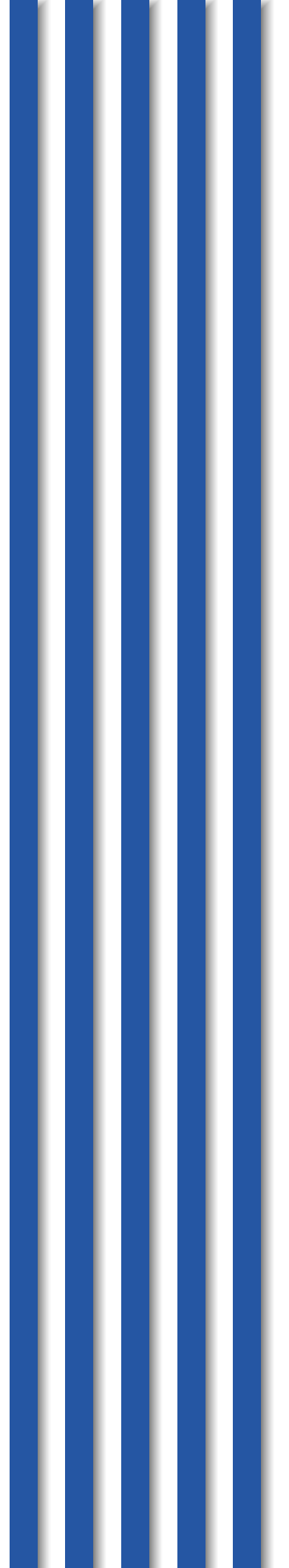


KUREHA CHEMICAL FINANCIAL STATEMENTS 2002

Fiscal 2001, year ended March 31, 2002



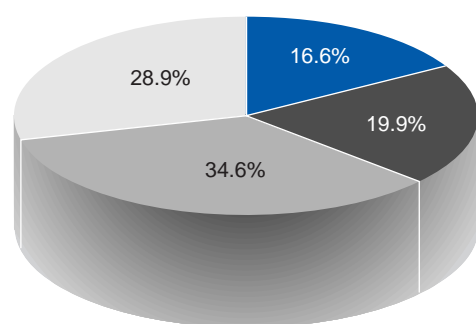
CONSOLIDATED FINANCIAL HIGHLIGHTS

Years ended March 31, 2001 and 2002*

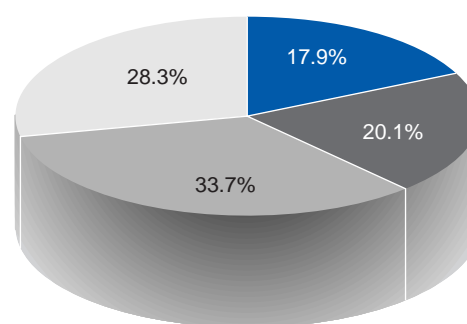
	Millions of yen		Thousands of U.S. dollars
	2000	2001	2001
For the Year:			
Net sales	¥ 145,311	¥ 140,438	\$ 1,053,944
Recurring income	4,700	4,626	34,717
Net income	1,704	2,034	15,265
Year-end:			
Total assets	191,154	189,188	1,419,797
Shareholders' equity.....	85,639	88,817	666,544
Common stock	12,460	12,460	93,508
Amounts per share (yen/dollars):			
Net income	8.06	10.05	0.08
Shareholders' equity	412.54	447.44	3.36

* Beginning the fiscal year ended March 31, 2002, Kureha designates the fiscal year by the year in which it begins. The year ended March 31, 2002 is "fiscal 2001," the year ending March 31, 2003 will be "fiscal 2002," and so on. Previously, the fiscal year was designated by the year in which it ended. The purpose of the change is to bring Kureha in line with conventional practice outside Japan. All comparative figures in this annual report should be read as if the new designation system had always been followed.

Sales by Sector



Consolidated Sales by Sector, Fiscal 2000



Consolidated Sales by Sector, Fiscal 2001

■ Advanced materials
■ Specialty products
■ Plastics
■ Others

	Millions of yen		Thousands of U.S. dollars
	2000	2001	2001
Advanced materials	¥ 25,144	17.9%	\$ 188,698
Specialty products	28,259	20.1	212,075
Plastics	47,344	33.7	355,302
Others	39,691	28.3	297,869
Total	140,438	100.0	1,053,944

Note: US dollar amounts are translated from yen, for convenience only, at the rate of ¥133.25=US\$1, the approximate Tokyo foreign exchange market rate on March 29, 2002.

CONSOLIDATED BALANCE SHEET (Audited)

Years ended March 31, 2001 and 2002

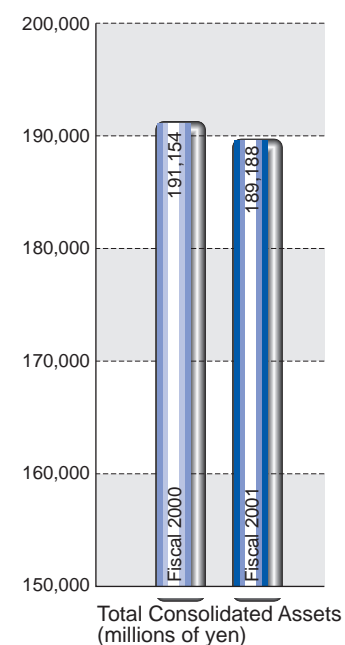
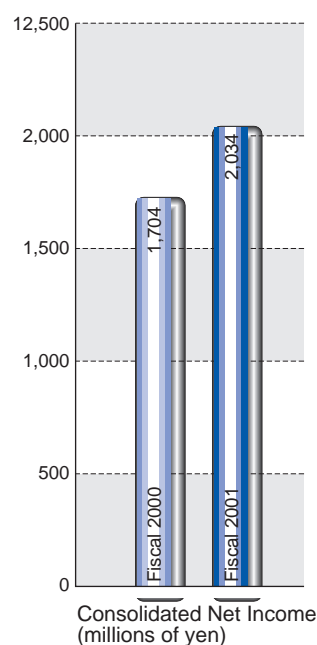
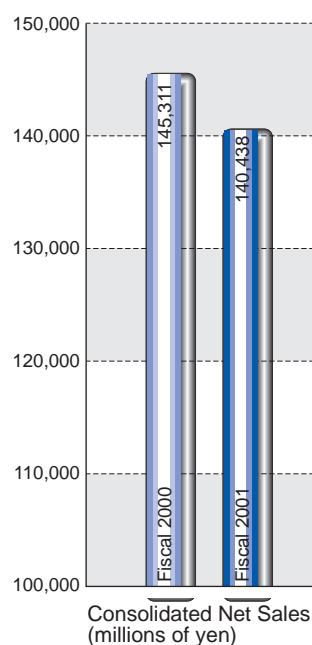
	Millions of yen		Thousands of U.S. dollars
	2000	2001	2001
ASSETS			
Current assets:			
Cash and cash equivalent	¥ 13,060	¥ 6,851	\$ 51,415
Accounts and notes receivable — trade	45,571	43,122	323,617
Inventories	21,723	20,105	150,882
Other current assets	3,045	3,771	28,300
Total current assets	83,399	73,849	554,214
Property, plant and equipment	71,365	69,600	522,326
Intangible assets	1,765	2,483	18,634
Investments and other assets:			
Investment securities	22,576	32,548	244,263
Other assets	12,049	10,708	80,360
Total investments and other assets	34,625	43,256	324,623
Total	¥ 191,154	¥ 189,188	\$ 1,419,797
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts and notes payable — trade	¥ 22,041	¥ 18,287	\$ 137,238
Short-term borrowings	42,479	42,029	315,415
Accrued taxes	2,464	1,716	12,878
Other current liabilities	13,097	12,776	95,880
Total current liabilities	80,081	74,808	561,411
Long-term liabilities:			
Long-term borrowings	19,837	16,294	122,281
Other long-term liabilities	3,600	7,373	55,332
Total long-term liabilities	23,437	23,667	177,613
Minority interests	1,997	1,896	14,229
Shareholders' equity:			
Common stock	12,460	12,460	93,508
Capital reserve	9,701	9,701	72,803
Retained earnings	65,033	63,315	475,159
Unrealized gains on investment securities		5,244	39,355
Foreign currency translation adjustments	(1,003)	(436)	(3,272)
Treasury stock	(552)	(1,467)	(11,009)
Total shareholders' equity	85,639	88,817	666,544
Total	¥ 191,154	¥ 189,188	\$ 1,419,797

Note: Accumulated depreciation was ¥161,648 million and ¥157,760 million at the end of March 2002 and 2001, respectively.

CONSOLIDATED STATEMENTS OF INCOME (Audited)

Years ended March 31, 2001 and 2002

	Millions of yen		Thousands of U.S. dollars
	2000	2001	2001
Net sales	¥ 145,311	¥ 140,438	\$ 1,053,944
Cost of goods sold	112,038	107,001	803,009
Selling, general and administrative expenses.....	27,001	27,147	203,730
Operating income	6,272	6,290	47,205
Non-operating income	1,504	1,104	8,285
Interest and dividend income	861	590	4,428
Other non-operating income	643	514	3,857
Non-operating expenses	3,076	2,768	20,773
Interest expenses and discounts on notes.....	1,488	1,253	9,403
Other non-operating expenses	1,588	1,515	11,370
Recurring income	4,700	4,626	34,717
Other income	4,853	1,156	8,675
Other expenses.....	6,701	3,066	23,009
Income before income taxes.....	2,852	2,716	20,383
Income taxes.....	1,106	818	6,139
Minority interests	42	(136)	(1,021)
Net income	1,704	2,034	15,265



CONSOLIDATED STATEMENT OF CASH FLOWS (Audited)

Years ended March 31, 2001 and 2002

	Millions of yen		Thousands of U.S. dollars
	2000	2001	2001
Cash flows from operating activities:			
Net income before income tax	¥ 2,852	¥ 2,716	\$ 20,383
Depreciation	8,793	8,516	63,910
Other — net	(1,772)	(720)	(5,403)
Net cash provided by operating activities	9,873	10,512	78,890
Cash flows from investing activities:			
Acquisition of property, plant and equipment	(7,628)	(7,173)	(53,831)
Other — net	2,912	40	300
Net cash used in investing activities	(4,716)	(7,133)	(53,531)
Cash flows from financing activities:			
Net decrease in short-term debt	(1,709)	(871)	(6,537)
Net decrease in long-term debt	(3,769)	(3,956)	(29,688)
Other — net	(2,943)	(4,803)	(36,045)
Net cash used in financing activities	(8,421)	(9,630)	(72,270)
Effect of exchange rate changes on cash and cash investments	(16)	42	315
Net increase in cash and cash investments	(3,280)	(6,209)	(46,596)
Cash and cash equivalent at beginning of year	16,340	13,060	98,011
Cash and cash equivalent at end of year	¥ 13,060	¥ 6,851	\$ 51,415

Note: US dollar amounts are translated from yen, for convenience only, at the rate of ¥133.25=US\$1, the approximate Tokyo foreign exchange market rate on March 29, 2002.

PROFILE

Kureha Chemical Industry Co., Ltd. ("Kureha") was established in 1944 as a manufacturer of caustic soda, chlorine-based chemicals and fertilizers. Kureha's strengths lie in its commitment to active research and development, its emphasis on differentiated, value-added products attuned to market needs, and its measured approach to globalization through both subsidiaries and a variety of partnerships.

The Kureha group consists of Kureha Chemical Industry Co., Ltd., 39 subsidiaries and four affiliates. It is engaged in the manufacture and sale of products in three main business segments: Advanced materials, specialty products, and plastics. In addition, it undertakes construction and maintenance operations associated with each main business segment, transport operations, environmental management services, and other service operations.

MANAGEMENT POLICY

Basic Goal

The Kureha group, in recognition of the need to employ its assets more efficiently and increase profit, aims to restructure its main business segments and, as a necessary condition of such restructuring, bring about a radical change in thinking and action on the part of employees at all levels. Within the framework of the group, we are focusing on selected businesses, allocating resources accordingly, and reducing the time from decision-making to implementation. In this way, we believe we are gradually strengthening the whole group and enhancing the value of its constituent companies.

Dividends

We take the view that increasing profits and asset efficiency enhances corporate value, and that this leads to returns for shareholders. We also believe that it is important to maintain stable, regular dividends regardless of fluctuations in business performance. Within this context, our policy is to retain appropriate levels of retained earnings for the purposes of business expansion and corporate reinforcement by way of new and additional facilities, and R&D investment in important fields. As another way of passing on profit to shareholders, and for the purpose of financing possible acquisitions with treasury stock, we are continuing our share buy-back program.

Medium to Long-term Corporate Strategy

We launched our medium to long-term corporate strategy, known as "DC," in 2001. DC has a triple significance. "Dynamic Conversion" refers to reforming our products and lineup, and to changing the ways of thinking and acting of employees at all levels. "Disclosure & Communication" refers to the establishment of a more open relationship with our stakeholders, including suppliers, customers and local communities where we operate as well as shareholders. "Development & Commercialization" is to be understood in the context of promoting new and improved products that meet the needs of markets.

Under the DC umbrella, management is pursuing the following objectives:

1. An increase in net sales and profit through R&D, production and marketing activities that are finely tuned to the precise needs of customers
2. A redefinition of the Kureha group's business domain and reinforcement of benefits of synergy
3. An increase in shareholder value
4. An adaptation of our operating systems in order to allow flexible responses to economic conditions, changes in the industry's structure, and technological innovations
5. Achievement of a greater awareness of safety and protection of the environment
6. An improvement in business efficiency and human resources development

In terms of specific businesses, management will seek to

1. Expand the advanced polymer, battery material and carbon products businesses, targeting the IT, electrical and electronics, and automotive fields
2. Expand the processed plastics business by promoting new packaging materials
3. Strengthen the sales capability for current pharmaceuticals, and develop new ones more quickly
4. Enlarge the agrochemicals business through accelerated expansion of product applications and development of overseas markets, and through development and commercialization of next-generation products
5. Achieve greater market penetration and maximize profit for consumer goods by raising brand name value and rationalizing the distribution system

The pursuit of all the above objectives is supported by existing strategies relating to financial planning (efficient use of assets, etc.), organizational structure, personnel (performance-based remuneration, etc.), and R&D (aimed at improving operating income by raising the ratio of new products in net sales).

REVIEW OF OPERATIONS

Year ended March 31, 2002, Consolidated

Overview

In fiscal 2001, the Japanese economy remained anemic, with no sign of a return to growth. In addition to the effects of the bursting of the IT bubble on the materials industry, there was no radical assault on such structural problems as continuing deflation and the still huge volume of non-performing loans held on the books of major financial institutions.

Japan's chemical industry experienced an upturn due to a combination of renewed buoyancy in Asia in the second half of fiscal 2001 consequent to a recovery of the U.S., a decrease in the price of the raw material naphtha, and a settling of the yen at a depreciated level. On the domestic front, however, with a sharp decline in demand for electronic materials and consumer spending remaining stagnant in response to deflationary pressures, the situation remained severe.

In these circumstances, we pushed forward with the creation of a business structure that is less susceptible to fluctuations in overall economic conditions, concentrating resources on selected businesses, namely advanced materials and pharmaceuticals/agrochemicals, where added value gives better returns. At the same time, we made every effort to improve margins in our core commodity chemicals business.

As a result, Kureha Industry Co., Ltd. and its consolidated subsidiaries posted a net income of ¥2,034 million on net sales of ¥140,438 million, up 19.4% and down 3.4%, respectively, compared with fiscal 2000. Operating income was ¥6,290 million, up 0.3%, and recurring income was ¥4,626 million, down 1.6%.

We incurred an extraordinary expense of ¥1.057 million due to a valuation loss on investment securities, part of which we covered by selling investment securities.

Partly as a result of buying back and canceling approximately nine million of our own shares, net income per share was ¥10.05, up 24.7% over fiscal 2000.

Advanced Materials

Sales of advanced materials totaled ¥25,144 million, an increase of 4.3% over fiscal 2000. Operating income was ¥1,416 million, up 17.8%.

In the face of a decline in demand for semiconductors and other electronic materials, vigorous sales activities and development of new applications enabled us to maintain sales of PPS resin and PVDF resin at the same level as fiscal 2000. Sales of carbon fiber increased due to strong demand for application in production facilities for optical fibers and large-diameter silicon wafers. In addition, sales of bead-shaped activated carbon were strong, with significant increases in both volume and value. Sales of plastic spectacle lenses (optical materials) decreased as a result of our withdrawal from this business, prompted by falling profit margins.

Specialty Products

Sales of specialty products totaled ¥28,259 million, a decrease of 2.5% from fiscal 2000. However, operating income increased 43.9% to ¥1,466 million.

Although sales of PVC decreased as a result of lower volume and sales prices in a shrinking market, a fall in the price of VC monomer kept profit margins stable. Our efforts to sell organic and inorganic chemicals such as caustic soda and chlorides were thwarted by a slump in the market, and sales and operating income decreased from fiscal 2000.

High-value products in the pharmaceutical field continued their good sales of fiscal 2000. Sales and operating income of *Kremezin*, a medicine for chronic renal failure, increased significantly.

In the agrochemical field, sales of *Metconazole* fungicide decreased due to lower demand in Europe. Sales of *Rabcide* fungicide for rice blast increased due to successful efforts to increase overseas sales. Overall, operating income of agrochemicals for fiscal 2001 was approximately the same as fiscal 2000.

Plastics

Sales of plastics totaled ¥47,344 million, a decrease of 5.8% from fiscal 2000. Operating income was ¥2,597 million, down 20.0%.

Domestic sales of food packaging materials decreased due to a BSE scare. This was offset by increased sales in Europe, where the effects of the BSE crisis on meat consumption had dissipated. PVDC compound for the China market suffered a large decrease in sales and operating income as a result of downward pressure on sales prices caused by intensified competition. Sales of *Besela* high-barrier plastic film for lamination showed a good increase.

Sales and operating income of products for application in the electronic and electrical devices field, including metalized film and plastic products, decreased sharply due to the IT slump.

In the consumer products field, expectations of continued deflation remain strong. For this reason, although the sales volume of *New Krewrap* household wrapping film increased, sales in terms of value decreased. Sales of *Seaguar* fishing line suffered in both respects.

As part of our restructuring of business lines, we withdrew from the manufacture and sales of synthetic resin containers because of seriously eroded margins in this business.

Other Operations

Sales of other operations totaled ¥39,691 million, a decrease of 5.4% from fiscal 2000. Operating income increased 20.9% to ¥925 million due to our withdrawal from unprofitable operations.

Sales and operating income of construction business decreased in volume and value in response to a continued decline in demand and resultant lower sales prices. Sales and operating income of environment-related business increased due to higher demand for polluted soil restoration work and incinerators.

Financial Review and Plans

Net cash provided by operating activities was ¥10,512 million, an increase of ¥639 million over fiscal 2000. Income before income tax and other adjustments, and depreciation cost decreased, with corporate and other taxes increasing ¥1,446 million. Most importantly, we achieved an improvement in asset efficiency by reducing the receivables turnover period and cutting inventory.

Net cash used in investment activities was ¥7,133 million, up ¥2,417 million over fiscal 2000. Sales of *Kremezin*, a medicine for chronic renal failure, and PVDF increased to the point where in order to meet demand we had to invest ¥7,291 million for an expansion of production facilities.

Net cash used in financing activities was ¥9,630 million, an increase of ¥1,209 million from fiscal 2000. We spent ¥3,530 million on the purchase of shares as part of our share buy-back program. In order to reduce interest-bearing debt, we set up a Cash Management System (CMS) covering eight domestic subsidiaries. As part of a syndicate, each subsidiary can borrow (maximum ¥10 billion) at a more favorable rate than if they borrowed individually.

For fiscal 2002, ending March 31, 2003, we expect net cash provided by operating activities to increase in line with the increase in income before income tax and other adjustments.

Although expenditure for property, plant and equipment, notably for the acquisition of the chlorobenzene production facilities of K.H. Chemical Co., Ltd., will increase, we intend

to offset this through sale of marketable securities and collection of loans, so net cash used in investing activities will remain at the same level as fiscal 2001.

With respect to net cash used in financing activities, we plan to continue our share buy-back program (max. 7 million shares or ¥3,500 million) as a means of passing on profit to shareholders and financing possible acquisitions.

We also intend to keep the year-end balance of cash and cash equivalent at the same level as fiscal 2001, and appropriate any excess for repayment of debt.

Outlook

Although the export and IT slumps seem to have bottomed out, it is too soon to say that the Japanese economy is heading for recovery. The gray cloud on the horizon is the government's failure to implement concrete measures to deal with the non-performing loan problem and ease deflation pressures.

In the chemical industry, exports to Asia have started to increase as economies in that region feel the benefits of the economic recovery in the U.S. However, the domestic market remains weak and we expect conditions to remain severe.

The Kureha group will continue to follow the strategies initiated in fiscal 2001. We will focus on selected businesses, concentrating on the three key fields of advanced materials, pharmaceuticals/agrochemicals, and polymer products (including consumer products).

For fiscal 2002, ending March 31, 2003, we forecast consolidated net sales of ¥145,000 million, up 3.2% over fiscal 2001, consolidated recurring income of ¥6,200 million, up 34%, and consolidated net income of ¥3,300, up 62.2%. Our optimism is based on our confidence that we can expand sales of high value-added products and our determination to continue to restructure the Kureha group in ways that maximize profitability.

MAIN GROUP COMPANIES BY BUSINESS SEGMENT

(1) Advanced Materials

(Kureha, five subsidiaries and one affiliate)

Kureha manufactures and markets advanced materials and carbon products.

Kureha Chemicals (Singapore) Pte. Ltd. in which Japan Singapore Modifiers Co., Ltd. also has an equity stake, manufactures and sells modifiers, including MBS impact modifier and acrylic impact modifier. Kureha provides technology under license to Kureha Chemicals (Singapore) Pte. Ltd.

Kureha KPS, Inc. has a controlling stake in Fortron Industries, which manufactures PPS resin and compounds in the United States.

Kureha Chemicals GmbH markets Kureha's various advanced materials and carbon fiber in Europe.

Rohm and Haas (Scotland) Ltd. manufactures modifiers, including MBS impact modifier and acrylic impact modifier, in the United Kingdom. Kureha provides technology under license.

BOARD OF DIRECTORS AND BOARD OF AUDITORS

As of June 27, 2002

(2) Specialty Products

(Kureha, one subsidiary and two affiliates)

Kureha manufactures and sells synthetic resins, inorganic chemicals, organic chemicals, pharmaceuticals, a pharmaceutical for animal treatment, agrochemicals and other materials for agricultural use.

Rütgers Kureha Solvents GmbH, based in Germany, manufactures and sells solvent for carbonless copying paper. Kureha provides technology under license.

(3) Plastics

(Kureha, 11 subsidiaries)

Kureha manufactures and sells food packaging products, consumer goods and synthetic fiber products, and also sells the raw materials to make these products.

Kureha Plastics Co., Ltd. manufactures and sells food packaging products. It purchases raw materials from and sells its products to Kureha.

Kureha Gosen Co., Ltd. manufactures and sells synthetic fibers. Kureha supplies raw materials and purchases some of its output.

Kakogawa Plastics Co., Ltd. manufactures and sells metalized films.

Krehalon Industrie B.V., based in The Netherlands, manufactures and sells food packaging products. Kureha supplies raw materials.

Kureha Europe B.V., a holding and management company based in The Netherlands, has controlling stakes in Krehalon Industrie B.V., Krehalon France S.A., Krehalon Benelux N.V., Krehalon UK Ltd., and Krehalon Synclair Packaging B.V.

(4) Other Operations

(22 subsidiaries and one affiliate)

Kureha Transport Co., Ltd. undertakes transportation and storage operations, including those of Kureha.

Kureha Techno Eng Co., Ltd. undertakes plant engineering and management operations, and safety-related operations for Kureha and others.

Kureha Construction Co., Ltd. undertakes engineering and construction work for Kureha and others.

Kureha Environmental Engineering Co., Ltd. undertakes industrial waste processing and in-plant physical distribution for Kureha and others.

Nishiki Trading Co., Ltd. trades in advanced materials, specialty products, plastics and others. Kureha sells some of these products, and purchases some raw materials through Nishiki Trading Co., Ltd.

Directors

President & Chief Executive Officer

Hiroshi Amano

Executive Vice President

Hiroshi Tanaka

Executive Vice President

Hisatsugu Kaji

Senior Vice President

Yoshikazu Kokubu

Senior Vice President

Masaki Uchiyama

Senior Vice President

Ryuji Tsuruizumi

Vice President

Fujitoshi Tomizawa

Vice President

Yoshiyuki Hiramatsu

Vice President

Taketomo Funaki

Vice President

Takayuki Katto

Vice President

Tsuneo Okamoto

Vice President

Masahiko Fujii

Vice President

Naoya Suzuki

Vice President

Koji Hagino

Auditors

Corporate Auditor

Ryuichi Takaoka

Corporate Auditor

Issa Fujiwara

Corporate Auditor

Kazutoshi Kimura

Corporate Auditor

Sueo Urushibara

NON-CONSOLIDATED BALANCE SHEET (Audited)

Years ended March 31, 2001 and 2002

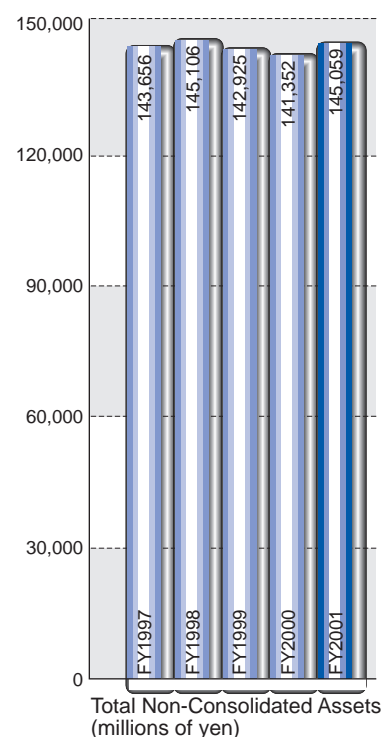
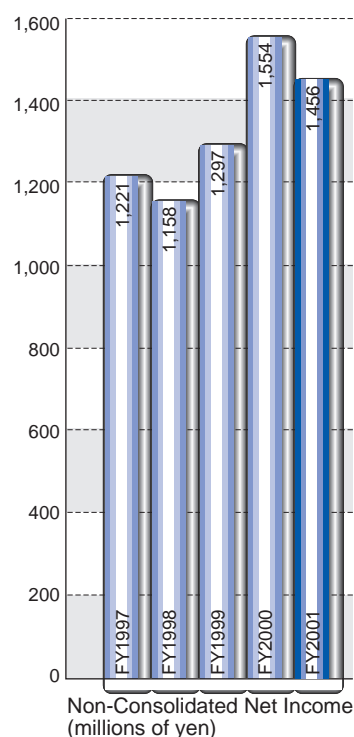
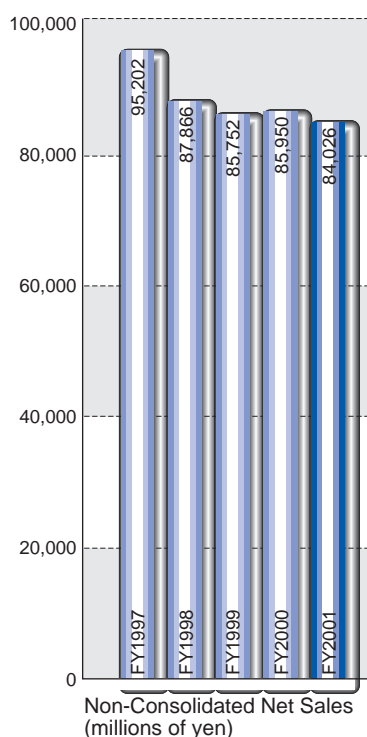
	Millions of yen		Thousands of U.S. dollars
	2000	2001	2001
ASSETS			
Current assets:			
Cash and cash equivalent	¥ 9,047	¥ 4,355	\$ 32,683
Accounts and notes receivable — trade	29,473	27,589	207,047
Inventories	12,796	12,293	92,255
Short-term loans receivable	3,730	5,511	41,358
Other current assets	2,442	2,174	16,316
Total current assets	57,488	51,922	389,659
Property, plant and equipment	42,894	44,327	332,660
Intangible assets	1,509	2,250	16,886
Investments and other assets:			
Investment securities	29,696	38,706	290,476
Long-term loans receivable	8,293	7,149	53,651
Other assets	1,472	705	5,291
Total investments and other assets	39,461	46,560	349,418
Total	¥ 141,352	¥ 145,059	\$ 1,088,623
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts and notes payable — trade	¥ 10,929	¥ 8,531	\$ 64,023
Short-term borrowings	21,261	24,989	187,535
Accrued taxes	1,684	1,239	9,298
Other current liabilities	8,334	7,544	56,615
Total current liabilities	42,208	42,303	317,471
Long-term liabilities:			
Long-term borrowings	12,781	12,348	92,668
Other long-term liabilities	1,358	4,023	30,191
Total long-term liabilities	14,139	16,371	122,859
Shareholders' equity:			
Common stock	12,460	12,460	93,509
Capital reserve	9,702	9,701	72,803
Retained earnings	62,843	64,224	481,981
Total shareholders' equity	85,005	86,385	648,293
Total	¥ 141,352	¥ 145,059	\$ 1,088,623

Note: 1. Accumulated depreciation was ¥112,570 million and ¥109,147 million at the end of March 2002 and 2001, respectively.
2. Trade notes discounted by banks were no balance.

NON-CONSOLIDATED STATEMENTS OF INCOME (Audited)

Years ended March 31, 2001 and 2002

	Millions of yen		Thousands of U.S. dollars
	2000	2001	2001
Net sales	¥ 85,950	¥ 84,026	\$ 630,589
Cost of goods sold	59,722	57,331	430,251
Selling, general and administrative expenses	22,113	21,898	164,338
Operating income	4,115	4,797	36,000
Non-operating income	1,678	1,316	9,876
Interest and dividend income	1,061	754	5,659
Other non-operating income	617	562	4,217
Non-operating expense	2,073	1,797	13,486
Interest expenses and discounts on notes	636	549	4,120
Other non-operating expenses	1,437	1,248	9,366
Recurring income	3,720	4,316	32,390
Other income	4,338	826	6,199
Other expenses	5,485	2,778	20,848
Income before income taxes	2,573	2,364	17,741
Income taxes	1,019	908	6,814
Net income	1,554	1,456	10,927



KUREHA CHEMICAL INDUSTRY CO.,LTD.

1-9-11, NIHONBASHI, HORIDOME-CHO, CHUO-KU, TOKYO 103-8552, JAPAN
TEL: (03) 3249-4666 FAX: (03) 3249-4601
URL: <http://www.kureha.co.jp/>

Incorporated	June 21, 1944
No. of employees	(as of March 31, 2002)
Kureha:	1,477
Group:	4,154
Fiscal year-end	March 31