

Annual Report 2000

May 2000

f u s i o n

P R O F I L E

Nippon Kayaku Co., Ltd. engages in various important related businesses, including pharmaceuticals, functional chemical products, color chemicals, agrochemicals, inflators, explosives, and catalysts. Each plays a significant role for society in respect to health, food and clothing, our aging population, information technology, and in numerous other ways. These businesses are based on our advanced technology as a leader in the chemical industry worldwide, as well as on the strength of our relentless R&D together with the determination and passion of each worker. We are striving to safeguard people's lives and health by promoting safe and comfortable living. As a group, we remain united in this purpose, and shall continue this dedication into the future. Nippon Kayaku will work tirelessly to achieve the dreams of mankind as a trusted company, with "Creativity, Courage and Confidence" as our guiding motto.



Our company logo

This logo symbolizes Nippon Kayaku's company policies. The space at the center represents the cosmos, world and expanses of the Earth. The two soaring ellipses represent creativity and courage and the two circles are the confidence between Nippon Kayaku, which aspires to extraterrestrial space, and the public.

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* Company information after May, 2000 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.

Summary of Financial Results (Consolidated)

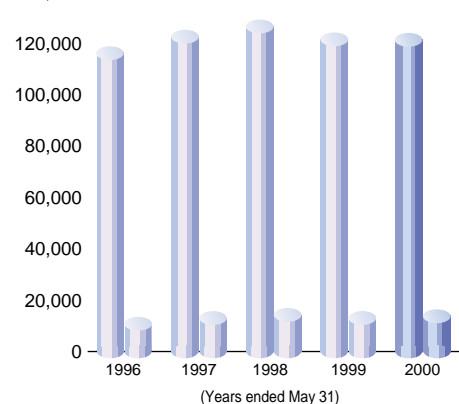
(Years ended May 31)

(Unit: million yen)

	1996	1997	1998	1999	2000
Net Sales	116,171	122,406	126,445	121,483	121,302
Operating Income	10,233	12,048	14,439	12,147	14,071
Income before Income Taxes and Minority Interests	9,578	11,314	13,071	12,057	10,132
Net Income	4,627	9,954	5,886	6,714	4,807
Shareholders' Equity	69,831	78,090	82,101	86,989	90,666
Shareholders' Equity per Share (Yen)	382.63	427.89	449.86	476.65	496.90
Net Income per Share (Yen)	25.35	54.54	32.25	36.79	26.34

Net Sales/Operating Income

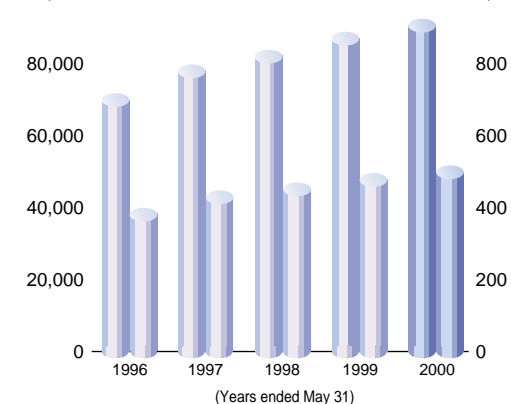
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Shareholders' Equity/ Shareholders' Equity per Share

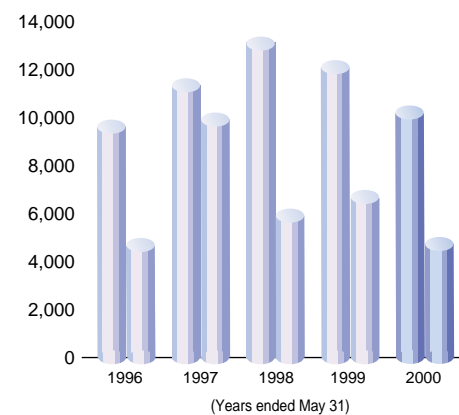
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(Unit: yen)



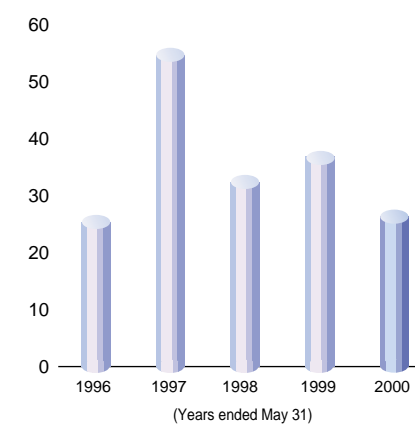
Income before Income Taxes and Minority Interests/Net Income

(Unit: million yen)



Net Income per Share

(Unit: yen)





President Teruo Nakamura

Business Performance Summary

While there have been encouraging signs of recovery in some areas, notably in public works and housing investment mainly as a result of a series of economic support actions by the government, by May 2000 the Japanese economy had not yet reached full recovery. Lagging private equipment investment and weak individual consumption continued to hamper the nation's return to sound economic health.

Especially in the pharmaceutical industry, even after the revision of domestic drug pricing in April 2000, drastic reform within the medical system is still being examined in Japan, and the tendency to reduce pharmaceutical expenditures is becoming stronger. In addition, there have been several key mergers of global pharmaceutical corporations, and competitive efforts are under way as they struggle for survival. On the other hand, the Japanese chemical industry found itself buoyed by increased exports due to recovery of the market in Southeast Asia. Still, the general business environment remains quite severe due to low domestic demand and weak prices.

Under these circumstances, Nippon Kayaku Group has actively promoted (1) to improve quality and efficiency of sales (2) acceleration of new business and product develop-

ment, (3) reorganization of matured business along with withdrawal from non-profitable lines, and (4) to increase efficiency of business through reorganization of the administration section and IT (Information Technology) implementation. As a result, although sales this year were 121.302 billion yen, a decrease of 181 million yen (0.1 percent) compared to the previous fiscal year, thanks to stronger profits by our consolidated subsidiary, Polatechno Co., Ltd., the Group's operating income grew to 14.071 billion yen, an increase of 1.924 billion yen (15.8 percent) over the past fiscal year. Net income was 4.807 billion yen, a decrease of 1.907 billion yen (28.4 percent), because of retirement payments to employees transferred subsequent to the establishment of a new company on June 1, 2000 following structural reform of our color chemical business.

Fundamental Management Policy

Nippon Kayaku Group constantly responds to the needs of customers, and contributes to society through the manufacture of fine chemicals, by providing expanded information and services, by strengthening the management of the consolidated group, by combination and utilization of "Knowledge" of the wide range of unique technologies we have accumulated as well as the development of software, etc., and by carrying out further innovation and expansion. In addition, for various environmental issues, we take responsible measures for all processes from the development and production of products to their ultimate disposal, and perform management activities with unremitting emphasis on the environment.

Under this management policy, in January 2000, we announced our mid-term corporate strategy for development for the group starting from fiscal year 2000. We set the target for the consolidated results for fiscal year 2002 (June 2002 to May 2003), targeting sales of 150 billion yen, operating income of 22.3 billion yen, net income of 11 billion yen, and a return on equity of 11.5 percent.

For achieving these targets, we have divided our efforts in each of the growing markets into the fields of Medicine/Welfare and Care, Information/Communications, and Environment/Safety Systems. We are pushing for the development and growth of the entire group through the following business fields:

Medicine/Welfare and Care

Treatment for cancer and related medicine, cancer prevention, diagnostics, healthcare

Information/Communications

Semiconductor, LCDs (liquid crystal displays), optical data recording

Environment/Safety Systems

Vehicle safety systems, waterproofing treatment for concrete, new environment-friendly products, etc.

Also, our businesses for explosives, color chemicals and fine chemicals are positioned as stable and profitable, and these will be maintained by strengthening competitiveness, and connecting them to new business or new products by inheriting and utilizing the "Knowledge" we currently possess.

In order to promote these business strategies swiftly and efficiently, introduction of a new employee development and wages system with a strengthened emphasis on results, reform of the organizational climate by group creativity, and management reform such as thorough business management with emphasis on capital efficiency, etc., will be carried out and we will further strengthen the foundation of our overall management.

Business Strategy

[Medicine/Welfare and Care]

The Medicine/Welfare and Care field will be further developed with cancer-related areas at the center. Our company currently has nine anti-cancer agents, which together hold about 13 percent market share in terms of the number of agents, while other companies handle just two or three products each. Unlike western countries, in Japan cancer patients are not concentrated in hospitals that specialize in oncology, but instead are dispersed across various types of hospitals and clinics. We have been accumulating marketing know-how ideally suited for the particular characteristics of the Japanese market. We promote our products utilizing such know-how. In addition, not only limited to anti-cancer agents, we also aim at providing comprehensive services for the supportive care of cancer patients. Furthermore, with the Diagnostic Division concentrating on diagnostic agents for cancer, we shall develop total services from diagnosis up to treatment, while even home care services for cancer patients are being considered for the future. Further targeting the welfare and care field, we are currently planning care service business that combines medicine and care services, and through it we plan to provide a range of products and services that are highly beneficial to our aging society.

[Information/Communications]

In the Information/Communications field, we will maintain our strong market share for the special epoxy resin used in semiconductor manufacturing, at about 40 percent of the global market. Also, our unique resin products that harden under UV light enjoy about a 15 percent share of the domestic market. Based on these outstanding technologies, as well as dyes that hold a solid market share, processing technology, film technology and organic synthesis technology, we will further develop our complex process materials business with information, optics, and recording materials as the core.

1. Development of process materials for semiconductors

We develop such process materials as next-generation epoxy resin for sealants with outstanding characteristics of heat resistance and low moisture absorption, liquid epoxy resin composition for sealants of various electronic parts and adhesives, and liquid resistors used for printed circuit boards.

2. Development of materials for optics/information

The growth of such products as overcoatings, adhesives, quenchers, lens resin for optical discs such as CD-R or DVD, etc., is expected.

3. Acrylic monomers and oligomers

With a selection of monomer, oligomer and photopolymer materials, we enjoy about 15 percent share of the domestic market. We intend to expand this business by strengthening cooperation with our affiliate company, Kayaku Sartomer Co., Ltd.

4. Development of functional color agents for inkjet printers, etc.

We have developed new high-density and durable color agents. We are currently marketing these color agents both domestically and abroad, for a variety of uses such as for fiber, paper or color filters, etc.

5. Film business

Our polarizing film for projection holds a 90 percent share, while our colored polarizing film for automobiles enjoys a 70 percent share. For expansion, we will invest 4.5 billion yen within three years for equipment and facilities in order to improve our factory capacity to 1,000 square meters, which is 2.5 times larger than the current space. Dejima Optical Films B.V., which was established in the Netherlands in 1999 as a 100 percent subsidiary of Polatechno Co, Ltd., produces crystal-coated temperature-sensitive film and its sales are expanding due to the development of the LC (liquid crystal) display market for cellular phones, etc. We will expand the business of this subsidiary further as a key overseas production base.

[Environment/Safety Systems]

We will expand the share for our air bag inflators in the domestic market from our current 10 to 15 percent to 30 to 32 percent, as well as increase the sales volume of MGG (micro gas generators) for seatbelt pretensioners while maintaining a 50 percent share. Also, we have developed a small-scale, light-weight and low-cost IF (inflator) just 60mm in diameter, a gas generating agent with a gasification rate of over 85 percent, and soft inflators, etc. Those developments were finished with some introduced to the market in the summer of 2000. At our Himeji plant, we will invest about 3 billion yen for equipment in the next two years, in order to improve productivity as well as to reduce the amount of materials used

while decreasing product volumes by setting a target for reduced cost by 30 percent. In addition, we are planning to expand the production of squibs, and MGG, etc., using Indet Safety Systems a.s., which we acquired in Europe in 1999, and LifeSparc Inc., established in North America in 2000, as overseas production sites.

Concrete waterproofing has been initiated as a new sideline. Our waterproofing agent, "FLOWSEALER," is a next-generation waterproofing agent that works quickly and lasts longer, as well as being easy to apply and environmentally friendly. We have established a system for sales and application of the agent, and are aiming at sales of 3 billion yen for fiscal year 2002.

Strengthening Fundamentals

To execute the business strategy swiftly and efficiently, we will strengthen our competitiveness and profit foundation by accelerating the speed of structural reform, and will work hard to improve our business results with group-wide efforts. As a part of these efforts, we are currently dealing with reform of the company's personnel affairs and wage system, together with organizational reform. For example, we introduced a new "position class system" in order to promote innovation through work awareness and actions, by linking jobs and reward of administrative posts. Also from June 2000 for all workers, we adopted a "point-related retirement payment system," which reflects the degree of contribution during work.

In addition, we carried out organizational reform of the Administrative Division in September 2000, for (1) strengthening strategic planning function; (2) strengthening and increasing the efficiency of support functions of Business Headquarters; (3) strengthening the organizational system with adjustments to key trends, such as IR (Investor Relations), legal affairs, environmental safety, ensuring product quality, etc.; and (4) strengthening the audit function. By utilizing IT together with these reforms, we are targeting a reduction of staff in the Administrative Division by about 20 percent over the next three years.

On the other hand, we have also adopted an "invention incentive system" for encouraging innovation as part of the company climate, especially for improved consciousness of staff in the R&D Division. Under this plan, when an outstanding innovation is made, 1 percent of the annual sales (over 5 billion yen for medicines, over 1 billion yen for chemical products, and over 2 billion yen for agrochemicals), and 2 percent

of annual royalties, are provided to the inventor with no upper limit. We strongly believe that actively using one's brain as part of a team in order to acquire this reward will improve our R&D ability and the competitiveness of the whole group.

Outlook for the Next Fiscal Year

Although recovery of the Japanese economy is expected as individual consumption and equipment investment are improving, the business environment surrounding us is still very tough, and the near-term outcome remains unpredictable.

For the next fiscal year, we are expecting an increase in revenue and income with sales of 129.3 billion yen (an increase of 6.6 percent compared to the previous fiscal year) and operating income of 16.1 billion yen (an increase of 14.4 percent). Net income is also expected to rise to 6.8 billion yen (an increase of 41.5 percent) based on the premise of a lump sum redemption of about 6 billion yen in accumulated shortfall through provision of retirement payments.

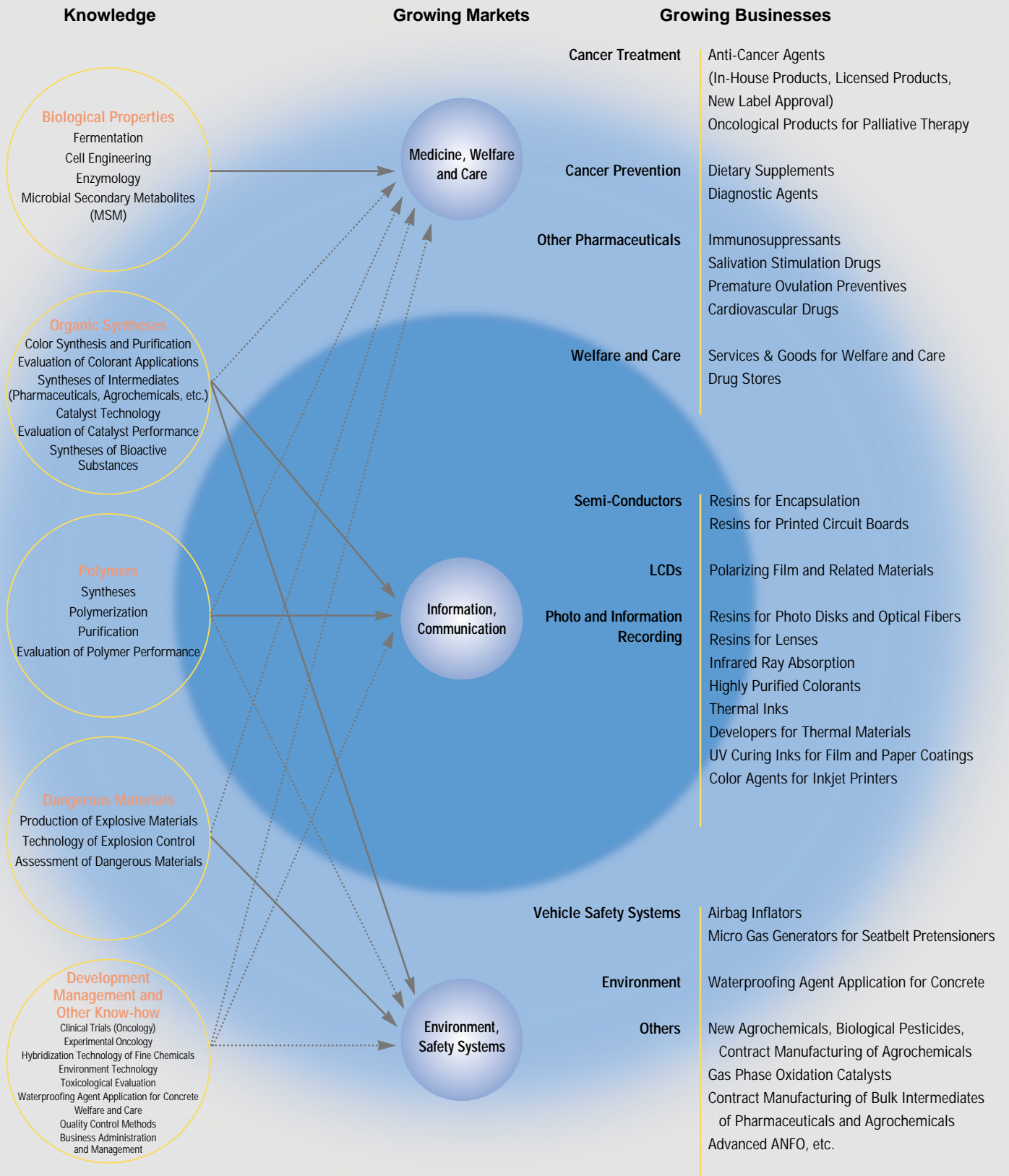
As dramatic structural reforms within society and the economy are taking place, we have been doing our best to deal with several key management issues for creating a new future for Nippon Kayaku Group. We sincerely hope that you will continue to support us.

October, 2000



President

Growth Strategy with Fusion and Utilization of Intellectual Property



Contribution to society and daily living in diversified fields based on fine chemicals and pharmaceuticals

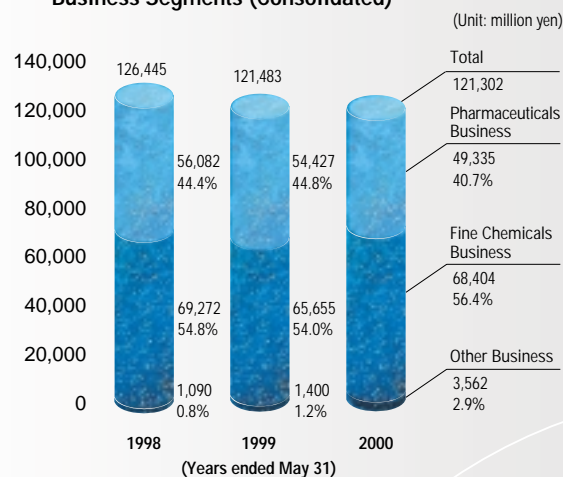
Since its foundation in 1916, Nippon Kayaku has promoted its core businesses for more than 80 years centering on the two main areas of pharmaceuticals and chemicals. The products and technologies of Nippon Kayaku cover extensive fields that support society, industry, and daily living in a variety of important respects. Most of the company's products and services are related to the most critical spheres in which we live, including human health and the environment.

Since the company's first success involving domestic production of aspirin in 1932, Nippon Kayaku has provided pharmaceutical products that consistently meet the needs of the public. Our company has been developing pharmaceutical products to contribute to various clinical treatments, and especially notable are the company's nine anti-cancer drugs, making up one of the best such lineups in the world, as well as cardiovascular drugs indispensable in the treatment of heart disease, and immunosuppressants crucial to the long-term support of organ transplants. In addition, Nippon Kayaku was quick to predict the necessity of preventive medicine as an enterprise, and came up with cancer diagnostics and a diabetes diagnostic agent, Lana AG.

The chemical products manufactured through the fine chemicals technology of Nippon Kayaku cover a number of truly diversified fields. For example, the technology for highly safe explosives and electric detonators developed by Nippon Kayaku over the years has contributed immeasurably to safer road and railroad construction, urban development, and national land development. By application of specialized gunpowder technology, airbag inflators for automobiles have been developed and supplied to the market. The precise technology that controls an explosion in units of 1/1000 of a second contributes greatly to a safer motoring public through improvements in automobile airbags.

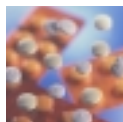
The technologies and products of Nippon Kayaku include numerous state-of-the-art functional materials to support the information technology (IT) society, such as epoxy resins used for semiconductor encapsulation material that currently account for an approximately 40 percent share of the world market, as well as thermal ink, UV-curing resins, optical film for liquid crystal displays, catalysts for production of acrylic acid and methacrylic acid compounds, textiles and paper products, resins and various dyes for color inkjet printers, and agrochemicals that contribute to a stable food supply. All these products support the development of various industries and contribute to leading a prosperous and healthy lifestyle.

■ Net sales and Composition Ratio by Business Segments (Consolidated)



Pharmaceuticals Group

- ◆ Anti-cancer Drugs
 - FARESTON
 - ODYNE
 - STARASID
 - PINORUBIN
 - LASTET
 - BESTATIN
 - RANDA
 - BLEO
 - PEPLEO
- ◆ Immunosuppressants
 - SPANIDIN
- ◆ Cardiovascular Drugs
 - ADEHL
 - NITROGLYCERINE TABLETS
 - NITROPEN TABLETS
 - MILLISROL
 - MILLIS TAPE
- ◆ Diagnostic
 - LANA AG
 - LANAZYME ST-439

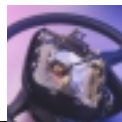
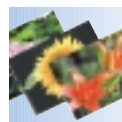


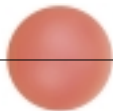
Others

- ◆ Healthcare
- ◆ Repair Material for Waterproofing
 - FLOWSEALER

Fine Chemicals Group

- ◆ Inflators
 - AIRBAG INFLATORS
 - SQUIBS
 - MICRO GAS GENERATORS FOR SEATBELT PRETENSIONERS
- ◆ Catalysts
 - CATALYSTS
 - PLANT LICENSE BUSINESS
- ◆ Functional Products
 - EOCN
 - BREN
 - KAYATORON
 - KAYAHARD
 - KAYARAD
 - KAYAMER
 - KAYACURE
 - KAYANOVA
 - KAYASORB
 - KAYAMIRROR
- ◆ Color Chemicals
 - KAYALON POLYESTER
 - KAYACRYL ED
 - KAYACELON REACT
 - KAYARUS
 - KAYASION
 - KAYAFECT
 - KAYAPHOR LIQID
 - COLORING AGENTS FOR COLOR INKJET PRINTERS
- ◆ Agro and Fine Chemicals
 - DIAZINON
 - CYCLOSAL
 - KAYABEST
 - MCPB
 - CHLOROPICRIN
 - CUCUMERIS
 - RATDEN
- ◆ Explosives
 - DYNAMITE
 - SLURRIED EXPLOSIVES
 - AMMONIUM NITRATE FUEL OIL EXPLOSIVE (ANFO EXPLOSIVE)
 - BLACK POWDER
 - ELECTRIC DETONATORS





Pharmaceuticals Business

Review of Operations

The annual sales of our Pharmaceuticals business amounted to 49.335 billion yen, a decrease of 5.092 billion yen (9.4 percent) compared to the previous fiscal year, and the operating income was 12.509 billion yen, a decrease of 2.815 billion yen (18.4 percent) compared to the previous fiscal year. Of pharmaceutical products for the domestic market, sales of FARESTON (anti-cancer drug), RANDA (anti-cancer drug), PINORUBIN (anti-cancer drug), and MILLIS TAPE (vasodilator) increased whereas the sales of ODYNE (anti-cancer drug), MILLISROL (vasodilator), and BESTATIN (anti-cancer drug) decreased, leading to a decrease in total sales compared with the same period sales in the last year. For pharmaceutical products for export, the sales of ETOPOSIDE (anti-cancer drug) increased whereas the sales of BLEOMYCIN (anti-cancer drug) decreased. The sales of the bulk for both domestic and foreign markets decreased compared to the previous fiscal year. For diagnostic products, the sales of LANAZYME ST-439 (breast cancer diagnostic agent) increased whereas the sales of the major product LANA AG (diabetes diagnostic agent) decreased with sales less than the previous fiscal year. As for preservatives, the sales of alcohol decreased compared to the previous fiscal year. Of the healthcare-related products, the sales of bulk increased with sales exceeding the previous fiscal year. Our

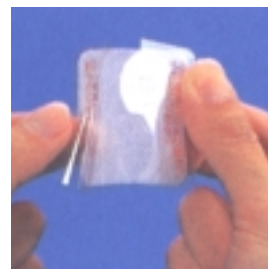


Nine anti-cancer drugs, one of the best lineups in the world

pharmaceutical products, mainly the anti-cancer drugs, are exported to more than 80 countries. In addition, joint research is conducted in exploratory research for anti-cancer drugs in affiliation with pharmaceutical companies overseas. In October 1999, application was filed for the manufacture of cevimeline hydrochloride hydrate, a drug for Sjögren syndrome jointly developed by Nippon Kayaku and Snow Brand Milk Products. Sjögren syndrome is an intractable disease of unknown cause with symptoms such as dry mouth and eyes due to disorder in the salivary gland and lacrimal gland. Cevimeline hydrochloride has an action which directly stimulates salivary gland cells and accelerates salivary secretion. It is expected to be useful for improving the quality of life in patients suffering from unpleasant symptoms such as oral and ocular dryness.

●Anti-cancer drugs

Nippon Kayaku is engaged in the development of anti-cancer drugs in the fields of prevention, diagnosis, and treatment. The technologies and achievements are among the top level in the world. The launch of BLEO in 1969 was followed by PEPLEO in 1981, RANDA in 1984, BESTATIN and LASTET in 1987, PINORUBIN in 1988, STARASID in 1992, ODYNE in 1994, and FARESTON in 1995, and the company has thus established a stable position as an anti-cancer drug manufacturer. At present, our lineup of anti-cancer drugs covering cancers of all sites is virtually unparalleled. For the total care of cancer, the company is making efforts in the research and development of drugs to relieve severe pain associated with terminal cancer, and supplementary drugs to suppress adverse reactions of anti-cancer drugs and to maximize their characteristics effectively. Of these, early development of a cancer diagnostic agent indispensable for early detection of cancer is awaited. At present, Nippon Kayaku provides the cancer diagnostic drug LANAZYME ST-439, which utilizes monoclonal antibodies, for clinical use.



MILLIS TAPE, a transdermal patch formulation

●Cardiovascular drugs

In the research and development of cardiovascular drugs, Nippon Kayaku has also made global achievements. As a producer of explosives that has handled nitroglycerine for years, the company started the manufacture of sublingual nitroglycerine tablets in 1953, noting that nitroglycerin has an action as a specific remedy for angina attacks. Later in 1984, MILLISROL, the first nitroglycerin water solution drug in Japan, was launched. In 1988, NITROPEN, a new type of sublingual nitroglycerine tablet with heat sealing for portability, was launched, followed, in 1989, by MILLISROL TAPE, which demonstrates preventive effects against attacks of angina pectoris or heart failure with only skin application, and MILLIS TAPE, a smaller and improved version of MILLISROL TAPE, in 1998. To prepare for the aging society of the future, the company has a good lineup of nitroglycerine products to combat cardiovascular disease. We also carry out research and development of new compounds effective for cardiovascular disease. ADEHL, one example of such development, is expected as a drug having a special mechanism of action with both inotropic and vasodilating effects.

●Immunotherapy drugs

To prepare for the aging society to come, Nippon Kayaku is expected to make further breakthroughs as a pharmaceutical manufacturer. One such breakthrough is immunotherapy. Of all the therapeutic fields, the drugs most awaited are immunosuppressants to suppress rejections of organ transplants and drugs for treatment of autoimmune diseases such as allergies. For the research and development of these drugs, Nippon Kayaku is conducting joint research with various companies. To elucidate the immune system which is indispensable for living creatures to survive has become a great theme for medicine of the future. In the research and development of anti-cancer drugs, the company has already made achievements not only through the approach of chemotherapy but also through immunotherapy. Organ transplants are a state-of-the-art medical treatment, which is commonly practiced in medically advanced countries in the world and is now becoming accepted in Japan. As immunosuppression is the greatest issue at the time of organ transplantation, Nippon Kayaku launched SPANIDIN in 1994. The immunosuppressant is being employed at many medical institutions even now, and has been highly regarded. SPANIDIN is also drawing considerable attention as a drug for autoimmune diseases such as glomerular nephritis.

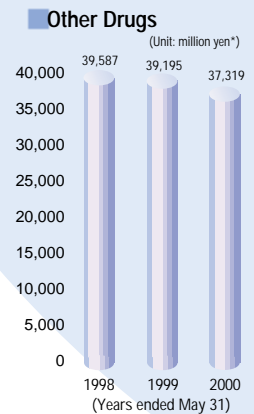
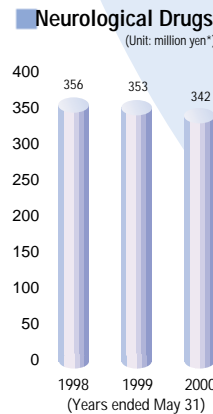
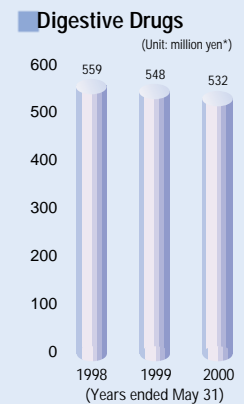
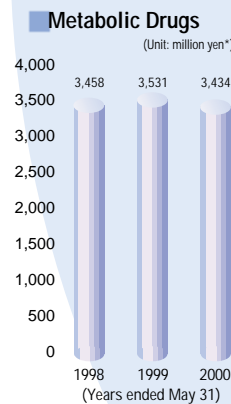
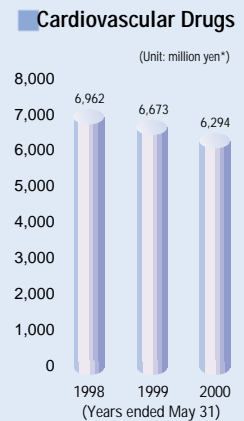
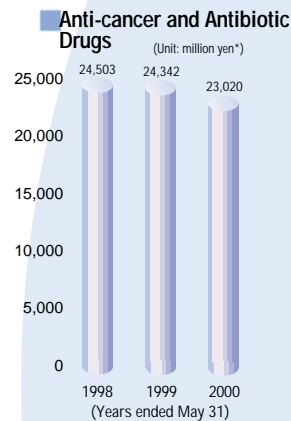
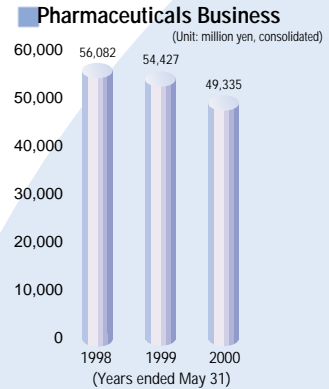


ADEHL



SPANIDIN

TOTAL SALES



*: non-consolidated

Outlook for the Future

In the future, Nippon Kayaku will specialize in cancer treatment and cancer-related businesses in the medical field, and will combine and utilize its "Knowledge" to make it a core for growth and development of the company. As expected sales for our fiscal year 2002, the company targets 58 billion yen in consolidated accounts. In the pharmaceutical development in Japan, NK433, a drug for temporomandibular joint disorder and SNI-2011, a drug for Sjögren syndrome, have already been applied for approval, and PMCJ-9, a drug for bladder cancer, and NS75A, a drug for infertility, are scheduled to be applied by the end of 2000, while DDP-H, a drug for hepatocellular carcinoma, and SS750, an antifungal drug for systemic infection, are under development. In addition, a drug delivery system (DDS) to enhance therapeutic efficacy by concentrating and accumulating a high molecular weight compound containing an anti-cancer drug in cancer tissue is under development. In Europe, development of a drug for autoimmune diseases, NKT-01 (SPANIDIN), is being conducted, while joint research with venture companies is being conducted in the United States to search for new drugs on a long-term basis.

Joint development of antifungal drug with SS Pharmaceutical Co., Ltd.

In September 1999, Nippon Kayaku signed a contract for joint development of the antifungal drug SS750 for systemic infection developed by SS Pharmaceutical Co., Ltd. This is a triazol antifungal drug to be administered for systemic infection from fungi (mold) in persons with extremely compromised immunity such as patients with acquired immunodeficiency syndrome (AIDS), patients with terminal cancer, and patients with severe diabetes mellitus. The drug also has a potent action for aspergillus, against which conventional antifungal drugs have weak effectiveness, and is reported to have a wider antibacterial

spectrum. A clinical study will be started in the United States by the end of the year 2000.

Drug for Sjögren syndrome

In October 1999, Nippon Kayaku applied for approval of manufacture of a drug for Sjögren syndrome that was jointly developed by Snow Brand Milk Products. Sjögren syndrome is an intractable disease with symptoms such as dry mouth and eyes due to disorders in the salivary gland and lacrimal gland. According to the national survey of patient trends conducted by the Ministry of Health and Welfare in 1997, the number of patients with the disease is estimated to be approximately 42,000. SNI-2011 is a new drug for Sjögren syndrome containing cevimeline hydrochloride hydrate as an active ingredient, which has an action to stimulate salivary gland cells. It has already been approved in the United States and is under review by EMEA (European Medicines Evaluation Agency). It is scheduled to be launched in Japan in 2002.

Joint development business with U.S. venture companies

Nippon Kayaku has started a plan to supply 30,000 types of microorganism culture broth extracts to venture companies in the United States as a seed for joint development of new drugs.

Steps in clinical development

Status of new product development

Status of development	Therapeutic classification	Test drug name Non-proprietary name	Development code	Category	Major domestic developers	Expected indications
			Date of NDA		Origin	
NDA filing	Neurological drug	NK433 Lanperisone hydrochloride [Tablet]	NK433	Central muscle relaxant	Nippon Kayaku	Temporomandibular
			Jul. 31, '95		Nippon Kayaku	
	Narcotic analgesic	Morphine sulfate [Capsule]	TNK951	Morphine sulfate	Joint dev. with Teikoku	Cancer pain
			Mar. 10, '99		Ethypharm	
	Neurological drug	SNI-2011 Cevimeline hydrochloride [Capsule]	SNI-2011	Muscarinic agonist	Joint dev. with Snow Brand	Dry mouth associated with Sjögren syndrome
			Oct. 13 '99		Snow Brand	
Phase II	Anti-tumor drug	BCG vaccine [Intravesical instillation]	PMCJ-9	BCG vaccine	Joint dev. with Aventis Pasteur	Bladder cancer
	Anti-hormonal drug	NS75A Cetorelix [Injection]	NS75A	LHRH antagonist	Joint dev. with Shionogi, ASTA Medica, Kayaku ASTA Medica	Infertility
					ASTA Medica (Germany)	
Anti-hormonal drug	NS75A Cetorelix [Injection]	NS75A	LHRH antagonist	Joint dev. with Shionogi, ASTA Medica, Kayaku ASTA Medica	Uterine myoma	
					ASTA Medica (Germany)	

Review of Operations

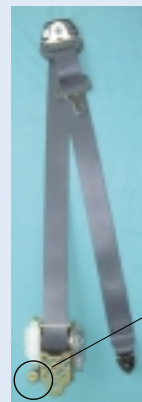
The annual sales for Fine Chemicals business were 68.404 billion yen, an increase of 2.749 billion yen (4.2 percent) compared to the previous fiscal year, and the operating income was 7.844 billion yen, an increase of 4.216 billion yen (116.2 percent) compared to the previous fiscal year. In the inflator business, airbag gas generators (inflator) and micro gas generators for seatbelt pretensioners did well, and a Czech subsidiary company that produces squibs has been turning out steady profits. The catalyst business was sluggish because there was no export of catalysts for manufacture of acrylic acid. In the functional products business which is enjoying good results from booming information technology (IT) related industries, the sales of epoxy resins for semiconductor encapsulation and UV-curing resins for information storage materials are increasing, and optical functional films showed considerable growth owing to this increased demand. In the color chemicals business, special color chemicals for non-textiles showed favorable growth including color chemicals for paper and pulp, resins, and inkjet printing. The sales of fabric dyes were not favorable due to a slump in the market, but the achievements of two Chinese subsidiary companies showed favorable growth. Agrochemicals continuously faced severe conditions in both domestic and overseas markets, and fine chemical intermediates did not perform well due to diminishing demand. In the explosives business, explosives, electric detonators, and fireworks showed steady results. In addition, in the Fine Chemicals business, the color chemical department in the Tokyo plant and all departments in the Fukuyama plant were turned into independent companies. This is an attempt to improve their high-cost nature and strengthen cost competitiveness, aiming to promote introduction and the growth of new business for further expansion of this line of business.

◆ Inflaters

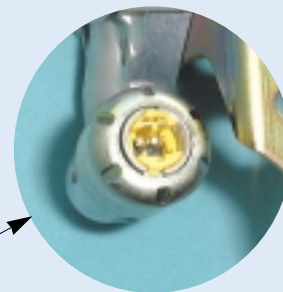
The explosives technology and the explosion control technology established by Nippon Kayaku over long years are utilized in airbag inflators to protect passengers at the moment of collision. The inflator is a core part of the airbag to inflate the bag by generating gas after receiving a signal from a collision sensor. It can take only 0.1 second for the sensor to sense the collision, explode the powder to burn the gas generator, and inflate the airbag if a passenger is to be saved. Our technology for controlling an explosion in unit of 1/1000 second is utilized in that critical moment. Nippon Kayaku also produces micro gas generators (MGG) for seatbelt pretensioners that lock the seatbelt to ensure the safety of a car passenger at the time of collision, and supplies them to automobile manufacturers in Japan. With the increase in the number of automobiles, the safety standard has been upgraded. To meet such requirements in society, the company has been tackling new areas, for example, the development of new gas generators, and adding a function to control the way an airbag inflates depending on the speed at the time of collision, and the technologies are regarded to be at a top level in the world.



Airbag for driver's seat and Inflator



Seatbelt pretensioner



Micro gas generator (MGG)



Airbag inflator for driver's seat

◆Catalysts

Two types of catalysts for the production of acrylic acid by propylene direct oxidizing method and two types of catalysts for the production of methacryl acid by isobutylene direct oxidizing method are manufactured and marketed.

Acrylic acid produced using catalysts of our company turn out products useful in various aspects of daily life. For example, super absorbent polymer (SAP) is used for paper diapers and sanitary napkins, and its share in the chemicals market is increasing at an annual rate of 5 percent and more. Acrylic acid polymer is used as a raw material in dental cement for treatment of cavities, and acrylic acid ester synthesized from acrylic acid and alcohol is used as raw material for tags and water paints, etc.

On the other hand, acrylic plates produced from methacrylic acid are highly transparent, and are used for signboards, displays, airplane windshields, large water tanks at public aquariums, and compact disks (CD). The catalysts of Nippon Kayaku are not only for domestic use and are exported to various countries to contribute to development of numerous industries on a global basis.



◆Functional products

Nippon Kayaku has a 40 percent share of the world market for epoxy resin semiconductor encapsulation. This is proof of our success and testifies to our skill in constantly grasping and meeting the needs of the market. We have succeeded in liquifying epoxy resins for semiconductor encapsulation that had been limited to a solid form. On the other hand, optical films with superior heatproof and weatherproof properties used for liquid crystal displays (LCD) have been employed for electronic and information-related equipment including car navigation systems, lap-top computers, word processors, and liquid crystal televisions, and evaluated highly. Based on resins as a basic material, we are engaged in the development of combined materials with a higher added value by making full use of our own fine chemicals technology. Particularly, thermal ink is used for receipts and prepaid cards taking advantage of instant printability. In addition, dip materials and molding compositions of the KAYATORON series, and application products using high-purity liquid epoxy resins have been developed, and have attracted attention in various fields. By combining our macromolecular technology and paper-related assessment technology, we have also developed recyclable KAYANOVA (coating

material for special paper). Moreover, UV-curing resins and combined materials are used in numerous fields including CD, digital versatile disks (DVD), coating agents for optical disks, adhesives, precision lenses for electronic and information equipment, resist ink for printed boards, and coating of optical fibers. We will continue creating diversified products to contribute to society based on our distinguished ability for research and development.

◆Color chemicals

The color chemicals division manufactures approximately 700 types of dyes and coloring agents. In recent years, the diversification and complexity of fabric materials demand the advanced technologies used for dyes. Nippon Kayaku has met the needs of the age by developing a number of new technologies such as KAYACELON REACT, an epoch-making dye that enables dyeing synthetic fabric and natural fabric at the same time. We are also conducting research and development of dyes for paper pulp, fluorescent dyes, and KAYASET, a dye for coloring resins. In addition, we are conducting research into coloring agents for color inkjet printers used for the output of digital cameras and computers, and have come up with coloring products with good lightproof and waterproof properties. Nippon Kayaku, with a broad perspective,



Examples of color inkjet printouts using our coloring agents

continues research and development by comprehensively covering various technologies related to color.

◆Agro and fine chemicals

The agrochemicals group exports agrochemicals to more than 50 countries worldwide including Russia and Europe but mainly to Southeast Asia. At the same time, we conduct research and development to make these chemicals safer and more environmentally friendly, and supply agrochemicals to help raise safe farm products. CUCUMERIS, which uses insects as a natural predator to suppress other insects, the first of its kind in Japan and a subject of attention at present, is one example. This is one of the latest insect extermination methods with little effect on the environment, and which can curb excessive use of agrochemicals. It is another theme of the research and development of Nippon Kayaku to supply agrochemical products that are safe, effective, and easy to use. For example, a microcapsule preparation containing an agrochemical in small capsules has sustained efficacy by controlling the agrochemical's release from the capsule. In addition, a bulk preparation packaged in a water-soluble film is a unique compound that can be scattered in a

short time without having to physically touch the agrochemical. Meanwhile, the synthesis technology we have developed is applied for supplying intermediates which serve as raw materials of fine chemical products. In particular, nitrotoluene chemicals, for which we are the only supplier in Japan, are used as raw materials for pharmaceuticals, agrochemicals and dyes.



New ANFO Explosive

Explosives

Nippon Kayaku has contributed to the Japanese economy as a leading manufacturer of industrial explosives since its foundation. Our products, such as dynamite, slurried explosives, ANFO explosives, and electric detonators, are used for civil projects including the construction of dams and tunnels, and residential land development, quarries and mines. The mainstream of the currently used explosives in place of conventional dynamite is ULTEX, an emulsion-type slurried explosive containing no nitroglycerin. It is highly safe and manageable while having an explosive power equivalent to dynamite. We will conduct further research and development of ANFO explosives and emulsion-type slurried explosives to deliver new products which meet the needs of users. The technology of Nippon Kayaku is also utilized in fireworks that light up the summer night's sky. We are the only company in Japan that manufactures the propellants used for fireworks, and the detonating cords to set them off. As risk assessment tests, the company performs tests recommended by the United Nations concerning the transportation of hazardous materials in terms of fire regulations, chemical substances, and hazardous materials to ensure safety from an objective point of view.

Outlook for the Future

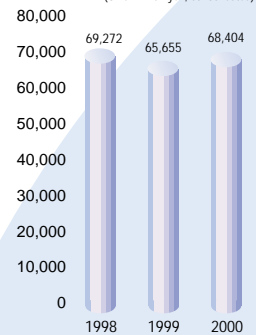
In the Fine Chemicals business, 5 billion yen in single accounts and 7.5 billion yen in consolidated accounts are targeted as operating income in fiscal year 2001. To realize this target, we have developed and successively launched airbag inflators for the passengers seat and seat side, new functional films, information-related functional products, coloring agents for inkjet printers, high-purity epoxy resins for semiconductor encapsulation, various ANFO explosives, and new insecticides. In addition, to improve the current high-cost structure, Nippon Kayaku will aggressively utilize our foreign footholds for production. At present, our Fine Chemicals business has such footholds in two countries, the Czech Republic and China. New bases for production of inflators was set up in the United States.

A policy was made to manufacture functional products using combined materials focusing on electronics-related materials, information-related materials, and optics-related materials, and we plan to establish a new group to handle the combined materials in 2002/2003. Without the inflator business, it would be impossible for us to achieve the goal of our fiscal year 2001. The entire sales of the

TOTAL SALES

Fine Chemicals Business

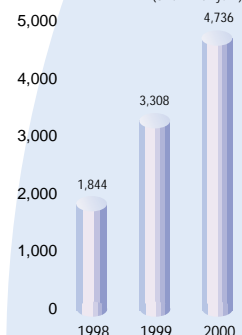
(Unit: million yen, consolidated)



(Years ended May 31)

Inflators

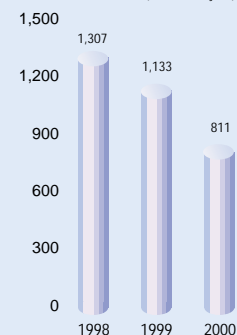
(Unit: million yen*)



(Years ended May 31)

Catalysts

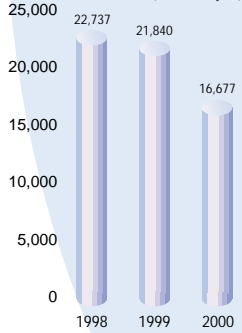
(Unit: million yen*)



(Years ended May 31)

Functional Products

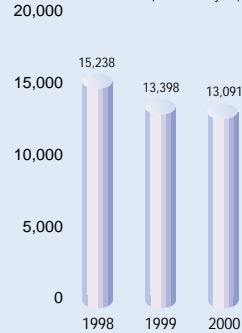
(Unit: million yen*)



(Years ended May 31)

Color Chemicals

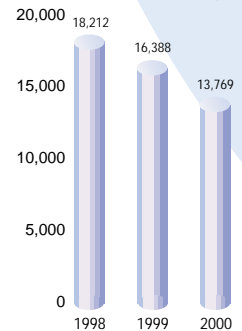
(Unit: million yen*)



(Years ended May 31)

Agro and Fine Chemicals

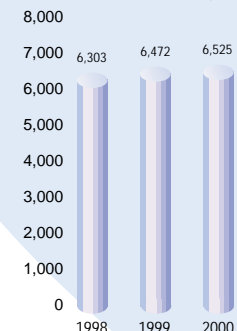
(Unit: million yen*)



(Years ended May 31)

Explosives

(Unit: million yen*)



(Years ended May 31)

*: non-consolidated

company are steadily increasing, but cost competition in the automobile industry is very stiff, and how to launch new products that are cost-competitive is critical. To win such an international competition, Nippon Kayaku will establish a tripartite production system in Europe, the United States, and Japan to improve the high cost structure. Also, we will invest approximately 4.5 billion yen in facilities and equipment for domestic and foreign inflator business in the next three years to increase the total sales to 12 to 13 billion yen including sales in Europe and the United States.

Construction of tripartite production system among Japan, U.S. and Europe for automobile safety-related business

In July, 2000, Nippon Kayaku purchased a company in California that holds a wide range of patents for ignition technology using semiconductors. In cooperation with Nichimen Corporation, Nippon Kayaku established a new company, LifeSparc, as a joint production center for car collision safety-related components such as seatbelts, etc. It will start production of squibs, or igniters, in September, and initiate production of micro gas generators (MGG) for seatbelt pretensioners from the year 2001.



Czech ISS

In February 2000, Nippon Kayaku purchased additional shares of Indet Safety Systems (ISS), a Czech subsidiary company, jointly with Nichimen Corporation to increase the investment ratio to two-thirds. ISS is currently producing 12 million squibs annually, and will start mass production of MGG devices and glass-encapsulated squibs. With the establishment of the U.S. production center, Nippon Kayaku has established the world's first tripartite production system among Japan, the U.S., and Europe.

Growing sales of Polatechno's LCD films

Polatechno was established in 1991 as an exclusive manufacturer of optical films for liquid crystal displays (LCD) by joint management of Nippon Kayaku and Arisawa Mfg. Co., Ltd. Its sales exceeded 10 billion yen as of March 2000, and showed a large increase of more than 10 percent compared to the previous year. The company is a leading manufacturer of polarizing plates with a large share of the market for products for liquid crystal projectors and LCD screens used in automobiles by development of high-durability dyestuff-based polarizers and adhesives. With the currently grow-

ing LCD market, demands for polarizing plates for LC projectors, dyestuff-based polarizing plates, and elliptical polarizer (combination of a polarizer and retarder) for cellular phones have increased, and the company was able to achieve sales of 10 billion yen, the sales target since establishment. With the sales of IT-related new products such as products for cellular phones and PDAs (Personal Digital Assistants) expected to grow further in sales during this fiscal year, an increase in sales of 30-50 percent is targeted. Particularly, in the new products for cellular phones, the company will develop business focusing on polarizing plates using a combination of polarizer and retarder such as TWISTER manufactured by our affiliated company, Dejima Optical Films.

Business expansion by Kayaku and Sartomer

In November 1999, Nippon Kayaku and Sartomer Inc. in the United States (head office: Pennsylvania), a member of Totalfina Group in France, reached an agreement to expand business activities of Kayaku Sartomer (head office: Tokyo, capital of 20 million yen), a joint venture company with equal shares in Japan. Since its foundation in 1992, Kayaku Sartomer has been engaged in the import and marketing of special acrylate and methacrylate for UV and electron beam (EB)-curing resins, which are in increasing demand in numerous fields including various coatings, printing ink, adhesives, photoresist, PS plates, and rubber crosslinker agents. It has been enjoying steady sales, but a substantial review of the strategy has been attempted in the past three years. As a result, it is now possible to market the products of Cray Valley, a sister company of Sartomer, such as oligomers and related materials in Japan. This also enables the market development and technological support of monomer and oligomer products of Nippon Kayaku in North America through Sartomer. Owing to a renewed contract, Kayaku Sartomer aims to achieve sales of 3 billion yen in five years.

Establishment of Dejima Optical Films

Nippon Kayaku regards the LCD-related products represented by display films, manufactured and marketed by its subsidiary company, Polatechno, as promising materials to support the popularization of IT and cellular phones in an ever-growing market. Particularly, in addition to heatproof optical films for projection and dyestuff-based polarizing films for car navigation systems with the largest share in the world market, the company has come up with new products such as Temperature Matching Retarder, Front Scattering Film, Anti-Reflection Film, and Anti-Static Film. To increase productivity by 2.5-fold compared to current production, the company plans to invest approximately 4.5 billion yen in plant and facilities within three years. As part of global development, DEJIMA Optical Films B.V., a subsidiary company of Polatechno in the Netherlands, was newly established and started production of some of the above new products. DEJIMA Optical Films B.V. has an important role as Polatechno's foothold for foreign production in the future.

Full-scale entry in the business of liquid crystal sealing materials

In March 2000, Nippon Kayaku decided on full-scale entry into the business of liquid crystal sealing materials. This is an adhesive material of epoxy resins used for joining together the upper and lower glass substrates of LCD. Nippon Kayaku has enjoyed earlier success in the development of a new product with good heatproof and heat-shrink-proof properties based on the technologies accumulated as the largest manufacturer of epoxy resins for semiconductors, and so decided on full-scale entry in the business of liquid crystal sealing material manufacture. A building for production was already secured in the Asa plant (Yamaguchi Prefecture) in 1999, and an exclusive line free from impurities such as heavy metals was previously introduced. In a field mainly dominated by only one company, Nippon Kayaku will make efforts to develop a new market and to achieve a 30 percent share within a few years.

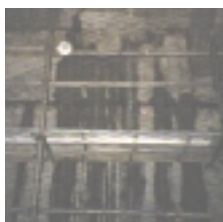
New series of ANFO explosives

Nippon Kayaku has developed a new series of ANFO (ammonium nitrate-fuel oil) explosives, and launched them in April 2000. The industrial ANFO explosives currently account for 75 percent of domestic demand, and are mainly used for civil engineering, quarrying of limestone, and collecting gravel. On the other hand, development of new products with performance required to meet the needs of various usage circumstances was being awaited. The new ANFO series consist of four types of ANFO (H) with high explosive speed, ANFO (L) with low specific gravity, ANFO (W) with simple water-resistance, and ANFO (E) with alkaline-resistance. Type H, a high-power product boasting a detonation speed of 3,000–3,500 m/sec., is the most appropriate for work in corners or in a thread-cutting part where the blasting load is greatest, thus reducing the amount used by approximately 10 percent compared to

conventional ANFO explosives. Type L is a product with low specific gravity which weighs approximately 30 percent less compared to normal ANFO explosives, and its soft blasting is expected to result in a controllable blasting effect and reduction in vibration and noise. Type W, which has a gel barrier on the surface of the explosive, is an epoch-making product in that it inhibits internal penetration of water. Type E, containing a special neutralizing agent, is mainly developed for the construction of tunnels by controlling the generation of ammonia gas. With the line-up of these new core products, Nippon Kayaku intends to increase the share of the ANFO explosive series.

Other Business

Nippon Kayaku decided to challenge the concrete repair business using FLOWSEALER, a new crack-penetrating sealant. FLOWSEALER, a product developed and marketed solely by Nippon Kayaku beginning in September 1999, is a unique new type of water-based sealant with a concept that stops water leakage using water itself. Since it is a complex product containing a highly safe water-soluble organic macromolecular compound and inorganic silica compound, it has superior characteristics such as securing a safe work environment, and less load on the natural environment. At present, its launch is being prepared by setting up a system to receive orders from government and municipal offices and major construction firms, and establishing an environmentally responsible construction system. In addition to the marketing of current products including spreading and infusion types, the company is actively conducting research to develop new products and construction methods to meet market needs, as well as joint research with government and universities to develop new usages, etc. Nippon Kayaku will fully take advantage of its own special technologies and marketing resources to start a full-scale business with FLOWSEALER.



Before construction with FLOWSEALER



After construction with FLOWSEALER

Healthcare (in Strategic Corporate Planning Office/ wheelchair)

In September 2000, Nippon Kayaku launched GRANDMA, a wheelchair carrying the company's original brand. In addition to a function for adjusting the armrest height to that of a conventional multi-function wheelchair, our new wheelchair provides the user with the freedom to choose a cushion to suit the user that helps maintain the person's sitting position. Making the sitting position stabilized and comfortable will free the user from a restraint belt, and improved physical and mental well being will be achieved. The seat is given antibacterial processing to further our policy of "a better product for users." The GRANDMA is adjustable in terms of "easiness to get into, driving power, and retaining good position," the main points for choosing a wheelchair for the elderly. It is the first model in the industry that realizes both a reasonable price and adjustable functions. With fashionable design and bright green frame color that were adopted from the German prototype, the wheelchair looks natural in daily life and outdoors alike, and is more than just medical equipment. The GRANDMA became more accessible as it was designated as rental goods to be covered by nursing insurance. It has attracted attention in public showrooms for healthcare and rehabilitation facilities all over Japan.

Withdrawal from Kayatone

In July 1999, Nippon Kayaku officially decided on substantial withdrawal from Kayatone by the end of November 1999. Kayatone was positioned as a third business and research and development had been carried out to find methods for utilizing it as a construction material at the Takasaki pilot plant. Kayatone is non-sintered ceramic utilizing blast-furnace water-crushed slag with a strength 10 times higher than that of concrete. We have therefore tried to develop it as flooring, and interior and exterior materials for office buildings but no bright prospects for entering a full-scale Kayatone business developed, and we subsequently decided to discontinue its manufacture and marketing except for part of the research and development. Nippon Kayaku reorganized the Fine Chemicals business by conducting a drastic structural reform in June 1998 to classify our businesses into those to be expanded and those for stable profit. The withdrawal from Kayatone was decided as part of measures to strengthen this strategy.

■ **First QS9000 certification obtained in inflator industry**

In December 1999, Nippon Kayaku became the first airbag inflator manufacturer in Japan to obtain a certification of QS9000, a quality assurance system set up by the Big Three in the United States (Ford, Daimler-Chrysler, and General Motors). QS9000 is a quality assurance system established by the Big Three in the U.S. automobile industry and automobile-related companies such as parts and material manufacturers are required to comply with it. It is essential for a company to obtain the certification if it is going to engage in the automobile-related business in the U.S. Nippon Kayaku continues to invest in factory and equipment at its Himeji plant as a foothold in Japan to achieve sales of 10 billion yen in three years. At Indet Safety Systems (ISS), a Czech company subsidized in 1999, the business is being developed as a production and supply base for MGG in Europe to achieve sales of 3 billion yen in five years. Nippon Kayaku will accelerate the world strategy in the inflator business with acquisition of QS9000.

■ **Establishment of a new trading company for dyes**

Nippon Kayaku agreed with Nippon Kagaku Seihin and Shinwa Sangyo on establishment of a new chemicals trading company N·S·Color Techno (NSC; capital, 60 million yen) specializing mainly in dyes and color chemicals. The new company was started by integrating the dyes section of Shinwa Sangyo and Nippon Kagaku Seihin, a trading company affiliated with Nippon Kayaku that has a strong sales force in the Hokuriku area. After strengthening the management base by streamlining the sales network, logistics and administrative sections, and expanding the laboratory functions, the new company will establish a technical service system to deal with any type of fabrics including dyeing tests, CCM, color preparation by automatic dispensers, and solidness tests. The annual sales of the new company are estimated to reach approximately 4.5 billion yen.

■ **Reinforcement of human resources training business**

In August 1999, Nippon Kayaku decided to reinforce the business of medical care-related human resources training and development by merging its subsidiary Human Resource Development Center (Chiyoda-ku, Tokyo) with Japan Medical Science Research Institute (Chiyoda-ku, Tokyo) to start business as Jinkaiken (Chiyoda-ku, Tokyo; capital, 22 million yen). Human Resource Development Center before the merger possessed know-how for psychological testing, referred to as TPI, whereas Japan Medical Science Research Institute was a company renowned for preparation of medical care-related educational videotapes and the planning of study meetings. The merger streamlines the functions of both companies, and is expected to increase orders from other companies and serve to develop the company in educational and training business to flexibly deal with medical care and the aging society. In the future, the company intends to expand this business to employment agencies and the contract research organizations targeted at the pharmaceutical industry.

■ **Separation of plants from the company as new independent companies**

In June 2000, Nippon Kayaku separated the dyes section and administration section of the Tokyo plant (Kita-ku, Tokyo) and all sections of the Fukuyama plant (Fukuyama City, Hiroshima Pref.) from the company as new independent companies. Annual labor costs of 600 million yen will be saved and high cost structure improved by transferring approximately 360 employees to the new firm. Business expansion will be aimed at by introducing and nurturing new business and new products by means of strengthening cost competitiveness. Nippon Kayaku Tokyo will specialize in high value-added products such as functional color chemicals, which are expected to be in great demand, and inkjet printer ink to increase sales. Nippon Kayaku Fukuyama will expand business mainly with functional materials (thermal- and UV-related products) and fine chemicals (special resins, pharmaceutical intermediates, and agrochemicals).

■ **Position class (personnel system)**

In August 1999, Nippon Kayaku adopted a new personnel wage system, referred to as "position class system" (PC system), applicable to advisors and the head researcher, and from June 2000, the applicable range was extended to vice advisors and chief researchers. The PC system is not a system in which a salary is decided and paid based on the person's ability as in a conventional professional ability and qualification system, but is a system in which "a salary is decided based on the content of the duties and paid to the responsible person." The duties are evaluated by seven criteria, and classified into 10 classes from E1 to E10, and the fixed salary in each class (position salary) is set and paid to the person. The purpose of introducing the PC system is to further promote employee interest in their duties and results and to enhance the achievements and development of the company. To achieve such purpose, it becomes important to abolish the pay scale of the seniority system which is not linked to the content of duties, and enhance the correlation between responsibilities and salaries, while paying a salary matching job duties irrespective of age. In the course of transition to the new system, an innovating system reform took place which broke a tradition of the company that has been observed for many years.

■ **Creative challenge system (internal ventures)**

In December 1999, Nippon Kayaku established the creative challenge system (C&C system). This is a system for supporting enthusiastic employees who are eager to challenge internal innovation by volunteering to work as a manager of a project to realize new business and plans such as the development of new products and new technologies, the penetration of new markets, enforcement of revolutionary sales and marketing strategies, and revolutionary reform of existing duties. If a written proposal covering specific action plans is submitted to the Strategic Corporate Planning Office and approved, the person who made the proposal will be supported by the company by means of human resources, supplies, and funds. While the employee can establish a new organization if necessary, as a manager of the new project he/she is required to strictly observe the delivery date set by himself/herself, and achieve steady results. This new system is anticipated as the best opportunity for all employees to demonstrate their creativity, planning ability, and performance ability, thus creating the value worth working for.

■ **Restructuring of administration section**

In September 2000, Nippon Kayaku carried out drastic restructuring of the administration section in order to attain the "Nippon Kayaku Group Mid-Term Business Strategy." We have been promoting management reform of the company's salary and wage system, financial structure, management system, and so on in order to apply business strategies promptly and efficiently. As part of such efforts, we have newly established the Strategic Corporate Planning Office, Business Support Center, and Public Relations & Investor Relations Division aiming at: (1) reinforcing the strategic planning function; (2) strengthening and increasing the efficiency of support functions of all departments; (3) improving systems of IR, legal affairs, environmental safety and quality assurance, and (4) fortifying the auditing function. Also, we have established a system whereby directors are in charge of offices and supervise them directly in order to increase the speed of management. With organizational reform as described here, as well as expanded utilization of IT, we are planning to make a 20 percent reduction in management personnel over three years to increase management efficiency.

■Publication of environmental reports

In March 2000, Nippon Kayaku published the first edition of an Environmental Report summarizing measures taken to reduce waste and discharge amounts of chemical substances. In the “Measures to Reduce Chemical Compounds Discharged,” we are proud to report that the discharge amount of five substances classified as harmful air pollutants was reduced by 62 percent in 1998 compared to 1995. In addition to complete abolition of benzene use since 1996, organic chloric solvents, a very harmful substance, were gradually replaced by solvents with greater safety. Further, introduced in the “Measures to Reduce Wastes” are various measures to control the final amount to be disposed including the methanol recycling system at the Takasaki plant.

■ISO14001 acquisition by Takasaki plant

In January 2000, Nippon Kayaku obtained ISO14001 certification, an international specifications for the environmental management system, at the Takasaki plant (Takasaki City, Gunma Pref.). This plant is a production base of our Pharmaceuticals Group that produces pharmaceutical products and *in vitro* diagnostic products, intermediates for pharmaceutical bulk, food additives, and feed additives. To conduct Responsible Care activities more effectively, we have set the acquisition of ISO14001 as a target for all our plants. Four of the six plants, including the Asa plant (Yamaguchi Pref.), have acquired the certification, and acquisition by the Takasaki plant was the fifth. The final remaining plant will obtain the certification by the end of year 2000.

■Wuxi Advanced Chemical Co., Ltd.

This company was established in 1996 as a joint venture in China by Nippon Kayaku, Tomen, and a local company, Wuxi Bada Chemical Factory, and in 1999, it became a company capitalized solely by Japanese firms. It is a production base of Nippon Kayaku as the first Japanese dye manufacturer that has penetrated the Chinese market. After completion of a plant for water-soluble dyes in 1998, a continuous production system from synthesis to final product was established. At present, about 25 types of products are manufactured. The company handles the KAYALON POLYESTER series for polyester, KAYASION series, a water-soluble dye for cotton, and KAYACELON REACT series. Because of the strict environmental regulations applied, the latest equipment to comply with them was brought in, and the production system was established in consideration of the local environment.



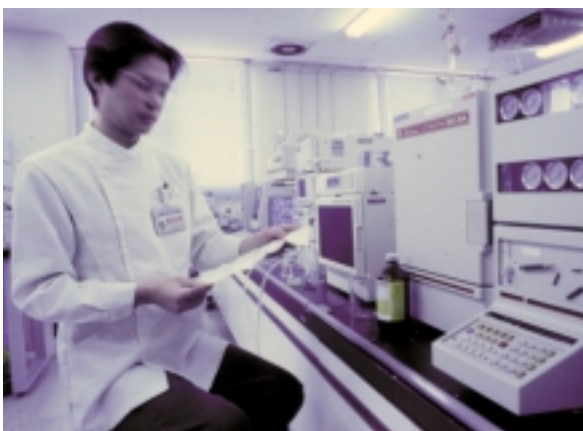
■Measure for social contribution, “Asunaro House”

In November 1998, Nippon Kayaku built Asunaro House (Omiya City, Saitama Pref.) to provide accommodation for people accompanying and taking care of children who are suffering from intractable diseases such as pediatric cancer or those who are to receive bone marrow transplants. For parents whose children are fighting intractable diseases at medical institutions away from their own home, the expenses during the stay to accompany the children are often a great financial burden. Nippon Kayaku provides accommodations for these families on the first floor of the company housing for singles which is available at a low cost. Ten families can use the 10 rooms as they would their own homes, and their privacy can be maintained by the structure of the building completely separated from the company housing including the entrance. At the same time, communal areas have been designed to reduce the psychological burden of the users such as a shared kitchen, dining room, conversation corner and children’s playroom where the parents of hospitalized children can meet and talk with others facing the same problem. We give assistance to cancer patients and their families by developing new drugs, and carry out further activities with the support of regional authorities, medical institutions, and volunteer groups.

■Responsible Care

Responsible Care (RC) is an international activity undertaken by a company engaged in manufacturing chemical substances or handling them to “ensure the environment and safety throughout development to manufacturing, distribution, use and final consumption to disposal.” Chemical companies carry out RC based on their respective originality and ideas. With respect to environmental preservation, in particular, the effect of chemical substances on the environment and the actual status of the discharge are investigated and the required reduction of discharge and appropriate use of chemical products are enthusiastically promoted. Since its initiation in Canada in 1985, RC has attracted global interest, and in Japan, the Japan Chemical Industry Association played a key role in the establishment of the Japan Responsible Care Council (JRCC) in 1995, to advocate the implementation of responsible care. To ensure public safety and health and to preserve the environment, Nippon Kayaku carries out the planning, development, and sales activities of chemical products for daily business activities as a Responsible Care company.

Research and Development



The Pharmaceuticals Research and Development Division of Nippon Kayaku is the heart of our research and development of new pharmaceutical products. It has departments for drug research, technical development, and clinical development to ensure that pharmaceutical products required for today's medical treatment are released to the market. For the Fine Chemicals Group, R&D in various areas is being carried out by our R&D Division, consisting of the Inflators Technical Center, Catalysts Research Center, Functional Products Research Laboratories, Color Chemicals Research Laboratories, Agro & Fine Chemicals Research Laboratories, Explosives Research Laboratories, and Film Technology Laboratories. There is no end to R&D in today's ever-changing society. The ratio of our R&D expense against total sales for all business areas is consistently one of the highest among domestic companies in the chemicals industry. With our desire to protect human lives and health, and to make society and living more comfortable and convenient — flexible approaches and honest and sober R&D by individual researchers as well as the company as a whole are what we are most proud of.

■ Drastic restructuring of the pharmaceutical organization

To keep up with the significant changes of new drug research environments such as internationalized development competition, Nippon Kayaku initiated drastic restructuring of the pharmaceutical organization in August 1999 to streamline research and development. The pharmaceuticals R&D division comprised of two departments, anti-cancer drugs and pharmacological agents, was unified to aim for the strategic investment of resources. In addition, a manager of the research project and products carries out collective management using a matrix system to further strengthen the responsible system from development planning to post-marketing surveillance and feedback of needs in the market. In addition to the operation of high throughput schooling, a state-of-the-art research infrastructure such as combinatorial chemistry is under way, and more than 15 projects in basic level research are currently in progress.

■ Concept of Chemical Comprehensive Research Laboratories

In February 2000, Nippon Kayaku disclosed a concept to construct a comprehensive research center to conduct chemical R&D in the compound of the Tokyo plant (Kita-ku, Tokyo). The concept of a comprehensive research laboratory in the color chemicals business aims to effectively utilize the vacant space brought about by the restructuring above and to fortify the development of new products, mainly electronic materials, and to attempt to increase the comprehensive level of all company R&D. The company is aiming at realizing the concept around 2003 at the latest.

■ Establishment of Film Technology Laboratories

In July 2000, Nippon Kayaku established the Film Technology Laboratories with a focus on development of next-generation optical products. We have developed various functional films by integrating a wide range of materials technologies including high-polymer, resin, and color agents, and have been shaping this into a business. Especially, Polatechno Co., Ltd., which manufactures polarization film with high durability, increased its sales due to increased demand for on-board use in automobiles such as car navigation systems, and for LCD projectors, and the resulting strong sales exceeded 10 billion yen. However, optical and functional films including LCD are exposed to radical technological reform, and our conventional research themes of the Functional Products Research Laboratories and research on improvements in which Polatechno has normally taken the initiative have come into question. Therefore, we have established the Film Technology Laboratories. The objectives of the establishment of this center are not only to improve the functions of polarization films, but also to research the next-generation high-polymer films for displays including PDP (plasma display) and organic EL (electro-luminescence) from a mid-term viewpoint, while working on product development in cooperation with Group companies. The Film Technology Laboratories is the seventh research center we operate, and initially it will be managed along with other research centers at the Tokyo plant, such as the Functional Products Research Laboratories, yet it will be expanded to a size of several dozen researchers at an early stage.

■ Establishment of the invention incentive system

Since March 1999, Nippon Kayaku has employed the "Invention Incentive System." This is a system in which a researcher coming up with an epoch-making invention will be provided with 1 percent of the annual sales (more than 5 billion yen in pharmaceuticals, more than 1 billion yen in chemicals, more than 2 billion yen in agrochemicals) and 2 percent of the annual royalty without an upper limit. Such an incentive system will reward an inventor who comes up with a highly original innovation and makes a significant contribution to the company and will enhance the researchers' efforts toward new inventions.

■ Outlook for the future

Of the pharmaceutical products in Japan, NK433, a drug for temporomandibular joint disorder, and SNI-2011, a drug for Sjögren syndrome, have already been filed for NDA, and PMCJ-9, a drug for bladder cancer, and NS75A, a drug for infertility, are scheduled to be filed by the end of year 2000. As well, DDP-H, a drug for hepatocellular carcinoma, and SS750, an antifungal drug for systemic infections, are under development. Another drug under development has a drug delivery system (DDS) to concentrate and accumulate a high molecular weight compound encapsulating an anti-cancer drug to enhance its therapeutic efficacy. In overseas, development of NKT-01 (SPANIDIN), a drug for autoimmune diseases, is under way in Europe, and long-term joint research with venture companies in the United States is being conducted to search for new drugs.

With respect to chemicals, airbag inflators for passengers seat and seat side, new functional films, information-related functional products, coloring agents for inkjet printers, high-purity epoxy resins for semiconductor encapsulation, various ANFO explosives, and new insecticides have been developed and launched steadily.

For FLOWSEALER, an environment-adaptive crack-penetrating sealant for concrete launched in September 1999, more effective materials and construction methods are under development.



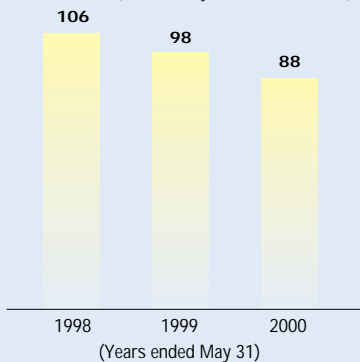
Pharmaceuticals Group R&D Division



Functional Products Research Laboratories

■ Changes in Research & Development Expenditures

(Unit: billion yen, non-consolidated)



Company History and Products



1916 Started as Nippon Kayaku Manufacturing Co., Ltd., the first manufacturer of explosives in Japan.

Teikoku Dyes Manufacturing Co., Ltd. was established the same year.

1931 Yamakawa Pharmaceutical Co., Ltd. was established and launched aspirin the next year.

1943 Merger of Teikoku Dyes Manufacturing Co., Ltd. and Yamakawa Pharmaceutical Co., Ltd. by Nippon Kayaku Manufacturing Co., Ltd.



1945 Corporate name changed to Nippon Kayaku Co., Ltd.

1948 Started manufacture of penicillin.

1956 Technical tie-up with Geigy AG, Switzerland and the production of diazinon, an insecticide, started.

1963 Received the Deming Prize.



1969 Bleomycin (anti-cancer drug) was launched.

Started production of epoxy resins.

1970 Established a joint venture, Kayaku Nooly Co., Ltd. with AKZO B.V., a Dutch company. (The corporate name of the joint venture was later changed to Kayaku AKZO Corporation.)



1971 Completion of new plant in Takasaki to manufacture pharmaceuticals.

1982 Opening of New York office with residing staff. (It became a U.S. corporation later.)

1983 Businesses were centered on the Pharmaceuticals Group and Fine Chemicals Group.

1986 70th anniversary of the founding; a new corporate symbol was designed.

1988 Opening of Düsseldorf office with residing staff. (Later relocated to Frankfurt and became German corporation.)

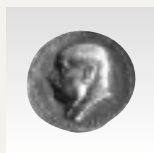


1991 Polatechno Co., Ltd., a joint venture of functional films, was established.

1993 Opening of Shanghai office with residing staff.

1994 Supply of airbag inflators was started.

1995 Nippon Kayaku Food Techno Co., Ltd., a subsidiary company in food business, was established.



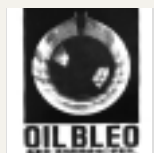
Zhaoyuan Advanced Chemical Co., Ltd., a joint venture in China, was established.

1996 80th anniversary of the founding.

Wuxi Advanced Chemical Co., Ltd., a joint venture in China, was established.

1998 Restructuring of the Fine Chemicals Group (six divisions).

1999 Capital investment in Indet Safety Systems a.s.

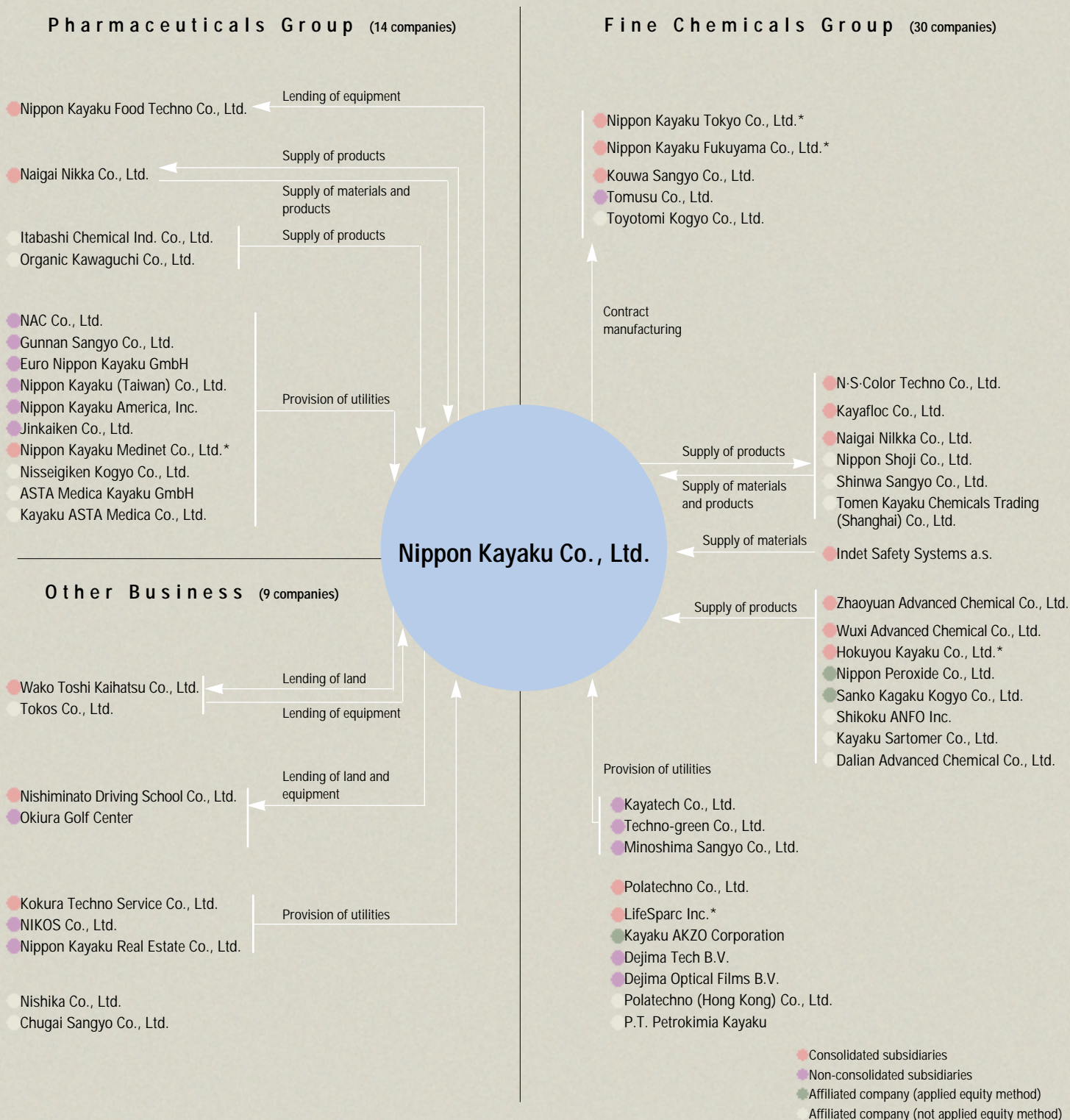


2000 Separation of Tokyo plant and Fukuyama plant from Nippon Kayaku to establish Nippon Kayaku Tokyo Co., Ltd. and Nippon Kayaku Fukuyama Co., Ltd.

LifeSparc Inc. was established.

Group Companies

The Nippon Kayaku Group comprises Nippon Kayaku Co., Ltd., subsidiary companies, and affiliated companies. The outline of the placement of each company in the relevant business is as shown below. (As of October 2000)



*: Not including consolidated entities as of May 2000.

Board of Directors and Auditors



President
(Representative Director)
Teruo Nakamura



Senior Managing Director
(Representative Director,
Director of Public Relations
& Investor Relations Office)
Junichiro Yamamoto



Managing Director
(Director of Business
Support Center)
Isamu Goto



Managing Director
(Director of Legal Affairs & Intellectual
Property Office, Director of Research &
Development Division of Pharmaceuticals Group)
Motonobu Yazaki



Managing Director
(Director of Fine
Chemicals Group)
Koichiro Shimada



Managing Director
(Director of
Pharmaceuticals Group)
Haruo Inose



Managing Director
(Vice Director of Fine Chemicals Group,
Director of Research & Development
Division of Fine Chemicals Group)
Hidetoshi Kitazawa

Director
(Advisor)
Tsunekazu Sakano

Director
(General Manager of Strategic
Corporate Planning Office)
Junichi Hirai

Director
(General Manager of Planning & Coordi-
nation Office, Fine Chemicals Group)
Kunio Fujimori

Director
(General Manager of Personnel
Division, Business Support Center)
Shinichi Ikenaga

Director
(General Manager of Fukuyama Plant,
President & Representative Director of
Nippon Kayaku Fukuyama Co., Ltd.)
Hiroshi Ohhara

Director
(General Manager of Technical
Operations Office, General Manager
of Auditor's Office)
Hajime Yoshitake

Director
(General Manager of Finance &
Accounting Division, Business
Support Center)
Tasuku Oshima

Director
(President & Representative Director of
Nippon Kayaku Food Techno Co., Ltd.)
Yoshinobu Iwamatsu

Director
(General Manger of Functional Products
Division, Fine Chemicals Group)
Masao Komaki

Director
(General Manger of Planning & Coordi-
nation Office, Pharmaceuticals Group)
Koichi Chiba

Standing Auditor
Eisuke Ohkubo

Standing Auditor
Masachika Hirayama

Auditor
Toshiro Kawaguchi

Auditor
Shigeo Inoue

Five-Year Summary (Consolidated)

Nippon Kayaku Co., Ltd. and Consolidated Subsidiaries
Years ended May 31

	Millions of yen				
	2000	1999	1998	1997	1996
Results for the year					
Net sales	¥121,302	¥121,483	¥126,445	¥122,406	¥116,171
Cost of sales	73,525	75,068	76,897	75,478	71,172
Selling, general and administrative expenses	33,705	34,267	35,108	34,878	34,766
Operating income	14,071	12,147	14,439	12,048	10,233
Income before income taxes and minority interests	10,132	12,057	13,071	11,314	9,578
Net income	4,807	6,714	5,886	9,954	4,627
Amounts per share (in yen)					
Net income	¥ 26.34	¥ 36.79	¥ 32.25	¥ 54.54	¥ 25.35
Cash dividend applicable to the year	11.00	11.00	10.00	10.00	9.00
Shareholders' equity	496.90	476.65	449.86	427.89	382.63
Year-end financial position					
Current assets	¥ 97,554	¥ 94,283	¥100,586	¥ 92,129	¥ 77,560
Current liabilities	37,042	37,750	58,220	52,203	45,569
Working capital	60,512	56,533	42,366	39,926	31,991
Property, plant and equipment	57,490	45,712	45,766	43,562	45,105
Total assets	174,613	170,678	166,600	156,276	142,422
Total shareholders' equity	90,666	86,989	82,101	78,090	69,831
Year-end statistics					
Number of shares outstanding (in thousands)	182,503	182,503	182,503	182,503	182,503
Number of shareholders	29,742	27,582	28,221	27,664	28,680
Number of employees	3,164	-	-	-	-
Financial ratios					
Current ratio (times)	2.6	2.5	1.7	1.8	1.7
Equity ratio (%)	51.9	51.0	49.3	50.0	49.0
ROE (%)	5.3	7.7	7.2	12.7	6.6
ROA (%)	2.8	3.9	3.5	6.4	3.2
Net sales by business segment					
Pharmaceuticals Business	¥ 49,335	¥ 54,427	¥ 56,082	¥ 53,172	¥ 50,724
Fine Chemicals Business	68,404	65,655	69,272	68,145	64,339
Inflators Business	4,802	3,308	-	-	-
Catalysis Business	811	1,134	-	-	-
Functional Products Business	27,163	24,031	-	-	-
Color Chemicals Business	14,187	13,393	-	-	-
Agro & Fine Chemicals Business	14,896	17,262	-	-	-
Explosives Business	6,543	6,524	-	-	-
Other Business	3,562	1,400	1,090	1,087	1,106

Financial Review (Consolidated)

Explanation of Business Performance

Net Sales

During the year, as a result of various government economic measures, the Japanese economy began to show signs of improvement in segments of the public investment and housing investment markets. However, due to a featureless private capital investment market and stagnation of individual consumption, a full-fledged economic recovery is not yet under way.

Amidst these economic conditions, the net sales for the year ending May 2000 for Nippon Kayaku Co., Ltd. and consolidated subsidiaries was 121,302 million yen, 181 million (0.1%) less than the previous year. There was a revision of pharmaceutical prices in April of this year, and further drastic reforms of the healthcare system are still being debated. The pharmaceutical industry faces a trend toward ever-stricter control of the cost of medication. In Japan and abroad, global pharmaceutical companies continue to merge, and companies are betting their survival on their business plans. In this environment, the net sales of our Pharmaceuticals Group decreased by 5,092 million (9.4%) to 49,335 million yen.

There was some good news for the Fine Chemicals Group in that the rally of the SE Asian markets spurred a recovery of exports. On the other hand, the dull tone of Japanese demand and prices made for a tough business environment from beginning to end. However, the net sales of the Fine Chemicals Group was 68,404 million yen, an increase of 2,749 million (4.2%) over the previous year.

The net sales of other business segments increased by 2,161 million (154.3%) to 3,562 million yen.

Cost of Sales

The cost of sales was down 1,543 million yen (2.1%) from the previous year, decreasing to 73,525 million yen. The percentage distribution with respect to net sales improved by 1.2 points to 60.6%. Sales, general, and administrative expenses dropped to 33,705 million yen, a decrease of 562 million yen (1.6%) from the previous year. The main cause of this decrease was a reduction in labor costs which accompanied a reduction in personnel.

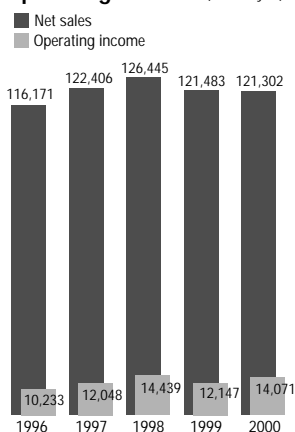
Operating Income and Income Before Income Taxes and Minority Interests

Operating income was 14,071 million yen, an increase of 1,924 million (15.8%) over the previous year. The ratio of operating income to net sales improved 1.6 points to 11.5%. Interest and dividend income were 566 million yen, an increase of 137 million (31.9%), but other expenditures were 4,504 million yen, 3,984 million (766.2%) more than the previous year. The majority, 2,095 million yen, of these other expenditures were costs associated with restructuring. Minority interest was 716 million yen. As a result of the above, income before income taxes and minority interests decreased by 1,925 million (16.0%) to 10,132 million yen.

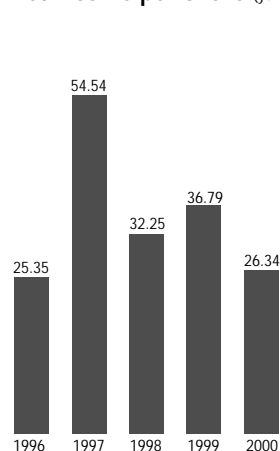
Net Income

Net income was 4,807 million yen, down by 1,907 million (28.4%) from the previous year. The ratio of net income to net sales declined by 1.5 points to 4.0%. Net income per share was 26.34 yen.

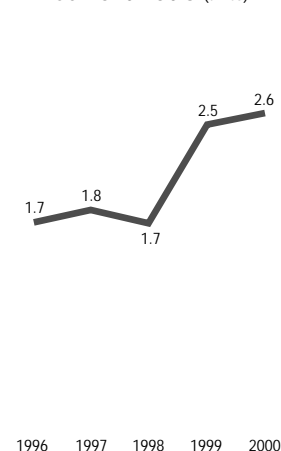
Net Sales (million yen)/
Operating Income (million yen)



Net Income per Share (yen)



Current Ratio (times)



Financial Conditions

Current Assets

Cash and cash equivalents totaled 23,968 million yen, an increase of 3,504 million (17.1%) over the previous year. There was a total of 2,336 million yen in time deposits, an increase of 1,253 million (115.7%). Marketable securities totaled 5,692 million yen, a decrease of 1,862 million (24.7%). Inventories were 21,194 million yen, an increase of 618 million (3.0%). As a result, total current assets were 97,544 million yen, an increase of 3,261 million (3.5%).

Property, Plant, and Equipment

Property, plant, and equipment declined by 192 million yen (0.3%) to 57,490 million yen as a result of accumulated depreciation. Investment and other assets increased to 19,478 million yen, an increase of 767 million yen (4.1%).

Liabilities

Current liabilities totaled 37,042 million yen, down 708 million yen (1.9%) from the previous year. The main reason for the decrease was a reduction in short-term bank loans, payables, and accrued expenses. The total of non-current liabilities was 43,962 million yen, a decrease of 1,104 million (2.4%) which was primarily due to the reduction in long-term debt.

Shareholders' equity

Shareholders' equity increased by 3,677 million yen (4.2%) to 90,666 million yen. As a result of this, and also of the reduction in liabilities, the equity ratio increased 0.9 points to 51.9%.

Cash Flow

Cash Flow From Operating Activities

The 10,132 million yen in income before income taxes and 7,176 million yen in depreciation and amortization contributed to net cash from operation activities reaching a total income of 16,756 million yen.

Cash Flow From Investment Activities

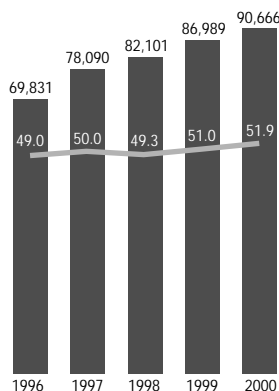
During the year, 7,752 million yen was expended on the purchase of property, plant, and equipment; however, proceeds from the sale of real estate and other property, plant, and equipment were 873 million yen. Thus, net cash used in investment activities became 6,148 million yen.

Cash Flow From Financing Activities

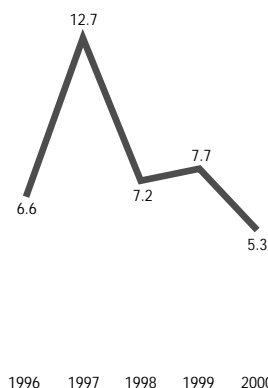
Cash flow from financing activities showed a total expenditure of 7,048 million yen, as part of an effort to reduce interest-bearing liabilities.

As a result, cash and cash equivalents increased from the previous consolidated fiscal year by 3,504 million to reach 23,968 million yen. Because the "Consolidated Statements of Cash Flows" is created from this consolidated fiscal year, analysis has not been done to compare the cash flows from operating activities, investing activities, and financing activities with those of the previous year.

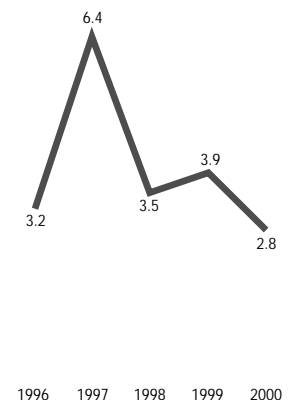
Shareholders' Equity (million yen) /
Equity Ratio (%)



Return on Shareholders' Equity (ROE) (%)



Return on Assets (ROA) (%)



Consolidated Balance Sheets

Nippon Kayaku Co., Ltd. and Consolidated Subsidiaries
Years ended May 31, 2000 and 1999

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2000	1999	2000
Assets			
Current assets:			
Cash and cash equivalents	¥ 23,968	¥ 20,464	\$ 225,263
Time deposits	2,336	1,083	21,954
Marketable securities (Note 4).....	5,692	7,554	53,496
Receivables:			
Trade	42,402	44,034	398,515
Less allowance for doubtful receivables	(250)	(293)	(2,349)
Inventories (Note 3).....	21,194	20,576	199,191
Deferred income taxes (Note 7).....	747	-	7,020
Other current assets	1,452	864	13,646
Total current assets	97,544	94,283	916,766
Property, plant and equipment (Notes 5 and 6):	157,589	153,672	1,481,099
Less accumulated depreciation	(100,098)	(95,989)	(940,770)
Property, plant and equipment, net	57,490	57,682	540,319
Investments and other assets:			
Investment securities (Note 4)	13,996	14,922	131,541
Deferred income taxes (Note 7).....	1,145	-	10,761
Other assets	4,336	3,789	40,751
Total investments and other assets	19,478	18,711	183,063
Translation adjustment	100	-	939
Total assets	¥174,613	¥170,678	\$1,641,099

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2000	1999	2000
Liabilities and shareholders' equity			
Current liabilities:			
Short-term bank loans (Note 6).....	¥ 1,954	¥ 3,992	\$ 18,364
Current portion of long-term debt (Note 6)	1,636	1,076	15,375
Payables:			
Trade	14,676	11,750	137,932
Unconsolidated subsidiaries and affiliates.....	1,164	5,340	10,939
Construction.....	2,656	5,177	24,962
Other	9,784	2,790	91,954
Accrued expenses	2,553	5,468	23,994
Accrued income taxes	2,094	1,761	19,680
Other current liabilities	445	391	4,182
Deferred income taxes (Note 7).....	74	-	695
Total current liabilities	37,042	37,750	348,139
Non-current liabilities:			
Long-term debt, less current portion (Note 6)	15,278	16,397	143,590
Accrued severance indemnities (Note 8)	8,301	9,282	78,016
Other non-current liabilities	19,561	19,387	183,843
Deferred income taxes (Note 7).....	820	-	7,706
Total non-current liabilities	43,962	45,066	413,176
Translation adjustments	-	107	-
Minority interests	2,942	763	27,650
Shareholders' equity (Notes 11 and 15):			
Common stock, ¥50 par value:			
Authorized - 700,000,000 shares			
Issued - 182,503,570 shares in 2000 and 1999	14,932	14,932	140,338
Additional paid-in capital.....	17,257	17,257	162,189
Retained earnings	58,500	54,800	549,812
Less treasury stock, at cost	(24)	(1)	(225)
Total shareholders' equity	90,666	86,989	852,124
Contingent liabilities (Note 10)			
Total liabilities and shareholders' equity	¥174,613	¥170,678	\$1,641,099

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income and Retained Earnings

Nippon Kayaku Co., Ltd. and Consolidated Subsidiaries
Years ended May 31, 2000 and 1999

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2000	1999	2000
Net sales	¥121,302	¥121,483	\$1,140,056
Cost of sales	73,525	75,068	691,024
Gross profit	47,776	46,415	449,022
Selling, general and administrative expenses	33,705	34,267	316,776
Operating income	14,071	12,147	132,246
Other income (expenses):			
Interest and dividend income	566	429	5,319
Interest expense	(718)	(592)	(6,748)
Other, net (Note 12)	(3,786)	72	(35,582)
	(3,939)	(90)	(37,020)
Income before income taxes and minority interests	10,132	12,057	95,225
Income taxes (Note 7):			
Current	5,042	5,342	47,387
Deferred	(433)	-	(4,069)
Minority interests	716	0	6,729
Net income	4,807	6,714	45,178
Retained earnings at beginning of year	54,800	49,912	515,037
Prior period adjustment for adoption of tax-effect accounting	1,083	-	10,178
Increase resulting from adopting the equity accounting method for an additional affiliate	-	332	-
Decrease resulting from consolidation of three additional subsidiaries	-	(43)	-
Decrease resulting from a merger of affiliates	(29)	-	(272)
Bonuses to directors	(62)	(61)	(582)
Cash dividends paid	(2,098)	(2,053)	(19,718)
Retained earnings at end of year	¥ 58,500	¥ 54,800	\$ 549,812

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Nippon Kayaku Co., Ltd. and Consolidated Subsidiaries
Year ended May 31, 2000

	Millions of yen	Thousands of U.S. dollars (Note 2)
	2000	2000
Cash flows from operating activities		
Income before income taxes and minority interests	¥10,132	\$ 95,225
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	7,176	67,443
Decrease in reserves	(825)	(7,753)
Interest and dividend income	(566)	(5,319)
Interest expense	718	6,748
Equity in earnings of affiliates	(220)	(2,067)
Loss on disposal of property, plant and equipment	1,227	11,531
Gain on sales of property, plant and equipment	(806)	(7,575)
Changes in operating assets and liabilities:		
Notes and accounts receivable - trade	7,417	69,708
Inventories	942	8,853
Notes and accounts payable - trade	(7,146)	(67,161)
Payables - other	3,181	29,896
Accrued consumption taxes	868	8,157
Other	(464)	(4,360)
Subtotal	21,636	203,345
Interest and dividends received	564	5,300
Interest paid	(698)	(6,560)
Income taxes paid	(4,745)	(44,595)
Net cash provided by operating activities	16,756	157,481
Cash flows from investing activities		
Purchase of marketable securities	(3,203)	(30,103)
Proceeds from sales of marketable securities	4,617	43,392
Purchase of property, plant and equipment	(7,752)	(72,857)
Proceeds from sales of property, plant and equipment	873	8,204
Other	(683)	(6,419)
Net cash used in investing activities	(6,148)	(57,781)
Cash flows from financing activities		
Net increase (decrease) short-term debt	(2,823)	(26,531)
Proceeds from long-term debt	287	2,697
Repayment of long-term debt	(2,434)	(22,875)
Cash dividends paid	(2,097)	(19,708)
Other	19	178
Net cash used in financing activities	(7,048)	(66,240)
Effect of exchange rate changes on cash and cash equivalents	(54)	(507)
Increase in cash and cash equivalents	3,504	32,932
Cash and cash equivalents at beginning of year	20,464	192,330
Cash and cash equivalents at end of year	¥23,968	\$225,263

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Nippon Kayaku Co., Ltd. and Consolidated Subsidiaries
May 31, 2000 and 1999

1. Basis of Consolidated Financial Statements

a. Basis of Preparation

The books and records of Nippon Kayaku Co., Ltd. (the "Company") and its domestic subsidiaries are maintained in the manner and form required or permitted under the Commercial Code of Japan and Japanese accounting practices. The books and records of overseas consolidated subsidiaries are maintained in conformity with the accounting principles and relevant legal requirements of their countries of domicile.

The accompanying consolidated financial statements have been prepared from the accounts maintained by the Company in accordance with the provisions set forth in the Japanese Commercial Code and in conformity with accounting principles and practices generally accepted in Japan, which may differ in some material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

Effective the year ended May 31, 2000, the Company was required to prepare a consolidated statement of cash flows as part of its consolidated financial statements for the first time under the Securities and Exchange Law of Japan. Accordingly, the Company has prepared a consolidated statement of cash flows for the year ended May 31, 2000 only in accordance with Accounting Standards for Consolidated Statements of Cash Flows.

As permitted by the Securities and Exchange Law of Japan, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying financial statements (both in yen and in dollars) do not necessarily agree with the sums of the individual amounts.

Certain amounts previously reported have been reclassified to conform to the current year classifications.

b. Basis of Consolidation

Until the year ended May 31, 1999, the consolidated financial statements included the accounts of the Company and its significant subsidiaries, and investments in significant affiliates (owned 20% to 50%) were accounted for by the equity method.

In accordance with the revised accounting standards for consolidation, the accompanying consolidated financial statements for the year ended May 31, 2000 include the accounts of the Company and its significant companies controlled directly or indirectly by the Company, and companies over which the Company exercises significant influence in terms of their operating and financial policies have been included in the consolidated financial statements on an equity basis.

All significant intercompany balances and transactions have been eliminated in consolidation.

Investments in certain significant affiliates are accounted for by the equity method. Consolidated net income includes the Company's equity in the current net income of such companies, after the elimination of unrealized intercompany profits.

Investments in unconsolidated subsidiaries and affiliates not accounted for by the equity method are generally stated at cost.

The differences at the dates of acquisition between the cost and underlying net equity of the consolidated subsidiaries and companies accounted for by the equity method are being amortized by the straight-line method over a period of five years.

In consolidated statements of shareholders' equity, legal reserve have been included in retained earnings.

c. Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

d. Marketable Securities

Marketable securities are stated at the lower of cost or market determined by the moving average methods.

e. Inventories

Inventories are stated at cost determined principally by the average method.

f. Property, Plant and Equipment

Property, plant and equipment is stated at cost except that the cost of certain assets has been reduced by certain capital gains in accordance with the Corporation Tax Law of Japan.

Depreciation is mainly computed on the declining-balance method, except that the straight-line method is applied to buildings which were acquired after April 1, 1998 based on the estimated useful lives of the respective assets.

g. Leases

Finance lease transactions are primarily accounted for as operating leases except that lease agreements which stipulate transfer of ownership of the leased assets to the lessee are accounted for as finance leases.

h. Accrued Severance Indemnities and Pension Costs

Employees of the Company and its domestic subsidiaries are generally entitled, on termination of their employment, to lump-sum severance payments determined by reference to their basic rate of pay, length of service and the conditions under which the termination occurs. Accrued severance indemnities represent 40% of the amount which would be required to be paid if all employees covered by the plan voluntarily terminated their employment at the balance sheet date exclusive of the payments to be made under the pension plan outlined below.

In addition to the severance indemnities plan, the Company has a pension plan for its employees. Costs with respect to the pension plan are funded as accrued in an amount determined actuarially. Prior service cost is being expensed and funded over a period of approximately 14 years.

i. Income Taxes

Effective June 1, 1999, the Company changed its method of accounting for income taxes to adopt tax-effect accounting. Deferred tax assets and liabilities are determined based on the differences between financial reporting and the tax bases of assets and liabilities and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse. Until the year ended May 31, 1999, income taxes were recorded as to current taxes only. The effect of this adoption was to increase deferred tax assets by ¥1,893 million, deferred tax liability ¥895 million, net income by ¥456 million, and retained earnings by ¥1,540 million for the year ended May 31, 2000.

2. U.S. Dollar Amounts

The translation of yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan. The rate of ¥106.40 = U.S.\$1, the approximate rate of exchange on May 31, 2000, has been used. The inclusion of such amounts is not intended to imply that the yen amounts have been or could be readily converted, realized or settled in U.S. dollars at that or any other rate.

3. Inventories

Inventories at May 31, 2000 and 1999 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Merchandise	¥ 2,721	¥ 2,718	\$ 25,573
Finished products.....	9,262	8,592	87,048
Semi-finished products and work in process	6,384	6,429	60,000
Raw materials and supplies	2,826	2,836	26,560
	<u>¥21,194</u>	<u>¥20,576</u>	<u>\$199,191</u>

4. Marketable and Investment Securities

The book value of current and non-current marketable securities and their related aggregate market values at May 31, 2000 were as follows:

	May 31, 2000	
	Millions of yen	Thousands of U.S. dollars
Current:		
Carrying value	¥ 6,414	\$ 60,281
Aggregate market value	6,902	64,868
Net unrealized gains	488	4,586
Non-current:		
Carrying value	¥ 7,132	\$ 67,030
Aggregate market value	14,912	140,150
Net unrealized gains	7,780	73,120

5. Depreciation

Depreciation for property, plant and equipment for the years ended May 31, 2000 were ¥7,021 million (\$65,986 thousand).

6. Short-Term Bank Loans and Long-Term Debt

Short-term bank loans are unsecured and are generally represented by 60-day notes. The weighted average interest rates for the years ended May 31, 2000 were approximately 0.90%.

Long-term debt at May 31, 2000 consisted of the following:

	May 31, 2000	
	Millions of yen	Thousands of U.S. dollars
Bonds without collateral:		
1.95% bonds due 2003	¥ 3,000	\$ 28,195
2.47% bonds due 2005	3,000	28,195
Collateralized loans from banks, insurance companies, government agencies and other financial institutions, due through 2018, at rates ranging from 1.505% to 6.6%	5,843	54,915
Loans without collateral.....	5,071	47,659
	<u>16,914</u>	<u>158,966</u>
Less current portion.....	(1,636)	(15,375)
	<u>¥15,278</u>	<u>\$143,590</u>

The aggregate annual maturities of long-term debt subsequent to May 31, 2000 are as follows:

Year ending May 31,	Millions of yen	Thousands of U.S. dollars
2001	¥ 1,636	\$ 15,375
2002	3,344	31,428
2003	1,400	13,157
2004 and thereafter.....	4,534	42,612
	<u>¥10,914</u>	<u>\$102,575</u>

Assets pledged as collateral for long-term debt at May 31, 2000 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Property, plant and equipment, at net book value	¥4,480	\$42,105

7. Income Taxes

The Company and its domestic consolidated subsidiaries are subject to a number of taxes based on income which, in the aggregate, resulted in statutory tax rates of approximately 42% in 2000 and 48% in 1999. Income taxes of the foreign consolidated subsidiaries are based generally on the tax rates applicable in their countries of incorporation.

The effective tax rate reflected in the accompanying consolidated statement of income for the year ended May 31, 2000 differed from the statutory tax rate for the following reasons:

	2000
Statutory tax rate	41.88%
Effect of:	
Expenses not deductible for income tax purposes	3.80
Inhabitants' tax based on individuals	0.99
Other, net	(1.19)
Effective tax rate	<u>45.48%</u>

The significant components of deferred tax assets and liabilities as of May 31, 2000 were as follows:

	2000	
	Millions of yen	Thousands of U.S. dollars
Deferred tax assets:		
Reserve for employees' retirement allowances	¥ 856	\$ 8,045
Reserve for directors' retirement allowances	341	3,204
Write down on investment securities	216	2,030
Accrued enterprise tax	156	1,466
Allowance for sales rebate	133	1,250
Other	957	8,994
Total deferred tax assets	<u>2,659</u>	<u>24,990</u>
Valuation allowance	<u>(25)</u>	<u>(234)</u>
	<u>2,634</u>	<u>24,755</u>
Deferred tax liabilities:		
Adjustment of acquisition costs of fixed assets	(765)	(7,189)
Adjustments for book value relating to land of consolidated subsidiaries	(706)	(6,635)
Other	(165)	(1,550)
Total deferred tax liabilities	<u>(1,636)</u>	<u>(15,375)</u>
Net deferred tax assets	<u>¥ 997</u>	<u>\$ (9,370)</u>

8. Severance Indemnities and Pension Costs

Accrued severance indemnities include a reserve for retirement benefits to directors, amounted to ¥828 million (\$7,781 thousand) and ¥925 million at May 31, 2000 and 1999, respectively.

The assets of the pension fund and unamortized prior service cost at May 31, 2000, the most recent valuation date, were ¥6,968 million (\$65,488 thousand) and ¥5,266 million (\$49,492 thousand), respectively.

9. Research and Development Expenditures

Research and development expenditures for the years ended May 31, 2000 amounted to ¥8,864 million (\$83,308 thousand) and were based upon a new accounting standard for research and development costs.

10. Contingent Liabilities

Contingent liabilities at May 31, 2000 were as follows:

	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
Notes receivable discounted	¥5,713	\$53,693
Debtor's acceptance discounted	11	103
Guarantees of loan of subsidiaries and affiliates	42	394
Guarantees of loan of employees	2,667	25,065

11. Amounts per Share

Amounts per share are summarized as follows:

	<u>yen</u>		<u>U.S. dollars</u>
	<u>2000</u>	<u>1999</u>	<u>2000</u>
For the years ended May 31:			
Net income:			
Primary	¥ 26.34	¥ 36.79	\$0.24
Cash dividends	11.00	11.00	0.10
At May 31:			
Net assets	¥496.90	¥476.65	\$4.67

Net income per share is computed based on the weighted average number of shares of common stock outstanding during each year. Cash dividends per share represent the dividends paid during respective years.

Net assets per share are computed based on the number of outstanding shares of common stock at the year end.

12. Restructuring Cost

Under a restructuring program implemented in 2000, a special lump-sum compensation has been paid to certain employees who accepted job position transfer to subsidiaries of the Company. Such cost associated to this program was ¥2,095 million.

13. Leases

Lease payments relating to finance lease transactions accounted for as operating leases amounted to ¥394 million (\$3,703 thousand) and ¥397 million for the years ended May 31, 2000 and 1999, respectively.

Future minimum lease payments (including the interest portion) subsequent to May 31, 2000 relating to finance lease transactions accounted for as operating leases are summarized as follows:

Year ending May 31,	Millions of yen	Thousands of U.S. dollars
2001.....	¥325	\$3,054
2002 and thereafter	546	5,131
	<u>¥871</u>	<u>\$8,186</u>

Lease income relating to finance leases accounted for as operating leases amounted to ¥57 million (\$535 thousand) and ¥59 million for the years ended May 31, 2000 and 1999, respectively.

14. Segment Information

The Company and its consolidated subsidiaries operate principally in three industry segments: pharmaceuticals, fine chemicals and other businesses. The fine chemical business involves the production and sale of dyestuffs, agrochemicals, explosives and catalysts, and other sophisticated chemical products. Other businesses comprise a driving school and real estate leasing business.

Industry segment information for the Company and its consolidated subsidiaries for the years ended May 31, 2000 and 1999 is summarized as follows:

	2000					Consolidated
	Millions of yen					
	Pharmaceuti- cal business	Fine chemical business	Other businesses	Total	Eliminations	
I. Sales and operating income:						
Sales to third parties.....	¥ 49,335	¥ 68,404	¥ 3,562	¥121,302	-	¥121,302
Interarea sales and transfers.....	12	2	0	15	¥ (15)	-
Total	49,348	68,407	3,562	121,317	(15)	121,302
Operating expenses	36,838	60,563	3,873	101,275	5,955	107,230
Operating income	<u>¥ 12,509</u>	<u>¥ 7,844</u>	<u>¥ (310)</u>	<u>¥ 20,042</u>	<u>¥ (5,971)</u>	<u>¥ 14,071</u>
II. Asset depreciation and capital expenditures:						
Total assets.....	¥ 43,885	¥ 73,194	¥ 20,870	¥137,950	¥ 36,662	¥174,613
Depreciation and amortization ..	2,097	3,512	1,385	6,995	181	7,176
Capital expenditures.....	1,909	3,317	137	5,364	123	5,487

14. Segment Information (continued)

	2000					
	Millions of yen					
	Pharmaceuti- cal business	Fine chemical business	Other businesses	Total	Eliminations	Consolidated
I. Sales and operating income:						
Sales to third parties.....	\$ 463,674	\$ 642,894	\$ 33,477	\$ 1,140,056	-	\$ 1,140,056
Interarea sales and transfers.....	112	18	0	140	\$ (140)	-
Total	463,796	642,922	33,477	1,140,197	(140)	1,140,056
Operating expenses	346,221	569,201	36,400	951,832	55,968	1,007,800
Operating income	\$ 117,565	\$ 73,721	\$ (2,913)	\$ 188,364	\$ (56,118)	\$ 132,246
II. Asset depreciation and capital expenditures:						
Total assets.....	\$ 412,453	\$ 687,913	\$ 196,146	\$ 1,296,522	\$ 344,567	\$ 1,641,099
Depreciation and amortization ..	19,708	33,007	13,016	65,742	1,701	67,443
Capital expenditures.....	17,941	31,174	1,287	50,413	1,156	51,569

	1999					
	Thousands of U.S. dollars					
	Pharmaceuti- cal business	Fine chemical business	Other business	Total	Eliminations	Consolidated
I. Sales and operating income:						
Sales to third parties.....	¥54,427	¥65,655	¥1,400	¥121,483	-	¥121,483
Interarea sales and transfers.....	20	15	1	37	¥(37)	-
Total.....	54,448	65,670	1,402	121,521	(37)	121,483
Operating expenses	39,124	62,042	1,799	102,965	6,370	109,335
Operating income	¥15,324	¥ 3,628	¥ (396)	¥ 18,555	¥(6,407)	¥ 12,147
II. Asset depreciation and capital expenditures:						
Total assets.....	¥46,498	¥68,350	¥9,751	¥124,600	¥46,077	¥170,678
Depreciation and amortization	1,998	3,203	598	5,800	191	5,992
Capital expenditures.....	2,249	4,224	954	7,429	7,895	15,324

Overseas sales, which include export sales of the Company and its consolidated subsidiaries, totaled ¥17,202 million (\$161,672 thousand) and ¥15,025 million, or 14.2% and 12.4% of the consolidated net sales for the years ended May 31, 2000 and 1999, respectively.

15. Subsequent Event

- 1) The following appropriations of retained earnings of the Company were approved at a meeting of the shareholders held on August 30, 2000:

	Millions of yen	Thousands of U.S. dollars
Transfer to legal reserve	¥ 25	\$ 234
1999 year-end cash dividends (¥5.50 = \$0.051 per share).....	1,003	9,426
Bonuses to directors	55	516

- 2) On August 23, 2000, the Company and Nichimen Co., Ltd. has established LifeSparc Inc. (paid-in capital \$17.9 million, located in California, U.S.), which is 70% owned subsidiary by the Company. LifeSparc performs sales and production of squibs (igniters) required for inflators (car airbag gas generation devices) and MGG devices (gas generators for seatbelts).

Independent Auditors' Report (Consolidated)

Century Ota Showa & Co.

Certified Public Accountants

Hibiya Kokusai Bldg., 2-2-3, Uchisaiwai-cho Chiyoda-ku,
Tokyo 100-0011 C.P.O. Box 1196, Tokyo 100-8641
Phone: 03-3503-1100 Fax: 03-3503-1197

The Board of Directors
Nippon Kayaku Co., Ltd.

We have audited the consolidated balance sheets of Nippon Kayaku Co., Ltd. and consolidated subsidiaries as of May 31, 2000 and 1999, and the related consolidated statements of income and retained earnings for each of the years then ended, all expressed in Japanese yen. We have also audited the consolidated statement of cash flows for the year ended May 31, 2000. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above, expressed in Japanese yen, present fairly the consolidated financial position of Nippon Kayaku Co., Ltd. and consolidated subsidiaries at May 31, 2000 and 1999, and the consolidated results of their operations for the years then ended, in conformity with accounting principles and practices generally accepted in Japan consistently applied during the period. Also, the financial statements present fairly the consolidated results of their cash flows for the year ended May 31, 2000, in conformity with accounting principles and practices generally accepted in Japan.

As described in Note 1 to the consolidated financial statements, Nippon Kayaku Co., Ltd. and consolidated subsidiaries have adopted new accounting standards for consolidation and tax-effect accounting in the preparation of their consolidated financial statements for the year ended May 31, 2000.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the years ended May 31, 2000 and 1999 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

August 30, 2000



Corporate Information

Business Name:	Nippon Kayaku Co., Ltd.
Representative:	Teruo Nakamura, President
Foundation:	June 5, 1916
Capital:	14.932 billion yen (as of 31 May, 2000)
Head Office Address:	Tokyo Fujimi Bldg., 11-2, Fujimi 1-chome, Chiyoda-ku, Tokyo 102-8172, Japan Tel +81-3-3237-5044 (Public Relations & Investor Relations Div.) [URL] http://www.nipponkayaku.co.jp/
Number of Employees:	2,143 (as of June, 2000)
Banks of Accounts:	Bank of Tokyo Mitsubishi, Daiichi Kangyo Bank, Joyo Bank
Principal Subsidiaries and Affiliates:	Naigai Nikka Co., Ltd. Nippon Kayaku Food Techno Co., Ltd. Nippon Kayaku Medinet Co., Ltd. Indet Safety Systems a.s. LifeSparc Inc. Kayafloc Co., Ltd. Polatechno Co., Ltd. Zhaoyuan Advanced Chemical Co., Ltd. Wuxi Advanced Chemical Co., Ltd. N-S-Color Techno Co., Ltd. Nippon Kayaku Tokyo Co., Ltd. Nippon Kayaku Fukuyama Co., Ltd. Hokuyou Kayaku Co., Ltd. Kayatech Co., Ltd. Nishiminato Driving School Co., Ltd. Kokura Techno Service Co., Ltd. Wako Toshi Kaihatsu Co., Ltd. Kouwa Sangyo Co., Ltd. Kayaku AKZO Corporation Sanko Kagaku Kogyo Co., Ltd. Nippon Peroxide Co., Ltd.

Head Office and Domestic Offices

Head Office:	Tokyo Fujimi Bldg., 11-2, Fujimi 1-chome, Chiyoda-ku, Tokyo 102-8172, Japan
Domestic Offices	
Tokyo Branch:	Mejiro Nakano Bldg., 17-22, Takada 2-chome, Toshima-ku, Tokyo 171-0033, Japan
Osaka Branch:	Yuraku Bldg., 5-14, Minami-honmachi 3-chome, Chuo-ku, Osaka 541-0054, Japan
Fukuoka Branch:	Nishitetsu-gion Bldg., 1-1, Gokusho-machi, Hakata-ku, Fukuoka 812-0037, Japan
Sapporo Branch:	Dunlop SK Bldg., 4-16, 10-chome, Ohdorinishi, Chuo-ku, Sapporo 060-0042, Japan
Nagoya Branch:	Nagoya Bldg., 6-18, Meieki 4-chome, Nakamura-ku, Nagoya 450-0002, Japan

Major Products

Pharmaceuticals Division:	Anti-tumor agents, neurological agents, circulatory system agents, digestive system agents, metabolic agents, antibiotics, anti-inflammatory analgesic agents, pharmaceutical intermediates, food additives, veterinary pharmaceuticals, animal feedstuffs and feedstuff additives, diagnostics
Inflators Division:	Airbag inflators, micro gas generators for seatbelt pretensioners
Catalysts Division:	Catalysts for the production of acrylic acid and methacrylic acid, plant licensing business
Functional Products Division:	Special epoxy resins, epoxy resin curers, combustion retardants for synthetic resins, UV- curing type resins, acrylic polymers, optical films
Color Chemicals Division:	Disperse dyes, cationic dyes, acidic dyes, reactive dyes, direct dyes, sulphur dyes, fluorescent dyes, dye supplements, dye blenders, special dyes for non-textile applications, coloring agents for color inkjet printers
Agro & Fine Chemicals Division:	Insecticides, herbicides, fungicides, acaricide, biological pesticides, soil disinfectant, animal repellents, fine chemicals intermediates
Explosives Division:	Industrial explosives, black powder, electric detonators, concrete crushers, hazard evaluation, pyrotechnics
Other Business:	FLOWSEALER (repair material for waterproofing in building construction)

Plants

Takasaki Plant:	239, Iwahana-machi, Takasaki 370-1208, Japan
Tokyo Plant:	31-12, Shimo 3-chome, Kita-ku, Tokyo 115-8588, Japan
Fukuyama Plant:	126, Minooki-cho, Fukuyama 721-8567, Japan
Kashima Plant:	6, Sunayama, Hasaki-cho, Kashima 314-0255, Japan
Asa Plant:	2300, Sanyo-cho, Asa 757-8686, Japan
Himeji Plant:	3903-39, Toyotomi, Toyotomi-cho, Himeji 679-2123, Japan

Laboratories

Pharmaceuticals Group Research & Development Division:	31-12, Shimo 3-chome, Kita-ku, Tokyo 115-8588, Japan
Inflators Technical Center:	3903-39, Toyotomi, Toyotomi-cho, Himeji 679-2123, Japan
Catalysts Research Center:	2300, Sanyo-cho, Asa 757-8686, Japan
Functional Products Research Laboratories:	26-8, Shimo 3-chome, Kita-ku, Tokyo 115-0042, Japan
Color Chemicals Research Laboratories:	43-19, Shimo 3-chome, Kita-ku, Tokyo 115-8588, Japan
Agro & Fine Chemicals Research Laboratories:	225-1, Koshikiya Horigome, Ageo 362-0064, Japan
Explosives Research Laboratories:	2300, Sanyo-cho, Asa 757-8686, Japan
Film Technology Laboratories:	48-9, Shimo 4-chome, Kita-ku, Tokyo 115-0042, Japan

