



**FY2008 Earnings Results &  
Medium-Term Action Plan  
"GS-Twins" (FY2009~FY2011)**

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Fumio Ito**

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KURARAY CO., LTD.**

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- V. **Outlook for FY2009**

## 1. Summary of FY2008 Results [1]

[Billion¥]

	<b>FY2008</b>	<b>FY2007</b>	<b>Difference</b>
<b>Net Sales</b>	<b>376.8</b>	<b>417.6</b>	<b>- 40.8</b> [ - 9.8% ]
<b>Operating Income</b>	<b>29.3</b>	<b>48.1</b>	<b>- 18.9</b> [ - 39.2% ]
<b>Ordinary Income</b>	<b>26.8</b>	<b>42.8</b>	<b>- 16.0</b> [ - 37.4% ]
<b>Net Income</b>	<b>13.0</b>	<b>25.6</b>	<b>- 12.6</b> [ - 49.2% ]
<b>Operating Margin</b>	<b>7.8%</b>	<b>11.5%</b>	<b>- 3.7</b> point
<b>ROE</b> *	<b>3.9%</b>	<b>7.3%</b>	<b>- 3.4</b> Point
<b>ROA</b> *	<b>6.1%</b>	<b>9.6%</b>	<b>- 3.5</b> Point

\* ROE: Net Income / Average Shareholders' Equity

\* ROA: Operating Income / Average Total Assets

## 1. Summary of FY2008 Results [2]

[Billion¥]

	1H	2H	Full Year
<b>Net Sales</b>	<b>209.3</b>	<b>167.5</b>	<b>376.8</b>
<b>Operating Income</b>	<b>23.3</b>	<b>6.0</b>	<b>29.3</b>
<b>Ordinary Income</b>	<b>22.3</b>	<b>4.5</b>	<b>26.8</b>
<b>Net Income</b>	<b>13.4</b>	<b>- 0.4</b>	<b>13.0</b>
<b>Operating Margin</b>	<b>11.1%</b>	<b>3.6%</b>	<b>7.8%</b>

## 1. Summary of FY2008 Results [3]

[Billion¥]

	<b>FY2008</b>	<b>FY2007</b>	<b>Difference</b>
EPS	¥37.29	¥72.15	- ¥34.86
Dividend per Share	¥22.00	¥22.00	—
Payout Ratio	59.0%	30.5%	+28.5 point
<hr/>			
CAPEX	38.9	42.7	- 3.8
Depreciation and Amortization	37.1	31.5	+5.7
R&D expenses	16.4	15.3	+1.1

## 2. Summary of Consolidated BS / Assets [Billion¥]

	End of Mar. 2009	End of Mar. 2008	Difference	
<b>Current Assets</b>	<b>201.4</b>	<b>196.3</b>	<b>5.1</b>	
<b>Fixed Assets</b>	<b>270.5</b>	<b>294.1</b>	<b>- 23.6</b>	<div style="border: 1px solid orange; padding: 5px;"> <b>Tangible/Intangible Fixed Assets</b>                      CAPEX <b>38.9</b>                      Depreciation &amp; Amortization <b>- 37.1</b>                      Foreign Exchange <b>- 21.9</b>                      Disposal and Others <b>- 1.7</b>  <hr style="border-top: 1px dashed orange;"/> <b>Total - 21.8</b> </div>
<b>Total Assets</b>	<b>471.9</b>	<b>490.4</b>	<b>- 18.5</b>	<div style="border: 1px solid orange; padding: 5px;"> <b>Investments and Other Assets</b>  <b>- 1.7</b> </div>
<b>Financial Assets</b>	<b>91.8</b>	<b>59.9</b>	<b>+31.9</b>	

# I. Overview of FY2008 Financial Results

## 2. Summary of Consolidated BS

[Billion¥]

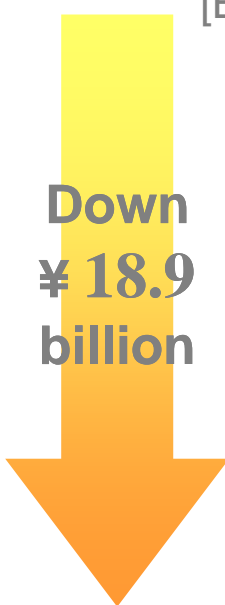
### /Liabilities and Net Assets

	End of Mar. 2009	End of Mar. 2008	Difference
Current Liabilities	69.0	89.1	- 20.0
Non-Current Liabilities	77.8	56.5	21.4
<b>Total Liabilities</b>	<b>146.9</b>	<b>145.5</b>	<b>1.3</b>
<b>Total Net Assets</b>	<b>325.0</b>	<b>344.8</b>	<b>- 19.8</b>
<b>Total Liabilities And Net Assets</b>	<b>471.9</b>	<b>490.4</b>	<b>- 18.5</b>

Foreign Currency Translation Adjustments - 20.4  
 Unrealized Gain on Revaluation of Securities - 4.1  
 Retained Earnings +4.7

Interest Bearing debt      70.8      33.9      +36.9

## 3. Factors Affecting the Change in Operating Income

FY2007	<b>¥48.1 billion</b>	
[1] Sales volume and product mix	- 9.3	 <p style="margin: 0;">Down ¥18.9 billion</p>
[2] Selling price	+19.3	
[3] Foreign exchange	- 6.4	
[4] Raw materials and fuel costs (Worse market conditions -18.5, Foreign exchange +5.2)	- 13.3	
[5] Costs increased due to shorter operation time	- 6.5	
[6] Depreciation and amortization	- 5.7	
[7] Squeeze of expenses & Others	+3.0	
FY2008	<b>¥ 29.3 billion</b>	

	07	08
<b>Domestic Naphtha/kl</b>	<b>¥57 thousand</b>	<b>¥69 thousand</b>
<b>Dollar (average)</b>	<b>¥114</b>	<b>¥101</b>
<b>Euro (average)</b>	<b>¥161</b>	<b>¥144</b>

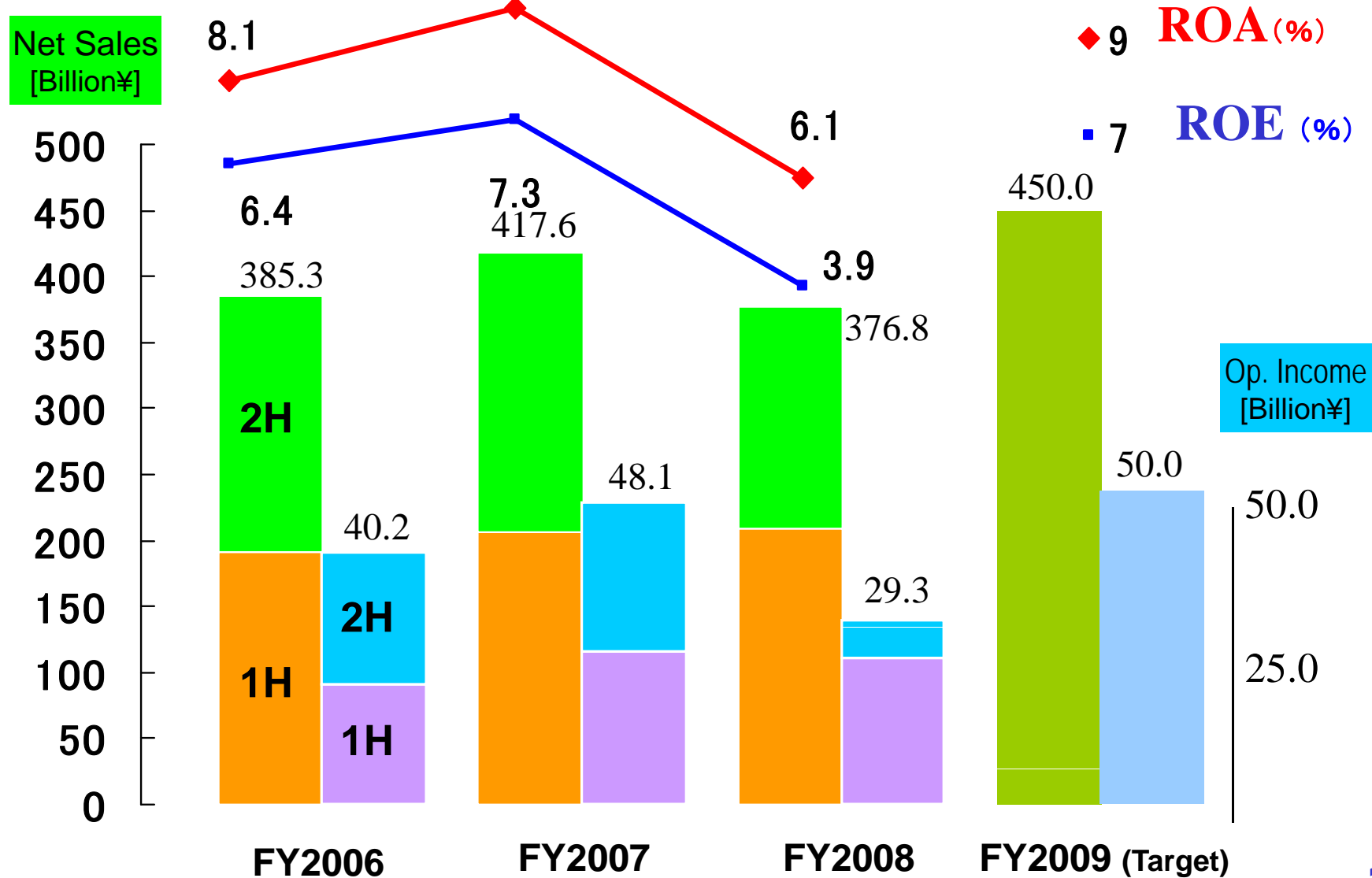


## 4. Segment Highlight

[Billion¥]

	FY2008		FY2007		Difference	
	Net sales	Op. income	Net sales	Op. income	Net sales	Op. income
Chemicals and resins (2H)	224.3 (96.7)	37.1 (10.6)	243.8	50.2	- 19.5	- 13.1
Fibers and textiles	96.1 (45.0)	0.9 (- 1.9)	105.2	6.9	- 9.1	- 6.0
High-performance materials, medical products, and others	56.3 (25.7)	4.4 (1.8)	68.6	6.2	- 12.3	- 1.9
Elimination and corporate	—	- 13.0	—	- 15.1	—	+2.1
<b>Total</b>	<b>376.8</b>	<b>29.3</b>	<b>417.6</b>	<b>48.1</b>	<b>- 40.8</b>	<b>- 18.9</b>

# 1. Trend of Performance



## 2. Priority Issues and Responses

### (1) Qualitative improvement of competitiveness and global expansion of core material businesses

- Established a business base for Poval resin in Asia (making a joint venture manufacturing company its wholly-owned subsidiary by acquiring shares in the joint venture)
- Expanded the PVB business and sought the group synergy effect (reinforcement of facilities of a manufacturing base in Europe, acquisition of intellectual property rights from other companies, and new establishment of the PVB division)
- Reinforced the facilities and increased production of Optical-use Poval films (for liquid crystal displays) and vinylon fiber (cement reinforcing material to be used as an asbestos substitute).

### (2) Investment of management resources concentrating on the expansion of new growth fields

- Established the Environmental Business Development and Promotion Division in anticipation of the global expansion of water treatment business; incorporated a joint venture engaging in water treatment;
- Expanded the market of heat-resistant engineering plastics and reinforced facilities
- Expanded the global basis of the dental materials business;
- Developed and commercialized new processes for man made leather and non-woven fabric
- Developed materials for new energy (solar power generation and fuel cells, etc.).

## 2. Priority Issues and Responses

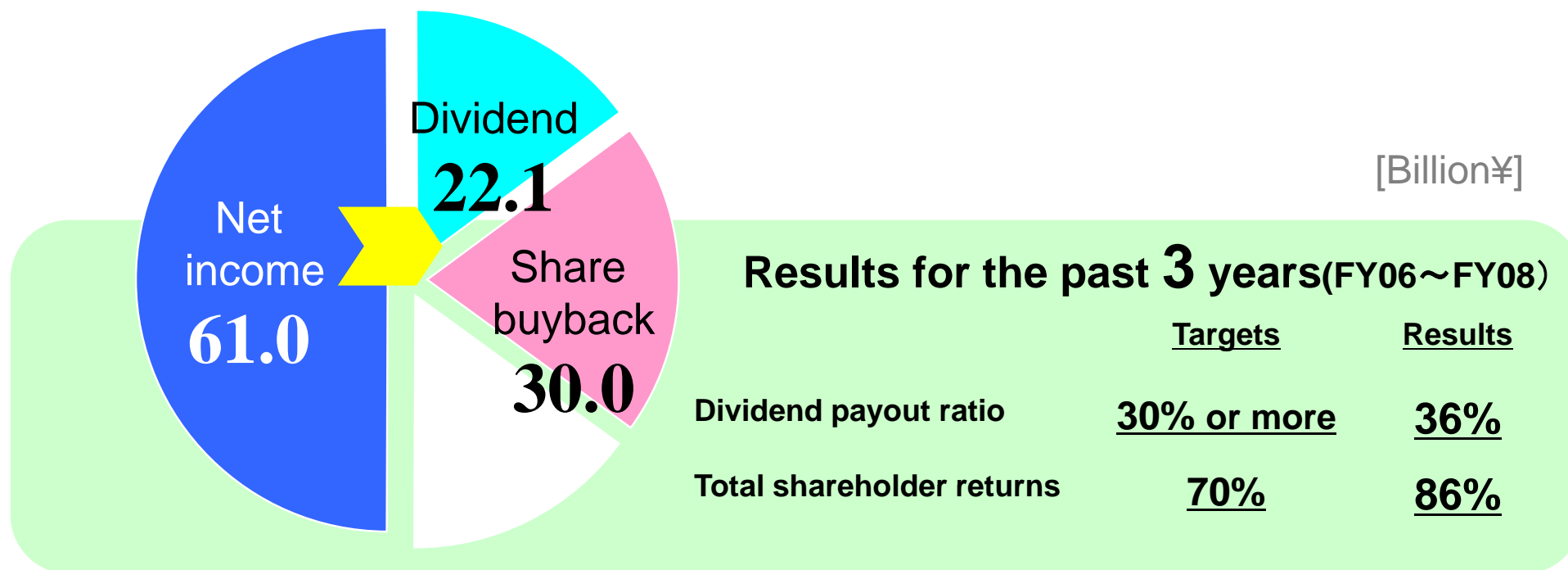
### **(3)Restructuring of non-competitive businesses**

- Withdrew from the rear projection TV screen businesses
- Withdrew from the aroma chemicals (linalool) businesses
- Shut down the domestic production of methacrylic resin cast sheet business
- Spun off the dialyzer business.

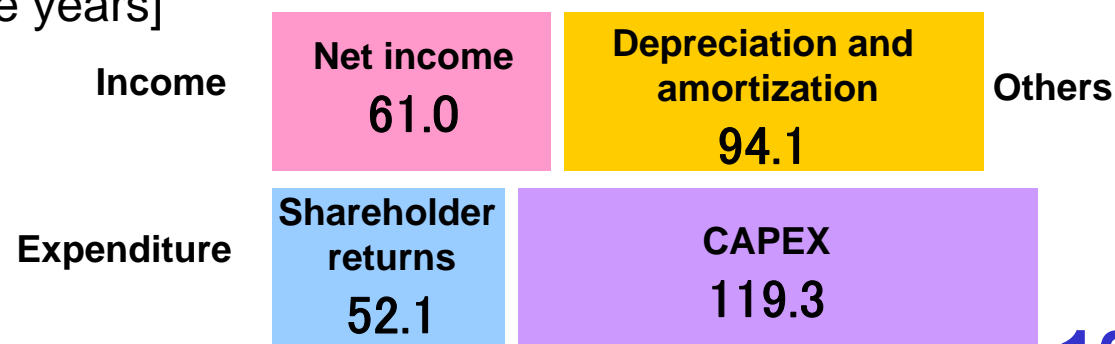
### **(4)Establishment of global corporation management system**

- Reinforced corporate governance through appointment of two (2) independent directors
- Appointed the presidents of overseas subsidiaries as executive officer
- Installed the CTO who supervises development and technology in an integrated manner
- Established regional management companies by integrating bases in Europe and in the US
- Established a new subsidiary in India and Northern Europe
- Introduced the global personnel education program.

### 3. Shareholder Returns



[Ref. Cash flows for the past three years]





*Specialty Chemical Company  
with a Global Presence*

*For the society and people, we do  
something which other people can not do*

- Cultivate the creative technological abilities unique to Kuraray
- Provide solutions to world-wide issues
- Promote corporate activities harmonizing with environment and society

Year 2018



**Net Sales  
¥1 trillion**

## issues threatening our planet and living



*Limited natural resources*

*Water and food shortage*

*Global warming*

*Environmental pollution*

**New energy-  
related business**

**Environmentally  
friendly materials**

**Aqua business**

**kuraray**

**Maximize our growth capabilities by leveraging our cultivated technical and market knowledge and harness the value creation potential of the entire Group**

### **What is “GS-Twins”(FY2009~FY2011) ?**

An action plan in order to restore the profitable structure hurt by the global economic crisis within this 3 year period and to become a specialty chemical company with a global presence

***Green & Safety*** :Focus on environment and safety

***Growth & Sustainability*** :Pursue growth and sustainability

<b>Year 2011</b>	<b>Restore the highly profitable structure emphasized in “GS-21”</b>
<b>Year 2018</b>	<b>Promote our growth to be a ¥1 trillion company</b>



1. Improve profit structure



2. Creation and expansion of new business

3. Acceleration of global strategy for core businesses

### 1. Improve profit structure

- **Improve the business portfolio**

(reduction of and withdrawal from less profitable business fields)

- **Make effective investments in facilities**

(selection of investment projects)

- **improve cash flow** (reduction of inventory)

- **Improve break-even point through thorough reduction of expenses and costs**

(particularly reduction of the fixed cost)

- **downsize its organization and optimize its personnel.**

# 2. Creation and expansion of new business

### ■ In environmental areas:

water treatment business

(sewage treatment and recycling,  
recovery of valuable resources in the sludge)

### ■ In energy areas :

solar energy

( an encapsulation element of solar panels, etc)

hydrogen energy ( element of fuel cells, etc )

**New energy**

### ■ In optical and electronic business areas:

illumination parts and

transparent conductive films etc

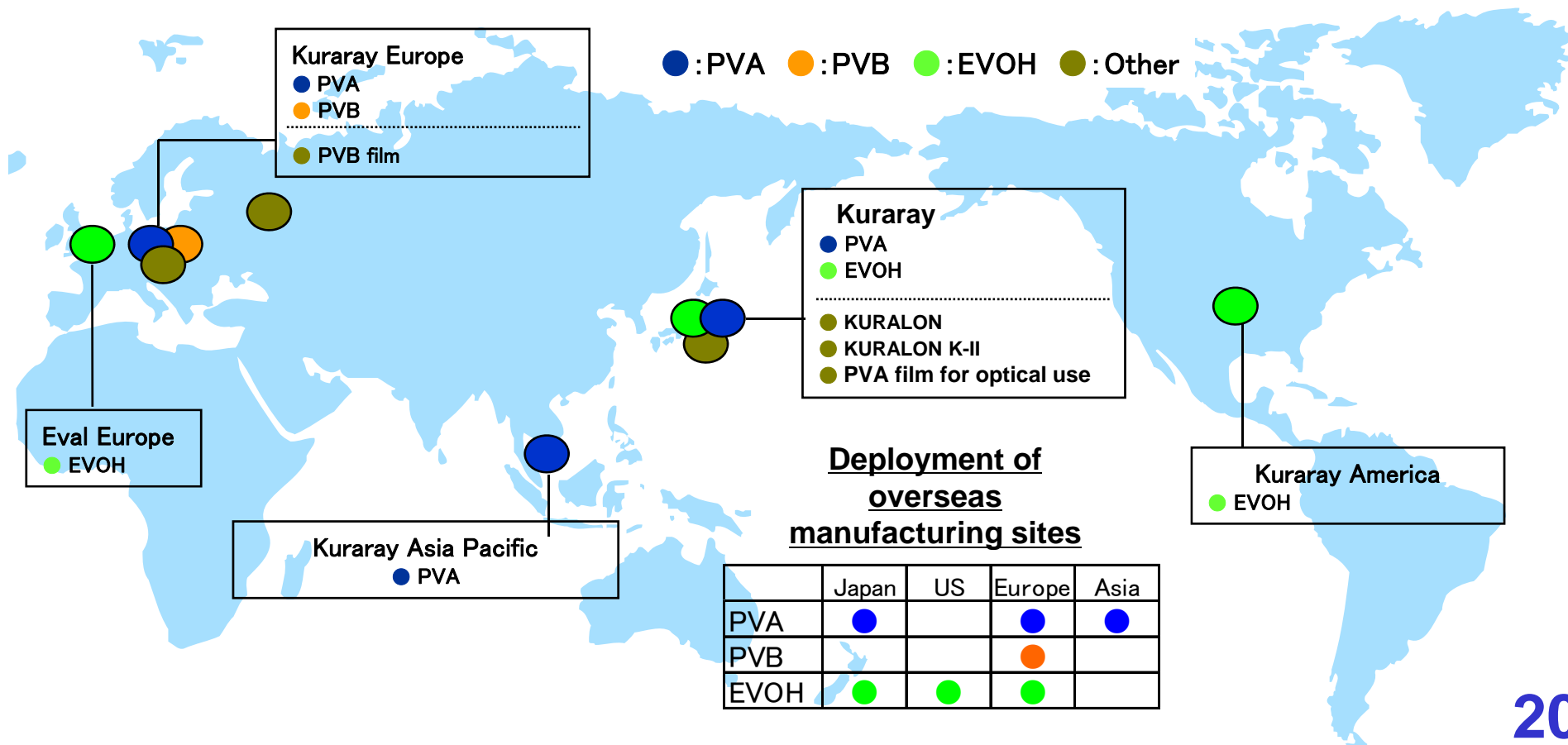
## 3. Acceleration of global strategy for core businesses

- accelerating development in the emerging economic market

(China, India, Latin America, etc.)

- Penetrating into the existing markets that the Company has not already exploited.

<Development of bases for VAM-related businesses>



[Ret.]

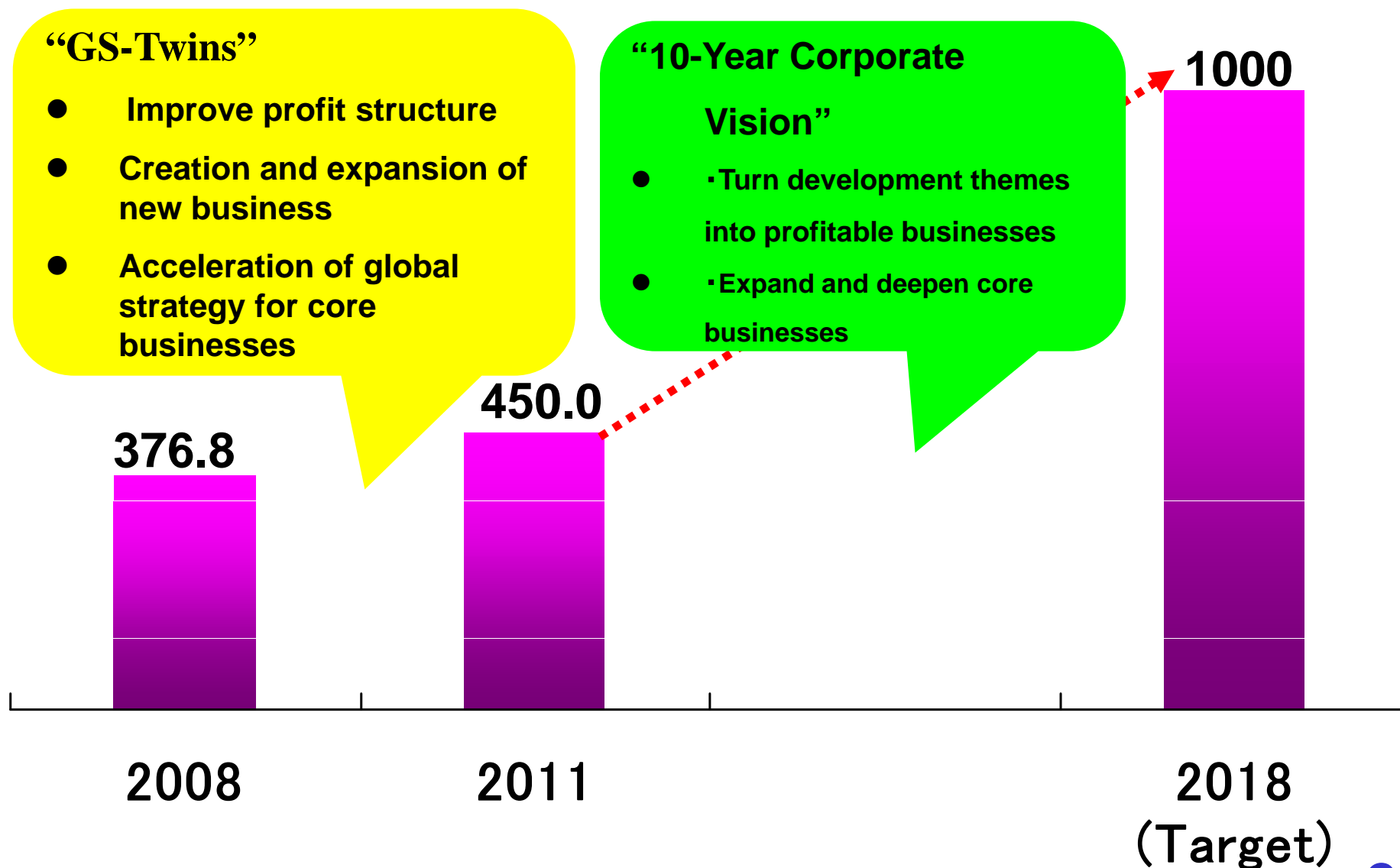
## Strategies for Major Businesses (Chemicals and Resins)

<p>Poval</p>	<ul style="list-style-type: none"> <li>➤ As the world's leading supplier, formulate a resilient and comprehensive operation encompassing manufacturing, marketing, and development.</li> <li>➤ Expand sales and establish the quality of PVB films for photovoltaic solar cells</li> <li>➤ Further enhance optical-use Poval film quality and product differentiation</li> </ul>
<p>EVAL</p>	<ul style="list-style-type: none"> <li>➤ Expand business content via new business development (new business areas).</li> <li>➤ Develop new environmental applications to build on gasoline tank usage.</li> </ul>
<p>Chemicals</p>	<ul style="list-style-type: none"> <li>➤ Increase competitiveness by developing new products (acrylic elastomers, etc.) and developing new applications for proprietary products.</li> </ul>

## [Ref.] Strategies for Major Businesses (Fibers and Textiles/High-Performance Materials)

<p>Vinylon KURALON</p>	<ul style="list-style-type: none"> <li>➤ Expand new markets (in emerging economic markets) for fiber-reinforced cement (FRC) applications.</li> <li>➤ Expand and differentiate the engineered cementitious concrete (ECC) products.</li> </ul>
<p>Man-made leather</p>	<ul style="list-style-type: none"> <li>➤ Rapidly enhance the competitiveness of the TIRRENINA series and accelerate production shift of current products to China.</li> </ul>
<p>Non-woven fabrics</p>	<ul style="list-style-type: none"> <li>➤ Expand "Steam-jet type non-woven fabric" applications and sales.</li> </ul>
<p>Medical</p>	<ul style="list-style-type: none"> <li>➤ Increase dental material sales in Europe and the United States.</li> <li>➤ Raise competitiveness of new products (bone filling material business )</li> </ul>
<p>GENESTAR</p>	<ul style="list-style-type: none"> <li>➤ Develop new applications and new markets to maintain product volumes and expand sales.</li> </ul>
<p>New businesses</p>	<ul style="list-style-type: none"> <li>➤ Grow the aqua and energy-related businesses.</li> </ul>

## Image of sales growth aimed at in "GS-Twins" [Billion¥]



## Forecast for FY2009

[Billion¥]

	1H	2H	Full Year
Net Sales	160.0	180.0	340.0
Operating Income	8.0	12.0	20.0
Ordinary Income	7.0	10.0	17.0
Net Income	4.5	6.0	10.5
CAPEX	9.0	6.5	15.5
Depreciation and Amortization	17.5	19.0	36.5
R&D Expenses	7.5	7.5	15.0

(Assumptions for FY2009)

Domestic Naphtha/kl	¥ 37thousand
Dollar (average)	¥100
Euro (average)	¥135



# kuraray

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