

February 10, 2004  
Kuraray Co., Ltd.

**Consolidated Earnings Report for the Nine-Month Period**  
**April 1, 2003 – December 31, 2003**

\*This document is an English translation of the original nine-month interim report issued in Japanese.

Name of listed company: Kuraray Co., Ltd.  
Code number: 3405  
Stock exchange listings: Tokyo and Osaka, first sections  
URL: <http://www.kuraray.co.jp>

Representative  
Title: Representative Director and President  
Name: Yasuaki Wakui

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**1. Notes Relating to the Preparation of These Statements**

- (1) Changes to accounting methods: Yes  
(Details)  
Certain allowances and adjustment of cost variance have been calculated using the simple method.
- (2) Changes in the scope of consolidation: None
- (3) These financial statements have not been audited.

**2. Financial Results for the Nine-Month Period April 1, 2003 – December 31, 2003**

**(1) Business performance**

Millions of yen, rounded down

	Net Sales	Operating Income	Ordinary Income	Net Income for the Period
April 1, 2003 – December 31, 2003	241,787	19,876	18,726	12,145
Fiscal 2002	322,523	25,186	22,402	8,051

	Net Income Per Share	Diluted Net Income Per Share
April 1, 2003 – December 31, 2003	32.67	
Fiscal 2002	21.01	20.71

Note:

As this is the first year that the Company has issued quarterly reports, comparisons with the same period of the preceding fiscal year are not provided.

## **Qualitative information and overview of business performance**

During the nine-month period under review, signs of recovery were seen in some sectors of the domestic economy, although the country was still struggling with deflation. Internationally, the effects of the Iraq war and the uncertain outlook for the U.S. economy have brought instability in the economic environment. The performance of the Kuraray Group was affected by rising raw materials costs and a falling dollar, but overall results were close to forecasts. Performance by segment was as below.

### **Chemicals and resins**

Poval sales benefited from rising demand for liquid crystal displays, which resulted in healthy sales of optical-use film. Sales of *EVVAL* continued to grow as a result of its increasing use in auto fuel tanks. Methacrylic resin and isoprene also performed strongly.

### **Fibers and textiles**

Sales of *KURALON* were solid, particularly for use in fiber-reinforced cement, and we are working to improve the profitability of our polyester business. Sales of *CLARINO* rose steadily, primarily for use in athletic shoes. Non-woven fabrics and hook-and-loop fasteners, however, contended with difficult market conditions.

### **High-performance materials, medical products, and others**

Although sales of Opto-screens in China showed recovery, sales in the U.S. were weak. Among medical products, sales of dental materials were solid, while sales of activated carbon, chiefly for environmental and food-processing use, displayed steady growth.

## **(2) Changes in consolidated financial position**

	Total Assets (¥ million)	Shareholders' Equity (¥ million)	Shareholders' Equity Ratio (%)	Shareholders' Equity Per Share (¥)
April 1, 2003 – December 31, 2003	406,715	294,476	72.4	801.78
Fiscal 2002	426,876	287,262	67.3	771.38

Note:

As this is the first year that the Company has issued quarterly reports, comparisons with the same period of the preceding fiscal year are not provided.

## **Qualitative information regarding changes in consolidated financial position**

Total assets declined by ¥20.2 billion to ¥406.7 billion, primarily as a result of ¥6.8 billion in declines in cash and cash equivalents, and an equivalent drop in notes and accounts receivable. Liabilities contracted by ¥27.4 billion to ¥112.2 billion, which was chiefly the result of a ¥17.0 billion reduction in interest-bearing debt. After ¥8.7 billion growth in retained earnings, an increase of ¥4.2 billion in gains on revaluation of securities, and a curtailment of ¥4.3 billion in purchases of treasury stock, shareholders' equity increased by ¥7.2 billion to ¥294.5 billion.

**(3) Forecast for Fiscal 2003 (April 1, 2003 to March 31, 2004)**

				Millions of yen
	Net Sales	Operating Income	Ordinary Income	Net Income
Fiscal 2003	330,000	29,000	26,500	15,000

Notes:

1. Net income per share for the fiscal year is forecast at ¥40.71.
2. The forecasts given above are based on information available at the time of compilation and are inherently subject to a variety of risks and uncertainties. Actual results may vary significantly from forecasts accordingly.

**Qualitative Information Regarding Forecasts**

Forecasts for fiscal 2003 announced on November 12, 2003 remain unchanged.

## Abridged Consolidated Statement of Income

Millions of yen

	FY 2003 3Q [April 1, 2003 – December 31, 2003]	FY 2002 [April 1, 2002 – March 31, 2003]
Net Sales	241,787	322,523
Cost of sales	171,676	230,617
Gross profit	70,110	91,906
Selling, general and administrative expenses	50,234	66,720
Operating income	19,876	25,186
Other income	1,970	4,033
Other expenses	3,120	6,816
Ordinary income	18,726	22,402
Extraordinary income	2,301	1,564
Extraordinary losses	2,016	9,595
Income before income taxes [April 1, 2003 – December 31, 2003]	19,011	14,372
Income taxes	6,861	6,307
Minority interest	(5)	(13)
Net income [April 1, 2003 – December 31, 2003]	12,145	8,051

## Abridged Consolidated Balance Sheets

Millions of yen

	FY 2003 3Q [As of December 31, 2003]	FY 2002 [As of March 31, 2003]	Change
[Assets]			
<u>Current assets</u>	<u>168,137</u>	<u>185,747</u>	<u>(17,609)</u>
Cash and cash equivalents	7,054	13,900	(6,846)
Notes and accounts receivable	75,505	82,323	(6,817)
Inventories	67,314	63,528	3,786
Other	18,262	25,994	(7,731)
<u>Fixed assets</u>	<u>238,577</u>	<u>241,129</u>	<u>(2,551)</u>
Tangible fixed assets	135,529	135,984	(455)
Intangible fixed assets	30,176	30,664	(487)
Investments and other assets	72,872	74,480	(1,607)
Total assets	406,715	426,876	(20,161)
[Liabilities]			
<u>Current liabilities</u>	<u>74,889</u>	<u>97,394</u>	<u>(22,504)</u>
Notes and accounts payable	41,702	44,702	(2,999)
Short-term debt	15,901	32,554	(16,653)
Other	17,285	20,137	(2,851)
<u>Long-term liabilities</u>	<u>37,282</u>	<u>42,155</u>	<u>(4,873)</u>
Long-term debt	4,066	4,427	(360)
Accrued retirement benefits	13,519	15,421	(1,902)
Other	19,696	22,306	(2,610)
Total liabilities	112,171	139,549	(27,377)
[Minority interest]	67	64	3
[Shareholders' equity]			
Common stock	88,955	88,955	-
Additional paid-in capital	87,149	87,147	2
Retained earnings	124,111	115,367	8,744
Unrealized gain on revaluation of securities	5,695	1,520	4,174
Cumulative translation adjustments	228	1,656	(1,428)
Treasury stock at cost	(11,664)	(7,384)	(4,279)
Total shareholders' equity	294,476	287,262	7,213
Total liabilities, minority interest, and shareholders' equity	406,715	426,876	(20,161)

## Segment Information

### Industrial segment information

(1) April 1, 2003 – December 31, 2003

Millions of yen

	Chemicals and resins	Fibers and textiles	High-performance materials, medical products and others	Total	Eliminated on consolidation and corporate	Consolidated total
Net sales and operating income						
Net sales						
(1) Outside customers	114,907	77,322	49,557	241,787		241,787
(2) Inter-segment sales and transfers	395	1,234	14,764	16,393	(16,393)	
Total	115,303	78,557	64,321	258,181	(16,393)	241,787
Operating expenses	98,007	74,313	58,188	230,509	(8,597)	221,911
Operating income	17,296	4,243	6,132	27,672	(7,796)	19,876

(2) Fiscal 2002 (April 1, 2002 to March 31, 2003)

Millions of yen

	Chemicals and resins	Fibers and textiles	High-performance materials, medical products and others	Total	Eliminated on consolidation and corporate	Consolidated total
Net sales and operating income						
Net sales						
(1) Outside customers	144,690	109,914	67,918	322,523		322,523
(2) Inter-segment sales and transfers	3,037	1,228	21,671	25,937	(25,937)	
Total	147,727	111,143	89,590	348,461	(25,937)	322,523
Operating expenses	127,779	106,342	81,268	315,390	(18,052)	297,337
Operating income	19,947	4,801	8,321	33,070	(7,884)	25,186