

# the fusion in progress

## Business Performance Summary

Nippon Kayaku Group's mid-term business strategy, begun in June 2000 for FY 2001, has reached the end of its first fiscal year. During the past consolidated fiscal year in Japan, in the pharmaceutical industry, drastic reforms of the healthcare system continued to be debated, and a revision of drug prices is planned for April 2002. In the face of new technologies such as genome drug discoveries, mega-mergers of pharmaceutical companies are being struck so that large-scale R&D can be carried out as the companies compete for survival. On the other hand, for the fine chemicals industry, the environment during the last half-fiscal year in particular has been harsh, with the sudden decline in Information Technology (IT)-related demand, a drop in prices due to advancing globalization, and weak demand and prices both in Japan and overseas.

Under these circumstances, Nippon Kayaku Group (Nippon Kayaku and consolidated subsidiaries) has proceeded with structural reforms. These reforms include: 1) Development and marketing of new products in growth fields; 2) Qualitative strengthening and streamlining of sales power; 3) Restructuring of mature business areas and strengthening of the business base; and 4) Structural reform of administrative divisions and streamlining of indirect business.

As a result, net sales in the current consolidated fiscal year were 121.002 billion yen. Operating income was 13.277 billion yen and net income was 4.903 billion yen. For the entire Group, net sales were 126% of those of the parent company alone, and net income was 131%.

## C o n t e n t s

Message from the President .....	2
Business Strategy .....	4
Product Portfolio .....	8
Review of Operations/Topics	
Pharmaceuticals Business .....	10
Fine Chemicals Business .....	13
Other Businesses .....	17
Environmental Conservation .....	18
Company History and Products .....	20
Group Companies .....	21
Board of Directors and Auditors .....	22
Consolidated Five-year Summary .....	23
Consolidated Financial Review .....	24
Consolidated Financial Statements .....	26
Corporate Information .....	38
Organization Chart .....	39

\* Company information after May 2001 is disclosed as part of company information herein.

\* Descriptions about future results imply uncertainty and risks, and do not guarantee realization of these results as such. There are possibilities that discrepancies will occur between goals and results due to such factors as changes in management environment.