

CONSOLIDATED BALANCE SHEETS

(unaudited)

Kuraray Co., Ltd. and Consolidated Subsidiaries

	Millions of yen			Thousands of U.S. dollars
	September 30, 1999	March 31, 1999	September 30, 1998	September 30, 1999
ASSETS				
Current assets:				
Cash and cash equivalents	¥26,728	¥28,917	¥49,140	\$249,794
Marketable securities	21,426	10,072	11,714	200,243
Notes and accounts receivable:				
Trade	87,726	89,466	91,223	819,869
Unconsolidated subsidiaries and affiliates	862	1,316	670	8,056
Other	3,154	3,493	2,177	29,477
Loans receivable from unconsolidated subsidiaries and affiliates	404	509	371	3,776
Allowance for doubtful accounts	(701)	(844)	(992)	(6,552)
	91,445	93,940	93,449	854,626
Inventories	71,651	70,624	82,541	669,636
Deferred income taxes	3,878	3,604	21	36,243
Other current assets	1,403	956	1,311	13,112
Total current assets	216,531	208,113	238,176	2,023,654
Property, plant and equipment:				
Land	25,363	25,397	25,001	237,037
Buildings	85,599	79,535	77,949	799,991
Machinery and equipment	348,107	332,365	330,151	3,253,336
Construction in progress	5,107	17,255	9,698	47,729
	464,176	454,552	442,799	4,338,093
Less accumulated depreciation	(331,977)	(325,526)	(323,394)	(3,102,589)
	132,199	129,026	119,405	1,235,504
Investments and other assets:				
Investment securities	68,467	77,143	66,928	639,879
Investments in unconsolidated subsidiaries and affiliates	2,671	2,983	6,429	24,963
Loans receivable:				
Unconsolidated subsidiaries and affiliates	5,556	6,040	5,419	51,925
Other	1,319	1,329	1,286	12,327
Deferred income taxes	3,220	3,149	343	30,093
Other	70,972	61,085	58,368	663,290
Allowance for doubtful accounts	(940)	(877)	(421)	(8,785)
	151,265	150,852	138,352	1,413,692
	¥499,995	¥487,991	¥495,933	\$4,672,850

	Millions of yen			Thousands of U.S. dollars
	September 30, 1999	March 31, 1999	September 30, 1998	September 30, 1999
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Short-term bank loans	¥4,438	¥5,809	¥7,546	\$41,477
Current portion of long-term debt	19,608	20,382	11,800	183,252
Notes and accounts payable:				
Trade	46,250	49,876	52,699	432,243
Unconsolidated subsidiaries and affiliates	1,064	886	1,048	9,944
Other	9,126	5,822	5,913	85,290
Accrued income taxes	5,042	4,305	5,294	47,121
Deferred income taxes	23	-	-	215
Accrued expenses and other	20,634	21,181	41,941	192,842
Total current liabilities	106,185	108,261	126,241	992,384
Long-term liabilities:				
Long-term debt	94,881	93,923	103,309	886,738
Deferred income taxes	2,871	2,866	2,847	26,832
Accrued retirement benefits	12,714	12,684	11,966	118,822
Other	10,989	9,978	12,846	102,701
Total long-term liabilities	121,455	119,451	130,968	1,135,093
Minority interests	365	370	373	3,411
Shareholders' equity:				
Common stock with par value of ¥50 (\$0.47) per share:				
Authorized - 700,000,000 shares				
Issued and outstanding - 369,741,907 shares at September 30, 1999	81,824			764,710
Issued and outstanding - 363,913,184 shares at March 31, 1999		78,660		
Issued and outstanding - 354,532,527 shares at September 30, 1998			73,800	
Additional paid-in capital	78,180	74,225	68,063	730,654
Retained earnings	111,991	107,029	96,489	1,046,645
	271,995	259,914	238,352	2,542,009
Treasury stock at cost	(5)	(5)	(1)	(47)
Total shareholders' equity	271,990	259,909	238,351	2,541,962
	¥499,995	¥487,991	¥495,933	\$4,672,850

Note : The United States dollar amounts represent translation of Japanese yen at the rate of ¥107=\$1.
Certain reclassifications of previously reported amounts have been made to conform with current classifications.

CONSOLIDATED STATEMENTS OF INCOME

(unaudited)

Kuraray Co., Ltd. and Consolidated Subsidiaries

	Millions of yen			Thousands of U.S. dollars
	Six months ended September 30, 1999	September 30, 1998	Year ended March 31, 1999	Six months ended September 30, 1999
Net sales	¥155,081	¥162,332	¥336,466	\$1,449,355
Cost of sales	114,608	117,763	250,195	1,071,103
(Gross profit)	40,473	44,569	86,271	378,252
Selling, general and administrative expenses	30,447	30,195	59,123	284,551
(Operating income)	10,026	14,374	27,148	93,701
Other income (expenses):				
Interest and dividend income	2,017	2,214	4,464	18,850
Equity in earnings of affiliates	51	24	6	477
Interest expenses	(1,405)	(1,716)	(3,269)	(13,131)
Other, net	1,086	(2,834)	(4,508)	10,150
(Income before income taxes)	11,775	12,062	23,841	110,047
Income taxes				
Current	5,218	5,306	10,352	48,766
Deferred	(72)	471	309	(672)
	5,146	5,777	10,661	48,094
Minority interests in net income of consolidated subsidiaries	(0)	(6)	(9)	(0)
Net income	¥6,629	6,279	13,171	\$61,953

Yen

U.S. dollars

Net income per share:

Primary	¥18.09	¥17.72	¥36.83	\$0.17
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Note : The United States dollar amounts represent translation of Japanese yen at the rate of ¥107=\$1.

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CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(unaudited)

Kuraray Co., Ltd. and Consolidated Subsidiaries

	Common stock	Additional paid-in capital	Retained earnings
	Millions of yen		
Balance at March 31, 1998	¥73,694	¥67,932	¥91,877
Net income			6,279
Conversion of convertible debentures	6	6	
Stock issued on exercise of warrants	100	125	
Cash dividends, ¥4.50 per share			(1,595)
Bonuses to directors and statutory auditors			(72)
Balance at September 30, 1998	73,800	68,063	96,489
Net income			6,892
Effect of changes in accounting for income taxes			6,069
Stock issued on exercise of warrants	4,860	6,162	
Cash dividends, ¥4.50 per share			(1,595)
Effect of changes in reporting entity			(826)
Balance at March 31, 1999	78,660	74,225	107,029
Net income			6,629
Conversion of convertible debentures	100	100	
Stock issued on exercise of warrants	3,064	3,855	
Cash dividends, ¥4.50 per share			(1,638)
Bonuses to directors and statutory auditors			(62)
Effect of changes in reporting entity			33
Balance at September 30, 1999	¥81,824	¥78,180	¥111,991

	<i>Thousands of U.S. dollars</i>		
Balance at March 31, 1999	<i>\$735,140</i>	<i>\$693,692</i>	<i>\$1,000,271</i>
<i>Net income</i>			<i>61,953</i>
<i>Conversion of convertible debentures</i>	<i>935</i>	<i>935</i>	
<i>Stock issued on exercise of warrants</i>	<i>28,635</i>	<i>36,027</i>	
<i>Cash dividends, \$0.04 per share</i>			<i>(15,308)</i>
<i>Bonuses to directors and statutory auditors</i>			<i>(579)</i>
<i>Effect of changes in reporting entity</i>			<i>308</i>
Balance at September 30, 1999	<i>\$764,710</i>	<i>\$730,654</i>	<i>\$1,046,645</i>

Note : The United States dollar amounts represent translation of Japanese yen at the rate of ¥107=\$1.

SEGMENT INFORMATION

Industrial segment information
(unaudited)

Kuraray Co., Ltd. and Consolidated Subsidiaries

Net sales and Operating income

Six months ended September 30, 1999	Millions of yen			
	Net sales to outside customers	Net sales to intersegment	Net sales	Operating income
Chemical and synthetic fibers	¥48,103	¥921	¥49,024	¥1,190
Chemical products	71,427	845	72,272	6,515
Man-made leather, nonwoven fabrics and fastening materials	16,747	178	16,925	1,128
Diversified businesses	18,804	10,842	29,646	1,501
Total	155,081	12,786	167,867	10,334
Elimination	-	(12,786)	(12,786)	(308)
Consolidated total	¥155,081	¥ -	¥155,081	¥10,026

Six months ended September 30, 1998	Millions of yen			
	Net sales to outside customers	Net sales to intersegment	Net sales	Operating income
Chemical and synthetic fibers	¥51,597	¥755	¥52,352	¥1,331
Chemical products	72,763	712	73,475	8,813
Man-made leather, nonwoven fabrics and fastening materials	18,400	282	18,682	2,771
Diversified businesses	19,572	8,017	27,589	1,550
Total	162,332	9,766	172,098	14,465
Elimination	-	(9,766)	(9,766)	(91)
Consolidated total	¥162,332	¥ -	¥162,332	¥14,374

Six months ended September 30, 1999	Thousands of U.S. dollars			
	Net sales to outside customers	Net sales to intersegment	Net sales	Operating income
Chemical and synthetic fibers	\$449,561	\$8,607	\$458,168	\$11,121
Chemical products	667,542	7,897	675,439	60,889
Man-made leather, nonwoven fabrics and fastening materials	156,514	1,664	158,178	10,542
Diversified businesses	175,738	101,327	277,065	14,028
Total	1,449,355	119,495	1,568,850	96,580
Elimination	-	(119,495)	(119,495)	(2,879)
Consolidated total	\$1,449,355	\$ -	\$1,449,355	\$93,701

Note: The United States dollar amounts represent translation of Japanese yen at the rate of ¥107=\$1.

Industrial segment information
(unaudited)

Kuraray Co., Ltd. and Consolidated Subsidiaries

Identifiable assets, Capital expenditure, Depreciation and amortization

	Millions of yen		
	Identifiable assets	Capital expenditures	Depreciation and amortization
Six months ended September 30, 1999			
Chemical and synthetic fibers	¥76,674	¥1,443	¥1,647
Chemical products	148,793	6,293	4,285
Man-made leather, nonwoven fabrics and fastening materials	36,590	743	1,219
Diversified businesses	59,212	4,658	620
Total	321,269	13,137	7,771
Elimination and Corporate	178,726	-	-
Consolidated total	¥499,995	¥13,137	¥7,771

	Millions of yen		
	Identifiable assets	Capital expenditures	Depreciation and amortization
Six months ended September 30, 1998			
Chemical and synthetic fibers	¥83,398	¥2,136	¥1,870
Chemical products	135,747	5,714	3,962
Man-made leather, nonwoven fabrics and fastening materials	35,644	2,872	926
Diversified businesses	60,432	1,602	612
Total	315,221	12,324	7,370
Elimination and Corporate	180,712	-	-
Consolidated total	¥495,933	¥12,324	¥7,370

	Thousands of U.S. dollars		
	Identifiable assets	Capital expenditures	Depreciation and amortization
Six months ended September 30, 1999			
Chemical and synthetic fibers	\$716,579	\$13,485	\$15,392
Chemical products	1,390,589	58,813	40,047
Man-made leather, nonwoven fabrics and fastening materials	341,963	6,944	11,393
Diversified businesses	553,383	43,533	5,794
Total	3,002,514	122,775	72,626
Elimination and Corporate	1,670,336	-	-
Consolidated total	\$4,672,850	\$122,775	\$72,626

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