**CONSOLIDATED BALANCE SHEETS**  

**Kuraray Co., Ltd. and Consolidated Subsidiaries**  

**Thousands of Millions of yen**  

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>26,728</td>
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<tr>
<td>Marketable securities</td>
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<td>10,072</td>
<td>11,714</td>
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</tr>
<tr>
<td>Inventories</td>
<td>71,651</td>
<td>70,624</td>
<td>82,541</td>
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</tr>
<tr>
<td>Property, plant and equipment:</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>25,363</td>
<td>25,397</td>
<td>25,001</td>
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<tr>
<td>Buildings</td>
<td>85,599</td>
<td>79,535</td>
<td>77,949</td>
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<td>Machinery and equipment</td>
<td>348,107</td>
<td>332,365</td>
<td>330,151</td>
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<tr>
<td>Construction in progress</td>
<td>5,107</td>
<td>17,255</td>
<td>9,698</td>
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<tr>
<td>Less accumulated depreciation</td>
<td>(331,977)</td>
<td>(325,526)</td>
<td>(323,394)</td>
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<td><strong>TOTAL ASSETS</strong></td>
<td>1,235,504</td>
<td>1,235,504</td>
<td>1,235,504</td>
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<td></td>
<td></td>
</tr>
<tr>
<td><strong>LIABILITIES AND SHAREHOLDERS' EQUITY</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Current assets: Current liabilities:</td>
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<td>Cash and cash equivalents</td>
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<td>Marketable securities</td>
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</tr>
<tr>
<td>Notes and accounts payable:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Trade</td>
<td>46,250</td>
<td>49,876</td>
<td>52,699</td>
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<tr>
<td>Trade</td>
<td>87,726</td>
<td>89,466</td>
<td>91,223</td>
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<tr>
<td>Unconsolidated subsidiaries and affiliates</td>
<td>1,064</td>
<td>886</td>
<td>1,048</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>9,126</td>
<td>5,822</td>
<td>5,913</td>
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<tr>
<td>Loans receivable from unconsolidated subsidiaries and affiliates</td>
<td>404</td>
<td>509</td>
<td>371</td>
<td></td>
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<td></td>
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<tr>
<td>Allowance for doubtful accounts</td>
<td>(701)</td>
<td>(844)</td>
<td>(992)</td>
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<tr>
<td><strong>TOTAL CURRENT LIABILITIES</strong></td>
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<td>108,261</td>
<td>126,241</td>
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<td><strong>TOTAL LIABILITIES</strong></td>
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<td>1,135,093</td>
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<td><strong>SHAREHOLDERS' EQUITY</strong></td>
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</tr>
<tr>
<td>Common stock with par value of ¥50 ($0.47) per share:</td>
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<tr>
<td>Investment securities</td>
<td>68,467</td>
<td>77,143</td>
<td>66,928</td>
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<tr>
<td>Shares authorized</td>
<td>700,000,000</td>
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<td>Issued and outstanding</td>
<td>369,741,907</td>
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<td>Issued and outstanding</td>
<td>363,913,184</td>
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<tr>
<td>Issued and outstanding</td>
<td>354,532,527</td>
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<tr>
<td>Investments in unconsolidated subsidiaries and affiliates</td>
<td>2,671</td>
<td>2,983</td>
<td>6,429</td>
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<tr>
<td>Loans receivable:</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Unconsolidated subsidiaries and affiliates</td>
<td>5,556</td>
<td>6,040</td>
<td>5,419</td>
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<tr>
<td>Other</td>
<td>1,319</td>
<td>1,329</td>
<td>1,286</td>
<td></td>
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<td></td>
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<tr>
<td>Additional paid-in capital</td>
<td>78,180</td>
<td>74,225</td>
<td>68,063</td>
<td></td>
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<tr>
<td>Deferred income taxes</td>
<td>3,220</td>
<td>3,149</td>
<td>343</td>
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<tr>
<td>Treasury stock at cost</td>
<td>(5)</td>
<td>(5)</td>
<td>(1)</td>
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<tr>
<td><strong>TOTAL SHAREHOLDERS' EQUITY</strong></td>
<td>271,990</td>
<td>259,909</td>
<td>238,351</td>
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<tr>
<td><strong>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</strong></td>
<td>2,541,962</td>
<td>2,541,962</td>
<td>2,541,962</td>
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</tr>
</tbody>
</table>

**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.
<table>
<thead>
<tr>
<th></th>
<th>Six months ended</th>
<th>Year ended</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales</strong></td>
<td>¥155,081</td>
<td>¥162,332</td>
<td>¥336,466</td>
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<tr>
<td><strong>Cost of sales</strong></td>
<td>114,608</td>
<td>117,763</td>
<td>250,195</td>
</tr>
<tr>
<td><strong>(Gross profit)</strong></td>
<td>40,473</td>
<td>44,569</td>
<td>86,271</td>
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<tr>
<td><strong>Selling, general and administrative expenses</strong></td>
<td>30,447</td>
<td>30,195</td>
<td>59,123</td>
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<tr>
<td><strong>(Operating income)</strong></td>
<td>10,026</td>
<td>14,374</td>
<td>27,148</td>
</tr>
<tr>
<td><strong>Other income (expenses):</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Interest and dividend income</td>
<td>2,017</td>
<td>2,214</td>
<td>4,464</td>
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<tr>
<td>Equity in earnings of affiliates</td>
<td>51</td>
<td>24</td>
<td>6</td>
</tr>
<tr>
<td>Interest expenses</td>
<td>(1,405)</td>
<td>(1,716)</td>
<td>(3,269)</td>
</tr>
<tr>
<td>Other, net</td>
<td>1,086</td>
<td>(2,834)</td>
<td>(4,508)</td>
</tr>
<tr>
<td><strong>(Income before income taxes)</strong></td>
<td>11,775</td>
<td>12,062</td>
<td>23,841</td>
</tr>
<tr>
<td><strong>Income taxes</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current</td>
<td>5,218</td>
<td>5,306</td>
<td>10,352</td>
</tr>
<tr>
<td>Deferred</td>
<td>(72)</td>
<td>471</td>
<td>309</td>
</tr>
<tr>
<td></td>
<td>5,146</td>
<td>5,777</td>
<td>10,661</td>
</tr>
<tr>
<td><strong>Minority interests in net income of consolidated subsidiaries</strong></td>
<td>0</td>
<td>(6)</td>
<td>(9)</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>¥6,629</td>
<td>¥6,279</td>
<td>¥13,171</td>
</tr>
<tr>
<td><strong>Net income per share:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Primary</td>
<td>¥18.09</td>
<td>¥17.72</td>
<td>¥36.83</td>
</tr>
</tbody>
</table>

*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.*

- 2 -
### Consolidated Statements of Shareholders' Equity (unaudited)

**Kuraray Co., Ltd. and Consolidated Subsidiaries**

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance at March 31, 1998</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common stock paid-in capital</td>
<td>73,694</td>
<td>735,140</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>67,932</td>
<td>693,692</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>91,877</td>
<td><strong>1,000,271</strong></td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>6,279</td>
<td></td>
</tr>
<tr>
<td>Cash dividends</td>
<td>(4,50 per share)</td>
<td></td>
</tr>
<tr>
<td>Bonuses to directors and statutory auditors</td>
<td>(72)</td>
<td></td>
</tr>
<tr>
<td><strong>Balance at September 30, 1998</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common stock paid-in capital</td>
<td>73,800</td>
<td>735,140</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>68,063</td>
<td>693,692</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>96,489</td>
<td><strong>1,046,941</strong></td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>6,892</td>
<td></td>
</tr>
<tr>
<td>Effect of changes in accounting for income taxes</td>
<td>6,069</td>
<td></td>
</tr>
<tr>
<td>Stock issued on exercise of warrants</td>
<td>4,860</td>
<td>36,027</td>
</tr>
<tr>
<td>Cash dividends</td>
<td>(4.50 per share)</td>
<td></td>
</tr>
<tr>
<td>Effect of changes in reporting entity</td>
<td>(826)</td>
<td></td>
</tr>
<tr>
<td><strong>Balance at March 31, 1999</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common stock paid-in capital</td>
<td>78,660</td>
<td>814,710</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>74,225</td>
<td>730,654</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>107,029</td>
<td><strong>1,545,364</strong></td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>6,629</td>
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</tr>
<tr>
<td>Conversion of convertible debentures</td>
<td>100</td>
<td>935</td>
</tr>
<tr>
<td>Stock issued on exercise of warrants</td>
<td>3,064</td>
<td></td>
</tr>
<tr>
<td>Cash dividends</td>
<td>(4.50 per share)</td>
<td></td>
</tr>
<tr>
<td>Bonuses to directors and statutory auditors</td>
<td>(62)</td>
<td></td>
</tr>
<tr>
<td>Effect of changes in reporting entity</td>
<td>33</td>
<td></td>
</tr>
<tr>
<td><strong>Balance at September 30, 1999</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common stock paid-in capital</td>
<td>81,824</td>
<td>814,710</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>78,180</td>
<td>730,654</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>111,991</td>
<td><strong>1,545,364</strong></td>
</tr>
</tbody>
</table>

**Note:** The United States dollar amounts represent translation of Japanese yen at the rate of ¥107=$1.
### Net sales and Operating income

<table>
<thead>
<tr>
<th></th>
<th>Six months ended September 30, 1999</th>
<th></th>
<th>Six months ended September 30, 1998</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Net sales to outside customers</td>
<td>Operating income</td>
<td>Net sales to outside customers</td>
<td>Operating income</td>
</tr>
<tr>
<td></td>
<td>Millions of yen</td>
<td></td>
<td>Millions of yen</td>
<td></td>
</tr>
<tr>
<td><strong>Chemical and synthetic fibers</strong></td>
<td>48,103</td>
<td>921</td>
<td>51,597</td>
<td>755</td>
</tr>
<tr>
<td><strong>Chemical products</strong></td>
<td>71,427</td>
<td>845</td>
<td>72,763</td>
<td>712</td>
</tr>
<tr>
<td><strong>Man-made leather, nonwoven fabrics and fastening materials</strong></td>
<td>16,747</td>
<td>178</td>
<td>18,400</td>
<td>282</td>
</tr>
<tr>
<td><strong>Diversified businesses</strong></td>
<td>18,804</td>
<td>10,842</td>
<td>19,572</td>
<td>8,017</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>155,081</td>
<td>12,786</td>
<td>162,332</td>
<td>9,766</td>
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<tr>
<td></td>
<td>(12,786)</td>
<td></td>
<td>(9,766)</td>
<td></td>
</tr>
<tr>
<td><strong>Consolidated total</strong></td>
<td>155,081</td>
<td>10,026</td>
<td>162,332</td>
<td>14,374</td>
</tr>
</tbody>
</table>

### Thousands of U.S. dollars

<table>
<thead>
<tr>
<th></th>
<th>Six months ended September 30, 1999</th>
<th></th>
<th>Six months ended September 30, 1998</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Net sales to outside customers</td>
<td>Operating income</td>
<td>Net sales to outside customers</td>
<td>Operating income</td>
</tr>
<tr>
<td></td>
<td>$449,561</td>
<td>$8,607</td>
<td>$458,168</td>
<td>$11,121</td>
</tr>
<tr>
<td><strong>Chemical products</strong></td>
<td>$667,542</td>
<td>$7,897</td>
<td>$675,439</td>
<td>$60,889</td>
</tr>
<tr>
<td><strong>Man-made leather, nonwoven fabrics and fastening materials</strong></td>
<td>$156,514</td>
<td>$1,664</td>
<td>$158,178</td>
<td>$10,542</td>
</tr>
<tr>
<td><strong>Diversified businesses</strong></td>
<td>$175,738</td>
<td>$101,327</td>
<td>$277,065</td>
<td>$14,028</td>
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<tr>
<td><strong>Total</strong></td>
<td>$1,449,355</td>
<td>$119,495</td>
<td>$1,568,850</td>
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<td></td>
<td>(119,495)</td>
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<td>(119,495)</td>
<td>(2,879)</td>
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<tr>
<td><strong>Consolidated total</strong></td>
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<td>$1,449,355</td>
<td>$93,701</td>
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</tbody>
</table>

**Note:** The United States dollar amounts represent translation of Japanese yen at the rate of 107=$1.
### Identifiable assets, Capital expenditure, Depreciation and amortization

#### Millions of yen

<table>
<thead>
<tr>
<th>Sector</th>
<th>Six months ended September 30, 1999</th>
<th>Six months ended September 30, 1998</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Capital Depreciation</td>
<td>Capital Expenditure</td>
</tr>
<tr>
<td>Chemical and synthetic fibers</td>
<td>76,674</td>
<td>1,443</td>
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<tr>
<td>Chemical products</td>
<td>148,793</td>
<td>6,293</td>
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<tr>
<td>Man-made leather, nonwoven fabrics and fastening materials</td>
<td>36,590</td>
<td>743</td>
</tr>
<tr>
<td>Diversified businesses</td>
<td>59,212</td>
<td>4,658</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>321,269</strong></td>
<td><strong>13,137</strong></td>
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<tr>
<td>Elimination and Corporate</td>
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<tr>
<td><strong>Consolidated total</strong></td>
<td><strong>499,995</strong></td>
<td><strong>13,137</strong></td>
</tr>
</tbody>
</table>

#### Millions of yen

<table>
<thead>
<tr>
<th>Sector</th>
<th>Six months ended September 30, 1998</th>
<th>Six months ended September 30, 1997</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Capital Depreciation</td>
<td>Capital Expenditure</td>
</tr>
<tr>
<td>Chemical and synthetic fibers</td>
<td>83,398</td>
<td>2,136</td>
</tr>
<tr>
<td>Chemical products</td>
<td>135,747</td>
<td>5,714</td>
</tr>
<tr>
<td>Man-made leather, nonwoven fabrics and fastening materials</td>
<td>35,644</td>
<td>2,872</td>
</tr>
<tr>
<td>Diversified businesses</td>
<td>60,432</td>
<td>1,602</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>315,221</strong></td>
<td><strong>12,324</strong></td>
</tr>
<tr>
<td>Elimination and Corporate</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Consolidated total</strong></td>
<td><strong>495,933</strong></td>
<td><strong>12,324</strong></td>
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</tbody>
</table>

### Thousands of U.S. dollars

<table>
<thead>
<tr>
<th>Sector</th>
<th>Six months ended September 30, 1999</th>
<th>Six months ended September 30, 1998</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Capital Depreciation</td>
<td>Capital Expenditure</td>
</tr>
<tr>
<td>Chemical and synthetic fibers</td>
<td>716,579</td>
<td>13,485</td>
</tr>
<tr>
<td>Chemical products</td>
<td>1,390,589</td>
<td>58,813</td>
</tr>
<tr>
<td>Man-made leather, nonwoven fabrics and fastening materials</td>
<td>341,963</td>
<td>6,944</td>
</tr>
<tr>
<td>Diversified businesses</td>
<td>553,383</td>
<td>43,533</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,002,514</strong></td>
<td><strong>122,775</strong></td>
</tr>
<tr>
<td>Elimination and Corporate</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Consolidated total</strong></td>
<td><strong>4,672,850</strong></td>
<td><strong>122,775</strong></td>
</tr>
</tbody>
</table>

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