



Kureha Chemical Industry Announces Record Profit for Fiscal 2004

Strategic Businesses Make Solid Contribution to Earnings

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Leading specialty chemicals and plastic products company, Kureha Chemical Industry Co., Ltd. ("Kureha"), posted record profits for fiscal 2004, the year ended March 31, 2005. Consolidated operating income rose for the sixth consecutive year to ¥10.2 billion on sales of ¥130.4 billion. Record profits are likely to be achieved again in fiscal 2005.

The results suggest that Kureha's recent strategy of focusing on high value-added products in growth areas is paying off. Advanced plastics (super engineering plastic, polyphenylene sulphide (PPS) resin), pharmaceuticals (chronic kidney disease treatment, *Kremezin*) and agrochemicals (fungicide, *Metconazole*) all made a significant contribution to the fiscal 2004 financial results. A number of innovative new products are also in the pipeline.

Kureha president and chief executive officer, Hiroshi Tanaka, said, "Kureha is pleased to, once again, be able to report solid financial results in fiscal 2004. Strategic management decisions made over the past few years, including withdrawing from unprofitable businesses and the company's new focus on specialty products, have clearly had a positive impact on earnings. We anticipate that Kureha's new corporate direction will have an increasingly positive impact on financial results in fiscal 2005 and beyond."

Summary of financial performance

Summary of consolidated financial results

(¥ million, except where stated)

	Fiscal 2004	Fiscal 2003	Change (%)
Sales	130,400	135,020	(3.4)
Operating income	10,255	9,463	8.4
Recurring income	9,705	8,320	16.6
Net income	4,467	4,183	6.8
Earnings per share (EPS) (¥)	23.41	21.45	9.1

Kureha recorded consolidated sales of ¥130.4 billion in fiscal 2004, a 3.4% year-on-year decline. However, this modest decline can largely be attributed to the company's strategic decision to withdraw from the OEM production of PVC in fiscal 2003. Operating income rose by 8.4% to

¥10.2 billion. The operating profit margin improved from 7.0% in fiscal 2003 to 7.9%, reflecting a larger contribution from the company's higher margin advanced plastics, pharmaceuticals and agrochemicals businesses.

Recurring income improved by 16.6% to ¥9.7 billion in fiscal 2004. The increase in the global oil price resulted in a ¥1.8 billion increase in raw material and fuel costs. However, Kureha was successfully able to pass on this cost increase, thanks to higher sales volumes, which contributed ¥740 million to recurring income, an improvement in the company's non-operating financial balance (¥720 million), lower manufacturing fixed costs (¥630 million), changes in the unit cost of purchased products (¥410 million), and pricing changes (¥290 million).

Kureha is immune to the current high oil price environment because of the company's ability to produce many of the raw materials used in the production process, including the major feedstock raw materials used in the production of PPS resin and the PPS resin itself. Net income rose 6.8% to ¥4.5 billion, despite Kureha having booked ¥2.2 billion extraordinary losses, including following the withdrawal from the PVC market.