



Kureha Corporation Reports Solid Interim Results

Results in line with projected forecasts

Tokyo, Japan – November 13, 2006 – Leading specialty chemicals and plastic products company, Kureha Corporation (“Kureha”), posted interim results for the period ended September 30, 2006 largely in line with forecasts announced by the company in May 2006. Matching projected figures, Kureha posted consolidated operating income of ¥2.94 billion and consolidated recurring income of ¥2.96 billion.

For the interim period, Kureha recorded consolidated sales of ¥63.1 billion, slightly ahead of the forecasted ¥63.0 billion and up from ¥62.1 billion during the same period last year. Consolidated net income was ¥1.28 billion, which also represented an increase on the projected figure of ¥1.0 billion. Kureha will pay an interim dividend of ¥4.5 per share.

Kureha President and Chief Executive Officer, Hiroshi Tanaka, said, “We are delighted to report solid interim results that are in line with our targets for the first half of fiscal 2006. These results come despite a very mixed operating environment during the first half of this fiscal year, which included several positives such as the growth of exports, increased private consumption and corporate capital spending on the back of steady economic recovery, as well as a number of continued challenges, not least the high oil price affecting many of our business lines. As a result of the solid interim performance we are now on track to meet our fiscal 2006 full year forecasts.”

Summary of financial performance

Summary of Consolidated interim-results

(¥ million, except where stated)

	Sept. 2006	Sept. 2005	Change (%)
Sales	63,091	62,141	1.5
Operating income	2,948	3,693	-20.2
Recurring income	2,962	3,672	-19.3
Net income	1,284	1,525	-15.8
Earnings per share (EPS) (¥)	6.94	8.23	-15.7

Major developments

Kremezin business development

In April 2006, Kureha agreed a license contract with Conmed Pharmaceutical & Bio-Medical Corporation of Taiwan for the development and marketing rights in Taiwan of *Kremezin*, a therapeutic agent for chronic kidney disease. Later in the interim period, in June 2006, Kureha filed patent infringement and anti-competitive practice lawsuits against *Merckmezin*, a generic drug of *Kremezin*.

Kureha expects that *Kremezin* will maintain a stable sales trend and that future growth prospects remain positive. In November 2006, Kureha agreed a license contract with Mitsubishi Pharma Corporation for the development and marketing rights of *Kremezin* in the U.S. and Europe, where Phase III trials should be anticipated to begin in 2007.

Fire at Iwaki factory PPS plant

Early on the morning of September 7, 2006, a fire broke out at Kureha's PPS resin plant at the Iwaki Factory (Iwaki-city, Fukushima prefecture), forcing the company to halt PPS resin production for a total of 42 days. The fire was the result of an erroneous action followed by mechanical malfunction. Nobody was injured in the event and successful action was taken to prevent any drainage pollution. Production of PPS resin resumed on October 19. The impact of the fire on full fiscal 2006 earnings remains to be fully determined, although it is anticipated that it will be limited to several hundred million yen.

Business development in China

Kureha established a joint venture for production of PVDC compound (*Krehalon*) in Nantong in October 2005, with the company becoming an equity-method consolidated subsidiary from this fiscal year. In April 2006, Kureha also established Kureha Shanghai Trading Co., Ltd. and began full-scale business for household goods in China. Kureha's business in China has thus continued to gradually gain momentum.

Acquisition of stakes in construction related company

In August 2006, Kureha acquired stakes in Nishiki Kogyo Co., Ltd., a company with strengths in public construction works. Following this move, Kureha Construction Co. Ltd., strong in private construction works, merged with Nishiki Kogyo Co., Ltd. in October 2006. The new entity was named Kurehanishiki Construction Co., Ltd. and became a consolidated subsidiary of Kureha. The newly merged company will benefit from the economies of scale as a result of being able to cover both public and private construction projects and becomes one of the largest construction companies operating in Fukushima prefecture.

Operating highlights by division

Consolidated interim performance

(¥ million, except where stated)

Division		Sept. 2006	Sept. 2005	Change (%)
Advanced materials	Sales	16,654	14,999	11.0
	Operating income	1,619	1,646	-1.6
Specialty chemicals	Sales	13,859	14,960	-7.4
	Operating income	1,210	2,122	-43.0
Specialty plastics	Sales	22,825	21,964	3.9
	Operating income	195	(215)	-
Other operations	Sales	9,752	10,217	-4.6
	Operating income	369	423	-12.8
	Operating income Cancellations	(447)	(283)	-
Total	Sales	63,091	62,141	1.5
	Operating profit	2,948	3,693	-20.2

Advanced materials division

Major product areas: advanced plastics (PPS resin, PVDF resin), carbon products

Consolidated sales for the advanced materials division rose by 11% year-on-year to ¥16.7 billion for the interim period, which also represented a 4% increase on the projected forecast of ¥16.0 billion. This growth was aided by the increase in sales of advanced plastics, which increased by 15% on a year-on-year basis. In addition, a strong performance was also recorded the subsidiary manufacturing metalized film for use of electric and electric materials. In line with forecasts, however, consolidated operating income for the division remained unchanged on a year-on-year basis. This is attributable to an increase in depreciation levels for the advanced plastics production capacity upgrade.

Advanced plastics

In April 2006 Kureha raised the Iwaki factory's production capacity for PPS resin, a super engineering plastic with a diverse range of applications, including in the electrical, electronic and automobile industries, from 7,500 to 10,000 tonnes per year. At Kureha's US joint venture, Fortron Industries LLC, production capacity was raised to 8,600 tonnes per year in December 2005, although the timing for full production fell behind the initial schedule. This delay, along with the fire at the PPS resin plant at the Iwaki factory and an increase in depreciation costs, meant that operating income decreased slightly. However, PVDF resin recorded stronger than expected sales due to growing demand for use in a wide variety of industrial applications, including lithium batteries.

Higher than anticipated sales of carbon products

Sales of carbon products again showed stronger than expected growth. Consolidated sales of ¥3.6 billion for the interim period represented a 12% rise on the projected figure of ¥3.2 billion. In particular, positive sales results were again recorded by carbon fibers for heat-resistance materials such as heat-treatment furnaces, though exports of bead-shaped activated carbon declined.

Outlook: Growth prospects for the advanced materials division remain stable with a continued strong performance by the carbon fiber and PVDF business offsetting the negative impact of the PPS plant fire. Divisional sales for the fiscal year ending March 2007 are estimated to be ¥34.0 billion, up from ¥31.6 billion during the previous year, while operating profits are expected to remain at ¥3.9 billion due to increased depreciation.

Specialty chemicals division

Major product areas – pharmaceuticals, agrochemicals, industrial chemicals

Operating income for the specialty chemicals division increased considerably in comparison with projected figures; the figure of ¥1.2 billion was 35% ahead of the projection of ¥0.9 billion. These results were aided by the improved profitability of industrial chemicals and by a delay in R&D spending. Consolidated sales for the division were slightly ahead of projected forecasts - ¥13.9 billion in comparison with the forecast of ¥13.8 billion - but were down from ¥15.0 billion recorded during the same period last year as a result of the official cut in drug prices, which came into effect in April 2006, and the decline of *Metconazole* export sales to the US following the one-off spike experienced during fiscal 2005.

Pharmaceuticals and agrochemicals faced decline in sales

Kureha recorded pharmaceutical product sales of ¥3.9 billion for the interim period, in line with projected forecasts. Sales of *Kremezin*, a therapeutic agent for chronic kidney disease, maintained previous levels, although sales of *Krestin*, a drug for cancer immunotherapy, declined. Sales of agrochemicals fell slightly below expectations, at ¥2.5 billion against the projected figure of ¥2.6 billion for the interim period, affected by a decline in export sales of *Metconazole*, a fungicide for cereal crops.

Further industrial chemical price rises achieved

Having achieved an upward price revision for caustic soda and other products in April 2006, Kureha recorded consolidated sales of industrial chemicals of ¥5.0 billion for the interim period ended September 30, 2006, which was 6% ahead of the projected figure of ¥4.7 billion. This result contributed to the stable sales performance and increased profitability of the overall specialty chemicals division.

Outlook: Sales of agrochemicals and pharmaceuticals are expected to be slightly lower than the figures projected in May 2006. However, with an increased sales volume of *Kremezin* expected to offset the lower price, overall divisional sales are anticipated to be ¥30.5 billion, a slight drop from the figure of ¥31.3 billion recorded during the previous fiscal year. The forecast for divisional operating profits has been raised slightly to ¥3.6 billion, up from ¥3.5 billion recorded during fiscal 2005.

Specialty plastics division

Major product areas –food packaging materials, household products, fishing lines

Consolidated operating income of ¥0.2 billion for the interim period for the specialty plastic division represented a strong year-on-year recovery, having recorded a loss of ¥0.2 billion during the same period last year. Consolidated sales for the division rose to ¥22.8 billion, up 4% on a year-on-year basis from ¥22.0 billion and 2% ahead of the projected forecast.

NEW Krewrap continues solid results

Overall sales of household products grew by 8% on a year-on-year basis and were slightly ahead of projections, reaching ¥10.1 billion for the interim period ended September 30, 2006. Contributing to the solid results for household products was a strong performance by *New Krewrap*. This was due to optimization of the retail price for the household wrapping film following product renewals in three consecutive years.

Krehalon for China showed improvement in profitability but Besela fell below targets

Consolidated sales of food packaging materials also outperformed expectations at ¥5.3 billion for the interim period, ahead of the projected figure of ¥5.1 billion. Sales of food packaging materials for commercial use including *Krehalon*, a high barrier PVDC film, declined. However, the increased profitability of European packaging materials subsidiaries following business restructuring and the improved profitability of the PVDC compound business in China contributed to solid earnings. Overseas business development of *Besela* remains slow paced and has so far failed to reach targets due to the slower-than expected pace of market cultivation for retort foods in Europe.

Lower than expected sales of high-margin fishing line

Sales of the *Seaguar* fishing line series were lower than anticipated during the interim period, but are expected to rise due to a portion of sales being held until the second half of the year.

Outlook: Profitability of *New Krewrap* is expected to remain stable following retail price optimization efforts. *Seaguar* product sales are expected to increase in the remainder of fiscal 2006 and contribute to full year results. Overall divisional sales for the full fiscal 2006 are expected to improve from the fiscal 2005 figure of ¥45.3 billion to ¥46.5 billion, while divisional operating profits are estimated to show strong improvement, rising from the fiscal 2005 figure of ¥0.6 billion to ¥2.4 billion.

Other operations division

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

The other operations division recorded consolidated sales of ¥9.8 billion, slightly behind projected forecast of ¥10.9 billion, while operating profit for the division remained unchanged on a year-on-year basis at ¥0.4 billion.

Environmental engineering sales grow year-on-year

During the interim period ended September 30, 2006, businesses relating to the treatment of industrial waste performed relatively well but the medical waste processing business declined. Consolidated sales for environmental engineering businesses increased to ¥2.7 billion, in comparison to ¥2.5 billion recorded during the corresponding interim period last year.

Construction related business declined

Consolidated sales for construction related business were ¥7.6 billion, down from ¥7.8 billion on a year-on-year basis, but are expected to grow following the acquisition of stakes in Nishiki Kogyo Co., Ltd.

Transport and warehousing business sales increase

Consolidated sales for the transport and warehousing business were slightly ahead of expectations at ¥6.2 billion, up 2% from ¥6.0 billion on a year-on-year basis. However, profitability of the business declined during the interim period due to continuing high oil prices.

Outlook: Following the merger of Kureha Construction Co., Ltd. with Nishiki Kogyo Co., Ltd. in October 2006, sales of construction related businesses are expected to expand. Kureha's aim for the remainder of fiscal 2006 and beyond is to reduce costs for the division in order to leverage increased sales with improved profitability. Divisional sales are expected to expand to ¥34.0 billion, up from ¥27.5 billion during fiscal 2005, while operating profits are estimated to improve to ¥2.4 billion, up from ¥2.1 billion.

Capex, depreciation and R&D

Consolidated capital expenditure, depreciation and R&D

	Sept. 2006	Sept. 2005	Fiscal 2006 (forecast)
			(¥ billion)
Capital expenditure	5.4	5.7	12.0
Depreciation	4.3	3.8	8.9
R&D	3.1	3.2	7.0

During the interim period ended September 30, 2006, Kureha's consolidated capital expenditure was slightly lower than during the corresponding period in fiscal 2005. At the same time, consolidated depreciation costs increased due to the PPS production capacity upgrade and power plant renewal.

For the full fiscal year ending March 2007, overall capital expenditure levels are expected to remain at ¥12.0 billion, while depreciation levels are expected to continue to weigh upon profitability.

Summary outlook for fiscal 2006 and beyond

The consolidated sales forecast for the full fiscal year ending March 2007 has been raised from ¥142 billion, as projected in May 2006, to ¥145 billion as a result of the solid interim performance and the establishment of Kurehanishiki Construction Co., Ltd pushing up sales. Profit forecasts for the fiscal year remain unchanged from previous projections, with operating income expected to grow by approximately 24% year-on-year to ¥12 billion and net income expected to increase by approximately 10% to ¥5.7 billion.

Summary of consolidated financial forecasts

(¥ million, except where stated)

	Fiscal 2006 (Forecasts)	Fiscal 2005	Change (%)
Sales	145,000	135,627	6.9
Operating income	12,000	9,708	23.6
Recurring income	11,500	9,185	25.2
Net income	5,700	5,171	10.2
Earnings per share (EPS) (¥)	30.87	27.61	11.8

For further information, please contact:

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Notes to Editors

About Kureha Corporation

Kureha Corporation 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 therapeutic agent for chronic kidney disease, *Kremezin*, 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 Iwaki, 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/>

<Appendix>

Condensed interim consolidated balance sheets

As of 30 September 2006 and 2005

	¥ millions	
	Sept. 2006	Sept. 2005
Assets		
Current assets	65,236	60,630
Cash and cash equivalents	4,397	5,150
Fixed assets	124,301	112,841
Property, plant and equipment	70,549	69,985
Intangible assets	1,568	2,049
Investments and other assets	52,184	40,806
Total Assets	189,555	173,471
Liabilities and Shareholders' Equity		
Current liabilities	59,631	57,556
Short-term borrowings	21,839	26,048
Long-term liabilities	27,714	22,781
Long-term liabilities	9,771	11,882
Total Liabilities	87,345	80,338
Minority Interest	861	720
Shareholders' Equity	102,210	92,413
Total Liabilities, Minority Interests and Shareholders' Equity	189,555	173,471

Condensed interim consolidated statement of income

For the fiscal years ended 30 September 2006 and 2005

	¥ millions	
	Sept. 2006	Sept. 2005
Sales	63,091	62,141
Cost of goods sold	45,738	44,346
Selling, general and administrative expenses	14,405	14,101
Operating income	2,948	3,693
Non-operating income	719	593
Non-operating expenses	706	614
Recurring income	2,962	3,672
Extraordinary gains	1,319	1,025
Extraordinary losses	2,299	2,155
Income before income taxes	1,982	2,542
Taxes and minority interest adjustments	697	1,016
Net income	1,284	1,525