



Kureha Chemical Industry Announces Record Profit for Fiscal 2004

Strategic Businesses Make Solid Contribution to Earnings

Operating highlights by division

Consolidated breakdown by division:

(¥ million, except where stated)

Division		Fiscal 2004	Fiscal 2003	Change (%)
Advanced materials	Sales	25,158	24,912	1.0
	Operating income	3,192	2,815	13.4
Specialty chemicals	Sales	31,000	32,823	(5.6)
	Operating income	4,050	3,291	23.1
Specialty plastics	Sales	50,729	51,139	(0.8)
	Operating income	872	1,285	(32.1)
Other operations	Sales	23,512	26,144	(10.1)
	Operating income	2,156	2,175	(0.9)
	Operating income cancellations	(16)	(104)	--
Total	Sales	130,400	135,020	(3.4)
	Operating profit	10,255	9,463	8.4

Advanced materials division

Major product areas: advanced plastics (PPS resin, PVDF resin), carbon products

PPS resin - Global supply shortage expected

Sales of advanced plastics (PPS resin and PVDF resin) totaled ¥9.8 billion in fiscal 2004. PPS resin, a super engineering plastic with a diverse range of applications, including in the electrical, electronic and automobile industries, ran at full production capacity throughout the year and registered strong sales. Kureha, together with its US joint venture, is the world's largest manufacturer of PPS resin, one of Kureha's key strategic growth products.

Kureha itself produced 6,200 of the 40,000 tonnes of PPS resin produced globally per year. Demand continues to grow at over 10% per year and this high rate is expected to continue with global demand widely expected to reach 50,000 tonnes by 2008. Due to this high growth rate, it is predicted that demand is likely to outpace production capacity within two or three years.

To meet this increase in demand, Kureha is rapidly expanding PPS production capacity at its Nishiki Factory in Japan from 6,200 to 7,500 tonnes per year in April 2005 and to 10,000 tonnes per year by April 2006. However, a significant increase in production capacity, including the possibility of Kureha constructing a new plant, may be necessary to respond to the global supply shortfall in PPS resin expected after 2008.

Polyvinylidene fluoride (PVDF) resin - Production capacity to be increased

The outlook for Polyvinylidene fluoride (PVDF) resin, a high performance material used in the chemical and electronic industries, remains positive, despite sales being flat in fiscal 2004. Currently PVDF resin is used in such applications as electrode binders for lithium-ion batteries, valves for chemical plants, and pipe coatings. There is also growing demand for PVDF for a number of new applications, such as hollow fiber membrane filters used in water treatment plants. Demand for Kureha's PVDF products has grown rapidly in recent years and production operated at full capacity in fiscal 2004. Kureha plans to increase production capacity from 1,500 to 2,500 tonnes per year by December 2005.

Carbon products buoyant

Sales of carbon products totaled ¥7.1 billion in fiscal 2004 due to strong exports of bead-shaped activated carbon and increased demand for heat resistant materials for heat-treating furnaces.

Specialty chemicals division

Major product areas ----- pharmaceuticals, agrochemicals, industrial chemicals

Pharmaceuticals outlook remains buoyant

Sales of pharmaceutical products totaled ¥9.5 billion in fiscal 2004. Sales of Kremezin, a chronic kidney disease treatment, and Krestin, a drug for cancer immunotherapy, remained steady throughout the year. Kureha is making progress in expanding

overseas markets for Kremezin, a product currently sold predominantly in the domestic market. In June 2004, Kureha signed a licensing agreement for Kremezin in China, while in February 2005, the company started selling in South Korea via a business alliance with Sankyo Pharmaceutical and CJ Corp, a major Korean food and pharmaceutical firm. In the longer term, Kureha believes that by 2008, Kremezin is likely to become a standard treatment in Japan for chronic kidney disease. Kureha is also targeting Kremezin sales in the USA from about 2009, with the product now about to enter the phase iii clinical trial stage.

Worldwide registrations of agrochemicals increasing

Sales of agrochemicals totaled ¥7.3 billion in fiscal 2004. Kureha's agricultural fungicides, Metconazole and Ipconazole, remained in strong demand, reflecting the growing number of countries that have received approval to market the products. Metconazole, a fungicide for cereal crops that Kureha produces in Japan and India, is registered in over 30 countries, mainly in Europe and Central/South America. Long term growth prospects for Metconazole are also strong as the product is expected to receive approval to be marketed in Japan on wheat and citrus fruits, in Taiwan on mangos, and in Brazil on soy beans, by March 2007. Ipconazole, a seed disinfectant, is currently marketed in five countries.