

KUREHA

Kureha Chemical Industry Announces Record Profits for Fiscal 2004

Strategic Businesses Make Solid Contribution to Earnings

Tokyo, Japan – May 10, 2005 – 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.

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.

Specialty plastics division

Major product areas – commercial-use food packaging materials, home products, fishing line

Besela sales slow but outlook remains positive

Sales of *Besela*, Kureha's new high barrier laminated material to replace cans and other barrier packaging films, fell slightly in fiscal 2004, due to the time taken for users to switch to the new product. However, prospects for the product remain bright after having achieved compliance with food sanitation standards in the USA and Europe in 2004.

Krehalon plant under construction in China

Exports of polyvinylidene chloride (PVDC) compound, used in the packaging of perishable food, fell in fiscal 2004, due to slower growth in demand for sausages, as a result of high raw meat prices. The company is currently constructing a new *Krehalon* compound plant in Nantong, China, via a joint venture with a local manufacturer and Japanese trading company, which is scheduled to commence operations in October 2005.

Marketing of new film product, ML-40 underway

Kureha has developed and started marketing multi-layer shrinkable film, *ML-40*, a new product for wrapping meats and cheeses. The product, which has excellent barrier properties, has been jointly developed and marketed via an alliance with Multivac, a prominent packaging machinery manufacturer based in Germany. Kureha initially plans to target growth in Europe, where it has a well-established distribution network, though the business is also being developed in the USA and Oceania region.

NEW Krewrap wins good design award

Overall, sales of consumer home products totaled ¥19.2 billion in fiscal 2004. Although sales of Kureha's kitchen use plastic wrap products were flat, the launch of the Good Design Award winning *NEW Krewrap* in March 2004, and a further improved version in February 2005 will boost the sales potential of this product range.

Other operations division

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

Medical waste processing capacity increased

The area with the greatest growth potential in this division is environmental engineering-related businesses, such as medical waste processing and polluted soil restoration. These businesses contributed sales of ¥7.0 billion in fiscal 2004. Kureha operates one of the largest incineration services to medical institutions in Japan. The company increased its medical waste processing capacity in fiscal 2004 from 1,200 tonnes to 1,600 tonnes per month, maintaining a high market share in the Tohoku and Kanto regions. Business is also expanding in the Tokyo area.

Medical waste traceability system under development

In July 2004, Kureha and IBM Japan began joint development of a waste traceability system that uses IC tags to prevent the illegal dumping of medical waste. Testing is being conducted at Kureha Hospital in Fukushima prefecture. Kureha is considering introducing this system in the Tokyo metropolitan region in the medium term.

Capex, Depreciation and R&D

Consolidated capital expenditure in fiscal 2004 increased by ¥3.3 billion to ¥12.0 billion, with a further ¥2.5 billion increase forecast for fiscal 2005. This jump in capital expenditure is largely the result of the company's investment in additional PPS and PVDF resin production capacity, and the updating its Nishiki Factory power plant. Kureha invested a total of ¥6.5 billion in R&D in fiscal 2004.

Consolidated capital expenditure, depreciation and R&D

	Fiscal 2003	Fiscal 2004	Fiscal 2005 (forecast)
Capital expenditure	8.7	12.0	14.5
Depreciation	7.9	7.6	8.0
R&D	6.4	6.5	7.5

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	140,000	130,400	7.4
Operating income	11,500	10,255	12.1
Recurring income	10,500	9,705	8.2
Net income	5,200	4,467	16.4
Earnings per share (EPS) (¥)	27.99	23.41	19.6

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. Hence, the product has the potential to revolutionize the soft drink industry. Kureha will conduct test marketing of PGA and commercial production is expected to commence 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, absorb 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 alongside 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.

Aggressive new mid-term business plan launched

Kureha's longer-term financial targets are outlined in the new mid-term plan, announced in April 2005. The focus of the plan is to revitalize the business by repositioning Kureha as a leading specialty products company, strategically focusing on high value-added growth products.

"Kureha Corporation" – A new corporate direction

To mark the adoption of a strategic new corporate direction, the company has decided to change its name to Kureha Corporation from Kureha Chemical Industry Co., Ltd., effective October 1, 2005. The name change reflects the company's determination to both strengthen and expand the Kureha brand, as it aims to excel in a range of strategic business areas.

Details of Kureha's new mid-term business plan, name change and new corporate identity are outlined in the press release, *"Kureha Corporation" – New Name, New Mission, New Focus, January 17, 2005*.

Condensed consolidated statement of income

For the fiscal years ended 31 March 2004 and 2005

¥ millions

	FY2004 31 March 2005	FY2003 31 March 2004
Sales	130,400	135,020
Cost of goods sold	91,987	98,241
Selling, general and administrative expenses	28,158	27,315
Operating income	10,255	9,463
Non-operating revenue	771	686
Non-operating expenses	1,320	1,829
Recurring income	9,705	8,320
Extraordinary gains	1,621	2,204
Extraordinary losses	3,276	3,682
Profit before income taxes	8,050	6,843
Taxes and minority interest adjustments	3,583	2,660
Net income	4,467	4,183

Condensed consolidated balance sheets

As of 31 March 2005 and 2004

¥ millions

	FY2004 31 March 2005	FY2003 31 March 2004
Assets		
Current assets	61,525	65,617
Cash and equivalents	6,001	7,584
Fixed assets	111,201	107,678
Property, plant and equipment	69,289	66,568
Intangible assets	2,091	2,279
Investments and other assets	39,820	38,831
Total Assets	172,727	173,295
Liabilities and Shareholders' Equity		
Current liabilities	57,713	60,286
Short-term borrowings	25,209	24,405
Long-term liabilities	21,165	19,538
Long-term liabilities	9,651	9,953
Total Liabilities	78,879	79,824
Minority Interest	785	1,696
Shareholders' Equity	93,062	91,774
Total Liabilities, Minority Interests and Shareholders' Equity	172,727	173,295

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Notes to Editors

About Kureha Chemical Industry Co., Ltd.

Kureha Chemical Industry Co., Ltd. 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 anti-cancer agent *Krestin*, 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 Nishiki, 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/>

Results for the Year ended March 31, 2005

May 18, 2005

Kureha Chemical Industry Co., Ltd.

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. Topics (Apr. 04 ~ May 05)

1 . Management

- Jul. 04 Published Responsible Care Report 2004
- Oct. 04 Established Internal Control and Auditing Department under president to drive improvements in management efficiency and increase public trust
- Jan. 05 Clarified corporate philosophy and put in writing mission and employee code of conduct; announced change in company name to Kureha Corporation effective October 1, 2005
- Jan. 05 Announced a new medium-term management plan; aiming for sales of ¥180.0 bil. and operating profit of ¥20.0 bil. in the year ended in March 2009.
- Mar. 05 Kureha Kosan Co., Ltd. became a wholly owned subsidiary of Kureha through a simple exchange of stock.
- Apr. 05 Obtained “A” rating for long-term debt from Japan Credit Rating Agency, Ltd. (JCR)
- Apr. 05 Announced upward revision to previous forecast for year-end dividend by ¥2 to ¥5 per share, resulting in an annual ordinary dividend of ¥8 per share

2 . Advanced Materials

- June 05 Awarded Prize in 9th Advanced Display of the Year (ADY) Awards for Bayon KDP-100 transparent antistatic plate
- Feb. 05 Began studying construction of new production facility to meet growing PPS resin demand; started Feasibility study with Singapore as the primary candidate
- Apr. 05 Raised annual production capacity of PPS resin to 7,500 tons at the Nishiki Factory

3 . Specialty Products

- June 04 Signed license agreement in China for Kremezin, a treatment for chronic renal failure
- Jul. 04 Announced alliance with OncoTherapy Science (OTS) to develop antibody drug for the treatment of pancreatic cancer
- Jan. 05 Filed suit in Tokyo District Court against companies manufacturing and selling Kremezin-like products on the grounds of patent infringement and uncompetitive practices under the Unfair Competition Prevention Law

(3. Specialty Products (contd.))

- Feb. 05 Started selling Kremezin in South Korea under a business alliance with Sankyo Co., Ltd. and CJ CORP, a Korean firm
- Mar. 05 Agreed with Sumitomo Chemical Co., Ltd. to proceed with the joint development of a grass, fruit and vegetable fungicide for the North American market based on Metconazole, a fungicide for cereal crops
- Mar. 05 Agreed with U.S.-based Crompton Corporation to jointly develop a fungicide in the Americas and Europe based on Ipconazole, a rice seed disinfectant

4. Plastics

- Jul. 04 Completed development of the world's first packaging sausage that eliminates the need for metal packaging clips
- Jul. 04 Recalled LaQuPa zippable stock bags for refrigerated storage after lead was found to be contained in some bags
- Sept. 04 Launched the Kichinto-San series of containers for heating Japanese *udon* noodles in a microwave oven
- Oct. 04 Received a Good Design Award 2004 for NEW Krewrap
- Feb. 05 Launched new products in the Seaguar fishing line series
- Feb. 05 Launched an improved version of NEW Krewrap
- Mar. 05 Began selling U.S.-based Rubbermaid food storage containers under the Kichinto-San Rubbermaid Containers brand
- Apr. 04 Transferred sales activities for Pairflex multilayer film packaging to Sanko Plastics, which was then renamed Kureha Extech Co., Ltd.

5. Other Operations

- Jul. 04 Kureha Environmental Engineering Co., Ltd. and IBM Japan, Ltd. started IC tag field trials for tracking medical waste

. Consolidated Companies(1)

Unit: 100 million yen

		Year ended March 31, 2004		Year ended March 31, 2005		Increase/Decrease	
		Net sales	Total assets	Net sales	Total assets	Net sales	Total assets
Kureha Chemical Industry		836	1,363	802	1,370	-34	7
Nishiki Trading Co., Ltd. and 1 group company		272	128	285	123	13	-5
Advanced Materials	Kureha Chemical Industry	193	-	204	-	11	-
	Nishiki Trading Co., Ltd. and 1 group company	83	-	76	-	-7	-
	KUREHA CHEMICALS GmbH	9	5	10	7	1	2
	KREHA CORPORATION OF AMERICA	10	5	11	5	1	0
	KUREHA KPS, INC.	4	24	8	29	4	5
	Kureha Chemicals Shanghai	-	-	4	7	4	-
	Consolidation adjustments	-50	-	-61	-	-11	-
Total		249	-	252	-	3	-
Specialty Chemicals	Kureha Chemical Industry	285	-	262	-	-23	-
	Nishiki Trading Co., Ltd.	73	-	80	-	7	-
	Consolidation adjustments	-30	-	-32	-	-2	-
Total		328	-	310	-	-18	-
Specialty Plastics	Kureha Chemical Industry	358	-	336	-	-22	-
	Nishiki Trading Co., Ltd.	102	-	113	-	11	-
	Kureha Gosen Co., Ltd.	33	24	31	25	-2	1
	Kureha Plastics Co., Ltd.	121	74	120	70	-1	-4
	Kakogawa Plastics Co., Ltd.	29	20	33	21	4	1
	Sanko Plastics Co., Ltd.	28	17	26	17	-2	0
	KREHALON INDUSTRIE B.V.	37	33	41	37	4	4
	Five other group companies in Europe handling food wrapping	44	30	46	34	2	4
	Consolidation adjustments	-241	-	-239	-	2	-
	Total		511	-	507	-	-4

Kureha Chemical Industry Co., Ltd.

Consolidated Companies (2)

Unit: 100 million yen

		Year ended March 31, 2004		Year ended March 31, 2005		Increase/Decrease	
		Net sales	Total assets	Net sales	Total assets	Net sales	Total assets
Other Operations	Kureha Environmental Engineering Co., Ltd. and 1 group company	53	47	57	48	4	1
	Kureha Techno Eng Co., Ltd. and 1 group company	13	4	13	5	0	1
	Kureha Special Laboratory Co., Ltd.	110	56	116	48	6	-8
	Kureha Construction Co., Ltd. and 3 group companies	112	66	108	59	-4	-7
	Kureha Transport Co., Ltd. and 6 group companies	123	55	123	58	0	3
	Nishiki Trading Co., Ltd.	14	-	15	-	1	-
	Kureha Kosan Co., Ltd. and 2 group companies	22	62	14	64	-8	2
	Consolidation adjustments	-185	-	-211	-	-26	-
Total		-163	-	-197	-	-34	-
(Number of consolidated companies)		(34)		(35)		(1)	
Consolidated Total		1,350	1,733	1,304	1,727	-46	-6
Equity-method affiliates	RUTGERS KUREHA SOLVENTS GmbH	(21)		(24)		(3)	

Increase consolidated companies <Advanced Materials>

Kureha Chemicals Shanghai Co., Ltd.

Sanko Plastics Co., Ltd., which belongs to the Specialty Plastics segment, was renamed Kureha Extech Co., Ltd. on April 1, 2005.

Kakogawa Plastics Co., Ltd. was moved from the Specialty Plastics segment to the Advanced Materials segment beginning with the fiscal year ending in March 2006.

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Fiscal 2004 Results and Fiscal 2005 Forecasts

Financial Highlights

(Consolidated and Non-consolidated)

	Year ended March 31, 2004			Year ended March 31, 2005							Year ending March 31, 2006 (est.)						
	Consolidated	Non-consolidated	Ratio	Consolidated	Non-consolidated	Ratio	Year-on-Year Change				Consolidated	Non-consolidated	Ratio	Year-on-Year Change			
							Consolidated	Non-consolidated						Consolidated	Non-consolidated		
Net sales	1,350	836	1.6	1,304	802	1.6	-46	-3%	-34	-4%	(645)	(394)	1.6	96	7%	48	6%
Operating income	95	61	1.5	103	62	1.7	8	8%	0	1%	(35)	(23)	1.7	12	12%	4	7%
Recurring income	83	57	1.5	97	64	1.5	14	17%	8	13%	(35)	(25)	1.6	8	8%	1	1%
Net income	42	30	1.4	45	32	1.4	3	7%	2	5%	(15)	(13)	1.6	7	16%	0	1%
Total assets	1,733	1,363	1.3	1,727	1,370	1.3	-6	0%	7	0%	() Estimates for first-half results						
Shareholders' equity	918	881	1.0	931	879	1.1	13	1%	-2	0%							
Net income per share (¥)	¥ 21.45	¥ 15.37	1.4	¥ 23.41	¥ 16.52	1.4	¥ 1.96	9%	¥ 1.15	7%							
Shareholders' equity per share (¥)	¥ 483.12	¥ 462.85	1.0	¥ 500.56	¥ 469.43	1.1	¥ 17.44	4%	¥ 6.58	1%							
Equity ratio	53.0%	64.6%	0.8	53.9%	64.2%	0.8	0.9%	2%	-0.4%	-1%							

Comparison of Main Indicator (Consolidated and Non-consolidated)

Units: 100 million yen

	Year ended March 31, 2004			Year ended March 31, 2005							Year ending March 31, 2006 (est.)						
	Consolidated	Non-consolidated	Ratio	Consolidated	Non-consolidated	Ratio	Year-on-Year Change				Consolidated	Non-consolidated	Ratio	Year-on-Year Change			
							Consolidated		Non-consolidated					Consolidated		Non-consolidated	
Capital expenditure	87	72	1.2	120	91	1.3	33	-13%	19	-15%	145	118	1.2	25	21%	27	29%
Depreciation and amortisation	79	58	1.4	76	58	1.3	-3	-10%	0	-4%	80	64	1.3	4	5%	6	10%
R&D expenses	64	62	1.0	65	62	1.0	1	1%	0	2%	75	73	1.0	10	12%	11	12%
Interest-bearing debt	344	228	1.5	349	238	1.5	5	-27%	10	-31%	375	269	1.4	26	8%	31	13%
Net interest expense	-2	3	-	0	9	-	2	46%	6	-60%	1	9	0.2	1	-	-1	-6%
Exchange rate (US \$)	113.3			107.7			-5.6				105.0			-2.7			
Employees	3,866	1,441	2.7	3,793	1,386	2.7	-73	-2%	-55	-2%	3,837	1,392	2.8	44	1%	6	0%

Balance Sheets

(Consolidated and Non-consolidated)

1. Assets

Units: 100 million yen

	As of March 31, 2004		As of March 31, 2005		Year-on-Year Change	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Cash and cash equivalents	76	41	60	34	-16	-6
Accounts and notes receivable - trade	354	219	320	197	-34	-22
Inventories	185	121	187	128	2	7
Other current assets	41	77	48	79	7	2
Property, plant and equipment	666	465	693	487	27	22
Intangible assets	23	22	21	19	-2	-2
Total investments and other assets	388	419	398	425	10	6
Total assets	1,733	1,363	1,727	1,370	-6	7

2. Liabilities, minority interests and shareholders' equity

Units: 100 million yen

	As of March 31, 2004		As of March 31, 2005		Year-on-Year Change	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Accounts and notes payable - trade	189	75	168	71	-21	-5
Interest-bearing debt	344	228	349	238	5	10
Reserves	46	13	52	13	6	0
Other liabilities	219	166	220	169	1	2
Minority interests	17		8		-9	
Common stock	125	125	125	125	0	0
Capital reserve	97	97	97	97	0	0
Unrealized gains on investment securities	88	84	96	85	7	1
Other retained earnings	608	575	613	572	6	-3
Total	1,733	1,363	1,727	1,370	-6	7

Analysis of Consolidated Recurring Income (Year ended March 2004)

Units: 100 million yen

		Year ended March 31, 2004		Year ended March 31, 2005		Change
Recurring income	Kureha Chemical Industry	56.7	68%	64.3	66%	7.6
	Consolidated subsidiaries	32.6	39%	42.1	43%	9.5
	Equity-Method affiliates	0.0	0%	0.0	0%	0.0
	Consolidation adjustments	-6.1	-7%	-9.3	-10%	-3.2
	Total	83.2	100%	97.1	100%	13.9

Reasons for earnings increase/decrease

	Reasons for increase		Reasons for decrease		Total
	Item	Amount	Item	Amount	
Kureha Chemical Industry	Higher sales volume	7.4	Difference in unit cost of fuel	-18.5	7.6
	Difference in non-operating items	7.2	Increase in general and administrative expenses	-6.1	
	Decrease in manufacturing fixed costs	6.3			
	Difference in unit cost of purchased products	4.1			
	Pricing changes	2.9			
	Others	4.3			
		32.2		-24.6	
Consolidated subsidiaries	PPS business	4.0	Environment-related business	-1.4	9.5
	Japanese resin processing business	3.1	European packaging materials business	-0.5	
	Construction-related business	1.9			
	Others	2.4			
		11.4		-1.9	

Analysis of Consolidated Recurring Income (Year ending March 2005)

Units: 100 million yen

		Year ended March 31, 2005		Year ending March 31, 2006 (est.)		Difference
Recurring income	Kureha Chemical Industry	64.3	66%	64.5	61%	0.2
	Consolidated subsidiaries	42.1	43%	46.9	45%	4.8
	Equity-method affiliates	0.0	0%	0.0	0%	0.0
	Consolidated adjustments	-9.3	-10%	-6.4	-6%	2.9
	Total	97.1	100%	105.0	100%	7.9

Reasons for earnings increases/decreases

	Reasons for increase		Reasons for decrease		Total
	Item	Amount	Item	Amount	
Kureha Chemical Industry	Increase in unit sales price	16.8	Increase in general and		
	Higher sales volume	13.7	administrative expenses	-18.7	
	Decrease in unit cost of purchased products	4.4	Higher unit cost of fuel	-10.5	
	Others	7.2	Difference in non-operating items	-6.5	
			Increase in manufacturing fixed costs	-6.2	
		42.1		-41.9	0.2
Consolidated subsidiaries	PPS business	1.5	Others	-1.5	
	Japanese resin processing business	1.5			
	Environment-related business	1.5			
	European packaging materials business	1.2			
	Construction-related business	0.7			
		6.4		-1.5	4.8

Breakdown of Extraordinary Income/Losses

Units: 100 million yen

		Year ended		Year ended March 31, 2005				Year ending March 31, 2006 (est.)			
		31-Mar-04		Amount		Year-on-Year Change		Amount		Year-on-year change	
		Consolidated	Non-consolidated	Consolidated	Non-consolidated	Consolidated	Non-consolidated	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Extraordinary Income	Income from sale of investment securities	13.9	13.8	14.5	14.5	0.6	0.7	-	-	-14.5	-14.5
	Gain on elimination/sales of fixed assets	7.8	0.1	1.4	-	-6.4	-0.1	-	-	-1.4	-
	Other	0.3	-	0.3	-	0.0	-	-	-	-0.3	-
	Total	22.0	14.0	16.2	14.5	-5.8	0.5	0.0	0.0	-16.2	-14.5
Extraordinary Losses	Appraisal loss on investment securities	0.8	0.5	1.7	1.6	-0.8	-1.1	-	-	1.7	1.6
	Loss on sale of investment securities	0.1	0.1	0.0	0.1	0.1	0.1	-	-	0.0	0.1
	Retirement benefit expense	5.3	-	4.5	-	0.8	-	-	-	4.5	-
	Loss on elimination/sale of fixed assets	11.5	10.4	22.3	19.9	-10.8	-9.5	14.0	11.0	8.3	8.9
	Appraisal loss on fixed assets	-	-	-	-	-	-	3.0	-	-3.0	-
	Appraisal loss on inventories	-	-	1.2	1.2	-1.2	-1.2	-	-	1.2	1.2
	Valuation loss on real estate for sale	2.3	-	1.2	-	1.0	-	-	-	1.2	-
	Restructuring expenses	15.2	15.2	-	-	15.2	15.2	-	-	-	-
	Other	1.6	0.0	1.9	0.7	-0.2	-0.7	2.0	-	-0.1	0.7
Total	36.8	26.2	32.8	23.4	4.0	2.8	19.0	11.0	13.8	12.4	

Cash Flows

(Consolidated and Non-consolidated)

Units: 100 million yen

		Year ended March 31, 2004		Year ended March 31, 2005		Year ending March 31, 2006 (est.)	
		Consolidated	Non-consolidated	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Cash flows from operating activities	Pre-depreciation profit	147	102	157	112	166	118
	Increase/decrease in assets and liabilities	72	52	6	7	-8	-3
	Payments of corporation tax	-9	-2	-32	-27	-33	-20
	Other-net	-12	-10	-7	-1	17	13
		198	142	124	91	142	108
Cash flows from investing activities		-36	-4	-96	-67	-122	-101
Cash flows from financing activities		-160	-133	-41	-31	-9	-11
Effect of exchange rate changes on cash and cash equivalents		-0	-0	0	0	0	0
Increase in cash and cash equivalents upon change of fiscal year-end of consolidated subsidiary		-	-	-4	-	-	-
Cash and cash equivalents at beginning of year		74	36	76	41	60	34
Net increase/decrease in cash and cash equivalents		2	5	-16	-6	11	-3
Cash and cash equivalents at end of year		76	41	60	34	71	31

- # Consolidated Net Sales and Operating Income by Segment

Consolidated Net Sales and Operating Income

< Advanced Materials >

Units: 100 million yen

			Year ended 31-Mar-04	Year ended March 31, 2005		Year ending March 31, 2006 (est.)			
				Amount	Year-on-Year Change	Amount	Year-on-Year Change		
Consolidated net sales	Kureha Chemical Industry	Carbon products	61	71	10	16%	66	-5	-7%
		Functional plastics	96	98	2	2%	126	28	28%
		Other	36	35	-1	-2%	41	6	17%
	Total		193	204	11	6%	233	29	14%
	Consolidated subsidiaries		106	109	3	3%	157	48	44%
	Eliminations		-50	-62	-12	-	-75	-13	-
	Total		249	252	2	1%	315	63	25%
Consolidated operating income			28	32	4	13%	41	9	28%

Consolidated Net Sales and Operating Income

< Specialty Chemicals >

Units: 100 million yen

			Year ended 31-Mar-04	Year ended March 31, 2005		Year ending March 31, 2006 (est.)			
				Amount	Year-on-Year Change	Amount	Year-on-Year Change		
Consolidated net sales	Kureha Chemical Industry	PVC plastics	38	-	-38	-	-	-	
		Industrial chemicals	88	93	5	6%	96	3	3%
	Agrochemicals	66	73	7	11%	71	-2	-3%	
	Pharmaceuticals	93	95	2	2%	96	1	1%	
	Total	285	262	-23	-8%	263	1	0%	
	Consolidated subsidiaries	73	80	7	10%	74	-6	-8%	
	Eliminations	-30	-32	-2	-	-32	0	-	
	Total	328	310	-18	-6%	305	-5	-2%	
Consolidated operating income			33	41	8	23%	33	-8	-19%

Consolidated Net Sales and Operating Income

< Specialty Plastics >

Units: 100 million yen

		Year ended 31-Mar-04	Year ended March 31, 2005		Year ending March 31, 2006 (est.)				
			Amount	Year-on-Year Change	Amount	Year-on-Year Change			
Consolidated net sales	Kureha Chemical Industry	Food service-use packaging materials	126	118	-9	-7%	127	9	8%
		Household goods	196	192	-3	-2%	204	11	6%
		Fishing lines	11	11	-1	-6%	14	4	35%
		Other	25	15	-10	-39%	9	-6	-39%
		Total	358	336	-22	-6%	354	18	5%
		Consolidated subsidiaries	393	410	16	4%	386	-24	-6%
		Eliminations	-241	-239	2	-	-235	4	-
	Total	511	507	-4	-1%	505	-2	0%	
Consolidated operating income		13	9	-4	-32%	19	10	118%	

Consolidated Net Sales and Operating Income

< Other Operations >

Units: 100 million yen

		Year ended 31-Mar-04	Year ended March 31, 2005		Year ending March 31, 2006 (est.)				
			Amount	Year-on-year change	Amount	Year-on-year change			
Consolidated net sales	Consolidated Subsidiaries	Environmental engineering business	66	70	4	6%	76	6	9%
		Construction-related business	222	224	2	1%	248	24	11%
		Transport and warehousing business	124	123	0	0%	132	9	7%
		Trading	14	16	1	10%	22	6	41%
		Other	22	14	-8	-34%	13	-1	-9%
	Total	447	447	-1	0%	491	44	10%	
	Eliminations	-185	-211	-26	-	-216	-5	-	
	Total	261	235	-26	-10%	275	40	17%	
Consolidated operating income		22	22	0	0%	23	1	7%	

Disclaimer

- This material is presented to foster a deeper understanding of Kureha Chemical Industry and not for the purpose of soliciting investors.
- This material contains judgments based on information available to Kureha Chemical Industry at the time of compilation. Actual results may differ materially from forecasts due to a range of factors.
- Investors are asked to form their own judgments about, and take responsibility for use of this material.