

Expansion of Carbon Fiber Business

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Kureha Corporation (Head Office: Chuo-ku, Tokyo; President: Takao Iwasaki) in response to the increase in demand in various industrial fields for its pitch-type carbon fiber (Product name: Kreca), have decided to simultaneously expand production facilities at its Iwaki Factory (Iwaki City, Fukushima Prefecture) and at Kureha Chemicals Shanghai Co., Ltd. (Shanghai, China).

Production Facilities Expansion Plan

Iwaki Factory

Gradual increase in production capacity from 1,100 to 1,800 tonnes annually of carbon fiber thread for weaving, and doubling of production capacity for processed goods◆ Production capacity for carbon fiber thread for weaving will be increased from the current level of 1,100 tonnes to 1,450 tonnes (annual amounts, as for figures below) (operational in Spring 2009). Phase 2 is planned to increase capacity to 1,800 tonnes (scheduled for operational start in Spring 2012).

◆ Production capacity will be increased for the graphite insulation material Kreca FR and Kreca Chop (thread for weaving processed into shortened fibers), (gradual increase in capacity up to double in Spring 2012).

* In December 2006, production of carbon fiber was increased from 750 tonnes to 1,100 tonnes, but full operational capacity was reached in 2007 and is expected to continue throughout 2008.

Kureha Chemicals Shanghai Co., Ltd.

Threefold increase in shaped insulation material◆ Operations commenced in Jiading Industrial Zone (South) industrial park in 2004, but with a request to move in the fall of 2006 from Shanghai City and the Jiading District Government, it was agreed that the company would move to an industrial park in the northern part of Jiading Industrial Zone.

◆ At the same time, we will increase production capacity for Kreca FR (starting operations in Spring 2009). Phase 2 is planned to increase capacity threefold from current levels (scheduled start for Spring 2012). Moreover, the current production

facilities in the south of Jiading Industrial Zone will gradually be transferred to the northern part of the Industrial Zone (scheduled for completion by Fall 2009).

The total cost of increasing production capacity at both locations (including moving costs) is expected to be about six billion yen.

Background to expansion of production facilities

Kureha Corporation's carbon fiber is manufactured using petroleum pitch as a raw material and is developed to suit various applications which make use of its wide variety of characteristics: heat resistance, strength, machinability, conductivity, chemical resistance and slidability. Carbon fiber is currently an essential material in industry and each year is in ever-greater demand.

Our products processed from spun thread include insulating material such as Kreca FR, Kreca Felt, Kreca Chop (chopped fiber), Kreca Milled, Kreca Yarn, woven fiber Kreca Cloth, and Kreca Paper, and we have built up strong production and sales networks as the world's largest manufacturer of pitch-type carbon products. Currently, our sales total six billion yen globally.

(* Slideability ~ Friction and Wear performance between materials that come into contact with each other.) This characteristic shows good sliding performance and low wear).

Of the above, the core products of Kreca FR and Kreca Felt are used as insulation material in the following fields:

- ◆ 300mm semiconductor wafers that continue to attract high levels of investment, and in future production of 450mm large wafers
- ◆ silicon plates for solar energy generation systems that continue to grow in popularity in the environment related industry
- ◆ exhaust gas filter for use in diesel vehicles (DPF) in line with exhaust gas regulations
- ◆ superhard metals for use in popular machine tools and magnetic material for increasingly popular hybrid vehicles
- ◆ special carbon materials, C/C composite and carbon fiber, with continued increases in production facilities
- ◆ quartz glass for use in LCD plasma displays, lenses for steppers, and LED

substrates

Our products have a hard-to-replace or indispensable presence in environmental goods, semi-conductors, automobile-related products and the production of new materials. The company has a share of above 50% of the world market for carbon fiber shaped insulation material

Moreover, Kreca Chop and Kreca Milled are used in compounds with plastic and other materials in vehicle bearings, clutch facing, brake lining, power steering, and other such products (partly as a replacement for asbestos), as well as in electric and electronic products, conductive materials, and machine parts.

Anticipated Future Business Development

The company is moving from a demand creation period into a full demand expansion phase, with the need increasing in particular for more products in environment related industry. The company's business plan forecasts global sales of 12 billion yen in 2012. In addition to the two facilities referred to above, the company also has a production base in Pennsylvania, U.S.A., KUREHA ADVANCED MATERIALS Inc, and we are working towards the further expansion of our business while striving to optimize production and sales networks through maintaining close ties amongst our sales offices in Japan, China, Europe and the U.S.

The increase in production facilities described above will not impact on the forecast results for the period to March 2008.