

Consolidated Financial Review

Business Performance

Sales

Although there were some bright signs during the first half of the year, Japan's economic situation in FY 2003 continued to be difficult, with concerns over the future of the global economy, a languishing stock market, the continuing deflationary cycle, and sluggish personal spending and private capital investment.

Amidst these economic conditions, net sales in the fiscal year ended May 31, 2003 were 123.431 billion yen, an increase of 3.996 billion yen (3.3%) over the previous year. For the entire Group, net sales were 131% for those of the parent company alone.

Sales of the pharmaceutical business amounted to 35.111 billion yen, a decrease of 2.310 billion yen (6.2%) compared to the previous fiscal year, and operating income was 6.052 billion yen, a decrease of 1.914 billion yen (24.0%) compared to the previous fiscal year.

Sales of the fine chemical business were 63.637 billion yen, an increase of 6.631 billion yen (11.6%) compared to the previous fiscal year, and operating income was 5.901 billion yen, an increase of 1.612 billion yen (37.6%) compared to the previous fiscal year.

Sales of the agro & specialty chemical business were 21.248 billion yen, a decrease of 370 million yen (1.7%) compared to the previous fiscal year, and operating income was 1.005 billion yen, a decrease of 238 million yen (19.2%) compared to the previous fiscal year.

Sales of other businesses were 3.434 billion yen, an increase of 45 million yen (1.3%) compared to the previous fiscal year, and operating income was 1.237 billion yen, an increase of 199 million yen (19.2%) compared to the previous fiscal year.

Cost of Sales

Cost of sales was 79.002 billion yen, an increase of 4.257 billion yen (5.7%) compared to the previous fiscal year, and the percentage distribution with respect to net sales was 64.0%. Sales and general administrative expenses totaled 34.730 billion yen, a decrease of 575 million yen (1.6%) from the previous fiscal year.

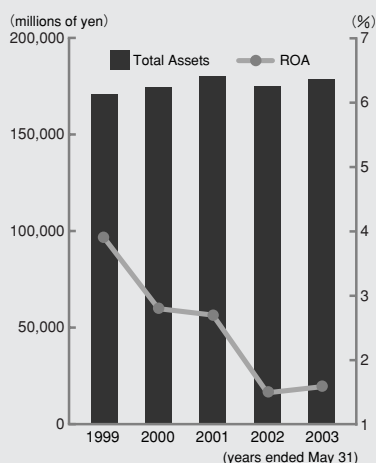
Operating Income, Income before Income Taxes and Minority Interests

Operating income was 9.697 billion yen, an increase of 313 million yen (3.3%) from the previous fiscal year. The ratio of operating income to net sales was 7.9%. Interest and dividend income decreased to 222 million yen by 57 million yen (20.4%) from the previous fiscal year. Other expenses were 1.809 billion yen, a decrease of 52 million yen (2.8%). As a result, income before income taxes increased by 334 million yen (4.6%) to 7.643 billion yen. Minority interests were 714 million yen.

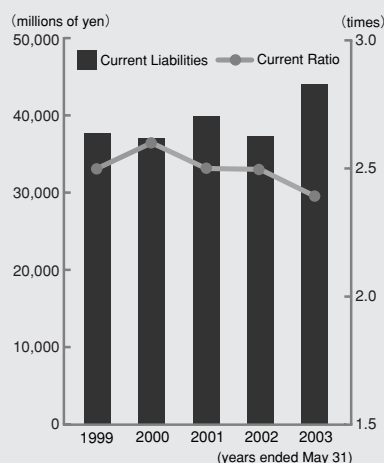
Net Income

Net income was 2.780 billion yen, an increase of 149 million yen (5.7%) from the previous fiscal year, and 124% of that of the parent company alone. The ratio of net income to net sales went up to 2.3% by 0.1 percentage points from the previous fiscal year. Net income per share was 14.92 yen.

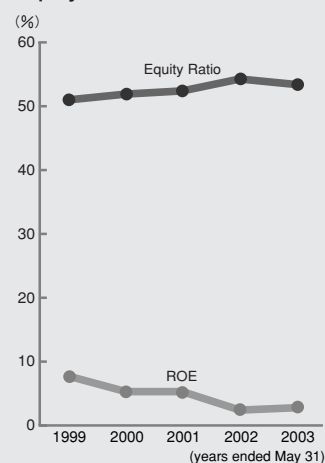
Total Assets/ROA



Current Liabilities/Current Ratio



Equity Ratio/ROE



Financial Conditions

Current Assets

Cash and cash equivalents totaled 25.631 billion yen, a decrease of 311 million yen (1.2%) from the previous fiscal year. There was a total of 1.191 billion yen in time deposits, an increase of 890 million yen (295.7%). Marketable securities totaled 1.0 billion yen, a decrease of 2.501 billion yen (71.4%). Receivables amounted to 44.588 billion yen, an increase of 2.394 billion yen (5.7%). Inventories were 22.787 billion yen, an increase of 1.901 billion yen (9.1%), and deferred income taxes were 1.605 billion yen, an increase of 332 million yen (26.1%) compared to the previous fiscal year. Other current assets increased by 420 million yen (21.1%) to 2.42 billion yen. As a result, total current assets were 99.223 billion yen, an increase of 3.123 billion yen (3.3%) from the previous fiscal year.

Property, Plants, and Equipment; Investments and Other Assets

The value of property, plants, and equipment totaled 58.009 billion yen, a decrease of 674 million yen (1.1%) from the previous fiscal year. Accumulated depreciation was 114.232 billion yen. The total value of investments and other assets was 21.884 billion yen, a decrease of 170 million yen (0.8%) from the previous fiscal year.

Liabilities

The current portion of long-term debt decreased, however, payables-trade and accrued income taxes resulted in an increase in current liabilities of 4.719 billion yen (12.6%) from the previous fiscal year, to a total of 42.065 billion yen. On the other hand, the total of non-current liabilities was 35.169 billion yen, a decrease of 2.914 billion yen (7.7%), primarily due to reduction in long-term debt.

Shareholders' Equity

Shareholders' equity was 96.204 billion yen, and the equity ratio was 53.7%.

Cash Flows

Cash Flows from Operating Activities

Although notes and accounts receivable increased due to factors including an increase in notes and accounts payable and a decrease in payments for income taxes, net cash from operating activities was 12.224 billion yen, an increase of 3.269 billion yen (36.5%) compared to the previous fiscal year.

Cash Flows from Investment Activities

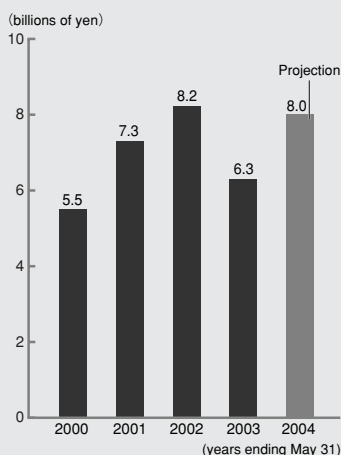
Due to factors including an increase in income from sale of marketable securities, and a decrease in expenditures for purchase of investment securities, the net cash expended in investment activities was 6.696 billion yen, a decrease of 1.248 billion yen (15.7%) compared to the previous fiscal year.

Cash Flows from Financing Activities

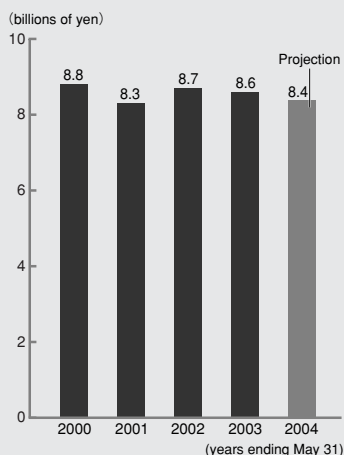
Due to factors including expenditures for bond redemption, net cash expended in financing activities was 5.807 billion yen, an increase of 2.862 million yen (97.2%) compared to the previous fiscal year.

As a result of the above, cash and cash equivalents at year's end decreased from the previous fiscal year by 311 million yen (1.2%) to 25.631 billion yen.

Plant & Equipment Investment



Research & Development Expenditures



Depreciation Expense

