

# Consolidated Financial Review

## Business Performance

### Sales

With the global economic slowdown that was magnified by the terrorist attacks in the U.S. in September 2001, and with the continued deflationary cycle resulting from sluggish private capital investment, a worsening employment situation, and instability in the country's financial system, Japan's economic situation in FY 2002 continued to be extremely difficult. Although the U.S. economy showed some signs of recovery during the last half of the year, the global economy on the whole was on a downturn.

Amidst these economic conditions, net sales in the fiscal year ended May 31, 2002 were 119.435 billion yen, a reduction of 1.567 billion yen (1.3%) compared to the previous fiscal year, and 127% of the net sales of the parent company alone.

Sales of the pharmaceuticals business amounted to 37.421 billion yen, an increase of 576 million yen (1.6%) compared to the previous fiscal year, and operating income was 7.967 billion yen, a decrease of 1.408 billion yen (15.0%) compared to the previous fiscal year.

Sales of the fine chemicals business were 57.005 billion yen, a decrease of 3.742 billion yen (6.2%) compared to the previous fiscal year, and operating income was 4.288 billion yen, a decrease of 3.419 billion yen (44.4%) compared to the previous fiscal year.

Sales of the agro & specialty chemicals business were 21.618 billion yen, an increase of 1.660 billion yen (8.3%) compared to the previous fiscal year, and operating income was 1.244 billion yen, an increase of 173 million yen (16.2%) compared to the previous fiscal year.

Sales of other businesses were 3.388 billion yen, a decrease of 61 million yen (1.8%) compared to the previous fiscal year. Operating income, however, was 1.038 billion yen, an increase of 224 million yen (27.6%) compared to the previous fiscal year.

### Cost of Sales

Cost of sales was 74.745 billion yen, an increase of 1.970 billion yen (2.7%) compared to the previous fiscal year, and the percentage distribution with respect to net sales was 62.6%. Sales, general, and administrative expenses totaled 35.305 billion yen, an increase of 355 million yen (1.0%) from the previous fiscal year.

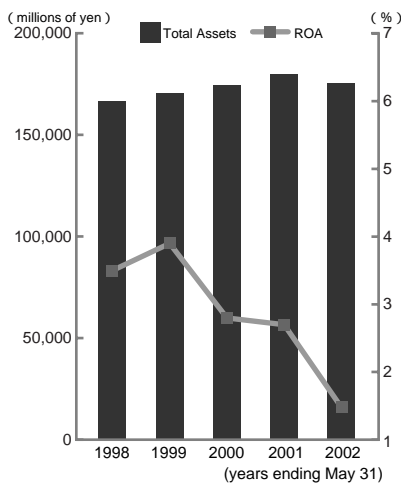
### Operating Income, Income before Income Taxes and Minority Interests

Operating income was 9.384 billion yen, a decrease of 3.893 billion yen (29.3%) from the previous fiscal year. The ratio of operating income to net sales was 7.9%. Interest and dividend income decreased to 279 million yen by 317 million yen (53.2%) from the previous fiscal year. Other expenses, however, were 2.353 billion yen, a decrease of 845 million yen (26.4%). The main cause of this reduction was the elimination of losses arising from changes in accounting standards for retirement benefits. As a result, income before income taxes decreased by 3.366 billion yen (31.5%) to 7.309 billion yen. Minority interests were 444 million yen.

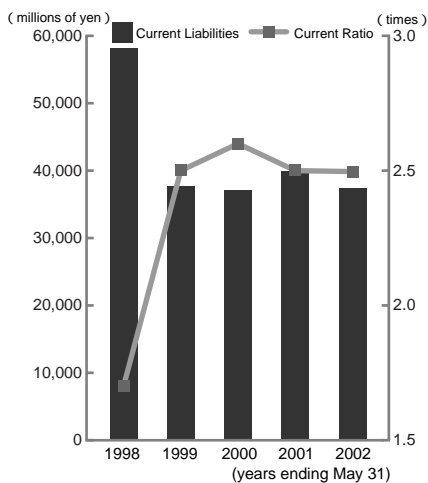
### Net Income

Net income was 2.630 billion yen, a decrease of 2.273 billion yen (46.4%) from the previous fiscal year, and 67% of that of the parent company alone. The ratio of net income to net sales went down to 2.2% by 1.9 percentage points from the previous fiscal year. Net income per share was 14.42 yen.

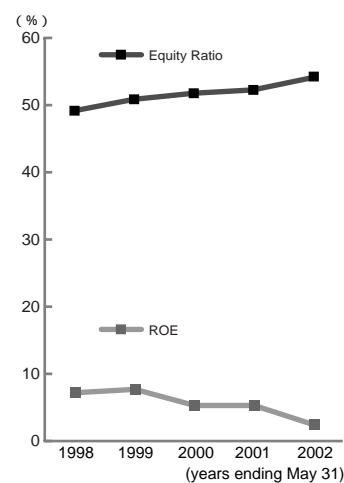
Total Assets/ROA



Current Liabilities/Current Ratio



Equity Ratio/ROE



## Financial Conditions

### Current Assets

Cash and cash equivalents totaled 25.942 billion yen, a decrease of 1.884 billion yen (6.8%) from the previous fiscal year. There was a total of 301 million yen in time deposits, a decrease of 2.906 billion (90.6%). Marketable securities totaled 3.501 billion yen, an increase of 2.003 billion yen (133.7%). Receivables amounted to 42.194 billion yen, an increase of 746 million yen (1.8%). Inventories were 20.886 billion yen, a decrease of 1.376 billion yen (6.2%), and deferred income taxes were 1.273 billion yen, a decrease of 117 million yen (8.4%) compared to the previous fiscal year. Other current assets decreased by 212 million yen (9.6%) to 1.999 billion yen. As a result, total current assets were 96.099 billion yen, a decrease of 3.746 billion yen (3.8%) from the previous fiscal year.

### Property, Plant and Equipment/Investment, and Other Assets

Property, plant, and equipment increased by 1.499 billion yen (2.6%) to 58.683 billion yen. Accumulated depreciation was 110.786 billion yen. Investment and other assets increased to 22.054 billion yen, a decrease of 799 million yen (3.5%) from the previous fiscal year.

### Liabilities

An increase occurred in short-term bank loans, the current portion of long-term debt, and accrued expenses; however, a reduction in liabilities also occurred, including in accounts payable and accrued income taxes. As a result, current liabilities decreased to 37.346 billion yen by 2.526 billion yen (6.3%) from the previous fiscal year. The total of non-current liabilities was 38.084 billion yen, a decrease of 3.088 billion yen (7.5%), primarily due to reduction in long-term debt.

### Shareholders' Equity

With further reservation of consolidated retained earnings, shareholders' equity increased by 1.917 billion yen (2.0%) to 96.248 billion yen. As a result, the equity ratio improved by 2.0 percentage points to 54.4%, over the previous fiscal year. In addition, beginning this fiscal year the net unrealized gain on marketable securities has been calculated as shareholders' equity. This net unrealized gain on marketable securities was 1.107 billion yen.

### Cash Flows

#### Cash Flows from Operating Activities

Due to factors including a decrease in income before income taxes, and an increase in payments for income taxes, net cash from operating activities was 8.954 billion yen, a decrease of 2.917 billion yen (24.6%) compared to the previous fiscal year.

#### Cash Flows from Investment Activities

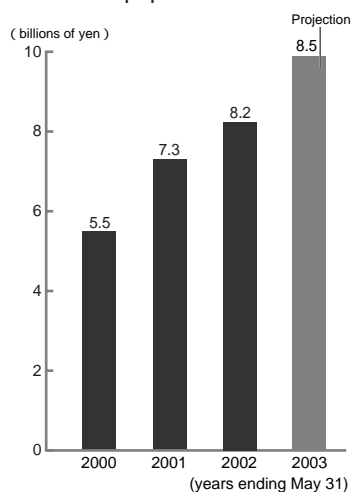
Due to factors including an increase in expenditures for purchase of marketable securities and investment securities, the net cash expended in investment activities was 7.944 billion yen, an increase of 1.028 billion yen (14.9%) over the previous fiscal year.

#### Cash Flows from Financing Activities

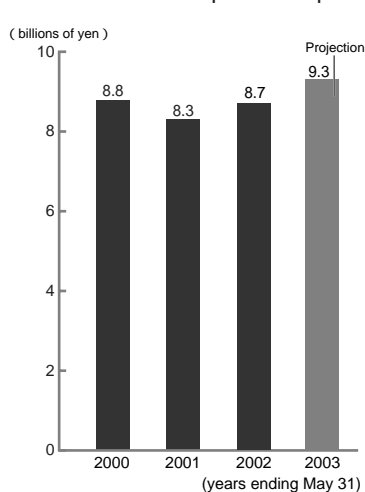
Due to factors including a reduction in short-term bank loans, net cash expended in financing activities was 2.945 billion yen, a decrease of 747 million yen (34.0%) compared to the previous fiscal year.

As a result of the above, cash and cash equivalents at year's end decreased from the previous fiscal year by 1.883 billion yen (6.8%) to 25.942 billion yen.

Plant & Equipment Investment



Reserch & Development Expenditures



Depreciation Expense

