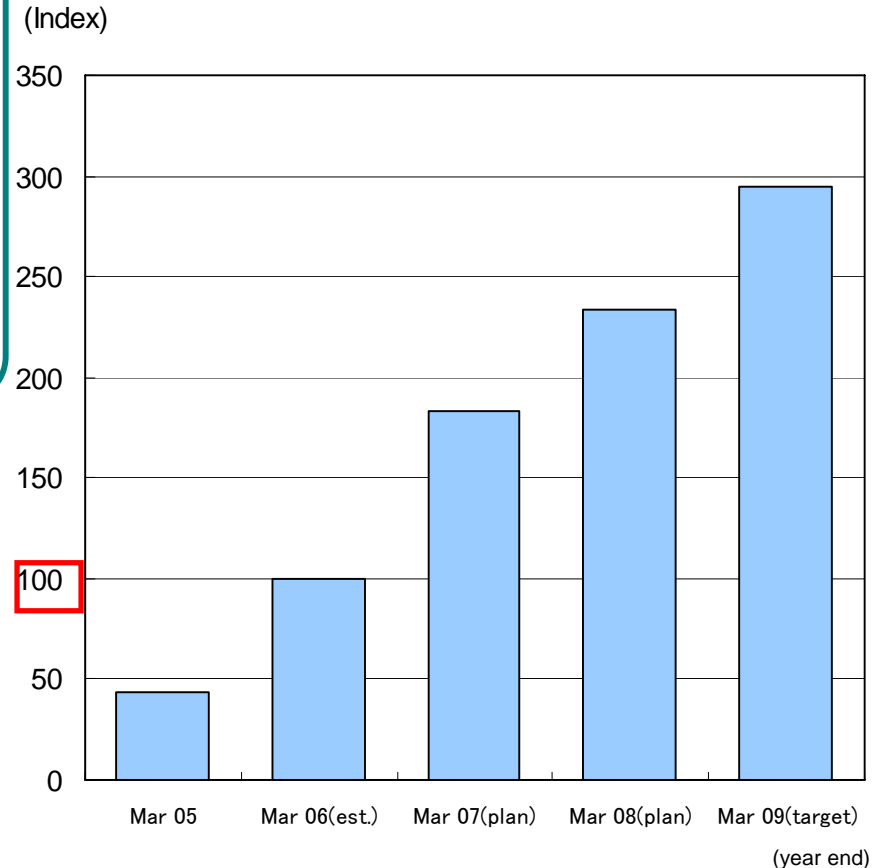
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Krefine (Material for ESD)

- Increased need for counter ESD (electrostatic discharge) materials due technological advancements
- Currently establishing a network of agencies throughout Asia, where IC production is based, and marketing as providing solutions
- Focused on injection-type. Slated to launch test socket in FY06 and wafer carrier in FY07
- Approval of materials with manufacturers is almost complete and negotiations have begun on actual application by end users.



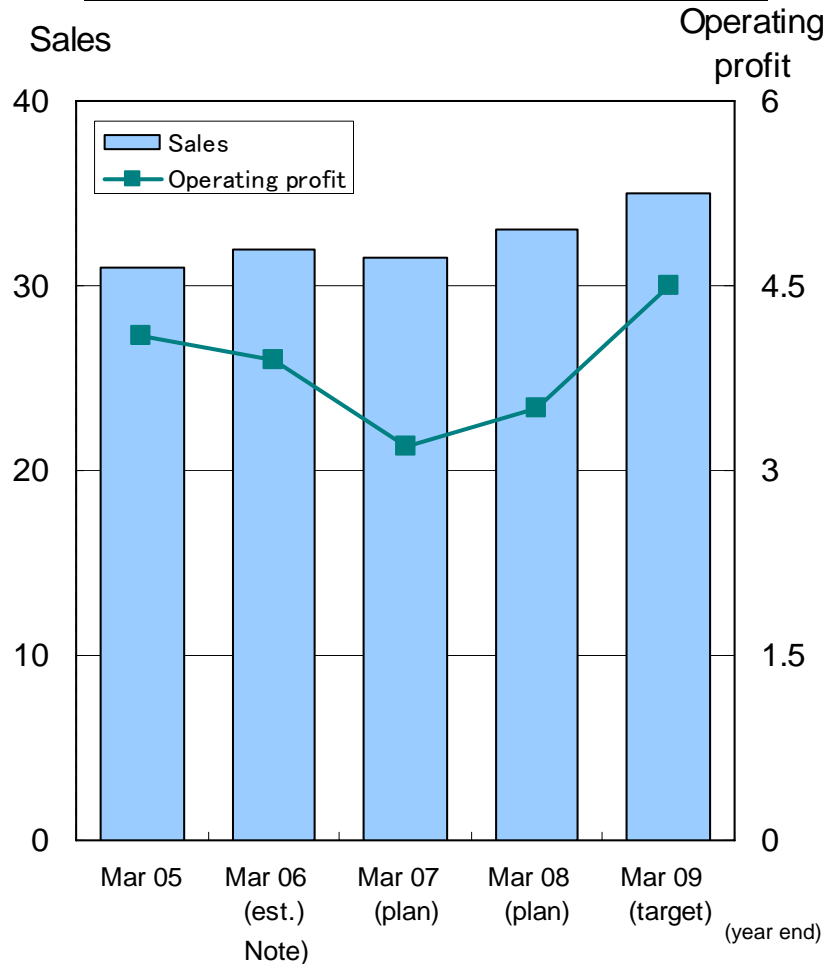
Krefine : Sales Plan
(March 05=100)



Specialty Chemicals Division: Overview

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Sales and Operating Profit (bn yen)



Despite drug price cuts and an increase in R&D spending, the division will continue to grow from FY08 and onwards

Kremezin

- Growth to slow in the existing market due to price cuts and increase of generic products
- Further growth of volume to be expected from overseas markets and as a result of acceptance of product as a standard treatment in Japan and application in gastrointestinal and liver disease
- Delay in finalizing agreement with potential partners for joint development of business in Europe and US

Agrochemicals

- Additional application and market expansion of Metconazole and Ipconazole, including acquiring registration and beginning marketing

Note: Risk factors for Kremezin will be explained later

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Kremezin (Therapeutic Agent for Chronic Kidney Disease)

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Current Situation and Schedule (by country)

•New gastrointestinal and liver disease application (including Crohn's disease)

Contract established with OCERA (Domain Associates group company) in the US for development of gastrointestinal and liver disease application

Currently preparing for Phase 2 testing for Crohn's disease to begin in February, expected to be approved in time for the product to be launched in 2009

•Therapeutic agent for chronic kidney disease

<US and Europe>

Nov 05: Completed confirmation of protocol at FDA

Currently negotiating with potential partners (6 month delay)

2006: Begin Phase 3 testing

2009: Complete Phase 3 testing, NDA

2010: Approval and launch

<Korea> (Daiichi Sankyo, CJ of Korea)

Began sales in Feb 05

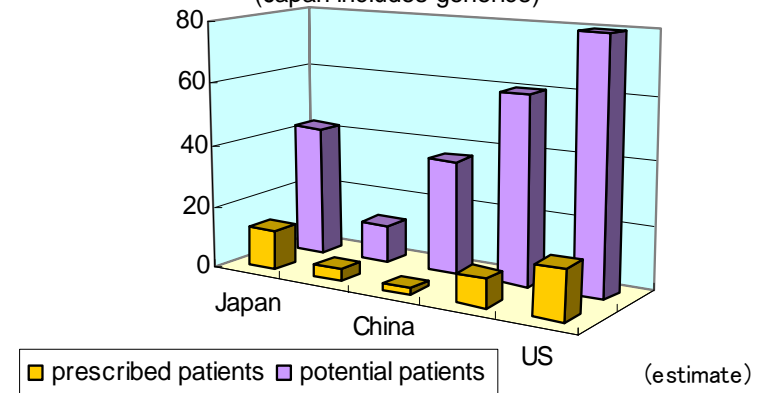
<China> (Shanghai Sankyo)

Under clinical testing, expected to receive approval in time for product to be launched in 2007

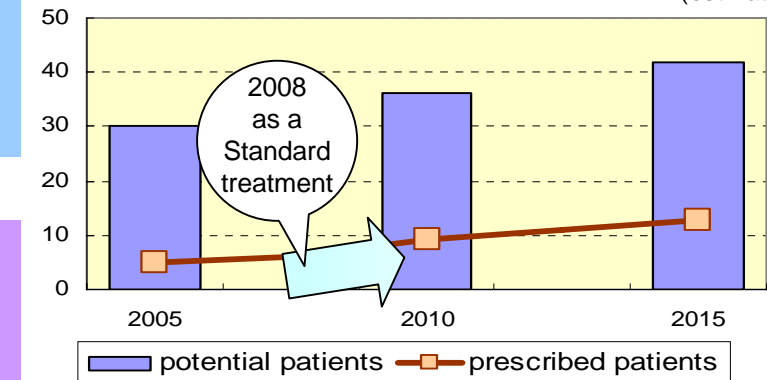
Kremezin: Market trends in Japan

Growth rate will be to slow in current fiscal year, however, the number of patients should increase after 2008 when the Japan Society of Nephrology selects Kremezin as a standard treatment.

Number of Potential Patients by Region and Number of Prescribed Kremezin Patients in 2015
(10 thousand people)
(Japan includes generics)



Prescribed Kremezin Patients in Japan (including generics)
(10 thousand people)
(estimate)

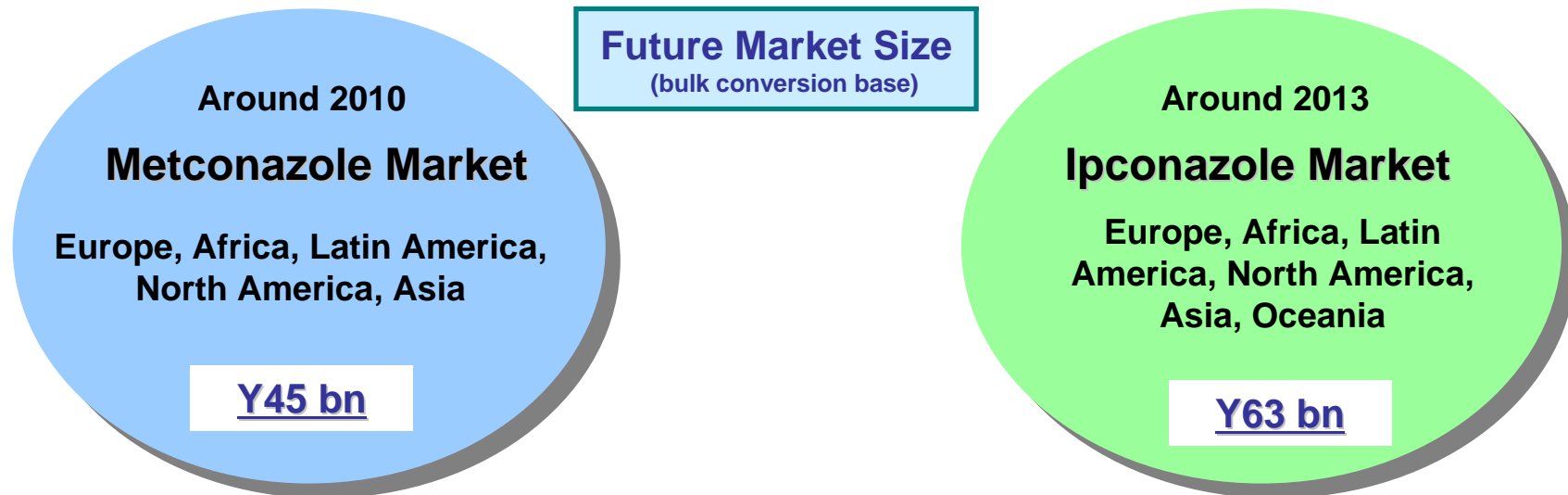


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Agrochemicals (Fungicides)

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Use Metconazole and Ipconazole to Help Position Kureha as Global Bulk Supplier of Agrochemicals



Future marketing plan

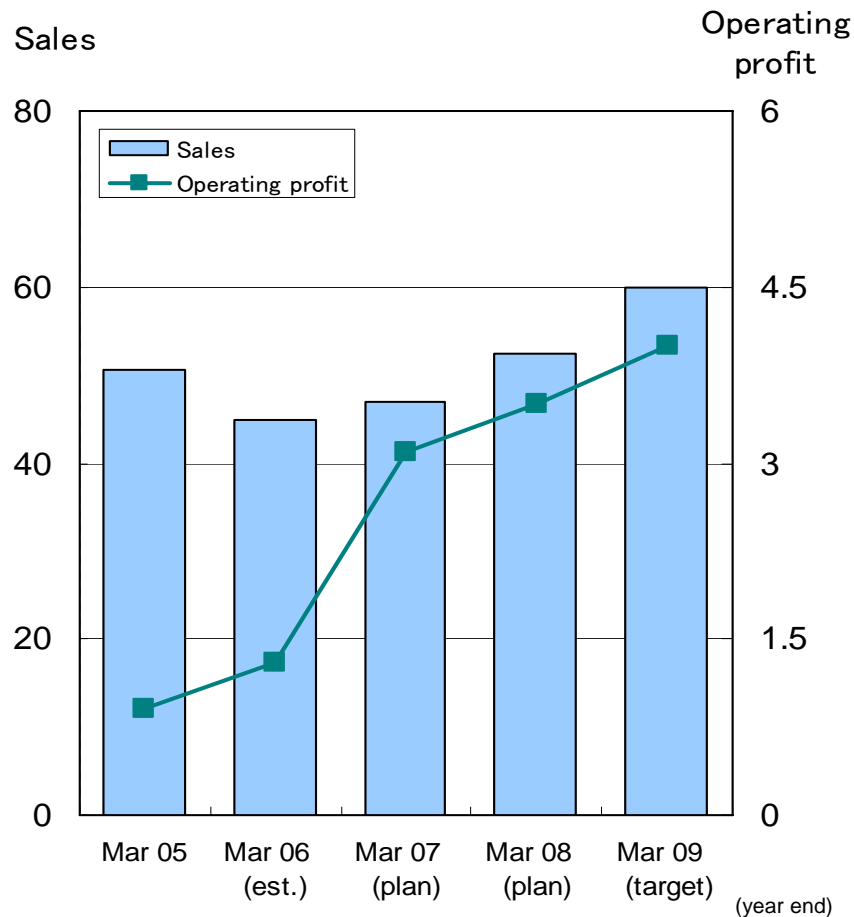
	Up to March 07	Up to March 09	After March 2010
Metconazole (fungicide)	Japan (wheat, citrus), Taiwan (mangos)	North America (soybeans, green turf, nuts, etc.)	Thailand (rice)
Ipconazole (seed disinfectant)	Latin America (wheat), North America (cotton, corn, etc.)		North America (soybeans, etc.), Europe (wheat)
Ipconazole (fungicide)			Latin America (wheat, soybeans), Europe (wheat)

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Specialty Plastics Division: Overview

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Sales and Operating Profit (bn yen)



Business Expansion of Packaging Materials

- *Besela*, the driver of this expansion, is progressing at a slower-than-expected pace
⇒ **Business scenario to be completed**
- New development of compound business in China
⇒ **JV began operations as planned and is contributing to earnings through equity method accounting**
- European business: Accelerating development through new ML40 applications
⇒ **Encourage sales of packaging machine for form shrinkage and increase volume of film sales**

Improved Profitability of Household Products

- Improvement profitability of Krewrap business
⇒ **Continuous product renewal as well as enhanced branding power and cost reductions**
- Expanding product lineup of kitchen containers
⇒ **Kichintosan and Rubbermaid containers**

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Household Products

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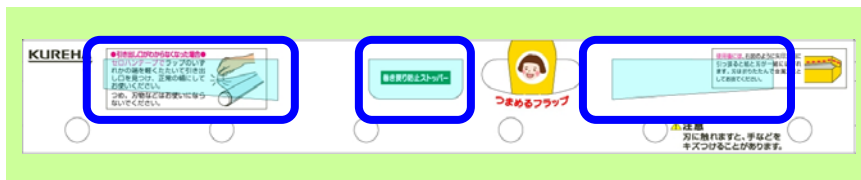
Renewal in 2004... Film picking flap, Roll popping out guard, Modification of adhesive area

Renewal in 2005... Making the picking flap to turn up automatically, UV coated package, Slim and easy to hold carton

Renewal in 2006... Confirmation window for the practical cut of the film, Embossed adhesive area to prevent the roll back of the film



Confirmation window for the practical cut of the film



Embossed adhesive area to prevent the roll back of the film

Vision of household products business:
“By grasping what customers WANT and providing what customers SELECT, the aim is to become a comprehensive household products provider”

New Krewrap

- Product renewal in 3 consecutive years, to provide new features and more convenience to customers
- Shifting to longer wrapping products on the back of growing demand
- Improve profitability by streamlining distribution and restricting production costs

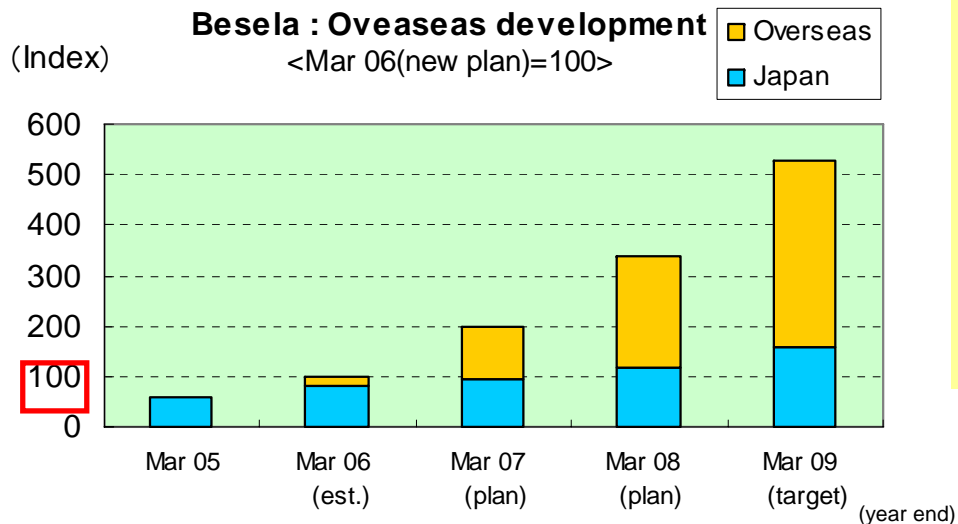
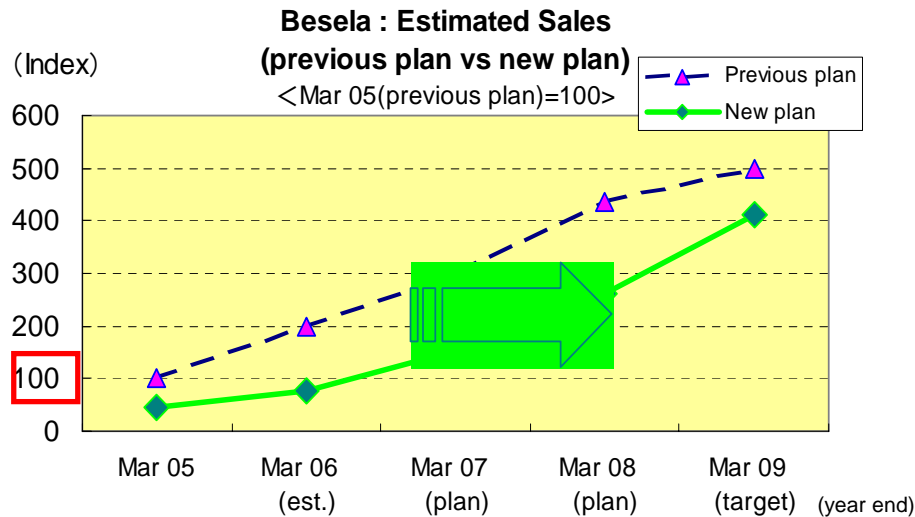
Kichintosan-series

- Monitor customer needs and launch renewed products
- Expanding product lineup of kitchen containers including Rubbermaid containers

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Besela (High Barrier Lamination Material)

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Slower-than-expected Business Development

- ✓ Completed cost-competitive grade development
- ✓ Almost completed evaluation of barrier character, laminated processability etc., using a converter, although this process has taken time
- ✓ Currently being evaluated by food makers and users of processed packaging materials
- ✓ Even after this evaluation, further time appears to be required before use in end products (in order to change format for packaging)
- ✓ Therefore, a 1.5 to 2 year delay can be expected from the schedule outlined in the previous plan

Business Expansion After Next Fiscal Year

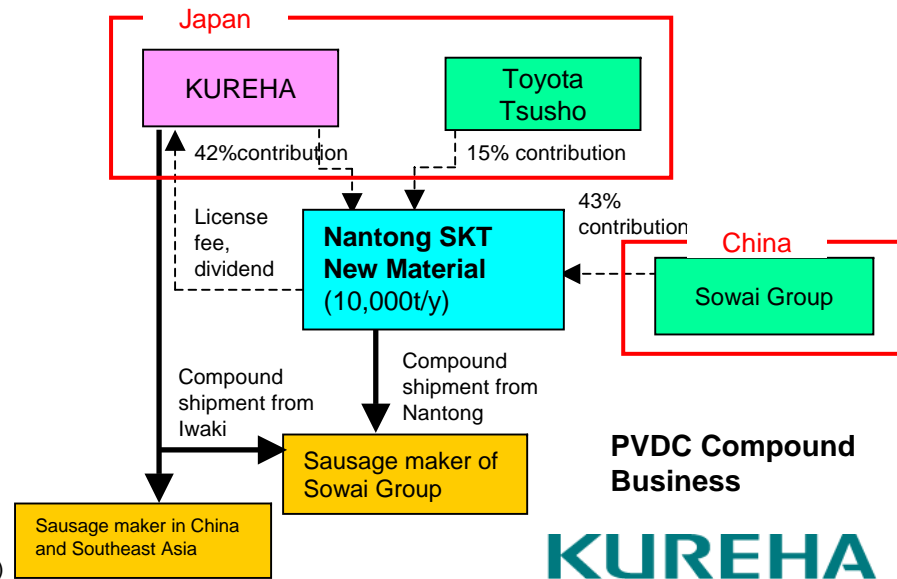
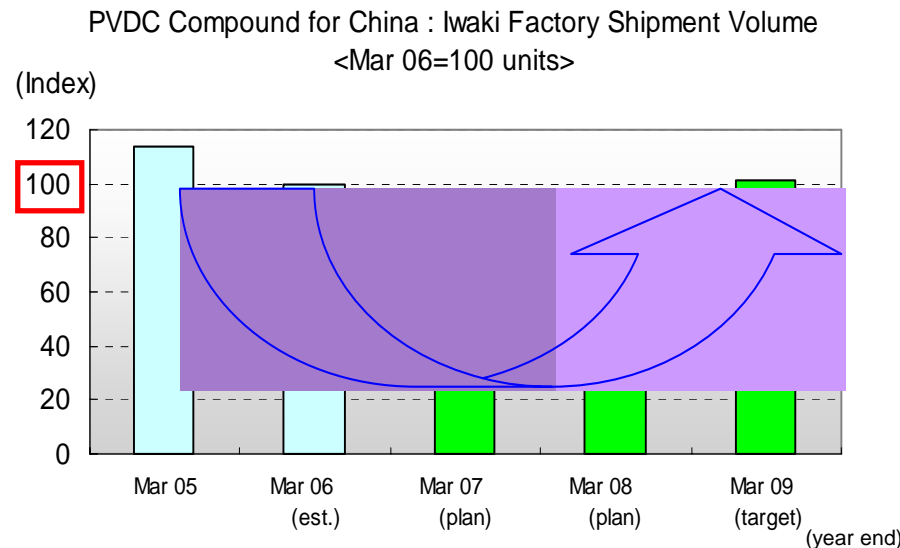
- Reflecting changing social trends towards the environment, the transition to soft packaging is to accelerate
- Strengthen sales force in Europe and US (recruit local staff) and begin comprehensive marketing
- Strengthen relationship with major converters in
- Establish win/win relationships with food packaging machinery makers

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PVDC Compound for China

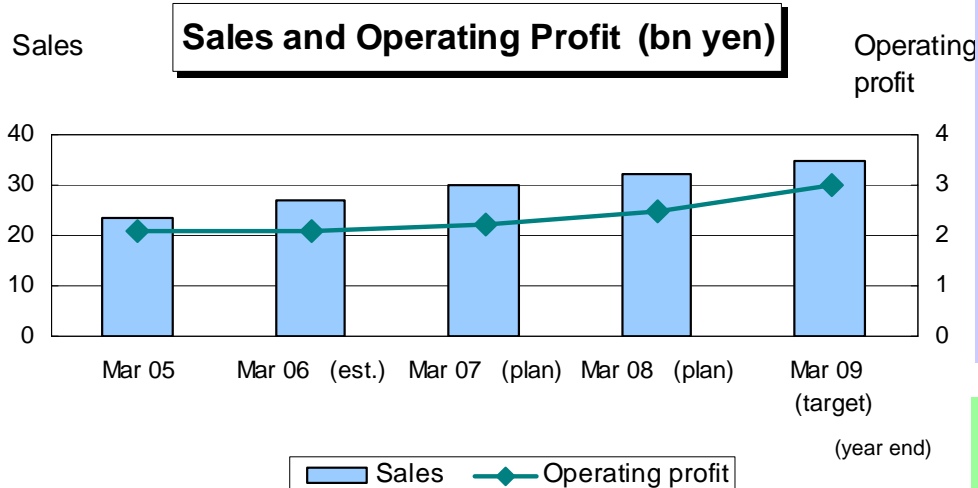
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- Begin local production in China, the world's largest and fastest growing market, at the JV (Nantong) facility, and realize profits in FY2006
 - ⇒ **After commencing commercial operations, full production is expected from February 2006**
 - ⇒ **Contribution of profits through equity method accounting to begin from March 07**
- Achieve large-scale cost reductions via the use of innovative technology from Japan at the same time as expanding sales in China and Southeast Asia, in order to offset voids in production in Japan
- Secure a strong position as the global leader in PVDC by generating profits and establishing a supply system in Japan and China



Other Business Divisions

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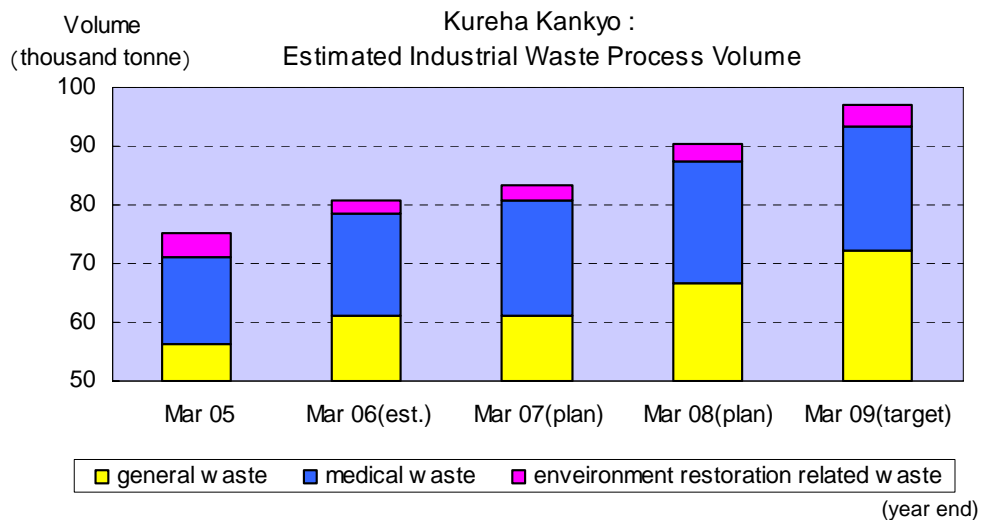
Sales and Profits to Increase in Environmental and Engineering Related Businesses

Environmental businesses

- Medical and industrial waste treatment businesses to grow

Engineering related businesses

- Sales related to dioxin type incinerators, water-treatment and gas-treatment facilities to grow



Kureha Kankyo Co., Ltd.

Competition intensified due to increasing number of facilities

⇒ Seek stable growth by focusing on strength

- ✓ Growth of medical waste Process orders
 - Launching tracing system for Tokyo Metropolitan Government utilizing IC tags (jointly developed with IBM Japan)
 - Improving storage warehouses (Ota-ku, Tokyo and Iwaki-city, Fukushima)
- ✓ Growth of environment restoration work orders
 - Advancing process technology for POPs

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✓ **PGA**

See information on following slide

✓ **Anode active materials for HEV lithium-ion batteries**

Anode active materials for lithium ion batteries, which are expected to be the next-generation of HEV batteries. Kureha's materials, which possess high discharge and regenerative power performance, are currently under evaluation by users

✓ **Solar control material**

Development is continuing and the aim is to commercialize as soon as possible

✓ **Anti-pancreatic cancer antibody agent**

Currently searching for an antibody that reacts to molecules exclusive to pancreatic cancer. A decision is to be made on whether or not to proceed to the next-stage of development stage within FY2006

✓ **Anti HIV agent**

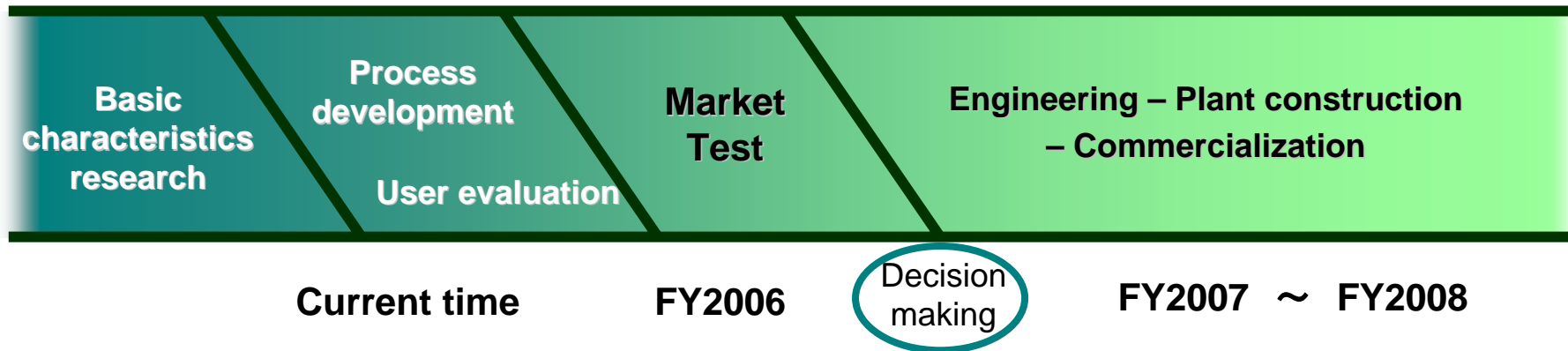
Pre-clinical testing has been completed. Currently negotiating with potential licensors.

(Kureha will provide further information on products under development at an appropriate time)

PGA (Polyglycolic Acid Resin for Carbonated Drinks and Beer Bottles)

KUREHA CORPORATION

Road-map to the Commercialization of Bottles for Carbonated Drinks



Passed barrier tests with overseas carbonated drinks users

Currently settling final technical issues and will conduct market tests in FY2006

While conducting market tests, mass production engineering will begin

Use in other applications in addition to bottles to be accelerated, taking advantage of bio-degradable and extreme durability features

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Disclaimer

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- These materials are supplied to provide a deeper understanding of our company, and are not intended as a solicitation for investment or other actions
- These materials were prepared by our company based on the information available at this point in time, however actual performance may produce results that differ from the plan, due to a variety of factors
- Please utilize these materials using your own judgment and responsibility