

Mid Term Business Plan Progress Report

December 19, 2006

KUREHA CORPORATION

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KUREHA CORPORATION

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KUREHA

Overview of KUREHA CORPORATION

- Established: June 21, 1944
- Paid-in capital: 12.5 billion yen (Sep '06)
- Operations: Manufacture and sale of advanced materials, specialty chemicals and specialty plastics. Also engaged in related businesses
- Sales: 136 billion yen (consolidated), 81.8 billion yen (non-consolidated) (Mar 06)
- Total assets: 185 billion yen (consolidated), 148 billion yen (non-consolidated) (Sep 06)
- Number of employees: 3,745 (consolidated), 1,346 (non-consolidated) (Sep 06)
- Head office: 3-3-2, Nihonbashi- Hamacho, Chuo-ku, Tokyo 103-8552

Overview of affiliated companies (32 consolidated subsidiaries, 2 equity-method companies)

- Advanced materials: 5 consolidated subsidiaries – Kureha America Inc., Kureha GmbH, Kakogawa Plastics Co., Ltd., Resinous Kasei Co., Ltd., Kureha Chemicals Shanghai Co., Ltd.
- Specialty chemicals: No consolidated subsidiaries, Rutgers Kureha Solvents GmbH(Equity-method company)
- Specialty Plastics: 8 consolidated subsidiaries -- Kureha Plastics Co., Ltd., Kureha Gosen Co., Ltd., Kureha Extech Co., Ltd., Krehalon Industrie B.V. and four other subsidiaries engaged in the packaging products industry in Europe, Nantong New Materials Co., Ltd. (Equity-method company)
- Other operations: 19 consolidated subsidiaries -- Kureha Kankyo Co., Ltd., Kureha Special Laboratory Co., Ltd., Kureha Engineering Co., Ltd., Kurehanishiki Construction Co., Ltd., Kureha Unyu Co., Ltd., Nishiki Trading Co., Ltd., Kureha Service Co., Ltd., Kureha Staff Service Co., Ltd. and 11 other companies
(As of December 1, 2006)

I. Corporate Vision

Mid Term Business Plan and Goals

KUREHA CORPORATION

To be a leading specialty products company developing its business globally

New corporate mission
to enhance employee
motivation

Recent name change reflects the
diversification of Kureha's business
beyond the chemical industry

Investing in new businesses

Investment return from core
businesses

New Plan

- Improving profitability through aggressive investment in chosen areas of focus
- Investing in new businesses for increased growth

Previous plan

Selection and focus
Withdrawal from
commodity businesses

New Kureha

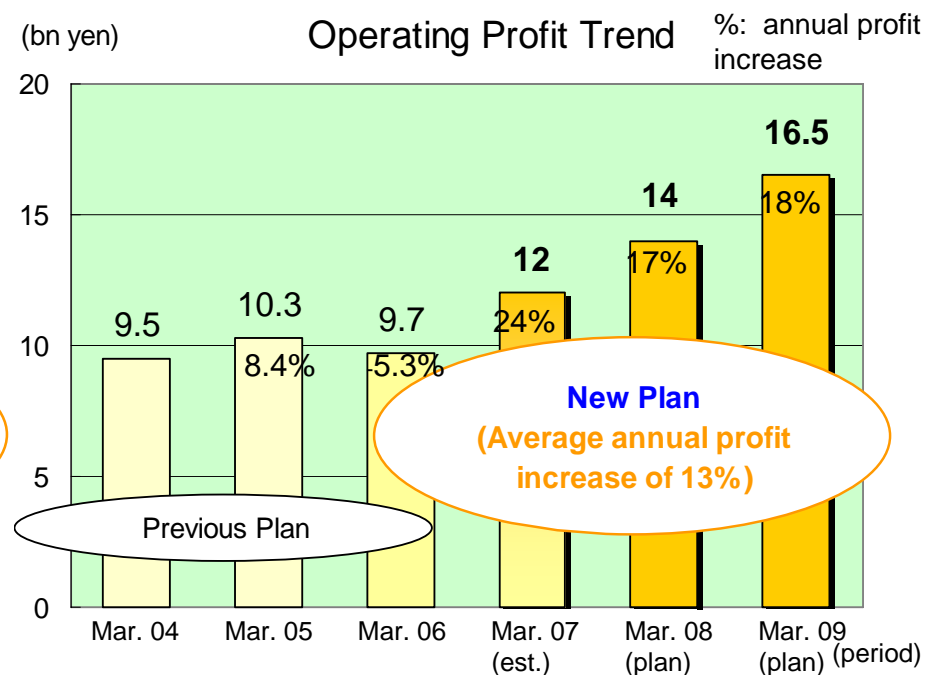
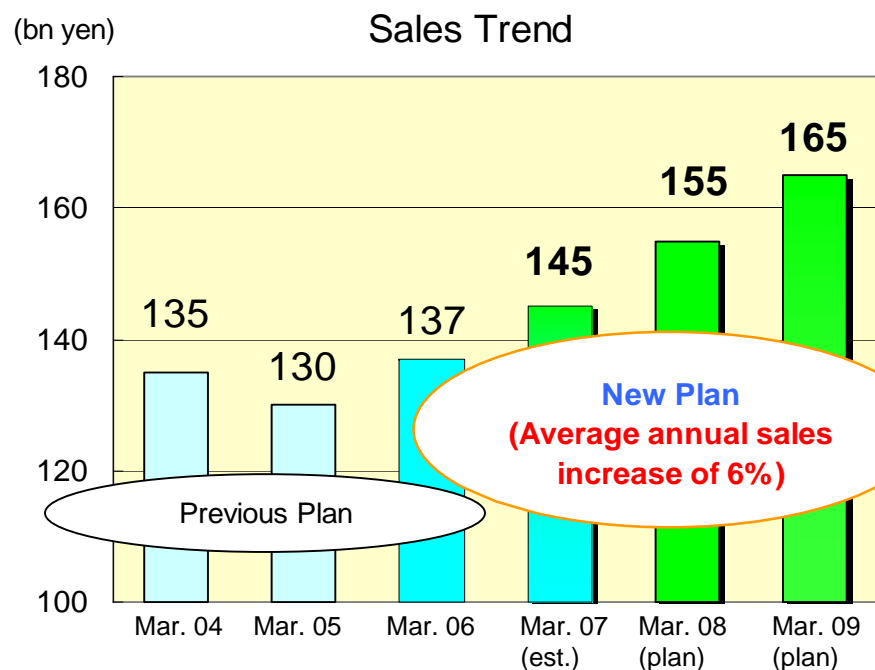
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II. New Plan: Progress Update

New Plan: Progress Update

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- ◆ Progress is currently one year behind the schedule announced in Jan 2006
- ◆ Review being undertaken, including with regards to delays in marketing Besela, Krefine and Rubbermaid

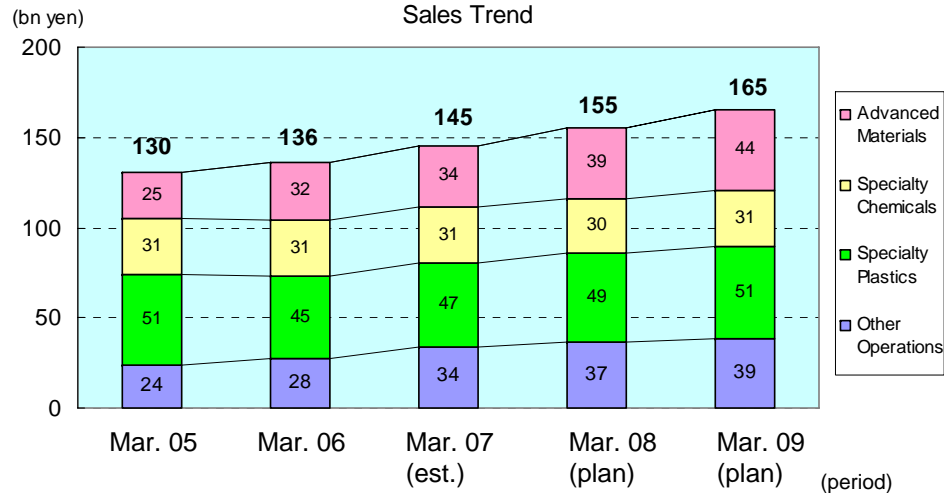


- ✓ Aiming for business expansion and continuous growth of profits from core businesses
- ✓ Products under development slated to commercialize during New Plan and contribute to earnings from March 2010 onwards

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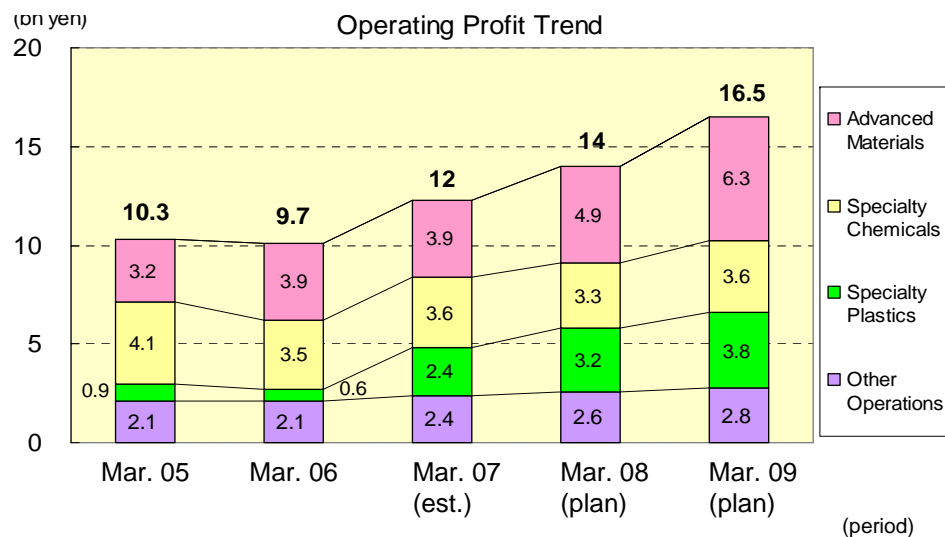
Road to March 09 (Trend by Segment)

KUREHA CORPORATION



Sales: Comparison between Mar. 07 (estimate) and Mar. 09 (Plan)

- ✓ *Advanced Materials Division* - will see an expansion of sales of PPS resin, PVDF resin, Krefine, and pitch based carbon fiber
- ✓ *Specialty Chemicals Division* - will be affected by the official drug price cut, though expanded volume is expected to offset this setback. Agrochemical products to see increased registration in other markets, but overall volume increase remains limited
- ✓ *Specialty Plastics Division* - will benefit from increased PVDC sales in China, optimized pricing of household products and expansion of European packaging business
- ✓ *Other Divisions* will witness growth mainly in the environmental and construction related businesses



Operating Profit

- ✓ *Advanced Materials Division* will continue to increase profits while offsetting increased fixed-rate depreciation
- ✓ *Specialty Chemicals Division* - will retain profit levels as increased volumes of Kremezin will offset the impact of drug price cut. Agrochemicals will see a slight increase in volumes and a decrease in R&D costs
- ✓ *Specialty Plastics Division* - will experience increased profits due to improved profitability and expanded overseas sales of packaging materials, as well as strengthened earnings of household products
- ✓ *Other Divisions* - will enjoy a growth in profits due to business expansion from industrial waste processing, especially from medical waste, and from construction and engineering

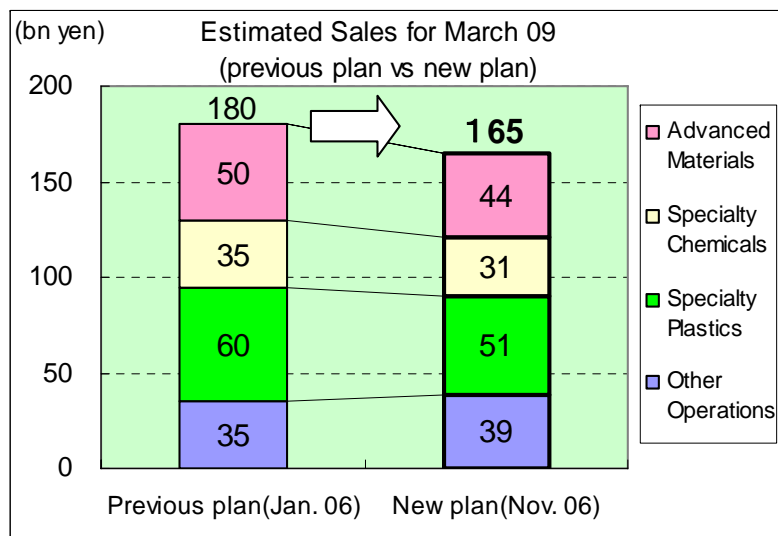
(*consolidation adjustment: March 06:-4, March 07: -3)

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Difference Between Previous Figures and Current Assumptions

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1. Comparison of Sales



Difference from Previous Figures

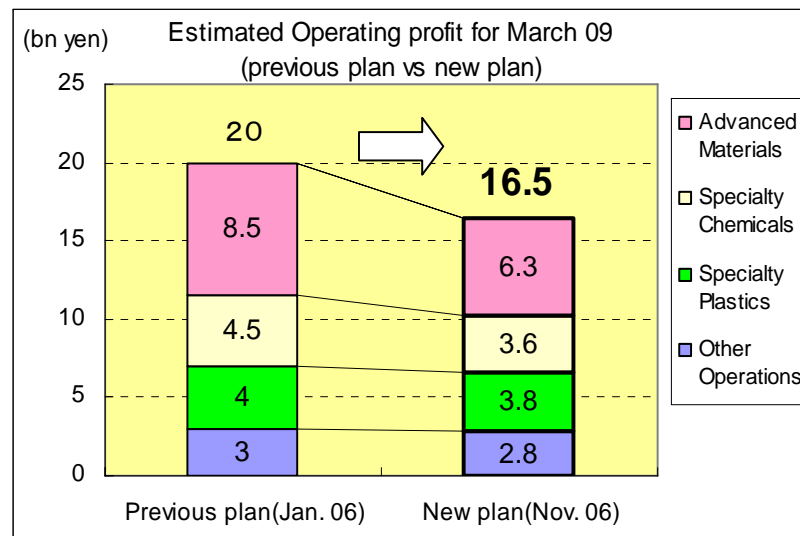
[Advanced materials] advanced plastics → carbon products ↓ (fiber ↑ activated carbon ↓) Others (Krefine, optical materials) ↓

[Specialty chemicals] pharmaceuticals → agrochemicals ↓ industrial chemicals → Others (health food) ↓

[Specialty plastics] food packaging materials ↓ household products ↓

[Other operations] environmental related → engineering related → construction related ↑

2. Comparison of Operating Profit



Difference from Previous Figures

[Advanced materials] advanced plastics ↓ carbon products ↓ Others ↓

[Specialty chemicals] pharmaceuticals → agrochemicals ↓ industrial chemicals → Others ↓

[Specialty plastics] food packaging materials ↓ household products →

[Other operations] environmental related ↓ engineering related → construction related ↑

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Areas of Focus FY Ending March 07

-Strengthening operating infrastructure for future growth

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Strengthening Business Tie-ups with Other Companies

- Development of production and processing facilities for pitch based carbon fiber:
 - Acquired TTSM, Inc., in the U.S.
- World-wide marketing of Kremezin, therapeutic agent for kidney disease:
 - Agreed license contract with Mitsubishi Pharma Corporation on development and distribution rights for Kremezin in the U.S. and Europe
 - Agreed license contract with Conmed (Taiwan) on development and distribution rights for Kremezin in Taiwan
- Strengthening competitive edge in construction related businesses:
 - Kureha Construction Co. Ltd. and Nishiki Kogyo merged and renamed Kurehanishiki Construction Co. Ltd. in October 06

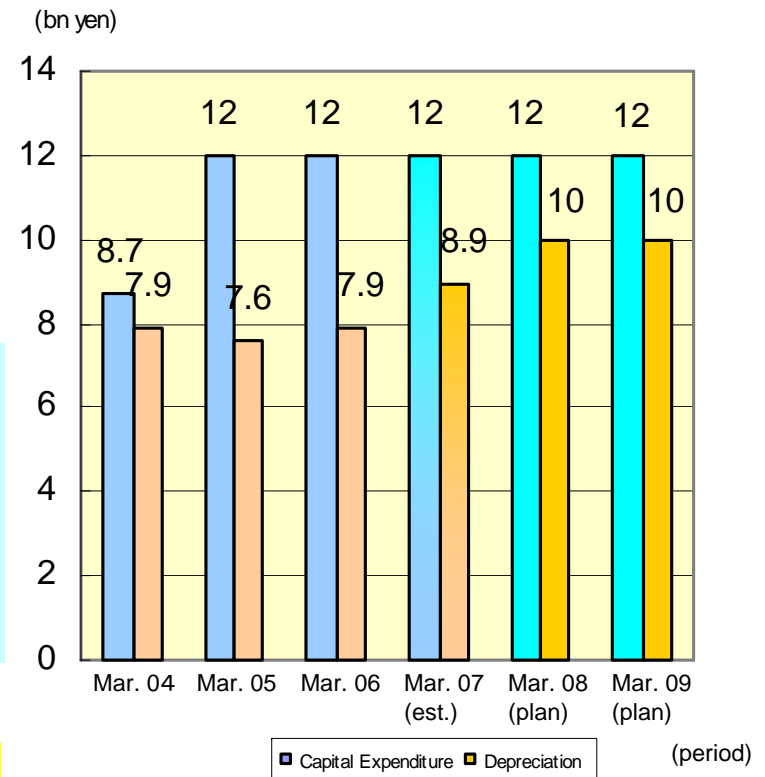
➤ Aggressive Capex to Continue

- PPS resin (Iwaki factory) : 7,500t/y (Apr. 05) ⇒10,000t/y (FI in US: 6,800t/y (Dec. 05) ⇒8,600t/y)
- Carbon Fiber : Yarn 750t/y (Dec. 06) ⇒1,100t/y. Expansion of furnace also planned
- Upgrade utility supply facilities (to commence April 06). Convert to coal-based fuel. Supply facility to meet demand for steam. Shortage to be met by cheap late-night electricity

Capital investment will remain high until March 2009. Plan to strengthen capacity for Kremezin and carbon fiber

NOTE: Investment related to PGA is not included in the projection shown on the chart

Capex and Depreciation

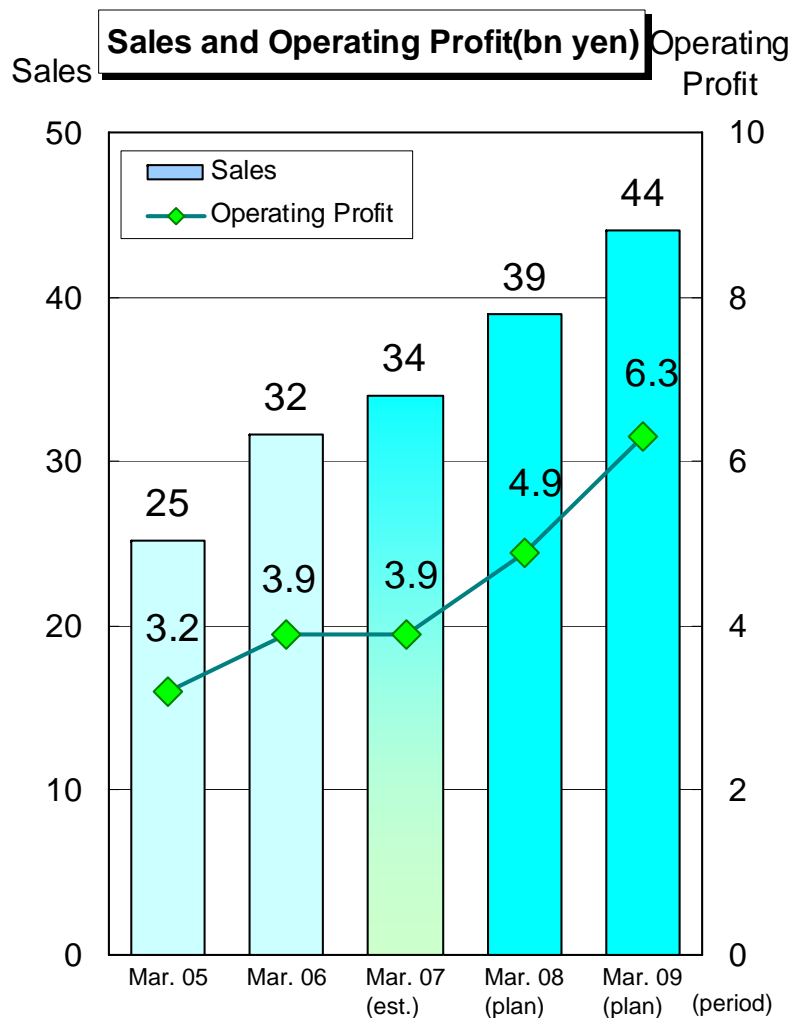


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III. Current Position and Outlook for Key Businesses

Advanced Materials Division: overview

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Advanced Materials: Pitch based carbon fiber reaches growth stage

Increase sales through capex

- Fortron KPS (Polyphenylene sulfide resin) - Iwaki factory, FI in U.S.
- KF polymer (Polyvinylidene fluoride resin) - Iwaki Factory
- Pitch-based carbon fiber - Iwaki factory, Kureha Chemicals Shanghai, TTSM in U.S. (acquired)



Increased depreciation costs to be offset by sales growth, allowing for profit growth

- PPS to drive expansion of divisional sales and profits after Mar. 2008
- KF polymer to be applied to an increasing number of new applications, including water purification and automobile parts as well as conventional applications such as a binder for lithium-ion batteries (LIB). This will contribute to profit growth.
- Growth in insulation materials is particularly significant in relation to pitch based carbon fiber, where there is to be an increase in production capacity ahead of plan. Drive to strengthen production base in China and US.

Change from Previous Figures

- Delay in marketing Krefine, Optical Products, FPC products (Kakogawa Plastics). Decline in demand for Activated Carbon

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Fortron KPS (PPS Resin)

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Advantages of PPS resin: Heat, flame and chemical resistance, dimension stability, high durability, ease of workability
Advantages of linear PPS: High durability, demand for application in extrusion products

[Automobiles]

Increased computerization and being an alternative to metals will drive increased utilization

Primary applications: Electrical components relating to engines, fuel-feeding components and lamp reflectors

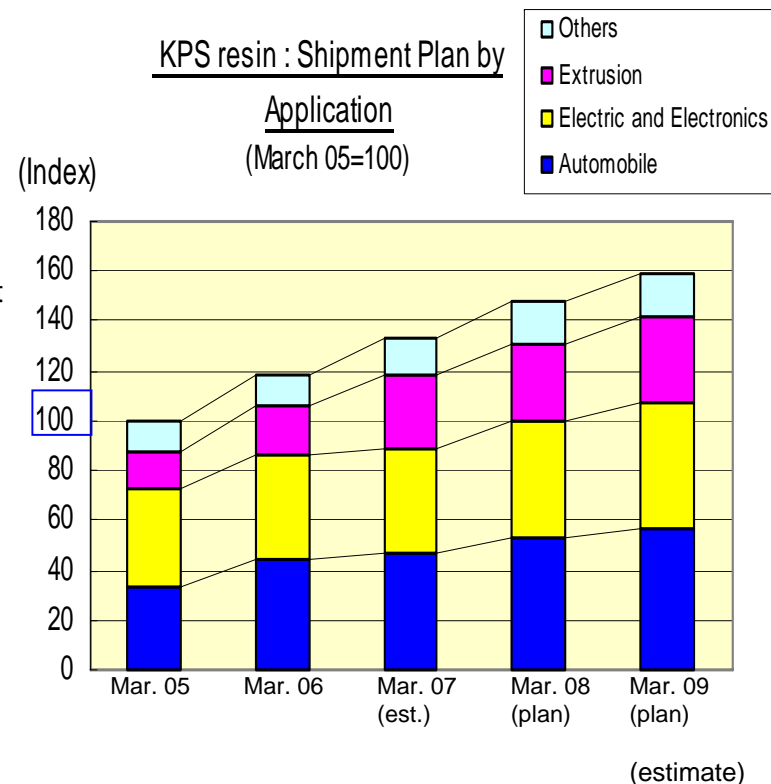
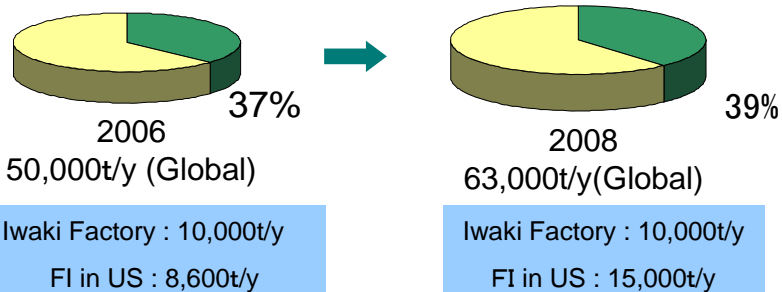
➤ Shift to plastics will accelerate. Fortron KPS enjoys a dominant position due to its stability and credibility in the market

[Extrusion Products]

Growing demand for use in bag filters used in electrostatic precipitators at thermal power stations

➤ Demand is growing in Asia, U.S. and Europe. In addition, growth is also strongly expected in China. KPS is at an advantage due to its heat and chemical resistance and ease of workability

Kureha Group's Estimated Global Capacity



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Pitch-based Carbon Fiber

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Kureha's carbon fiber product, KRECA: Isotropic short fiber made from petroleum pitch

Growing demand for KRECA for use in industrial applications, utilizing its features as a light but strong material that is heat, chemical and abrasion resistant and electrically conductive. Has around 50% global market share in heat insulation products for use in high temperature heat treatment furnaces.

Primary Market (required function)

1. Growth in sectional insulation (heat resistance and dimension stability)
 - High temperature heat treatment furnaces (semiconductor silicon single-crystal pulling furnaces, solar battery board production furnaces, carbon product furnace, metal sintering furnace)
2. Composite materials (heat, chemical and abrasion resistance) gaining increased attention as an alternative to asbestos
 - Composite with plastics: roller bearings, gears
 - Composite with metals: clutch facing, break pads
3. Others: Clothes, cords, seating materials, sheet stock (heat and chemical resistance and electrical conductivity)
 - Sealant materials for plants and packing materials

Development of production infrastructure – a triangular network involving Japan, U.S. and China

Iwaki factory: Raise carbon fiber materials production capacity 750t/y⇒1,100t/y (Dec. 2006)

-1,500t/y (next raise). Increase processing capacity, including baking furnace in Jan. 2007

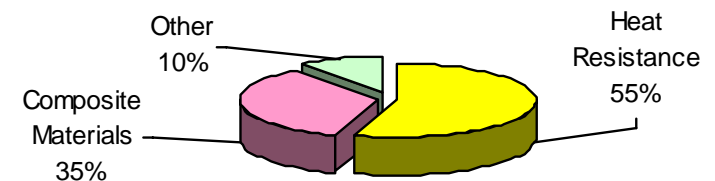
Kureha Chemical Shanghai, Co., Ltd.: Production of heat insulator and Sliver. Capacity increase under review.

TTSM, Inc. (U.S.): Acquired in Apr. 2006. Production of heat insulator. Capacity increase underway

Major differences between pitch-based and PAN-based fiber

| Material | Pitch-based (petroleum, coal) | | PAN-based |
|---------------------------|---|----------------------------|--|
| Crystal structure | Isotropy | Anisotropy | Anisotropy |
| Major fiber producer | Kureha, Company O & S | Company M1 & N | Company T1, T2 & M2 |
| Points of differentiation | Heat and abrasion resistance | High elasticity | High intensity |
| Main applications | High temperature heat treatment furnace, slide metalair | Industrial roll robot arms | Structural material for aircrafts, various reinforcing materials, sports goods |

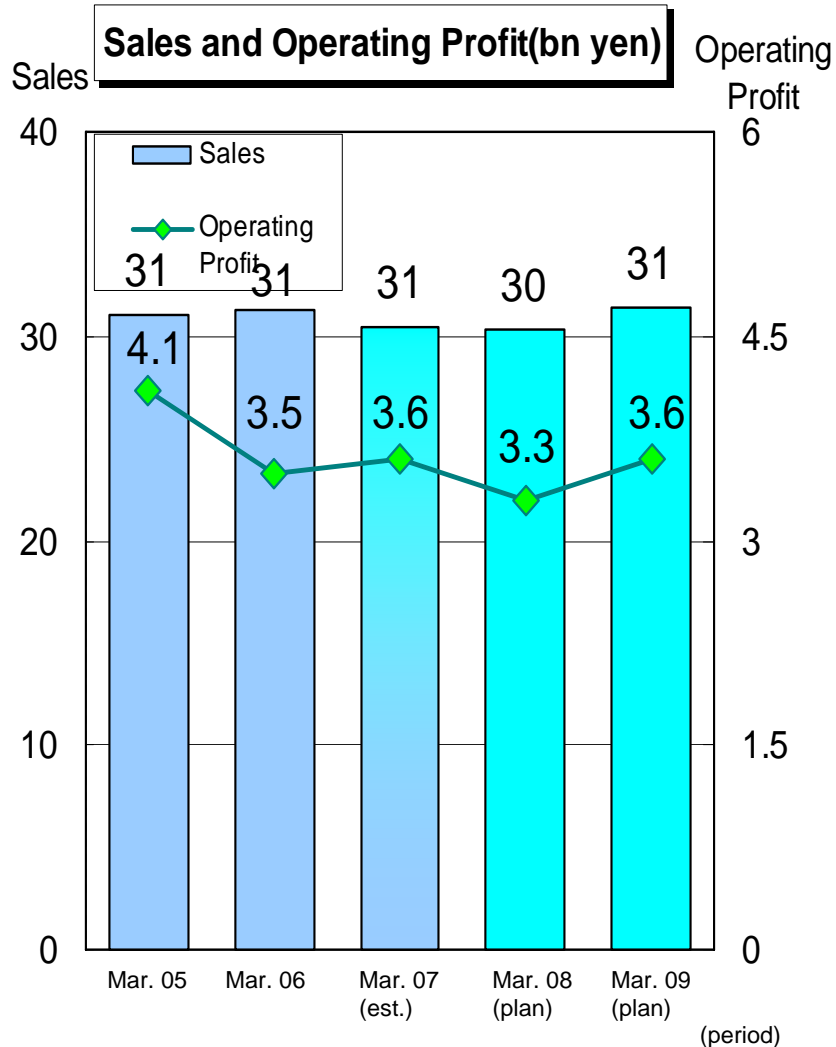
KRECA Sales by application



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Specialty Chemicals Division: Overview

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*Seeding underway for growth in the decade beginning 2010
Investment for global expansion of pharmaceutical and agrochemical products remains a priority*

Kremezin

- Expansion of sales in Japan and Korea offset impact of drug price cut
- Market expansion: Future growth in overseas markets and acceptance of product as a standard treatment in Japan
- Application expansion: Use in treating gastrointestinal and liver disorders

Agrochemicals

- Application and market expansion of Metconazole and Ipconazole, including acquiring registration and beginning marketing

Industrial Chemicals

- Completion of infrastructure upgrades, including renewal of power plant (Apr. 2006)
- Raise production capacity for Paradichlorobenzene: No.1 producer in Japan 38,500t/y (Apr. 2006)

Change from Previous Figures

- Application expansion of Metconazole is underway, but will not result in volume growth in FY ending Mar. 2008 or Mar. 2009 due to inventory adjustment.
- As a result of the positive list system, the domestic market for RABCIDE® (rice blast fungicide) has reduced as aerial application decreased.

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Kremezin (Therapeutic Agent for Chronic Kidney Disease)

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Current Situation and Schedule

Treatment of Chronic Kidney Disease

<U.S. and Europe>

Nov 2006: [Agreed license contract with Mitsubishi Pharma Corporation on development and distribution rights for Kremezin in U.S. and Europe](#)

Plan for 2007: Begin Phase III testing

Plan for 2010: Complete Phase III testing

Approval and launch after the completion

<Korea> (Daiichi Sankyo, CJ of Korea)

Sales strong since Feb. 05

<China>(Shanghai Sankyo)

[Clinical testing completed](#). Apply for license in 2007, expected to receive approval in time for product to be launched in 2008

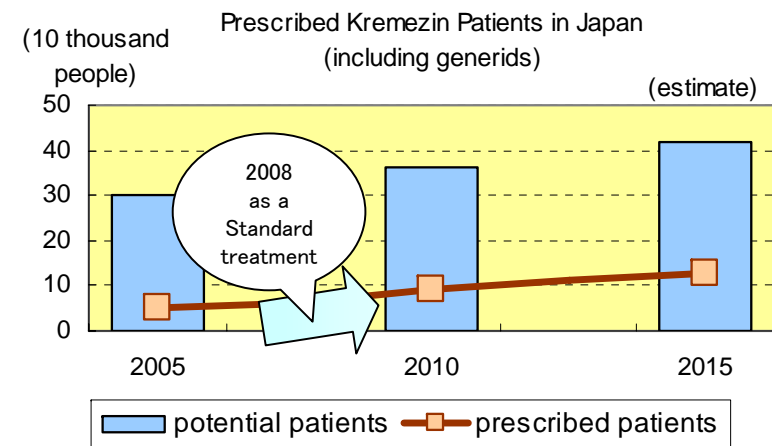
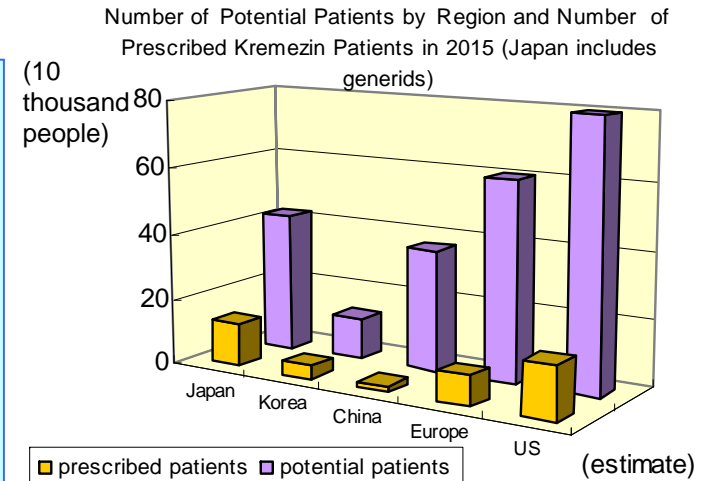
<Taiwan> Apr. 2006 [Agreed license contract with Conmed on development and distribution rights for Kremezin in Taiwan](#)

New intestinal disease application (including Crohn's disease)

- OCERA (U.S.) began Phase III testing for Crohn's disease in Apr. 2006
- Expected to be approved in time for the product to be launched in 2009

Kremezin: Market trends in Japan

- The number of patients should increase when the Japan Society of Nephrology selects Kremezin as a standard treatment.
- Currently data collection is proceeding well. Initial reporting is expected to be made at an academic conference in late 2007

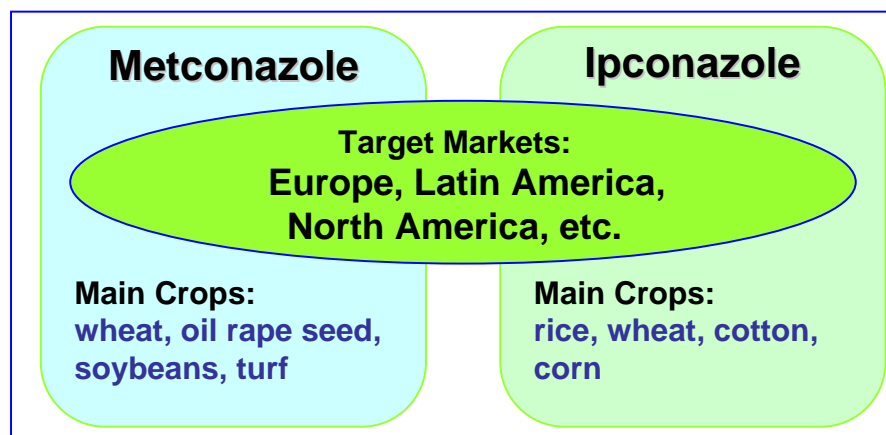


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Agrochemicals (Fungicides)

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Use Metconazole and Ipconazole to Help Position Kureha as Global Bulk Supplier of Agrochemicals



➤ In Japan, Metconazole was registered as a wheat fungicide in Nov. 2006 and will be marketed from Jan. 2007.

➤ In Spring 2005, an emergency shipment of ipconazole was made in response to the growing concern over soybean rust in North America. As the outbreak was contained in a limited area, inventory for BASF will be used for other regions.

Future marketing plan

| | Up to March 07 | Up to March 08 | Up to March 09 | After March 2010 |
|---------------------------------------|-----------------------------------|----------------|--|--|
| Metconazole (fungicide) | Japan(wheat) | Taiwan(mangos) | North America (soybeans, turf, nuts,wheat, soybeans, corn, etc.) | Thailand(rice) |
| Ipconazole (seed disinfectant) | North America(cotton, corn, etc.) | | | North America(soybeans) Europe(wheat) |

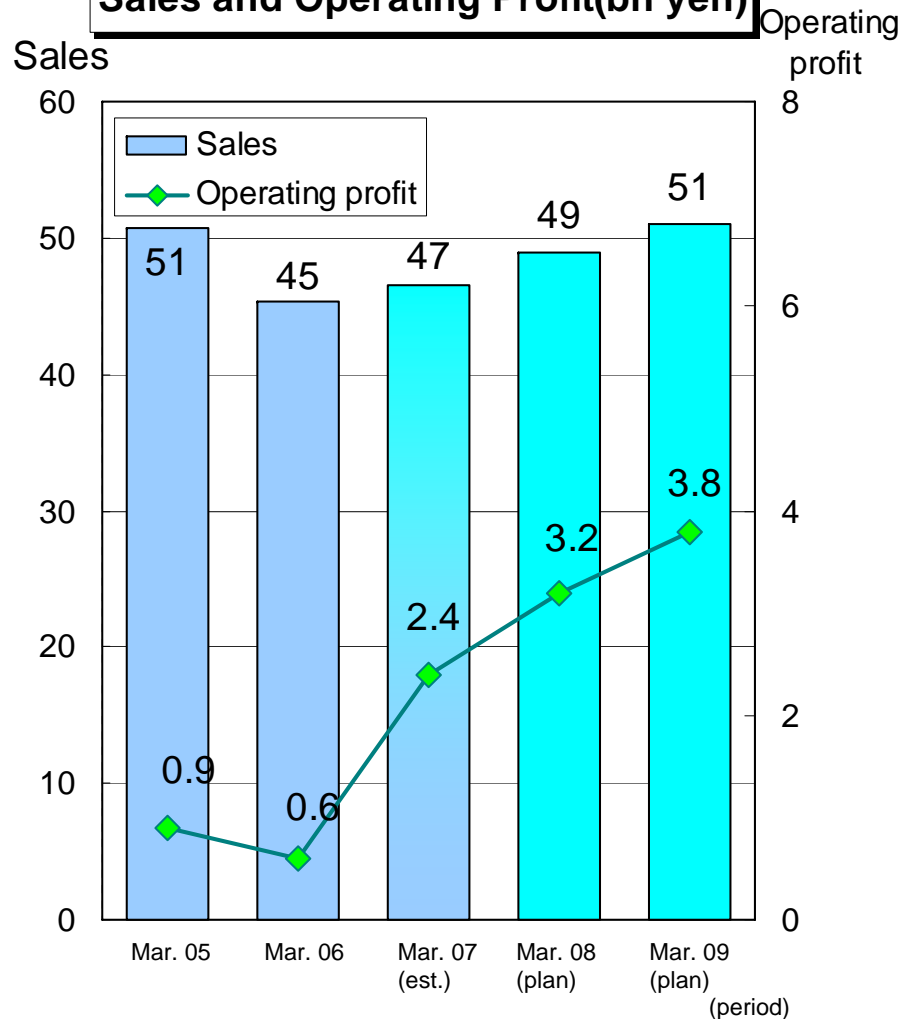
NOTE: Development of Ipconazole as a foliage application has now been underway for some time. However, priority is now being given to its development as an application for seed disinfection.

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Specialty Plastics Division: Overview

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Sales and Operating Profit (bn yen)



Profit Increase and Business Expansion of Packaging Materials

Further development of compound business in China

-JV operations have been proceeding well, as have exports from the Iwaki Factory to China

➢ European business: Growth in sales with a focus on ML40 (multilayer shrinkable film). Improvement in profit margin accelerating.

➢ Forecast for the expansion of food packaging market in relation to retort food was inaccurate

-Review of marketing schedule for *BESELA* in overseas market is required.

Improved Profitability of Household Products

Improvement profitability of Krewrap business

-Continuous product renewal as well as enhanced branding power, along with optimization of retail price and cost reductions

Expanding product lineup of kitchen containers

-*Kichinto-San* and Rubbermaid containers

Change from previous figures

Plan for marketing '*BESELA*' and *Kichinto-San* will be reviewed

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Profit Improvement in Household Products

■ NEW KREWRAP

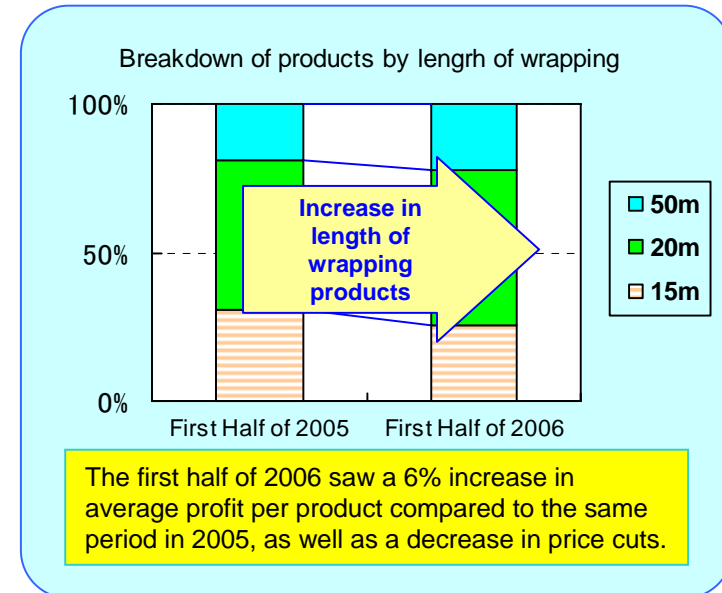
- Product renewal aimed at providing new features and improved customer convenience led to winning the Good Design Award for 2006
- Revision in terms and conditions for optimization of retail price
- Shifting to increased length wrapping products on the back of growing demand. As indicated on the graph, shorter rolls decreased while 20m and 50m products increased
- Improve profitability by streamlining distribution and restricting production costs

■ Launch of full-scale sales of KREWRAP in China (June 2006)

- Established Kureha Shanghai Trading Co., Ltd. and developed the necessary infrastructure.
- Plan to have 500 million yen sales in 2008
- Kitchen Bag and Zipper Bag to be added to the product lineup
- Plan to gradually begin marketing in northern China

■ Kichinto-San Series

- Monitor customer needs and launch renewed products
- Expand product lineup of kitchen containers, including Rubbermaid containers, to meet market needs in Japan



Won Good Design Award for 2006 following a positive evaluation of a new material cutting system



Chinese KREWRAP 「酷拉普」



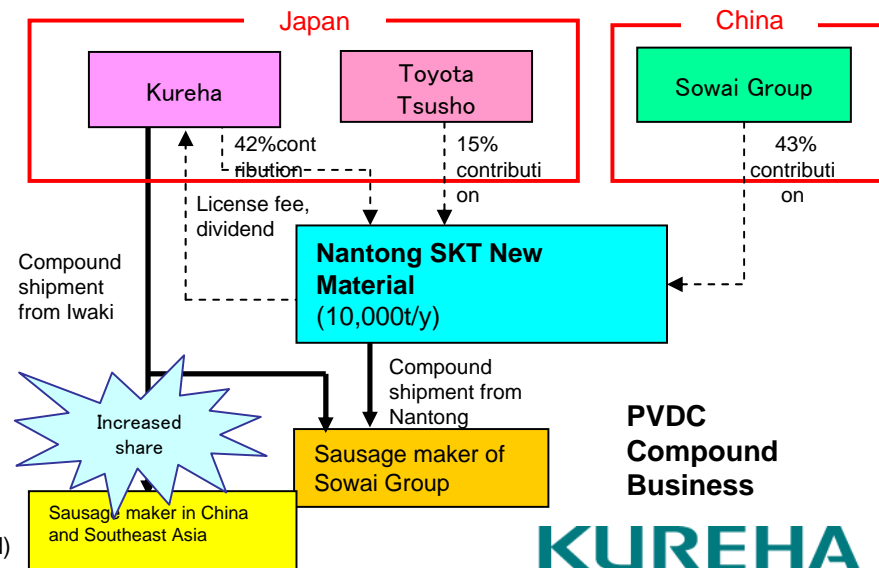
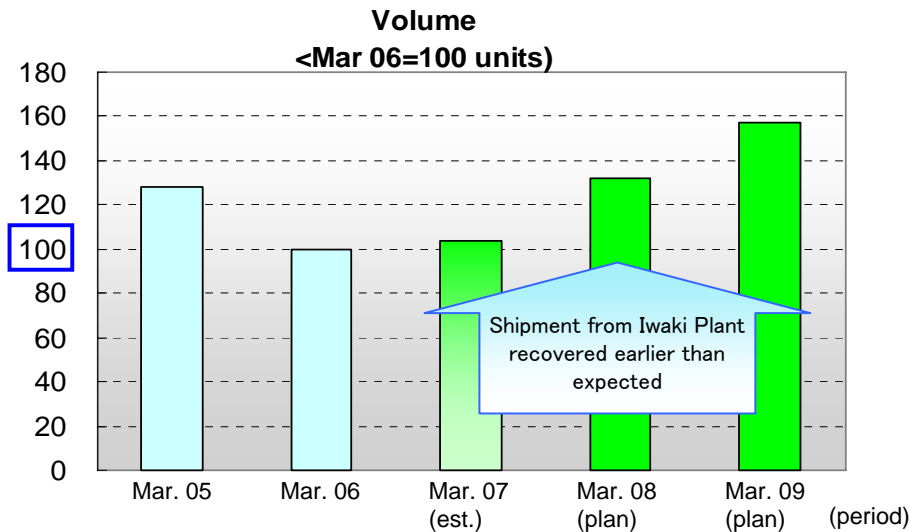
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PVDC Compound for China (casing material for sausages)

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- Local production in China, the world's largest and fastest growing market, at the JV (Nantong) facility **began profitably**
 - Following the launch of commercial operations, the plant is now in full production. Discussions are now also taking place regarding the timing for expansion
 - To contribute to profits through equity method accounting from March 07
- **Success in expanding sales to major customers in China** has offset concerns regarding gaps in production in Japan. The Iwaki Factory is now anticipating higher than expected sales.
- **Secure a strong position as the global leader in PVDC** by generating profits and establishing a supply system in Japan and China

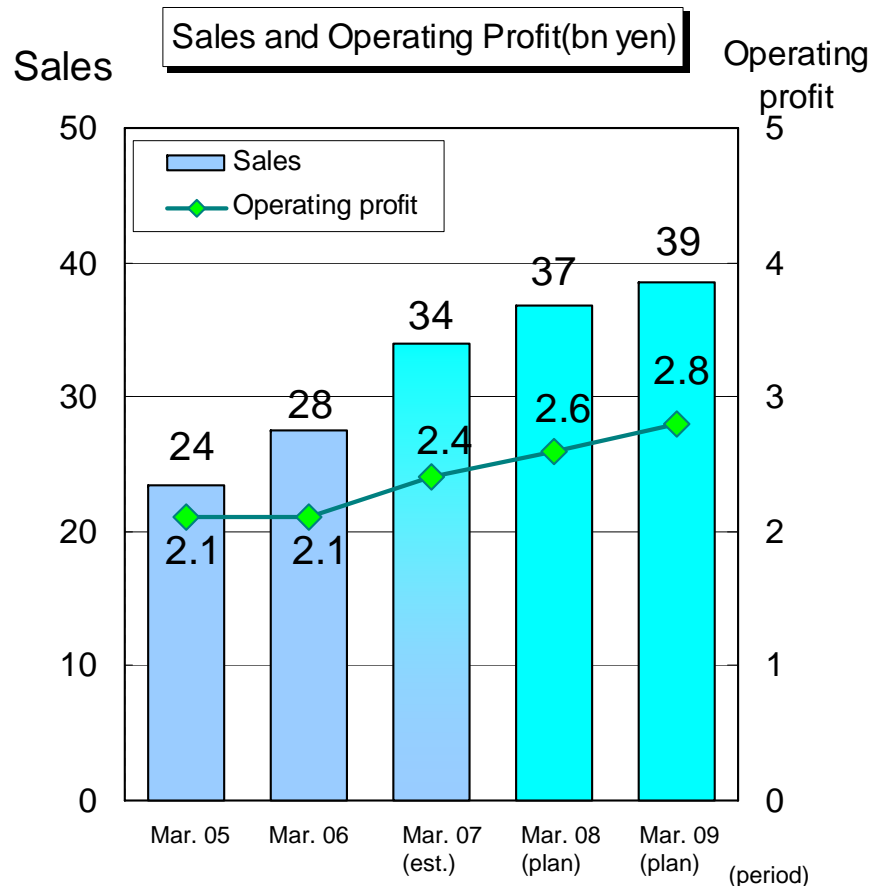
PVDC Compound for China : Iwaki Factory Shipment



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Other Business Divisions : Overview

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Overview:

- Growth of sales in environmental related businesses, including medical waste treatment and environmental recovery businesses. Strong performance also recorded by chemical analysis business
- Engineering related businesses: Strong performance in plant construction
- Growth of sales and profits in construction business through acquisition of Nishiki Kogyo

Kurehanishiki Construction established Oct. 1, 2006

- With the business environment in the construction industry experiencing continued difficulties, Kureha Construction Co., Ltd., whose strengths lie in general construction, merged with Nishiki Kogyo, with strengths in civil engineering works and apartment and mansion related businesses
- As a leading construction company regionally the merged entity, Kurehanishiki, will contribute to the development of its regional economy

Change from Previous Figures

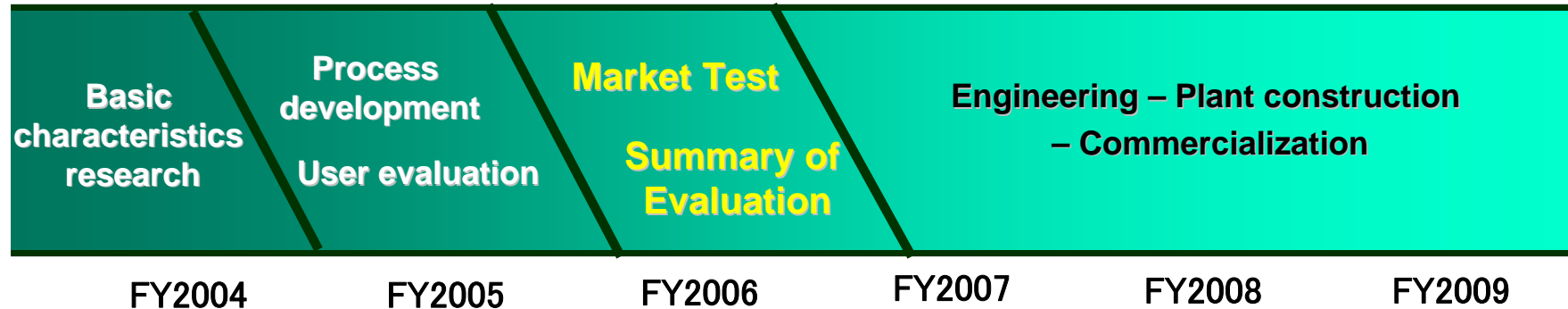
- Profitability declined due to increased competition in both environmental and transportation and warehousing related businesses, and also increased fuel costs affecting the transportation and warehousing business
- Expansion of construction business due to merger

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- Progress on development of PGA
(Polyglycolic Acid Resin for
Carbonated Drinks and Beer Bottles)
- Progress on other important research

PGA (Polyglycolic Acid Resin for Carbonated Drinks and Beer Bottles)

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Decision making

•Passed barrier tests with carbonated drinks users
•Acquired license for multilayer bottle from FDA

•Currently settling final technical issues and will conduct market tests in December 2006
•Results of customer evaluation expected to be completed by spring of 2007
•Decision on commercialization to be based on an evaluation of these results

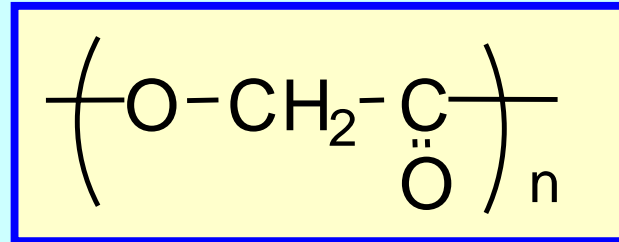
Use in other applications in addition to bottles to be accelerated, taking advantage of bio-degradable and extreme durability features

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Molecular structure

PGA displays a simple molecular structure and is a type of crystalline aliphatic polyester

Structural formula



Features:

- PGA possesses high non-crystal/crystal density ($\rho = 1.5 / 1.7 \text{ g/cm}^3$)
- PGA exhibits high-level high gas barrier properties in comparison to existing plastics and is almost free from the influence from humidity
- PGA has high crystalline properties as well as excellent heat and chemical resistance
- PGA has high intensity and offers a high degree of elasticity. While stretched, the film has high transparency.
- PGA is biodegradable

Example of R&D themes currently in progress (following launch of the 'New Plan')

Hollow fiber-membrane for water processing

The new high water-permeability and long-life PVDF hollow fiber-membrane has been evaluated by customers for use with both clean water and activated sewage water. Development of a further cost reduction process, higher performance products and a wider product line-up have been discussed

Anode active materials for HEV lithium-ion batteries

Anode active materials for lithium ion batteries, which are expected to be the next-generation of HEV batteries. Kureha's materials, which possess high discharge and regenerative power performance, are currently under evaluation by users

Anti-pancreatic cancer antibody agent

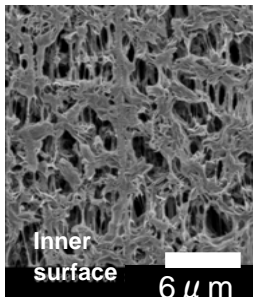
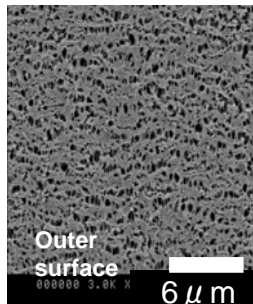
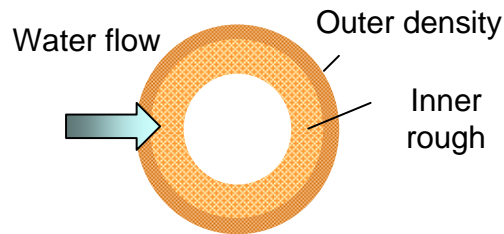
Currently searching for an antibody that reacts to molecules exclusive to pancreatic cancer. A decision on whether the project will be given the green light, which was due to be made within 2006, has now been postponed to 2007.

Reference: Structure of PVDF hollow fiber-membrane

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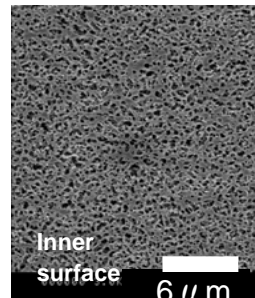
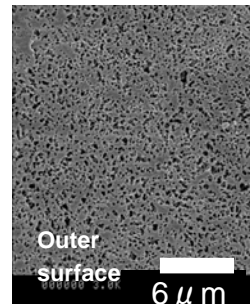
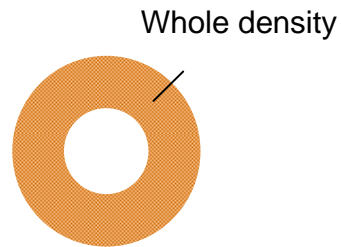
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Slant structure



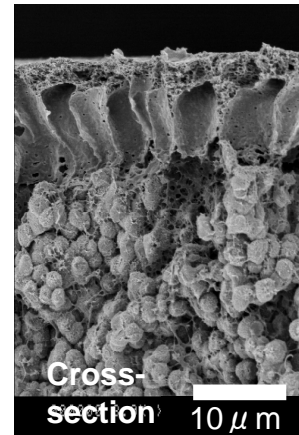
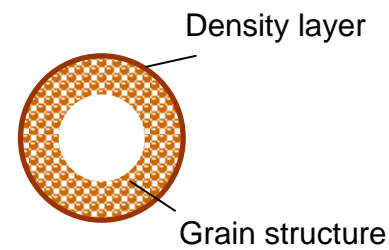
Company A

Even structure



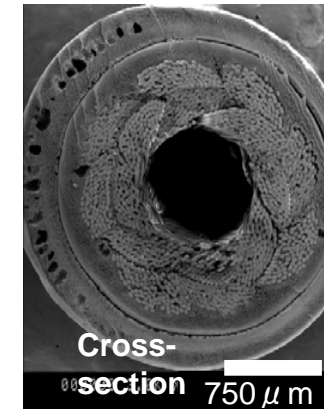
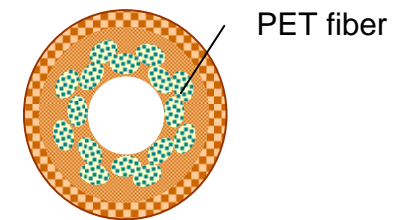
Company B

Grain structure



Company C

Composite film



KUREHA

R&D themes that were placed under review

◆ Solar control material

Returning to basic research due to a need for increased heat resistance, discovered during production processing of intermediary film. Research is continuing with the aim of improving material characteristics.

◆ Anti HIV agent

Safety issues were confirmed for the main target compound and the back-up compound. As a result, R&D has been aborted.

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