

FINANCIAL REPORT 2002

Kuraray Co., Ltd

Management Policies

Fundamental Management Policy

The Kuraray Group started a new 5-Year Medium-Term Business Plan called 'G-21' in fiscal 2001. The plan was formulated based on an awareness that competing and winning amid today's global competition demands the ability to: (1) maintain international competitive power, (2) give consideration to the natural environment, (3) more widely utilize IT as well as grow in these markets, (4) maximize synergies within a corporate group, and (5) give balanced consideration to every stakeholders. Under 'G-21,' the Kuraray Group aims to be an 'eco-friendly enterprise with unique technology.' Guiding this drive are actions to expand in three directions: businesses where the group is globally competitive, businesses where the group can contribute to preservation and improvement of the global environment, and businesses where the group can best express its distinct identity.

Medium-Term Management Strategy

Under 'G-21,' the group is (1) seeking to generate an ROA (target: more than 7%) that exceeds the cost of capital, (2) placing priority on ROA and cash flows as performance indicators, (3) entering into mergers and acquisitions where appropriate, and (4) basing decisions on the under-performing businesses on the Company's 'Business Reevaluation Criteria.'

There are five themes involving the management structure: (1) creating a flatter organization and moving a significant amount of authority; (2) making each business unit and group company self-reliant; (3) maximizing synergies within the group by sharing values and business strategies; (4) establishing a compensation system that better reflects results; and (5) promoting business process reengineering (BPR) and the use of IT.

With regard to business strategies, the group places priority on both strategies for individual products and individual markets. The Kuraray Group positions the following globally competitive product categories as its core businesses: Vinyl-acetate related fields (poval, "EVAL," "KURALON" and "KURALON K-II"); isoprene chemical fields (thermoplastic elastomers, fine chemicals); and man-made leather ("CLARINO"). All these businesses are targeted for growth. In addition to these product-specific strategies, the group has four strategic market sectors: IT (poval film for LCDs, heat-resistant resin, etc.); eco-friendly businesses (asbestos substitutes, gas barrier materials, substitutes for polyvinyl chloride and vulcanized rubber), environmental businesses (activated carbon, PVA gel, industrial membranes); and medical products (artificial organs, dental materials).

Growth is to be achieved by pursuing an application development strategy based on a 'market-in' approach.

Dividend Policy

At Kuraray, returning earnings to shareholders is a management theme of the highest priority. Management believes that its mission is to sustain continuous growth in sales and earnings while allocating earnings as appropriate. In the business environment in which still more intense global competition is foreseen, retained earnings are used for strategic investments, including mergers and acquisitions, in Japan and overseas as required to achieve growth.

Important Issues

In order to survive amid the abrupt changes taking place in the business management, it is essential for companies to increase profitability still further. To become more profitable, the group is focusing on the following items to meet the growth targets set forth in the 'G-21' Medium-Term Business Plan.

1. Make core businesses even more global in nature. In the poval related businesses, one goal is the smooth launch of Kuraray Specialties Europe GmbH, a company established during the past fiscal year after the acquisition of the PVA (polyvinyl alcohol) and PVB (polyvinyl butyral) businesses of Clariant. A concurrent goal is the efficient operation of poval related businesses from bases in Japan and Singapore. In EVOH resins ("EVAL"), Kuraray is making preparations to expand operations in Europe. In thermoplastic elastomers ("SEPTON"), the U.S. subsidiary Septon Company of America will soon complete a new factory, setting the stage for more growth.
2. Reinforce the group's operations to generate a satisfactory level of earnings in the face of deflationary forces in Japan. Promote the 'Program for Improving the Profit Structure,' a plan that places priority on enhancing earnings during this challenging period with no prospects for a rebound in the business environment. Every effort will be made to generate benefits from this program in fiscal 2002.
3. Restructure under-performing businesses. To make polyester operations more competitive, the textile business was transferred in April 2002 to Kuraray Trading Co., Ltd., the Kuraray Group's trading arm. This allows the group to conduct operations that are closely tied to the market by taking an integrated approach extending from polyester fibers through secondary products. An integrated production system covering everything

from fibers to end-products will also facilitate comprehensive cost reduction and synergies from the integration of personnel that had been split between two companies. In a related move, the polyester filament production division at the Saijo Plant was split off in October 2001 as a separate company called Kuraray Saijo Co., Ltd. In April 2002, the other manufacturing departments and all other sections of the Saijo Plant were transferred to Kuraray Saijo Co., Ltd. Actions will continue to create an even more flexible, cost-competitive base of operations.

4. An in-house company system was adopted on April 1, 2002. There are three objectives: facilitating faster decision-making by moving much more authority to lower levels of the organization; conducting unified R&D, manufacturing and sales activities; and clarifying accountability of managers of more self-reliant business operations. In advance of this move, the medical products business was split off in October 2001 as a company called Kuraray Medical Inc.

5. Implement BPR to achieve more gains in productivity. Kuraray Business Service Co., Ltd. was started in April 2002 to raise the efficiency of administrative work for the whole group.

6. Reaffirm contributions to the environment and society as key elements of the group's operations. Develop and provide products that address environmental issues and, in line with an 'Medium-Term Environmental Plan,' continue to take aggressive actions to reduce the use of substances harmful to the environment. As part of the group's Responsible Care activities, operating sites have been working to earn ISO14001 certification for their environmental management systems. Following certification of five major plants in Japan, the Kurashiki Research Laboratories and the Analytical Research Center, the Tsukuba Research Laboratories has also received this certification. Preparations will continue at affiliated companies to earn ISO14001 certification.

7. The Kuraray Group is faced with risk factors of increasing magnitude and complexity. The 'Kuraray Group Risk Management Conference' has been newly formed to deal with these risks in a speedy and accurate manner. This is expected to give the group an even more powerful risk management system.

Policy Regarding Reduction in Trading Unit

Kuraray regards increasing the liquidity of its shares and attracting more individual shareholders as important management issues. With this in mind, the Company has been taking steps to improve its investor relations publicity. We will continue to study the

merits of reducing the trading unit of Company shares. This process will take into account movements in the share price, number of shareholders, liquidity and other factors. A decision will be made based on the overall benefits that could be expected from a lower trading unit.

Results of Operations and Financial Position

Summary

During the fiscal year under review, the business environment in Japan remained extremely difficult due to persistent deflationary forces, a drop in demand for IT-related products, and softness in capital expenditures and consumer spending. Overseas, there was a worldwide economic downturn. The U.S. economy weakened in the wake of the September 2001 terrorist attacks. This was followed by a downturn in East Asian economies, which are highly dependent on the U.S., and in other areas of the world.

The Kuraray Group focused on minimizing the impact of this situation on earnings. Sales initiatives targeted fields where the group is strongest, products were introduced to develop new markets, and exhaustive actions were taken to cut costs.

Despite these measures, the decline in demand caused sales volumes to fall and competitive pressure on prices made the impact of the lower volumes even greater. As a result, consolidated net sales decreased 2.5% to ¥305,862 million, operating income fell 4.9% to ¥18,958 million. After a write down of investment securities of ¥6,524 million, a restructuring charges of ¥7,925 million, net income fell 29.1% to ¥2,866 million.

Results by business segment are as follows.

1. Results by Operating Group

a. Fibers and Textiles

Net sales decreased 11.6% to ¥80,274 million and operating income decreased 90.6% to ¥161 million.

1) Polyester—Sales and earnings were lower due to the effects of weak demand in Japan and a drop in prices caused by unfavorable trends in global supply-demand dynamics.

2) “KURALON” was strong for use as a cement reinforcing material, in rubber materials and in other applications where the characteristics of this material are most useful. However, sales and earnings were down because of lower demand for materials used in manufacturing as economies weakened, as well as the impact of escalating pricing competition.

3) Rayon—Production of rayon was terminated in the previous fiscal year. During the fiscal year under review, the group continued to conduct only limited sales activities.

b. Chemical Products

Net sales increased 1.0% to ¥152,541 million and operating income increased 4.6% to ¥13,298 million.

1) Poval—Overall, sales were flat and earnings increased. Sales of poval film declined as the drawing down of inventories of this film made for LCDs was still going on. However, higher sales of resins in Europe and China, coupled with cost reduction programs, offset the negative impact on sales of the change in the fiscal year of Kuraray Specialities Asia Pte., Ltd. During the fiscal year under review, the group purchased the PVA and PVB businesses of Clariant, establishing Kuraray Specialities Europe GmbH to conduct these businesses. As this company ends its fiscal year in December, the PVA and PVB businesses will begin contributing to sales and earnings in the fiscal year ending in March 31, 2003.

2) EVOH resins “EVAL”—Sales and earnings increased as slowing growth in domestic market demand was outweighed by strength overseas, notably Europe, and lower prices for raw materials.

3) Methacrylic resins—In the second half of the term under review, global prices of MMA monomer and resins dropped because of competitive pressure. For the full year, however, sales and earnings were unchanged thanks to favorable sales for projection television screens in the United States.

4) Isoprene chemicals—Thermoplastic estomers performed well, mainly in Europe and North America. In fine chemicals, intermediates for agrochemicals and aromachemicals posted higher sales, but lower prices and slumping demand impacted the performance of raw materials for vitamins and pharmaceutical intermediates. The overall result was flat sales and higher earnings.

5) Other chemicals—Sales were flat and earnings declined. Sales of activated carbon rose for use in environmental applications. However, the overall performance of this category was hurt by weakening economies.

c. Man-made Leather, Non-woven Fabrics and Fastening Materials

Net sales increased 1.5% to ¥32,101 million, but operating income decreased 27.6% to ¥1,468 million.

1) Man-made leather “CLARINO”—Sales and earnings were flat as the effects of Japan’s slumping economy offset signs of an upturn in demand from the European apparel

industry, a market that has been weak for some time. During the term under review, the Company began selling a new high-grade man-made leather product called “PARCASSIO,” that has the texture and appearance of natural leather.

2) Non-woven fabrics—Efforts were made to increase sales for use as wiper materials and in other key markets, but the long-term weakness in domestic demand and intensifying competition in commodity-product markets created challenges. The result was a small increase in sales and lower earnings. In fastening materials, sales were down slightly and earnings were flat. Although a kind of ‘hook and loop fastener’ and other products performed well, the results were held back by sluggish demand for apparel and other products.

d. Diversified Businesses

Net sales increased 1.9% to ¥40,946 million and operating income increased 30.6% to ¥4,388 million.

1) Medical products—Sales of dental materials continued to be strong in Europe, North America and other overseas markets and medical equipment also performed well. Although there was weakness in sales of contact lenses, total sales in this category were flat and earnings were higher.

2) Others—Both sales and earnings were slightly higher as real estate, engineering and other group companies in Japan cut costs and took other actions to cope with an extremely severe business environment.

2. Segmentation by Geographical Region

a. Japan

Affected by an extremely severe economic environment due to persistent deflationary forces, net sales in Japan totaled ¥263,788 million and operating income came to ¥16,157 million

b. Europe

Net sales in Europe totaled ¥12,273 million and operating income was ¥315 million. Although “EVAL” sales were favorable, operating results in Europe were affected by start-up costs related to the establishment of Kuraray Specialties Europe GmbH and inventory adjustment in man-made leather.

c. Other regions

Aggregate net sales in other regions totaled ¥29,801 million and operating income came

to ¥2,610 million.

- 1) Underpinned by favorable sales of thermoplastic elastomers, projection television screens and “EVAL” resins, net sales and income increased in the North American market.
- 2) Net sales and income, affected by an irregular accounting period at Kuraray Specialties Asia Pte. Ltd. due to a change in book-closing month, declined in East Asia.

3. Cash Flows

Cash and cash equivalents (hereinafter ‘cash’) declined by ¥26,675 million during the period under review. Principal contributing factors in cash flows were ¥18,697 million in cash provided by operating activities, ¥24,225 million cash used in investing activities, and ¥21,450 million in cash used in financing activities. As a result, the cash balance at the end of the fiscal year stood at ¥13,496 million.

The principal components of cash flows from operating, investing and financing activities were as follows:

1) Cash flows from operating activities

Net cash provided by operating activities increased ¥2,810 million from the previous fiscal year to ¥18,697 million. This was attributable to factors such as decline in inventories.

2) Cash flows from investing activities

Cash flows from investing activities resulted in a net outflow of ¥24,225 million, compared with a net inflow of ¥20,323 million for the previous fiscal year. This deterioration was principally due to the acquisition of fixed assets from Clariant.

3) Cash flows from financing activities

Net cash used in financing activities amounted to ¥21,450 million, a ¥11,002 million rise over the previous fiscal year, due mainly to redemption of convertible bonds.

4. Dividends

Despite the weak financial results, in accordance with its policy of assuring stable long-term distribution of profit to shareholders, the Company plans to propose an annual dividend of ¥9 per share of common stock, including a ¥8 ordinary dividend and a ¥1 special dividend.

During the term, the Company paid a ¥4.50 interim dividend per share of common stock, comprising of an ordinary dividend of ¥4 and special dividend of ¥0.50.

Outlook for Fiscal 2002

Although there are signs of recovery in the U.S. economy, and the global economy seems to be headed for a revival, the outlook for fiscal 2002 is filled with uncertainties. In Japan, public sector capital investment and consumer spending are unlikely to rebound quickly. As a result, the business environment in Japan is expected to remain difficult.

In view of the probable severe business environment, we expect operating income of ¥24 billion on net sales of ¥330 billion. Net income is estimated at ¥10 billion on a consolidated basis.

In fiber and industrial material operations, we will be completing restructuring, and in particular, will accelerate the shift in polyester operations toward high-performance products. In “KURALON,” we will sustain our efforts to increase sales in areas where we can take advantage of special features such as high strength and alkali resistance.

In chemical operations, we will be seeking to globally augment sales in business areas where demand is continuing to expand, including poval, “EVAL,” thermoplastic elastomers and projection television screens. We also plan vigorous development of activities in four strategic areas -- IT, eco-friendly businesses, environmental businesses, and medical products. Growth is to be achieved by pursuing a strategy based on a ‘market-in’ approach

The projections for fiscal 2002 results are premised on an average yen exchange rate of ¥130 against the U.S. dollar and ¥115 against the euro, and an average price of Dubai crude oil of \$20 per barrel.

The dividend for the fiscal year is projected at ¥9 per share of common stock.

CONSOLIDATED BALANCE SHEETS

(unaudited)

Kuraray Co., Ltd. and Consolidated Subsidiaries

March 31, 2002 and 2001	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
ASSETS			
Current assets:			
Cash and cash equivalents	¥13,496	¥40,171	\$101,474
Marketable securities	7,464	14,687	56,120
Notes and accounts receivable:			
Trade	88,605	96,025	666,203
Unconsolidated subsidiaries and affiliates	1,187	918	8,925
Other	2,000	4,396	15,037
Loans receivable from unconsolidated subsidiaries and affiliates	368	640	2,767
Allowance for doubtful accounts	(486)	(689)	(3,654)
	91,674	101,290	689,278
Inventories	71,194	75,545	535,293
Deferred income taxes	6,947	5,355	52,233
Other current assets	7,699	2,606	57,888
Total current assets	198,474	239,654	1,492,286
Property, plant and equipment:			
Land	24,239	24,349	182,248
Buildings	87,704	86,635	659,429
Machinery and equipment	370,649	357,405	2,786,835
Construction in progress	15,799	7,897	118,789
	498,391	476,286	3,747,301
Less accumulated depreciation	(363,484)	(348,818)	(2,732,963)
	134,907	127,468	1,014,338
Investments and other assets:			
Intangible fixed assets:			
Good will	29,591	-	222,489
Other	1,582	763	11,895
Investment securities	50,423	71,397	379,120
Investments in unconsolidated subsidiaries and affiliates	2,822	2,755	21,218
Loans receivable from:			
Unconsolidated subsidiaries and affiliates	5,281	5,616	39,707
Other	1,275	1,326	9,586
Deferred income taxes	5,625	6,323	42,293
Other	58,762	58,481	441,820
Allowance for doubtful accounts	(1,310)	(1,304)	(9,850)
	154,051	145,357	1,158,278
	¥487,432	¥512,479	\$3,664,902

Notes: The United States dollar amounts represent translation of Japanese yen at the rate of ¥133=\$1.

CONSOLIDATED BALANCE SHEETS

(unaudited)

Kuraray Co., Ltd. and Consolidated Subsidiaries

March 31, 2002 and 2001	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term bank loans	¥10,471	¥8,807	\$78,729
Current portion of long-term debt	36,560	20,228	274,887
Notes and accounts payable:			
Trade	47,647	54,147	358,248
Unconsolidated subsidiaries and affiliates	791	1,277	5,947
Other	8,052	6,160	60,542
Accrued income taxes	1,799	2,196	13,526
Deferred income taxes	3	2	23
Accrued expenses and other	16,951	17,417	127,451
Total current liabilities	122,274	110,234	919,353
Long-term liabilities:			
Long-term debt	32,552	67,527	244,752
Deferred income taxes	4,631	3,859	34,820
Accrued retirement benefits	20,661	25,336	155,346
Other	16,616	16,001	124,932
Total long-term liabilities	74,460	112,723	559,850
Minority interests	55	53	413
Shareholders' equity:			
Common stock:			
Authorized - 700,000,000 shares			
Issued and outstanding - 382,863,603 shares	88,955	88,955	668,835
Additional paid-in capital	87,147	87,147	655,241
Retained earnings	110,798	111,622	833,068
Unrealized gain on revaluation of securities	2,002	3,355	15,052
Cumulative translation adjustments	1,789	(1,609)	13,451
	290,691	289,470	2,185,647
Treasury stock at cost	(48)	(1)	(361)
Total shareholders' equity	290,643	289,469	2,185,286
	¥487,432	¥512,479	\$3,664,902

Notes: The United States dollar amounts represent translation of Japanese yen at the rate of ¥133=\$1.

CONSOLIDATED STATEMENTS OF INCOME

(unaudited)

Kuraray Co., Ltd. and Consolidated Subsidiaries

Years ended March 31, 2002 and 2001	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Net sales	¥305,862	¥313,651	\$2,299,714
Cost of sales	228,184	234,946	1,715,669
(Gross profit)	77,678	78,705	584,045
Selling, general and administrative expenses	58,720	58,774	441,504
(Operating income)	18,958	19,931	142,541
Other income (expenses):			
Interest and dividend income	2,471	3,659	18,579
Equity in earnings of affiliates	169	127	1,271
Interest expenses	(2,053)	(2,377)	(15,436)
Restructuring charges	(7,925)	(8,872)	(59,586)
Write down of investment securities	(6,524)	-	(49,053)
Special provision for retirement benefits	-	(7,596)	-
Gain on sales and appreciation of marketable securities	-	3,014	-
Other, net	1,105	(86)	8,308
	(12,757)	(12,131)	(95,917)
(Income before income taxes)	6,201	7,800	46,624
Income taxes:			
Current	3,107	6,633	23,361
Deferred	217	(2,879)	1,631
	3,324	3,754	24,992
Minority interests in net income of consolidated subsidiaries	(11)	(1)	(83)
Net income	¥2,866	¥4,045	\$21,549
		Yen	U.S. dollars
Net income per share:			
Primary	¥7.49	¥10.56	\$0.06
Fully diluted	¥7.45	¥10.46	\$0.06

Notes: The United States dollar amounts represent translation of Japanese yen at the rate of ¥133=\$1.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(unaudited)

Kuraray Co., Ltd. and Consolidated Subsidiaries

Years ended March 31, 2002 and 2001	Millions of yen				
	Common stock	Additional paid-in capital	Retained earnings	Unrealized gain on revaluation of securities	Cumulative translation adjustments
Balance at March 31, 2000	¥88,955	¥87,147	¥111,151	¥ -	(¥4,496)
Net income			4,045		
Cash dividends, ¥9.00 per share			(3,446)		
Bonuses to directors and statutory auditors			(60)		
Effect of changes in reporting entity			(68)		
Changes in unrealized gain on revaluation of securities				3,355	
Translation adjustments					2,887
Balance at March 31, 2001	88,955	87,147	111,622	3,355	(1,609)
Net income			2,866		
Cash dividends, ¥9.00 per share			(3,446)		
Bonuses to directors and statutory auditors			(55)		
Effect of change in the accounting standard of a foreign affiliate			(189)		
Changes in unrealized gain on revaluation of securities				(1,353)	
Translation adjustments					3,398
Balance at March 31, 2002	¥88,955	¥87,147	¥110,798	¥2,002	¥1,789

Balance at March 31, 2001	Thousands of U.S. dollars				
Balance at March 31, 2001	\$668,835	\$655,241	\$839,263	\$25,225	(\$12,098)
Net income			21,549		
Cash dividends, \$0.07 per share			(25,909)		
Bonuses to directors and statutory auditors			(414)		
Effect of change in the accounting standard of a foreign affiliate			(1,421)		
Changes in unrealized gain on revaluation of securities				(10,173)	
Translation adjustments					25,549
Balance at March 31, 2002	\$668,835	\$655,241	\$833,068	\$15,052	\$13,451

Notes: The United States dollar amounts represent translation of Japanese yen at the rate of ¥133=\$1.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

Kuraray Co., Ltd. and Consolidated Subsidiaries

Years ended March 31, 2002 and 2001	Millions of yen	Millions of yen	Thousands of U.S. dollars
	2002	2001	2002
Cash flows from operating activities			
Net income	¥2,866	¥4,045	\$21,549
Adjustments to reconcile net income to net cash provided by operating activities -			
Depreciation and amortization	16,056	16,593	120,722
(Decrease) increase in accrued retirement benefits	(4,699)	3,280	(35,331)
Gain on sales and appreciation of marketable securities	-	(3,014)	-
Loss on write down of investment securities	6,524	-	49,053
Decrease (increase) in notes and accounts receivable	7,971	(5,799)	59,932
Decrease in inventories	5,513	1,213	41,451
(Decrease) increase in notes and accounts payable	(7,358)	2,122	(55,323)
Other, net	(8,176)	(2,553)	(61,474)
Net cash provided by operating activities	18,697	15,887	140,579
Cash flows from investing activities			
(Increase) decrease in marketable securities	(3,349)	2,667	(25,180)
Acquisitions of property, plant, equipment and intangible assets	(48,478)	(17,583)	(364,496)
Payments for purchases of investment securities	(20)	(3,116)	(150)
Proceeds from sales of investment securities	24,495	30,891	184,173
Other, net	3,127	7,464	23,510
Net cash (used in) provided by investing activities	(24,225)	20,323	(182,143)
Cash flows from financing activities			
Increase (decrease) in short-term bank loans	1,204	(948)	9,053
Proceeds from long-term debt	1,025	1,550	7,707
Repayments of long-term debt	(20,233)	(7,604)	(152,128)
Dividends paid	(3,446)	(3,446)	(25,910)
Net cash used in financing activities	(21,450)	(10,448)	(161,278)
Effect of exchange rate changes on cash and cash equivalents	303	518	2,278
Effect of changes in reporting entities	-	22	-
Net (decrease) increase in cash and cash equivalents	(26,675)	26,302	(200,564)
Cash and cash equivalents, beginning of period	40,171	13,869	302,038
Cash and cash equivalents, end of period	¥13,496	¥40,171	\$101,474

Notes: The United States dollar amounts represent translation of Japanese yen at the rate of ¥133=\$1.

SEGMENT INFORMATION

Industrial segment information

(unaudited)

Kuraray Co., Ltd. and Consolidated Subsidiaries

Net sales and Operating income

Year ended March 31, 2002	Millions of yen			
	Net sales to outside customers	Net sales to inter-segment	Net sales	Operating income
Fibers and textiles	¥80,274	¥1,571	¥81,845	¥161
Chemical products	152,541	2,380	154,921	13,298
Man-made leather, non-woven fabrics and fastening materials	32,101	221	32,322	1,468
Diversified businesses	40,946	24,610	65,556	4,388
Total	305,862	28,782	334,644	19,315
Elimination	-	(28,782)	(28,782)	(357)
Consolidated total	¥305,862	¥ -	¥305,862	¥18,958

Year ended March 31, 2001	Millions of yen			
	Net sales to outside customers	Net sales to inter-segment	Net sales	Operating income
Fibers and textiles	¥90,822	¥858	¥91,680	¥1,720
Chemical products	151,007	2,091	153,098	12,715
Man-made leather, non-woven fabrics and fastening materials	31,641	239	31,880	2,028
Diversified businesses	40,181	15,858	56,039	3,359
Total	313,651	19,046	332,697	19,822
Elimination	-	(19,046)	(19,046)	109
Consolidated total	¥313,651	¥ -	¥313,651	¥19,931

Year ended March 31, 2002	Thousands of U.S. dollars			
	Net sales to outside customers	Net sales to inter-segment	Net sales	Operating income
<i>Fibers and textiles</i>	<i>\$603,564</i>	<i>\$11,812</i>	<i>\$615,376</i>	<i>\$1,211</i>
<i>Chemical products</i>	<i>1,146,924</i>	<i>17,895</i>	<i>1,164,819</i>	<i>99,985</i>
<i>Man-made leather, non-woven fabrics and fastening materials</i>	<i>241,361</i>	<i>1,662</i>	<i>243,023</i>	<i>11,038</i>
<i>Diversified businesses</i>	<i>307,865</i>	<i>185,037</i>	<i>492,902</i>	<i>32,992</i>
Total	2,299,714	216,406	2,516,120	145,226
<i>Elimination</i>	<i>-</i>	<i>(216,406)</i>	<i>(216,406)</i>	<i>(2,685)</i>
Consolidated total	\$2,299,714	\$ -	\$2,299,714	\$142,541

Notes: The United States dollar amounts represent translation of Japanese yen at the rate of ¥133=\$1.

Industrial segment information

(unaudited)

Kuraray Co., Ltd. and Consolidated Subsidiaries

Identifiable assets, Capital expenditures and Depreciation and amortization

Year ended March 31, 2002	Millions of yen		
	Identifiable assets	Capital expenditure	Depreciation and amortization
Fibers and textiles	¥64,864	¥2,877	¥2,808
Chemical products	204,290	45,541	9,631
Man-made leather, non-woven fabrics and fastening materials	34,318	1,439	2,018
Diversified businesses	57,352	859	1,599
Total	360,824	50,716	16,056
Elimination and Corporate	126,608	-	-
Consolidated total	¥487,432	¥50,716	¥16,056

Year ended March 31, 2001	Millions of yen		
	Identifiable assets	Capital expenditure	Depreciation and amortization
Fibers and textiles	¥73,841	¥2,722	¥3,246
Chemical products	162,677	9,439	9,576
Man-made leather, non-woven fabrics and fastening materials	35,231	1,556	2,241
Diversified businesses	58,304	2,097	1,530
Total	330,053	15,814	16,593
Elimination and Corporate	182,426	-	-
Consolidated total	¥512,479	¥15,814	¥16,593

Year ended March 31, 2002	Thousands of U.S. dollars		
	Identifiable assets	Capital expenditure	Depreciation and amortization
<i>Fibers and textiles</i>	<i>\$487,699</i>	<i>\$21,632</i>	<i>\$21,113</i>
<i>Chemical products</i>	<i>1,536,015</i>	<i>342,414</i>	<i>72,414</i>
<i>Man-made leather, non-woven fabrics and fastening materials</i>	<i>258,030</i>	<i>10,820</i>	<i>15,173</i>
<i>Diversified businesses</i>	<i>431,218</i>	<i>6,459</i>	<i>12,023</i>
<i>Total</i>	<i>2,712,962</i>	<i>381,325</i>	<i>120,723</i>
<i>Elimination and Corporate</i>	<i>951,940</i>	-	-
<i>Consolidated total</i>	<i>\$3,664,902</i>	<i>\$381,325</i>	<i>\$120,723</i>

Notes: The United States dollar amounts represent translation of Japanese yen at the rate of ¥133=\$1.

Geographic Segment Information

(unaudited)

Kuraray Co., Ltd. and Consolidated Subsidiaries

Year ended March 31, 2002	Millions of yen				
	Net sales to outside customers	Net sales to inter-segment	Net sales	Operating income	Identifiable assets
Domestic (inside Japan)	¥263,788	¥21,854	¥285,642	¥16,157	¥263,048
Europe	12,273	111	12,384	315	56,433
Other	29,801	2,937	32,738	2,610	47,050
Total	305,862	24,902	330,764	19,082	366,531
Elimination and Corporate	-	(24,902)	(24,902)	(124)	120,901
Consolidated total	¥305,862	¥ -	¥305,862	¥18,958	¥487,432

Year ended March 31, 2001	Millions of yen				
	Net sales to outside customers	Net sales to inter-segment	Net sales	Operating income	Identifiable assets
Domestic (inside Japan)	¥276,113	¥20,231	¥296,344	¥17,674	¥278,770
Europe	10,807	904	11,711	623	19,314
Other	26,731	2,927	29,658	1,485	35,986
Total	313,651	24,062	337,713	19,782	334,070
Elimination and Corporate	-	(24,062)	(24,062)	149	178,409
Consolidated total	¥313,651	¥ -	¥313,651	¥19,931	¥512,479

Year ended March 31, 2002	Thousands of U.S. dollars				
	Net sales to outside customers	Net sales to inter-segment	Net sales	Operating income	Identifiable assets
Domestic (inside Japan)	\$1,983,368	\$164,316	\$2,147,684	\$121,481	\$1,977,805
Europe	92,278	835	93,113	2,368	424,308
Other	224,068	22,082	246,150	19,624	353,759
Total	2,299,714	187,233	2,486,947	143,473	2,755,872
Elimination and Corporate	-	(187,233)	(187,233)	(932)	909,030
Consolidated total	\$2,299,714	\$ -	\$2,299,714	\$142,541	\$3,664,902

Notes: The United States dollar amounts represent translation of Japanese yen at the rate of ¥133=\$1.