

GS-III New Medium-Term Management Plan
Toward becoming a specialty chemical company with a global presence

Kuraray has established and launched a new medium-term management plan, GS-III, as a three-year implementation plan (FY2012-2014) toward achieving the Long-Term Corporate Vision that indicates the long-term direction in which the Kuraray Group is aiming to advance.

1. Achievements in the previous medium-term plan, GS-Twins

The GS-Twins medium-term plan for the FY2009-2011 period, which commenced during the simultaneous global economic slowdown, has been promoted with a primary objective to improve profit structure. For FY2011, the final year of the plan, the Company expects to continue exceeding the profit target following FY2010, despite net sales falling short of the target due to the effect of the strong yen, and a foundation has been laid for another challenge to achieve the Long-Term Corporate Vision.

Financial performance					(Billions of Yen)
Consolidated results	FY2008 (Actual)	FY2009 (Actual)	FY2010 (Actual)	FY2011 (Forecast)	FY2011 (GS-Twins)
Net sales	376.8	332.9	363.2	372.0	(450.0)
Operating income	29.3	30.5	53.1	57.0	(50.0)
ROA	6.1%	6.2%	10.5%	11%	(9%)

[For reference] Net sales in dollar value

(Millions of US dollars)	3,844	3,579	4,375	4,831	(4,500)
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Exchange rate	¥98/\$	¥93/\$	¥83/\$	¥77/\$	(¥100/\$)
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(Note) Exchange rates are actual term-end rates for FY2008 to FY2010, and the forecast or assumed rates in the plan for FY2011.

2. Overview of the new medium-term management plan, GS-III

The business environment is expected to maintain slow growth overall, given the sense of stagnation in the European and the U.S. economies, especially the prolonged economic stagnation against the backdrop of the sovereign risk in the EU, despite some reconstruction demand in the Japanese economy. On the other hand, China, India and other emerging countries are expected to grow steadily while displaying different market characteristics.

Resource and energy prices are expected to remain high due to destabilizing factors such as world affairs and the issue of nuclear power generation as well as demand increase in emerging countries while new energy sources such as shale gas are also expected to increase. Therefore, the Company's raw materials and fuel situation remains mixed.

In such an environment where positive and negative factors are intricately mixed, the Company intends to identify markets with considerable room for growth, regardless of whether it is a developed country or an emerging country, and implement a growth strategy with an eye on the future trends of characteristics and changes while paying meticulous attention to the global situation including currency exchange rates.

1) Core management strategies

Claiming itself to be a unique chemical company that “for society and people, we do something which other people cannot do,” Kuraray is operating its business and building portfolios that are “number one and the only one” utilizing its unique technology. These values and corporate culture are firmly maintained in the new GS-III Medium-Term Management Plan, where the following five core management strategies are upheld to implement an action plan to make a leap forward to the next growth stage with a view to become a “specialty chemical company with a global presence,” as stated in the long-term corporate vision.

(1) Technological innovation

According to the long-term corporate vision to “contribute to the solution of issues threatening our planet and livings with pioneering technology,” the Company will expand its operations by developing new products and new applications through technological innovations that will lead to future growth. In addition, the Company will ensure its competitiveness in both construction costs and production costs through process innovations, as well as contribute to the environment through energy conservation.

(2) Geographical expansion

The Company will increase, for its business, its bases in markets where there is room for growth— regardless of whether in Japan or abroad, or in developed countries or emerging ones – to promote multi-polarity and to accelerate business expansion.

(3) Utilization of external resources

The Company has created many superior original materials through in-house development. While firmly maintaining this tradition, the Company will seek fusion with and effective utilization of external resources through M&A and alliances in the

areas which complement and develop the Company's technologies.

(4) Strengthening of the global business foundation

In order to support its business that is becoming geographically more spread and complicated with its growth in and outside of Japan, Kuraray will strengthen its back-office functions that cover each business site, such as global HR management, CSR management, risk management, and global financial and accounting strategies.

(5) Environmental measures

Recognizing that our mission is to provide, at low environmental load, materials and intermediate materials that are essential for products and systems contributing to the environment, we aim to improve the eco-efficiency (net sales per environmental load) of our products.

Performance Targets

	FY2011 Forecast	FY2014 Plan (GS-III)	FY2018 Immediate Outlook (Long-Term Corporate Vision)
Net sales	372.0 billion yen	550.0 billion yen	1 trillion yen
Operating income	57.0 billion yen	85.0 billion yen	150.0 billion yen
ROA	11%	14%	
ROE	9%	11%	

[For reference] Net sales in dollar value

(Millions of US dollars)	4,831	6,875
Exchange rate:	¥77/\$	¥80/\$

2) Main business strategies

(1) Resins segment

As the No. 1 supplier in the world in the vinyl acetate-derivatives business, Kuraray will steadily capture demand in both new and existing markets by expanding its bases and strengthening local strategies for growth markets, while promoting enhancement of cost competitiveness and development of new products and new applications.

(2) Chemicals segment

The Company aims to expand its operations by making the best use of its new product/application development capability in specialty chemicals. In addition, the Company will actively consider establishing new bases overseas for stable and superior raw material procurement and the stable supply of “one and only” products.

(3) Fibers and textiles segment

Taking advantage of its strength in each business area, the Company will secure sustainable earnings power and develop new areas, as well as aim to reinforce the business foundation by establishing innovative production processes.

(4) New businesses and others

In new business development, the Company will select, in accordance with the following basic policy, businesses from the areas of the environment, energy, optics and electronics that can utilize the Company's technical superiority and are marketable, and proceed with them steadily.

- Develop strong materials and add high value by deepening and expanding molding and processing technology.
- Create a large-scale theme and aim to cluster the technology and market.
- Seek to commercialize themes that are in the pre-commercialization stage as soon as possible by actively utilizing both internal and external resources.

Sales and operating income plan by business segment

In the resins segment, hoping to achieve results from ongoing investment to strengthen capabilities, the Company expects growth in *EVAL* as a result of geographical expansion and wider application. The Company also expects active geographical expansion and development of new applications in Poval resin and PVB film. The Poval film business is expected to remain firm. In the chemicals segment, the Company will pursue further growth in isopren, elastomer and *GENESTAR* by operating current facilities at full capacity, which will lead to the realization of a full-scale overseas production scheme from FY2015 onward. In the fibers and textiles segment, the Company expects to secure stable income following the completion of restructuring of the *CLARINO* business, while solid growth is expected in other businesses in the segment. In addition, the Company aims to establish technology for a new effective process for *KURALON*. In new businesses and others category, the Company plans to make a leap forward in each area of the aqua business, commence contributing materials for capacitor-related products in the carbon material business and for LiB (lithium-ion secondary batteries),

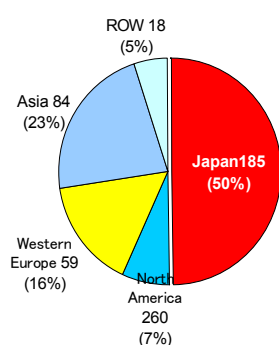
commercialize electronic materials and other products under development, and steadily develop the businesses of existing affiliated companies.

(Billions of Yen)

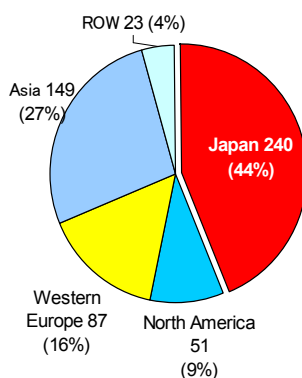
Business segment	FY2011 Forecast		FY2014 Plan		Increase/Decrease	
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income
Resins	150.0	51.0	220.0	65.0	+70.0	+14.0
Chemicals	76.0	9.5	120.0	18.0	+44.0	+8.5
Fibers and Textiles	63.0	1.0	80.0	4.0	+17.0	+3.0
Trading	111.0	3.5	135.0	5.0	+24.0	+1.5
New businesses and Others	68.0	6.0	105.0	8.0	+37.0	+2.0
Corporate and Elimination	(96.0)	(14.0)	(110.0)	(15.0)	(14.0)	(1.0)
Total	372.0	57.0	550.0	85.0	+178.0	+28.0

Breakdown of net sales by region

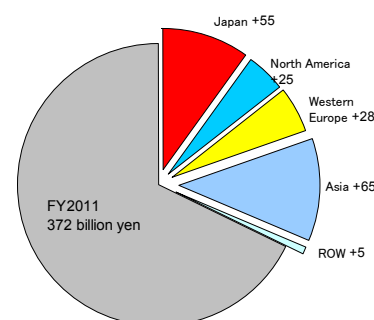
The percentage of overseas sales grew from 50% to 56%. Increases in net sales were centered on Asia while maintaining a positive balance between Japan, North America, and Europe.



FY2011 Net sales
372.0 billion yen



FY2014 Net sales
550.0 billion yen



FY2011→FY2014
Breakdown of the net sales increase

3) Resource allocation

(1) Capital expenditure

In order to drive forward the above business expansion plan, approximately 240.0 billion yen is planned for the three years for capital expenditure (decision basis), which is at the level of approximately 80.0 billion yen per year. Over 70% of the capital expenditure is to be used for enhancing production capacity.

Main capital investment

Poval resin - New facility in North America
Poval resin - Expand facilities in Asia and Europe
PVB film - New facility in Asia
Poval film - Facility expansion
EVAL - New facility in Asia
SEPTON - Expand facility in North America
Expand facility for concentrating lens for solar power generation
New facility for LiB negative-electrode material

(Note) The above investments are for further deliberation, and have not been officially decided at present.

(2) Financial strategies

- Allocate the operating cash flow for the three years to capital expenditure.
- Consider funding by loans, etc., as necessary for large-scale strategic investments such as new projects and M&A.
- We consider shareholder return as one of our priority management issues and have made it a policy to steadily increase dividend payment in line with the growth of our business performance. We thus aim to achieve a consolidated dividend payout ratio of at least 35% as opposed to at least 30% so far.

4) Environmental measures

The Company has chosen eco-efficiency (net sales/environmental load) as an environmental indicator to measure its achievements, and will formulate and implement the Medium-Term Environmental Plan that includes target figures for FY2020. The main targets for domestic offices are as follows.

- Measures against global warming
Net sales/GHG (global greenhouse gas) emissions 40% improvement
- Emissions of chemical substances
Net sales/chemical substance emissions 100% improvement
- Efficient use of resources
Net sales/waste materials produced 10% improvement

(Note) Targets for overseas offices will be determined by reference to the above.

For reference - Main action plan

[Resins segment]

Poval resin	- Expand differentiated brands and improve the regional and customer portfolio - Build a 4-point global framework by establishing a production base in North America
PVB film (Glass interlayer)	- Establish a production base in Asia, strengthen automobile application, maintain and expand share in architectural application - Accelerate the development of differentiated products
Poval film	- High-value-added application and stable supply for optical use - Develop new applications
<i>EVAL</i>	- Develop markets in emerging countries, accelerate development of applications and create demand, and develop next-generation barrier materials - Build a 4-point global framework by establishing a production base in Asia

[Chemicals segment]

Methacrylic resin	Expand high-value added resin, sheets and members to establish a stable profit base
Isoprene chemicals	- Expand “one and only” product market - Develop new processes and next plant framework
Elastomer	- Strengthen the supply capacity of <i>SEPTON</i> and provide high-quality customer service to establish presence - Liquid rubber Expand scale globally <i>KURARITY</i> Expand application globally
<i>GENESTAR</i>	- Develop illumination market and expand automotive area - Next plant framework
Medical	Express synergy with Noritake group and develop new products

[Fibers and textiles segment]

Fiber and textile materials	- Expand FRC applications and accelerate development of original materials such as new materials for separators - Establish technology for new production process of <i>KURALON</i>
<i>CLARINO</i>	Secure stable earnings by completing business restructuring (improve the business feasibility of new environmentally-friendly processes and transfer the production of general-purpose products to China)
<i>KURAFLEX</i> -Fastening	Early expansion of new materials such as <i>FELIBENDY</i>

[New businesses and others]

Aqua business	- Establish a business foundation with original materials (wide bore membrane and gel) at its core - Expand the valuables recycling system and ballast water management system business
Carbon materials business	Develop and commercialize new products for secondary battery materials and new products in the area of water treatment
Other new businesses	Develop and commercialize new areas early, such as concentrating lens for solar power generation, liquid crystalline polymer products for electronic materials, and carbon nanotube application products