

May 22, 2000  
Kuraray Co., Ltd.

## **Notice of Withdrawal from Rayon Production**

This is to give notice that the Board of Directors has decided to withdraw from the production of rayon, for which demand has been shrinking over the years and for which an adequate level of profitability can no longer be secured.

### **1) Background and Reasons for Withdrawal**

Since 1928, rayon, a chemical fiber allowing fine control over the dyeing process and possessing the characteristics of good moisture absorption and excellent draping properties, has defined a distinct era in the history of synthetic fibers. However, in recent times, the market for rayon has been shrinking worldwide as composite fibers such as polyester and acrylic fibers have made possible sharp cost reductions and have found a wide range of industrial and household applications.

Although we have made several attempts to slash costs, rayon exports and sales on the Japanese market have continued to decline, while decreases in production volume have continued to raise unit costs. This severe operating environment is unlikely to improve.

The Company currently manufactures rayon at its Tamashima Plant located in Kurashiki, Okayama Prefecture, where a new round of capital investment is needed to restore aging rayon production facilities. However, since profitability is not expected to improve in the future, we see no adequate return on any further investment in the plant, and have therefore decided to withdraw from rayon production.

### **2) Schedule**

We will cease production of rayon at the Tamashima Plant on March 31, 2001, and will terminate sales operations in September 2001.

### **3) Reshuffling of employees involved in rayon production**

The 200 employees currently engaged in rayon production and sales operations will be reassigned to positions within Kuraray or at affiliated companies after production has been terminated.

#### 4) History of Kuraray's Rayon Business

| Year        | Event   | Production   |
|-------------|---|--|
| 1928        | Rayon production commences at Kurashiki Plant   |  |
| 1936        | Production commences at Saijo Plant   |  |
| 1956        | Production commences at Tamashima Plant (Tamashima Rayon established in a joint venture with Chuo Fiber; later absorbed by Kuraray in 1964) |  |
| 1973        |   | Annual production volume peaks at 26,000 tons            |
| 1974 - 1983 |   | Annual production volume remains at the 24,000 ton level |
| 1987        | Production at Kurashiki Plant ceases  | Annual production volume: 17,600 tons                    |
| 1995        | Production at Saijo Plant ceases  | Annual production volume: 8,000 tons                     |
| 1999        |   | Annual production volume: 7,000 tons                     |
| 2000        |   | Annual production volume estimated at 6,000 tons         |
| March 2001  | Production at Tamashima Plant scheduled to cease  |  |