



Kureha Corporation Reports Solid Interim Results *Strategic Products Contributing to Growth*

Tokyo, Japan – November 11, 2005 – Leading specialty chemicals and plastic products company, Kureha Corporation (“Kureha”), posted a 2 % year-on-year increase in operating profits for the interim period ended September 30, 2005. Consolidated operating income was ¥3.69 billion, ahead of the company’s projected figure of ¥3.5 billion. In addition, sales have grown to ¥62.1 billion from ¥60.9 billion recorded for the previous interim period.

These results suggest that Kureha’s recent strategy of focusing on high value-added products in growth areas is paying off. Advanced plastics such as the super engineering plastic, *Polyphenylene Sulphide (PPS) Resin*, pharmaceuticals such as the therapeutic agent for chronic kidney disease, *Kremezin*, and agrochemicals such as the fungicide, *Metconazole*, are contributing.

Kureha President and Chief Executive Officer, Hiroshi Tanaka, said, “We are pleased to report solid interim results for the first half of fiscal 2005. This is Kureha’s first results announcement under our new identity as Kureha Corporation, and we anticipate that Kureha’s new corporate direction will have an increasingly positive impact on financial results in this fiscal year and beyond.”

Summary of financial performance

Summary of Consolidated interim-results

(¥ million, except where stated)

	Sept. 2005	Sept. 2004	Change (%)
Sales	62,141	60,967	2
Operating income	3,693	3,621	2
Recurring income	3,672	3,365	9
Net income	1,525	1,403	9
Earnings per share (EPS) (¥)	8.23	7.40	11

For the interim period ended September 30, 2005, Kureha recorded consolidated sales of ¥62.1 billion, a 2% year-on-year increase. Operating income rose by 2% to ¥3.69 billion, which was ahead of the ¥3.5 billion figure projected by the company at the end of fiscal 2004.

Recurring income grew by 9% to ¥3.67 billion from ¥3.37 billion a year ago, while net income rose by 9% to ¥1.5 billion. This was achieved despite the increase in oil prices as Kureha successfully managed to transfer these cost increases onto the purchase price of its products.

Operating highlights by division

Consolidated interim performance

(¥ million, except where stated)

Division		Sept. 2005	Sept. 2004	Change (%)
Advanced materials ¹	Sales	14,999	12,476	20
	Operating income	1,646	1,646	(0)
Specialty chemicals	Sales	14,960	14,164	6
	Operating income	2,122	1,670	27
Specialty plastics ¹	Sales	21,964	24,410	(10)
	Operating income	(215)	(57)	--
Other operations	Sales	10,217	9,916	3
	Operating income	423	457	(7)
	Operating income Cancellations	(283)	(94)	--
Total	Sales	62,141	60,967	2
	Operating profit	3,693	3,621	2

Advanced materials division

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

PPS resin – Global supply shortage expected

Sales of advanced products (PPS resin and PVDF resin) increased from ¥5.0 billion in September 2004 to ¥5.6 billion in September 2005. PPS resin, a super engineering plastics 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 produces 7,500 of the 40,000 tonnes of PPS resin produced globally per year. Demand continues to grow at over 10% per year and demand is expected to continue to grow at this high rate. Global demand is widely expected to reach 50,000 tonnes by 2008. As a result, it is predicted that demand will outpace production capacity within two or three years.

To meet this increase in demand, Kureha is rapidly expanding PPS production capacity at its Iwaki Factory in Japan. Production capacity has already risen from 6,200 to 7,500 tonnes per year as of April 2005, and will reach 10,000 tonnes per year by April 2006. However, further significant increases in production capacity will be necessary to respond to the global shortfall expected after 2008, including the possibility of a newly constructed production facility.

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

The demand outlook for Polyvinylidene fluoride (PVDF) resin, a high performance material used in the chemical and electronic industries, remains positive, particularly due to growing demand for use in a number of new applications. While an increase in depreciation costs is beginning to impact the contribution of PVDF production, nonetheless, in order to meet demand increases, Kureha plans to increase production capacity from 1,500 to 2,500 tonnes per year by December 2005.

¹ As of fiscal year 2005, the subsidiary company Kakogawa Plastics Co., Ltd., has been transferred from the Specialty Plastics division to the Advanced Materials division.

Demand for carbon products buoyant

Sales of carbon products showed stronger than expected growth. In particular, positive sales results were recorded by carbon fibers for heat-resistance materials such as heat-treatment furnaces, and bead-shaped activated carbon, used as a material in fields such as air deodorization, gas absorption and water purification. Furthermore, the cost reduction efforts associated with the Shanghai assembly facility have also contributed to the profitability improvement of carbon fibers.

Specialty chemicals division

Major product areas – pharmaceuticals, agrochemicals, industrial chemicals

Pharmaceuticals remain stable

Sales of pharmaceutical products remained stable during the interim period ended September 2005, at around ¥4.5 billion. Sales of key products such as *Kremezin*, a therapeutic agent for chronic kidney disease, and *Krestin*, a drug for cancer immunotherapy, maintained their previous rates. Targeting future growth, Kureha is continuing to make progress in expanding overseas markets for *Kremezin*, a product that is currently predominantly sold 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 and CJ Corp, a major Korean food and pharmaceutical firm. By 2008, Kureha believes that *Kremezin* is likely to become a standard treatment for chronic kidney disease in Japan. Kureha is also targeting sales of *Kremezin* in the USA from around 2010, with the product now about to enter phase clinical trial stage there.

Worldwide registrations of agrochemicals continuing to increase

Sales of agrochemicals increased by 7% year-on-year, having risen from ¥2.9 billion in September 2004 to ¥3.1 billion in September 2005. Kureha's agricultural fungicide, *Metconazole*, a fungicide for cereal crops that Kureha produces in Japan and India, which is now marketed in over 30 countries, recorded particularly buoyant sales in Europe through an alliance with BASF. 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, all by March 2007. Other agrochemical products produced by Kureha include *Ipconazole*, a seed treatment fungicide that is currently marketed in five countries.

Industrial chemical price rises achieved

The profitability of this subdivision has greatly improved as a result of the belated completion of price increases that were implemented to help transfer the effects of higher oil prices.

Specialty plastics division

Major product areas – food packaging materials, household products, fishing lines

NEW Krewrap shows profitability improvement

Overall sales of household products grew from to ¥9.4 billion in the interim period ended September 2005, up from ¥9.3 billion at the same time last year. Although sales of Kureha's household wrapping film were flat, profitability has improved as a result of an increased unit sales price following a revision of the pricing structure.

Completion of *Krehalon* plant in China

Exports of polyvinylidene chloride (PVDC) compound, used in the packaging of perishable foods, such as sausages, fell due to severe competition. However, Kureha is aggressively targeting future growth in this area and has recently completed construction of a new *Krehalon* compound plant in Nantong, China, via a joint venture with a local manufacturer and a Japanese trading company.

***Besela* sales slow but outlook remains positive**

Besela, Kureha's new high barrier lamination material developed to replace cans, is yet to gain growth momentum as a result of the longer-than-expected evaluation phase.

Other operations division

Major product areas – environmental engineering, construction and transport/warehousing-related businesses

Industrial waste processing facing more competition

The area with the greatest growth potential in this division is the environmental engineering-related businesses, such as medical waste processing and the restoration of polluted soil. In this particular interim period, sales in this subdivision were down due to the absence of major projects and an increase in competition. However, Kureha continues to operate one of the largest incineration services to medical institutions in Japan. During fiscal 2004, the company had increased its medical waste processing capacity from 1,200 to 1,600 tonnes per month, and continues to maintain a high market share in the Tohoku and Kanto regions. Business is especially expanding in the Tokyo area.

Medical waste tracking system under development

In July 2004, Kureha and IBM Japan began joint development of a waste tracking system that uses IC tags to prevent the illegal dumping of medical waste. The Tokyo Metropolitan Government has recently announced that it will begin introduction of the IC tag tracking system from 2006, starting with five hospitals in Tokyo.

Capex, depreciation and R&D

Consolidated capital expenditure for the interim period amounted to a total of ¥5.7 billion, with a further ¥8.6 billion spending forecast for the second half of fiscal 2005. The capital expenditure is largely the result of Kureha's investment in additional PPS and PVDF resin production capacity, as well as upgrading the Iwaki Factory power plant. Kureha expects to invest a total of ¥7.2 billion in R&D in fiscal 2005.

Consolidated capital expenditure, depreciation and R&D

	(¥ billion)		
	Sept. 2005	Sept. 2004	Fiscal 2005 (forecast)
Capital expenditure	5.7	5.9	14.3
Depreciation	3.8	3.7	8.0
R&D	3.2	3.2	7.2

Outlook for fiscal 2005 and beyond

Kureha's financial forecasts for fiscal 2005 are shown in the following table:

Summary of consolidated financial forecasts

(¥ million, except where stated)

	Fiscal 2005 (Forecasts)	Fiscal 2004	Change (%)
Sales	137,000	130,400	5
Operating income	11,500	10,255	12
Recurring income	10,500	9,705	8
Net income	5,200	4,467	16
Earnings per share (EPS) (¥)	28.45	23.41	22

Earnings estimates remain unchanged, though Kureha has lowered its sales forecast for fiscal 2005 from ¥140 billion to ¥137 billion as a result of delays in expanding new products domestically and overseas, such as *Bese/a* and other food packaging materials, and an increase in PVDC compound cost competition in China.

Promising new products

In addition to the key growth areas mentioned above, Kureha also has a range of promising new products under development, including:

Polyglycolic acid (PGA) resin for carbonated drink containers and beer bottles

The commercialization of PGA resin for use in carbonated drink containers and beer bottles is now a priority for the company. Polyethylene Terephthalate (PET) bottles that contain a PGA layer have an extended shelf life and therefore the product has the potential to revolutionize the soft drink industry. Kureha intends to conduct test marketing of PGA in stages from fiscal 2006. The company is targeting PGA utilization by soft drink manufacturers around the world.

Solar control material

Solar control material is a type of filter that, when applied to a window absorbs heat from the sun, thereby reducing room temperature without the need to darken the room with blinds or curtains. Kureha is currently developing applications for this technology in association with glass and automobile parts manufacturers.

Anti HIV agent

Pre-clinical tests have been completed and the company is now considering partnerships with major foreign manufacturers. Kureha has the option of either licensing or selling the technology.

For further information, please contact:

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Notes to Editors

About Kureha Corporation

Kureha Corporation is a leading chemical and plastic products company, listed on both the Tokyo and Osaka Stock Exchanges (4023). The company was established in 1944 as a manufacturer of caustic soda, chlorine-based chemicals, and fertilizers.

Utilizing strong in-house R&D capabilities, Kureha has developed into a leading manufacturer of advanced plastics (such as PPS resin and PVDF resin), specialty chemicals (pharmaceuticals, including therapeutic agent for chronic kidney disease, *Kremezin*, and agrochemicals) and specialty plastics (food packaging products, including *New Krewrap*, and other household goods).

The company also undertakes a number of construction and maintenance operations in association with each of its major businesses, as well as providing transport, environmental management and other services.

Kureha's main factory is located in Iwaki, Fukushima Prefecture, Japan. In addition, the company has overseas production facilities in China, The Netherlands, and via a joint venture in the United States. More information may be found at <http://www.kureha.co.jp/>

<Appendix>

Condensed interim consolidated balance sheets

As of 30 September 2005 and 2004

	¥ millions	
	FY2005 Sept. 2005	FY2004 Sept. 2004
Assets		
Current assets	60,630	61,522
Cash and cash equivalents	5,150	5,825
Fixed assets	112,841	109,393
Property, plant and equipment	69,985	68,006
Intangible assets	2,049	2,159
Investments and other assets	40,806	39,227
Total Assets	173,471	170,915
Liabilities and Shareholders' Equity		
Current liabilities	57,556	56,497
Short-term borrowings	26,048	27,342
Long-term liabilities	22,781	21,083
Long-term liabilities	11,882	11,048
Total Liabilities	80,338	77,581
Minority Interest	720	1,956
Shareholders' Equity	92,413	91,378
Total Liabilities, Minority Interests and Shareholders' Equity	173,471	170,915

Condensed interim consolidated statement of income

For the fiscal years ended 30 September 2005 and 2004

	¥ millions	
	FY2005 Sept. 2005	FY2004 Sept. 2004
Sales	62,141	60,967
Cost of goods sold	44,346	43,168
Selling, general and administrative expenses	14,101	14,177
Operating income	3,693	3,621
Non-operating income	593	425
Non-operating expenses	614	681
Recurring income	3,672	3,365
Extraordinary gains	1,025	762
Extraordinary losses	2,155	1,528
Income before income taxes	2,542	2,599
Taxes and minority interest adjustments	1,016	1,194
Net income	1,525	1,403