

Management Policy

Basic Policy

Kuraray Group's management policy was formulated in recognition of the expanding borderless economy, and stipulates for us to be a visible presence in the world as a unique chemical enterprise. In this way, we have been working to maximize enterprise value, and gain the support of all our stakeholders -- shareholders, employees, and business partners in regional communities -- whose expectations to fulfill is at the core of our efforts.

In this operating environment of dramatic change, we will continue on a steady growth path while maintaining our solid financial position. Meanwhile, we have our sights on the future expansion of our operations, which we will run in a harmonious relation with society.

Medium-Term Strategy

Since embarking on our fourth 5-year management plan in April 1996, we have been acting with an eye on swiftly responding to the shifting operating conditions during this period.

Under our management plan, we placed particular emphasis on four goals: a) boosting the comprehensive strength of the Kuraray Group; b) creating new businesses; c) building an effective management system; d) raising a new corporate culture.

During the plan period, we have strengthened and expanded our core operations through forward-looking investments. In Japan, we invested in capacity increases for the thermoplastic elastomers "Septon" and "Hybrar," as well as the man-made leather "Clarino," among other products. Overseas, we invested in new production facilities for Poval (polyvinyl alcohol resin) in Singapore and for the EVOH resin "Eval" in Belgium, which operated in line with projections. Also during the

reporting period, we resolved on the construction of a thermoplastic elastomer plant in the United States, and thus continued to enhance our production and marketing capacities in preparation for expanding demand in the 21st century. At the same time, we decided to terminate rayon production, for which an economically viable future is not in sight.

As before, our management decisions will continue to be guided by the goal of maximizing the value of the Company.

Basic Dividend Policy

The Company attaches the highest priority to income distribution to shareholders. The attainment of this objective, however, is predicated on measures to secure steady growth in business performance. As an appropriate level of income distribution, the Company envisages a payout ratio of 30% for the time being, and -- with ¥8 per ordinary share as the basic dividend -- seeks to provide further distributions in line with corporate performance. Earnings designated for internal retention will be allocated to the expansion of operations as deemed necessary, including M&A transactions both in Japan and overseas, given expectations of a business environment of increasingly intense competition.

Future Issues

Amid an environment of rapid change, the Group's sustained growth is predicated on flexibly strengthening our operating basis in response to such shifts. In line with this objective, we have been working to extract yet greater contributions to business performance from existing plant and to create a resilient corporate structure, while ensuring the smooth start-up of the new production facilities that are currently under construction.

Furthermore, we are in the process of devising the new medium-term management plan, which will start in the next fiscal year. This new plan comprises new medium- and long-term management strategies, designed to widen of the scope of our operations as well as reinforce our business foundation. At the same time, these strategies

will connect to the creation of management systems attuned to the requirements of the information technology age and strengthen our corporate governance. We expect that these measures will benefit our goal of maximizing the value of the Company.

We believe that contributing to environmental protection and the advancement of regional communities represent important management issues. Hence, we are working to develop and offer products beneficial to the environment while reducing the environmental burden by cutting emissions of relevant substances. In pursuit of this goal, we are promoting the thermal recycling of plastic waste and other substances, while stressing effective resource allocation and the creation of recycling-based manufacturing systems. Having participated in Responsible Care activities from the very start, we have acquired ISO 14001 certification -- the international standard for environmental management systems -- for our Kashima Plant, Okayama Plant, and Nakajo Plant. Other facilities are scheduled to obtain the certification during the current term.

Business Performance

Performance Review

The Group's operating environment remained severe as depressed consumer spending in Japan prevented a fully fledged economic recovery and crude oil prices fluctuated at a high level. In this setting, we concentrated on expanding sales in product areas of particular strength while enhancing profitability through cost cutting measures and other improvements.

Despite these efforts, however, the severe operating conditions that affected our operations connected to a ¥1,827 million drop in net sales, a 1.2% decline from the previous year, to ¥153,253 million. As a result, operating income slipped ¥263 million to ¥9,762 million, posting a 2.6% decline. Net income for the reporting period came to ¥1,833 million, a 72.4% decrease compared with last year, reflecting the impact of special provision for retirement benefits (¥3,750 million) and restructuring charges (¥3,717 million) recognized during the half-term.

Segment specific performance developed as follows.

1. Segment Performance

a. Fibers and Textiles

Net sales in the Fibers and Textiles segment saw a ¥3,210 million decline to ¥44,893 million, down 6.7% from a year ago, with an 18.4% drop of ¥219 million in operating income to ¥971 million.

(1) Polyester experienced slow demand in Japan, further aggravated by burgeoning imports, which adversely affected the market for women's apparel. Although we worked to boost sales of proprietary products and reduce cost, both sales and earnings slipped from the previous year.

(2) Thanks to its alkali resistance, the polyvinyl alcohol fiber "Kuralon" fared relatively well in its applications

for special alkali resistant fiber reinforcement cement (FRC), battery separators, and rubber reinforcements, but demand remained stagnant in other industrial materials. For the new synthetic fiber "Kuralon K-II" we advanced the development of an extended range of applications with a view to increasing sales from here on. Sales and net income in polyvinyl alcohol fibers remained unchanged from the previous year.

(3) We took steps towards the termination of rayon production at March-end 2001. While sales declines, earnings remained unchanged from a year earlier.

b. Chemical Products

Although Chemical Products saw a sales increase of ¥1,834 million, or 2.6%, to ¥73,261 million, operating income posted a 9.6% decline of ¥628 million to ¥5,887 million.

(1) Poval benefited from solid conditions for poval film, which is used for LCD devices. In addition to lively East Asian markets, steady performance was supported by demand for safety glass inter-layers. While sales rose as a result, the adverse impact of peaking crude oil prices kept net income unchanged from a year earlier.

(2) The EVOH resin "Eval" showed stable performance in Japan, underpinned by applications in food packaging film and wall paper. The new facility taken onstream in Belgium in the previous term operated at full capacity, accompanied by rising sales. Nonetheless, owing to the strong yen at the time of currency conversion as well as the rise in crude oil prices, sales and earnings remained practically unchanged from the previous year.

(3) Methacrylic resins and related products continued to fare well thanks to demand for projection TV screens in the US. Additionally, progressing user acceptance of price increases for MMA monomer and resins helped absorb the higher production costs resulting from peaking crude oil quotations, with both sales and earnings showing year on year growth as a result.

(4) In isoprene products, thermoplastic elastomers continued to perform favorably mainly in Europe and the US, but vitamin products and other fine chemicals

suffered under falling selling prices and contracting demand, with sales and income declines as a result.

(5) Among other principal products, activated carbon advanced on the back of growing public works projects, with additional support from cost cutting measures, posting higher earnings as a result. Processed plastic products posted sales and earnings unchanged from the previous year thanks to newly developed products and applications.

c. Man-Made Leather, Nonwoven Fabrics, and Fastening Materials

Sales of Man-made Leather, Nonwoven Fabrics and Fastening Materials declined ¥526 million, or 3.1%, from a year earlier to ¥16,221 million, with operating income rising ¥191 million, or 16.9%, to ¥1,319 million.

(1) Our man-made leather "Clarino" was affected by lower demand for apparel-related applications in Europe and by the depreciation of the Euro. Both sales and earnings declined from the previous year.

(2) In nonwoven fabrics operations, expanded sales of wiping cloth and similar products for wiping lifted sales and earnings. Fastening materials were supported by the solid performance of our functional fastener.

Nonetheless, sales and earnings remained unchanged from a year ago.

d. Diversified Business

NDiversified businesses registered a sales rise of ¥74 million, or 0.4%, to ¥18,878 million, with operating income of ¥1,500 million unchanged from the previous year.

(1) In medical products, intensifying competition with disposable contact lenses connected to a price decline for non-disposable contact lenses, but inroads made into overseas dental materials markets developed favorably. Sales and earnings remained unchanged from a year earlier as a result.

(2) In other operating areas, engineering revenue and earnings remained flat, while consulting revenue turned upwards thanks to continued consulting demand

revolving around ISO certifications.

2. Segmentation by Geographical Region

1) Japan

The effects of depressed consumer spending and other adverse factors made for a severe operating environment in Japan. As a result, net sales came to ¥134,991 million, with operating income of ¥8,290 million.

2) Other Regions

Aggregate net sales in other regions posted ¥18,262 million, with operating income of ¥1,208 million.

3. Cash Flow

Cash and cash equivalents ("cash" hereinafter) during the period under review developed as follows. Cash as of the end of the reporting period came to ¥8,259 million, reflecting a net cash outflow of ¥5,610 million, based on ¥2,929 million cash from operating activities, ¥6,387 million cash used in investing activities, and ¥2,206 million cash used in financing activities.

The principal items contributing to operating, financing, and investing cash flows respectively were as follows.

a) Operating activities

In the term under review, net income in the amount of ¥1,833 million and depreciation and amortization of ¥7,917 million were partially cancelled out by transfers of gain on sales and appreciation of marketable securities of ¥3,104 million to cash flow from investing activities. As a result, net cash provided by operating activities amounted to ¥2,929 million.

b) Investing activities

Investments in acquisitions of property, plant and equipment amounting to ¥7,682 million were partly offset by a ¥2,010 million decrease in marketable securities, resulting in cash used in investing activities to ¥6,387 million.

c) Financing activities

Repayments of long-term debt and dividend payments resulted in cash used in financing activities of ¥2,206 million.

4. Interim Dividends

Interim dividends of ¥4.5 per share of common stock included an ordinary dividend of ¥4.0 and a ¥0.5 special dividend.

Full-Term Outlook

Despite the progressing general recovery in economic activity, the upturn has yet to reach those industrial sectors that represent the Group's business mainstays. Overseas, economic expansion will likely continue, despite decelerating growth in the United States. By the same token, our growth scenarios for Europe and Southeast Asia remains largely intact, overriding concerns about high crude oil prices. Assuming the continuation of first-half business conditions during the remaining six months of the term to March 2001, we expect full-term sales of ¥325 billion, with ordinary income of ¥25 billion. Net income is estimated to post ¥4.5 billion, which reflects the lump-sum amortization of pension-related costs -- ¥3,750 million were amortized in the first half of the term -- as well as losses associated with the withdrawal from rayon production effective March 2001.

Improving the profitability of fiber operations is a critically important issue. To this end, we will reposition polyester away from the influence spheres of price erosion and burgeoning imports, with a shift towards growth areas in proprietary and functional products. Additionally, we target further sales increases of polyvinyl alcohol fiber through further application development focusing on its alkali resistance and other special features.

In chemical operations, sales expansion will focus on operations enjoying prospects of continued demand growth, such as poval, "Eval," and thermoplastic

elastomers. We also expect to realize sales and income growth by instituting price increase on these products, including methacrylic resins, for which the demand-and-supply balance has been shifting in our favor.

Our operating performance estimates for the second half of the term are based on an expected on a foreign exchange rate of ¥105 to the dollar and Dubai crude oil at \$26 per barrel.

Dividends for the fiscal year are projected at ¥9 per share of common stock, consisting of an ordinary dividend of ¥8 and a special dividend of ¥1.

CONSOLIDATED BALANCE SHEETS

(unaudited)

Kuraray Co., Ltd. and Consolidated Subsidiaries

	Millions of yen			Thousands of U.S.dollars
	September 30, 2000	March 31, 2000	September 30, 1999	September 30, 2000
ASSETS				
Current assets:				
Cash and cash equivalents	¥8,259	¥13,869	¥26,728	\$76,472
Marketable securities	13,861	26,033	21,426	128,343
Notes and accounts receivable:				
Trade	91,911	89,102	87,726	851,028
Unconsolidated subsidiaries and affiliates	825	789	862	7,639
Other	2,833	3,634	3,154	26,231
Loans receivable to unconsolidated subsidiaries and affiliates	537	541	404	4,972
Allowance for doubtful accounts	(597)	(696)	(701)	(5,527)
	95,509	93,370	91,445	884,343
Inventories	75,585	75,120	71,651	699,861
Deferred income taxes	5,135	3,761	3,878	47,546
Other current assets	2,956	1,140	1,403	27,370
Total current assets	201,305	213,293	216,531	1,863,935
Property, plant and equipment:				
Land	24,824	25,176	25,363	229,852
Buildings	85,823	86,213	85,599	794,657
Machinery and equipment	353,626	351,695	348,107	3,274,315
Construction in progress	5,270	4,356	5,107	48,796
	469,543	467,440	464,176	4,347,620
Less accumulated depreciation	(343,903)	(339,097)	(331,977)	(3,184,286)
	125,640	128,343	132,199	1,163,334
Investments and other assets:				
Investment securities	103,776	80,910	68,467	960,889
Investments in unconsolidated subsidiaries and affiliates	2,685	2,687	2,671	24,861
Loans receivable to:				
Unconsolidated subsidiaries and affiliates	5,167	5,345	5,556	47,843
Other	1,332	1,293	1,319	12,333
Deferred income taxes	3,267	7,196	3,220	30,250
Cumulative translation adjustments	-	-	5,956	-
Other	67,109	65,988	65,016	621,379
Allowance for doubtful accounts	(1,281)	(1,289)	(940)	(11,861)
	182,055	162,130	151,265	1,685,694
	¥509,000	¥503,766	¥499,995	\$4,712,963

	Millions of yen			Thousands of U.S.dollars
	September 30, 2000	March 31, 2000	September 30, 1999	September 30, 2000
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Short-term bank loans	¥7,589	¥3,805	¥4,438	\$70,269
Current portion of long-term debt	5,146	3,467	19,608	47,648
Notes and accounts payable:				
Trade	49,561	51,257	46,250	458,898
Unconsolidated subsidiaries and affiliates	1,232	1,149	1,064	11,407
Other	5,588	6,945	9,126	51,741
Accrued income taxes	4,202	4,312	5,042	38,907
Deferred income taxes	19	21	23	176
Accrued expenses and other	15,983	16,636	20,634	147,991
Total current liabilities	89,320	87,592	106,185	827,037
Long-term liabilities:				
Long-term debt	87,209	94,225	94,881	807,491
Deferred income taxes	3,305	3,164	2,871	30,602
Accrued retirement benefits	23,777	22,164	12,714	220,157
Other	15,260	13,494	10,989	141,296
Total long-term liabilities	129,551	133,047	121,455	1,199,546
Minority interests	152	372	365	1,408
Shareholders' equity:				
Common stock with par value of ¥50 (\$0.46) per share:				
Authorized - 700,000,000 shares				
Issued and outstanding - 382,863,603 shares at September 30, 2000	88,955	-	-	823,657
Issued and outstanding - 382,863,603 shares at March 31, 2000	-	88,955	-	-
Issued and outstanding - 369,741,907 shares at September 30, 1999	-	-	81,824	-
Additional paid-in capital	87,147	87,147	78,180	806,917
Retained earnings	111,133	111,151	111,991	1,029,009
Unrealized gain on securities	6,583	-	-	60,954
Cumulative translation adjustments	(3,839)	(4,496)	-	(35,546)
	289,979	282,757	271,995	2,684,991
Treasury stock at cost	(2)	(2)	(5)	(19)
Total shareholders' equity	289,977	282,755	271,990	2,684,972
	¥509,000	¥503,766	¥499,995	\$4,712,963

Notes : • The United States dollar amounts represent translation of Japanese yen at the rate of ¥108=\$1.

• In accordance with the new accounting standard in Japan "Accounting Standard of Financial Instruments", which is effective on and after April 1, 2000, marketable securities and investment securities are classified in the three categories, i.e. held-to-maturity, trading or available-for-sale securities. Trading securities are carried at fair values with unrealized gains or loss to be included in income, and held-to-maturity securities are carried at amortized cost.

Available-for-sale securities are carried at fair value with unrealized gains or losses to be recorded as a component of shareholders' equity, net of applicable taxes. Moreover, available-for-sale securities with maturity of one year or less and trading securities are classified in current assets, and other securities are classified in Investments and other assets. At beginning of the six months ended September 30, 2000, adoption of the Standard caused reclassifications of securities between current assets and non-current assets, and net effect of the reclassifications was to increase securities in current assets by ¥368 million (\$3,407 thousand), and decrease securities included in Investments and other assets by the same amount as of April 1, 2000. Classification of securities in the balance sheets as of March 31, 2000 and September 30, 1999 were remained unchanged.

• In accordance with the new accounting standard in Japan "Accounting Standard of Employees' Retirement Benefit", which is effective on and after April 1, 2000, a company is required to recognize a pension liability to cover the amount of projected benefit obligation in excess of plan assets at fair value, considering unrecognized items, plus previously recognized unfunded accrued retirement benefit.

The effect of adoption of the Standard was to decrease income before income taxes for the six months ended September 30, 2000 by ¥4,052 million (\$37,519 thousand).

• Effective April 1, 2000, the Company adopted the amended "Accounting Standards for Foreign Currency Transactions, etc.". The effect of this adoption is immaterial.

• 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		Year ended	Six months ended
	September 30, 2000	September 30, 1999	March 31, 2000	September 30, 2000
Net sales	¥153,253	¥155,081	¥316,444	\$1,419,009
Cost of sales	114,454	114,608	235,603	1,059,759
(Gross profit)	38,799	40,473	80,841	359,250
Selling, general and administrative expenses	29,037	30,447	60,520	268,861
(Operating income)	9,762	10,026	20,321	90,389
Other income (expenses):				
Interest and dividend income	1,837	2,017	3,774	17,009
Equity in earnings of affiliates	100	51	83	926
Interest expenses	(1,151)	(1,405)	(2,659)	(10,657)
Restructuring charges	(3,717)	-	(335)	(34,417)
Special provision for retirement benefits	(3,750)	-	(9,492)	(34,722)
Other, net	899	1,086	1,685	8,324
	(5,782)	1,749	(6,944)	(53,537)
(Income before income taxes)	3,980	11,775	13,377	36,852
Income taxes:				
Current	4,286	5,218	9,461	39,685
Deferred	(2,133)	(72)	(3,560)	(19,750)
	2,153	5,146	5,901	19,935
Minority interests in net income of consolidated subsidiaries	6	(0)	(24)	55
Net income	¥1,833	¥6,629	¥7,452	\$16,972
		Yen		U.S.dollars
Net income per share:				
Primary	¥4.79	¥18.09	¥20.00	\$0.04
Fully diluted	¥4.73	-	¥19.42	\$0.04

Notes :· The United States dollar amounts represent translation of Japanese yen at the rate of ¥108=\$1.

· Certain reclassifications of previously reported amounts have been made to conform with current classifications.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(unaudited)

Kuraray Co., Ltd. and Consolidated Subsidiaries and Subsidiaries

	Millions of yen				
	Common stock	Additional paid-in capital	Retained earnings	Unrealized gain on securities	Cumulative translation adjustments
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	-	-
Net income			823		
Conversion of convertible debentures	14	14			
Stock issued on exercise of warrants	7,117	8,953			
Cash dividends, ¥4.50 per share			(1,663)		
Cumulative translation adjustments				-	(4,496)
Balance at March 31, 2000	¥88,955	¥87,147	¥111,151	-	(¥4,496)
Net income			1,833		
Cash dividends, ¥4.50 per share			(1,723)		
Bonuses to directors and statutory auditors			(60)		
Effect of changes in reporting entity			(68)		
Unrealized gain on securities				6,583	
Cumulative translation adjustments					657
Balance at September 30, 2000	¥88,955	¥87,147	¥111,133	¥6,583	(¥3,839)

	Thousands of U.S. dollars				
Balance at March 31, 2000	\$823,657	\$806,917	\$1,029,176	-	(\$41,630)
Net income			16,972		
Cash dividends, \$0.04 per share			(15,954)		
Bonuses to directors and statutory auditors			(555)		
Effect of changes in reporting entity			(630)		
Unrealized gain on securities				60,954	
Cumulative translation adjustments					6,084
Balance at September 30, 2000	\$823,657	\$806,917	\$1,029,009	\$60,954	(\$35,546)

Note : The United States dollar amounts represent translation of Japanese yen at the rate of ¥108=\$1.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

Kuraray Co., Ltd. and Consolidated Subsidiaries

	Millions of yen			Thousands of U.S.dollars
	Six months ended		Year ended	Six months ended
	September 30, 2000	September 30, 1999	March 31, 2000	September 30, 2000
Cash flows from operating activities				
Net income	¥1,833	¥6,629	¥7,452	\$16,972
Adjustments to reconcile net income to net cash provided by operating activities -				
Depreciation and amortization	7,917	7,771	16,769	73,306
Provision for accrued retirement benefits, net of payment	1,736	38	9,488	16,074
Gain on sales of investment securities	-	(448)	(2,191)	-
Gain on sales and appreciation of marketable securities	(3,104)	(379)	(1,192)	(28,741)
Exchange loss on loans receivable to subsidiaries	-	-	2,559	-
(Increase) decrease in notes and accounts receivable	(2,853)	1,273	(143)	(26,417)
Increase in inventories	(673)	(2,148)	(6,203)	(6,231)
(Decrease) increase in notes and accounts payable	(1,611)	(2,340)	2,686	(14,917)
Other, net	(316)	318	(4,159)	(2,926)
Net cash provided by operating activities	2,929	10,714	25,066	27,120
Cash flows from investing activities				
Decrease (increase) in marketable securities	2,010	3,166	(2,498)	18,611
Acquisitions of property, plant and equipment	(7,682)	(9,899)	(19,980)	(71,130)
Payment for purchases of investment securities	(18,768)	(7,812)	(29,327)	(173,778)
Proceeds from sales of investment securities	19,793	1,385	13,474	183,269
Other, net	(1,740)	(5,395)	(4,421)	(16,111)
Net cash used in investing activities	(6,387)	(18,555)	(42,752)	(59,139)
Cash flows from financing activities				
Increase (decrease) in short-term bank loans	52	(545)	(594)	481
Proceeds from long-term debt	717	5,966	7,028	6,639
Repayments of long-term debt	(1,252)	(3,814)	(20,457)	(11,593)
Proceeds from exercise of warrants	-	6,129	20,364	-
Dividends paid	(1,723)	(1,638)	(3,301)	(15,953)
Other, net	-	(62)	-	-
Net cash (used in) provided by financing activities	(2,206)	6,036	3,040	(20,426)
Effect of exchange rate changes on cash & cash equivalents	32	(535)	(553)	296
Effect of changes in reporting entities	22	151	151	204
Net decrease in cash and cash equivalents	(5,610)	(2,189)	(15,048)	(51,945)
Cash and cash equivalents, beginning of period	13,869	28,917	28,917	128,417
Cash and cash equivalents, end of period	¥8,259	¥26,728	¥13,869	\$76,472

Notes: · The United States dollar amounts represent translation of Japanese yen at the rate of ¥108=\$1.

· Certain reclassifications of previously reported amounts have been made to conform with current classifications.

SEGMENT INFORMATION

Industrial segment information
(unaudited)

Kuraray Co., Ltd. and Consolidated Subsidiaries

Net sales and Operating income

Six months ended September 30,2000	Millions of yen			
	Net sales to outside customers	Net sales to intersegment	Net sales	Operating income
Fibers and textiles	¥44,893	¥455	¥45,348	¥971
Chemical products	73,261	1,100	74,361	5,887
Man-made leather, nonwoven fabrics and fastening materials	16,221	134	16,355	1,319
Diversified businesses	18,878	7,277	26,155	1,500
Total	153,253	8,966	162,219	9,677
Elimination	-	(8,966)	(8,966)	85
Consolidated total	¥153,253	¥ -	¥153,253	¥9,762

Six months ended September 30,1999	Millions of yen			
	Net sales to outside customers	Net sales to intersegment	Net sales	Operating income
Fibers and textiles	¥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 30,2000	Thousands of U.S.dollars			
	Net sales to outside customers	Net sales to intersegment	Net sales	Operating income
<i>Fibers and textiles</i>	\$415,676	\$4,213	\$419,889	\$8,991
<i>Chemical products</i>	678,343	10,185	688,528	54,509
<i>Man-made leather, nonwoven fabrics and fastening materials</i>	150,194	1,241	151,435	12,213
<i>Diversified businesses</i>	174,796	67,380	242,176	13,889
Total	1,419,009	83,019	1,502,028	89,602
<i>Elimination</i>	-	(83,019)	(83,019)	787
Consolidated total	\$1,419,009	\$ -	\$1,419,009	\$90,389

Note: The United States dollar amounts represent translation of Japanese yen at the rate of ¥108=\$1.

Industrial segment information

(unaudited)

Kuraray Co., Ltd. and Consolidated Subsidiaries

Identifiable assets, Capital expenditures, Depreciation and amortization

Six months ended September 30,2000	Millions of yen		
	Identifiable assets	Capital expenditures	Depreciation and amortization
Fibers and textiles	¥75,546	¥1,461	¥1,544
Chemical products	150,960	3,376	4,578
Man-made leather, nonwoven fabrics and fastening materials	37,190	850	1,082
Diversified businesses	58,051	706	713
Total	321,747	6,393	7,917
Elimination and Corporate	187,253	-	-
Consolidated total	¥509,000	¥6,393	¥7,917

Six months ended September 30,1999	Millions of yen		
	Identifiable assets	Capital expenditures	Depreciation and amortization
Fibers and textiles	¥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

Six months ended September 30,2000	Thousands of U.S.dollars		
	Identifiable assets	Capital expenditures	Depreciation and amortization
<i>Fibers and textiles</i>	<i>\$699,500</i>	<i>\$13,528</i>	<i>\$14,296</i>
<i>Chemical products</i>	<i>1,397,778</i>	<i>31,259</i>	<i>42,389</i>
<i>Man-made leather, nonwoven fabrics and fastening materials</i>	<i>344,352</i>	<i>7,870</i>	<i>10,019</i>
<i>Diversified businesses</i>	<i>537,509</i>	<i>6,537</i>	<i>6,602</i>
Total	2,979,139	59,194	73,306
<i>Elimination and Corporate</i>	<i>1,733,824</i>	<i>-</i>	<i>-</i>
Consolidated total	\$4,712,963	\$59,194	\$73,306

Note: The United States dollar amounts represent translation of Japanese yen at the rate of ¥108=\$1.

Geographic Segment Information
(unaudited)

Kuraray Co., Ltd. and Consolidated Subsidiaries

Six months ended September 30,2000	Millions of yen				
	Net sales to outside customers	Net sales to intersegment	Net sales	Operating income	Identifiable assets
Domestic (inside Japan)	¥134,991	¥9,862	¥144,853	¥8,290	¥278,357
Outside Japan	18,262	1,592	19,854	1,208	46,384
Total	153,253	11,454	164,707	9,498	324,741
Elimination and Corporate	-	(11,454)	(11,454)	264	184,259
Consolidated total	¥153,253	¥ -	¥153,253	¥9,762	¥509,000

Six months ended September 30,1999	Millions of yen				
	Net sales to outside customers	Net sales to intersegment	Net sales	Operating income	Identifiable assets
Domestic (inside Japan)	¥138,695	¥10,953	¥149,648	¥8,439	¥276,760
Outside Japan	16,386	1,753	18,139	1,433	49,060
Total	155,081	12,706	167,787	9,872	325,820
Elimination and Corporate	-	(12,706)	(12,706)	154	174,175
Consolidated total	¥155,081	¥ -	¥155,081	¥10,026	¥499,995

Six months ended September 30,2000	Thousands of U.S.dollars				
	Net sales to outside customers	Net sales to intersegment	Net sales	Operating income	Identifiable assets
Domestic (inside Japan)	\$1,249,917	\$91,315	\$1,341,232	\$76,759	\$2,577,380
Outside Japan	169,092	14,741	183,833	11,186	429,481
Total	1,419,009	106,056	1,525,065	87,945	3,006,861
Elimination and Corporate	-	(106,056)	(106,056)	2,444	1,706,102
Consolidated total	\$1,419,009	\$ -	\$1,419,009	\$90,389	\$4,712,963

Note: The United States dollar amounts represent translation of Japanese yen at the rate of ¥108=\$1.