

August 4, 2004

## **Notice of Merger With Consolidated Subsidiaries**

At a meeting of the Board of Directors on August 4, 2004, it was resolved that the parent company would absorb and merge with wholly owned consolidated subsidiaries, Kuraray Fudosan Co., Ltd. and Kuraray Ohmiya Estate Co., Ltd., for the purpose of integrating and increasing the efficiency of the Kuraray Group's real estate leasing and utilization businesses.

### 1. Objective

To reorganize and integrate the management of real estate held by Kuraray Fudosan and Kuraray Ohmiya Estate, within the Group.

### 2. About the merger

#### (1) Important dates

Board of Directors approved merger: August 4, 2004

Merger contract inked: August 5, 2004

Merger settlement: October 1, 2004

Merger registration: October 1, 2004

Note: This is a simple merger under the provisions of the Japanese Commercial Code Article 413-3-1, and therefore does not require the approval of the shareholders.

#### (2) Type of merger

Kuraray Co., Ltd. will be the surviving firm; Kuraray Fudosan and Kuraray Ohmiya Estate will be dissolved.

#### (3) Ownership and fund transfers resulting from the merger

No new shares will be issued in connection with this merger, nor will any payments be paid.

### 3. Summary information regarding the firms involved in the merger (As of March 31, 2004)

	Kuraray Co., Ltd. (Surviving firm)	Kuraray Fudosan Co., Ltd. (merged firm)	Kuraray Ohmiya Estate Co., Ltd. (merged firm)
1. Company name	Kuraray Co., Ltd.	Kuraray Fudosan Co., Ltd.	Kuraray Ohmiya Estate Co., Ltd.
2. Primary business activities	Manufacturing and sale of chemicals and resins, synthetic fibers and textiles, and other products	Real estate sales and leasing	Real estate leasing and management
3. Established	June 1926	April 1964	November 1998

4. Headquarters	1621, Sakazu, Kurashiki City, Okayama Prefecture	1-12-39, Umeda, Kita-ku, Osaka	1-12-39, Umeda, Kita-ku, Osaka
5. President	Yasuaki Wakui	Mamoru Yamashita	Shigeru Matsui
6. Capital	¥88,955 million	¥382 million	¥31 million
7. Shares issued and outstanding	382,863,000 shares	604,000 shares	625 shares
8. Shareholders' equity	¥276,885 million	¥760 million	¥196 million
9. Total assets	¥343,858 million	¥12,282 million	¥1,181 million
10. End of fiscal year	March 31	March 31	March 31
11. Employees	2,700	78	4
12. Primary customers	Mitsubishi Corporation, Marubeni Corporation, Mitsui & Co., Ltd., Mitsubishi Chemical Corporation, Itochu Corporation	Kuraray Co., Ltd., Co-Op Kobe, etc.	Kind's Co., Ltd.
13. Major shareholders and their holdings	Japan Trustee Services Bank, Ltd. (Trust Account) 12.05% The Master Trust Bank of Japan, Ltd. (Trust Account) 7.78%	Kuraray Co., Ltd. 100%	Kuraray Co., Ltd. 100%
14. Principal banks	Mizuho Corporate Bank, Ltd.	UFJ Bank, Limited	UFJ Bank, Limited
15. Matters bearing on this merger	Shareholders' equity	The merged firms are wholly owned subsidiaries of the merging firm.	
	Employees	The merging firm dispatches executives and employees to the merged firms.	
	Transactions	Land and other properties of the merging firm are held by the merged firm Kuraray Fudosan Co.,Ltd under lease. Merged firm Kuraray Ohmiya Estate Co., Ltd. holds short-term receivables (deposits) received from the merging firm.	

## 16. Performance over the past three years

(unit: ¥ mil.)

Fiscal year	Kuraray Co., Ltd.			Kuraray Fudosan Co., Ltd.			Kuraray Ohmiya Estate Co., Ltd.		
	Fiscal 2001	Fiscal 2002	Fiscal 2003	Fiscal 2001	Fiscal 2002	Fiscal 2003	Fiscal 2001	Fiscal 2002	Fiscal 2003
Net sales	220,983	196,743	191,734	5,888	4,283	3,872	130	131	131
Operating income	11,055	13,038	14,417	454	527	246	69	69	69
Ordinary income	14,426	14,594	14,398	200	431	176	70	70	69
Net income	1,670	4,447	6,501	46	(898)	(1,677)	42	42	41
Net income per share	4.3	11.5	17.3	81.7	(1,487)	(2,777)	67,342	67,545	66,067
Dividends per share (¥)	9.0	9.0	10.0	0	0	0	0	0	0
Shareholders' equity per share (¥)	727	729	753	2,558	4,036	1,259	180,073	247,618	313,684

1 . Status following merger  
Company name: Kuraray Co., Ltd.

**Business:** Manufacturing and sale of chemicals and resins, synthetic fibers and textiles, and other products

**Headquarters:** 1621, Sakazu, Kurashiki City, Okayama Prefecture

**President and representative director:** Yasuaki Wakui

**Capital:** ¥88,955 million

**Total assets:** ¥347,317 million (estimated)

**End of fiscal year:** March 31

**Effect of merger on performance:** The merger will have no effect on consolidated performance, and only a light effect on non-consolidated results. At the time of the merger, Kuraray Co., Ltd. will assume an estimated ¥3.6 billion in undisposed losses of Kuraray Fudosan Co.,Ltd.