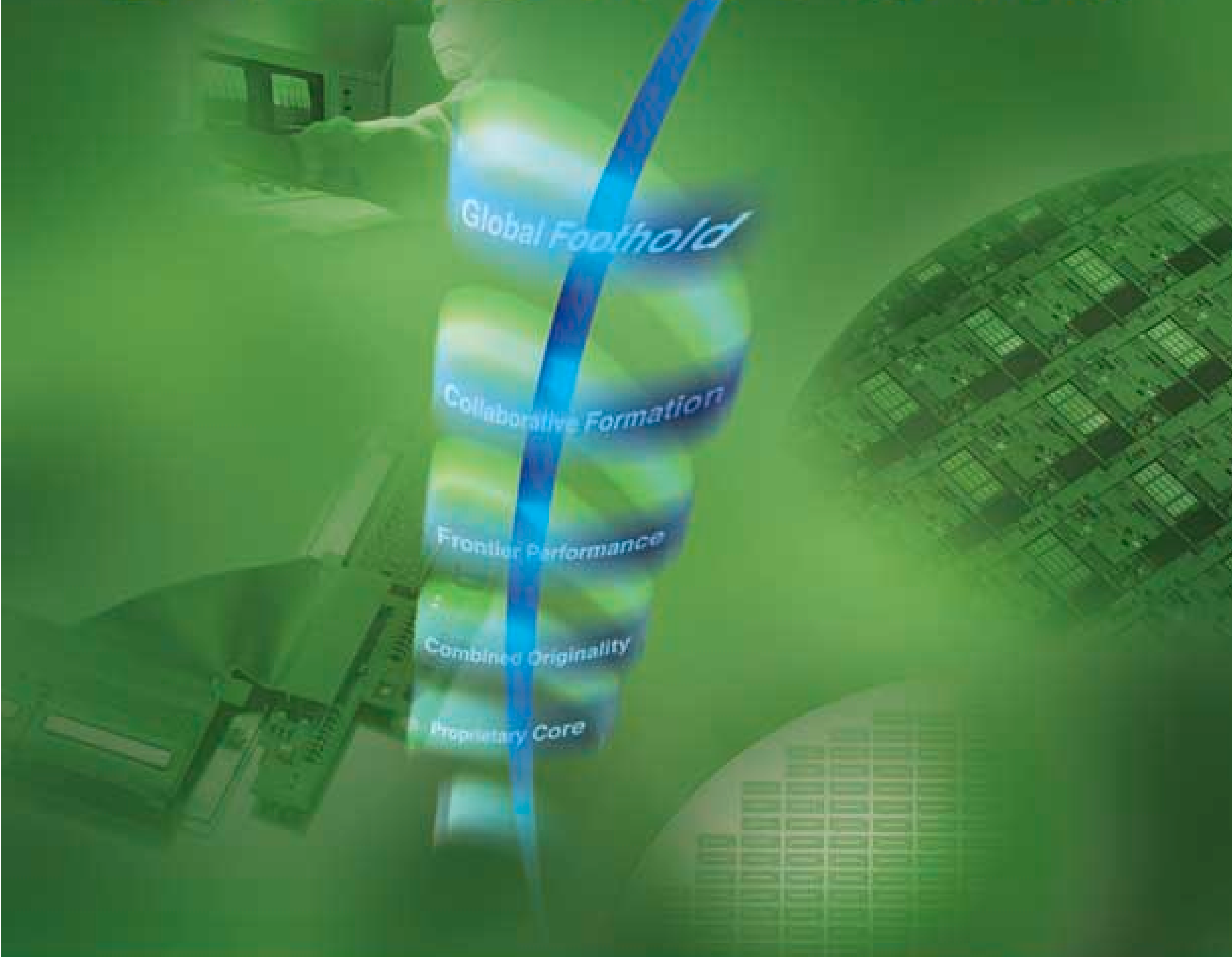
TOKYO OHKA KOGYO CO., LTD.

New Frontier Dimensions



ANNUAL REPORT 2003

Year Ended March 31, 2003

Profile

TOK is a technology-developing firm, and our current spectrum of product fields derives from steady expansion of our business domains covering six categories: photoresists, printing materials, process equipment, chemicals, specialty chemicals, and others, while application of our products ranging from semiconductor production to printed circuit board/package module production, display production, printing/plate making, and high purity chemicals.

Dedicated to microprocess technology, we are constantly in the design-rule vanguard and our microprocess product line-up is grounded in high-purification engineering and centers around photopolymer technology. We are making on-going efforts to extend application of microprocess technology to new fields and processes, and are also taking active approaches to expansion of our business portfolio through microprocess. Based on the new technologies and methodologies resulting from energetic development of products and markets, we have built a solid position for ourselves in the Japanese market and now occupy an important place in the global market.

LOOKING AHEAD WITH NEW TECHNOLOGIES

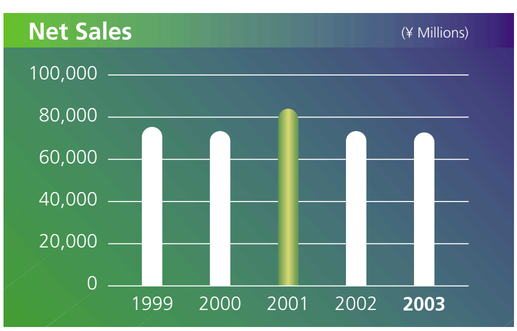
Contents

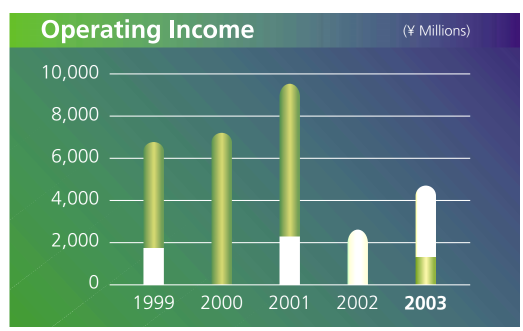
Consolidated Financial Highlights

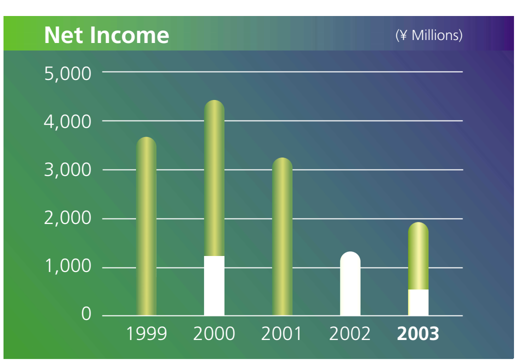
TOKYO OHKA KOGYO CO., LTD.
For the year ended March 31, 1999, 2000, 2001, 2002 and 2003

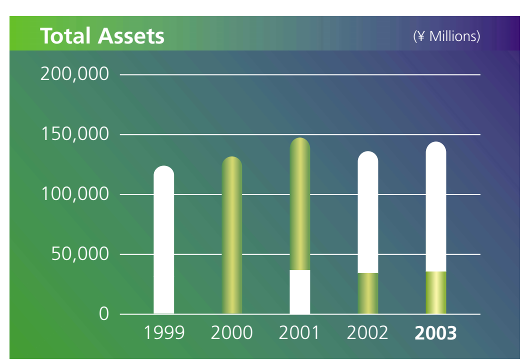
	Millions of Yen					Thousands of U.S. Dollars
For the Year:	1999	2000	2001	2002	**2003**	**2003**
Net Sales	¥ 74,444	¥ 73,108	¥ 83,456	¥ 73,297	**¥ 72,286**	**$ 602,385**
Operating Income	6,673	7,115	9,298	2,618	**4,563**	**38,028**
Net Income	3,715	4,483	3,250	1,314	**1,924**	**16,035**
Capital Expenditures	3,914	2,754	3,522	7,670	**8,019**	**66,830**
Research & Development Expenditures	5,494	5,752	6,160	5,803	**6,028**	**50,234**
At the Year-End:						
Total Assets	¥ 122,752	¥ 130,390	¥ 146,735	¥ 135,582	**¥ 141,402**	**$ 1,178,354**
Total Shareholders' Equity	105,827	110,762	113,479	113,126	**111,241**	**927,015**
Number of Employees	1,774	1,757	1,735	1,761	**1,751**	
	Yen					U.S. Dollars
Per Share:						
Net Income	¥ 73.42	¥ 88.60	¥ 64.24	¥ 26.28	**¥ 39.12**	**$ 0.32**
Cash Dividends Applicable to the Year	20.00	23.00	20.00	20.00	**20.00**	**0.16**

See notes to consolidated financial statements.









President
Haruhiko Uchida

H. Uchida

Message from the President

Review and major results of fiscal year ended March 2003 and outlook for fiscal year ending March 2004

In the fiscal year ended on March 31, 2003, the situation remained harsh in the electronics industry, the main customer for our products. The market for liquid-crystal displays (LCDs) held firm thanks to the rebound of production of cellular telephones and other communications equipment as well as the growth in demand for LCD television sets and other digital products for the home. Similarly, sales of plasma display panels (PDPs) expanded in connection with home TV sets owing to the gradual decline in prices and fuller assortment of models. In contrast, the semiconductor market failed to achieve a substantial turnaround overall, largely because of the sluggish sales of personal computers, in spite of a basic tone of recovery from the unprecedented slump in overseas markets, chiefly in Asia.

In this external climate, we in the Tokyo Ohka Kogyo (TOK) Group took all sorts of steps to boost our performance, such as vigorous investment in development of new products, contraction of the time required for development through technical interaction with outside parties, and reinforcement of activities outside Japan. Although they did not bring our profits back to their past peaks, these measures brought a significant increase in profits after the severe decrease recorded in the previous fiscal year, and enabled us to make a crucial first step down the road to earnings recovery.

Review of fiscal year ended March 2003

In the fiscal year ended March 2003, the consolidated result of the TOK Group showed net sales of ¥72,286 million, down 1.4 percent from the previous year, because sales in the equipment business dropped steeply reflecting factors such as times of order delivery to customers. We were nevertheless able to post operating income of ¥4,563 million and ordinary income of ¥4,838 million for respective increases of 74.3 and 60.2 percent, which are attributable to expanded sales of photoresists and other materials for manufacture of LCDs and PDPs in addition to excimer laser photoresists and others for manufacture of semiconductors. Because of the depreciation of shareholdings due to the sagging stock quotations, our net income was held to ¥1,924 million, up 46.4 percent. The following three points may be cited as highlights of the financial picture.

(1) In spite of the influence of the decline in equipment sales, in the materials business, and particularly in the case of photoresist for semiconductor manufacture, our priority efforts to fortify our offshore marketing campaigns over the last few years have succeeded in raising the share of our sales occupied by overseas markets, and especially Korea and Taiwan. In Korea, sales are steadily increasing even on the midterm basis.

(2) We managed to build our sales of photoresist both for krypton-fluoride (KrF) excimer lasers and argon-fluoride (ArF) excimer lasers. The combined amount is slowly nearing that for g- and i-line photoresists.

(3) There have been developments that should occasion a broadening of our business related to flat panel displays (FPDs). The four major ones are as follows: 1) a sizable increase in sales of thin-film transistor (TFT)-LCD photoresist, which stayed flat in the previous fiscal year, as a result of hard-hitting promotional work; 2) a solid increase in sales of materials for PDP manufacture; 3) the launch of sales of our "spinless" coater applying original technology able to handle large glass substrates of the fifth generation; and 4) the high ratings given to our pigment-dispersed photoresist for forming black matrices of color filters as technology to replace chrome vapor deposition.

In fiscal 2003, the Group as a whole made expenditures of ¥6,028 million, up 3.9 percent, on research and development (R&D) and ¥8,019 million, up 4.5 percent, in capital investment. We therefore kept our input of management resources on a high level to assure our ability to exercise continued leadership in the next generations of microprocess technology.

Net cash provided by operating activities came to ¥11,638 million, and net cash used in investing activities, to ¥8,404 million. Together with the expenditures of ¥3,091 million for purposes such as repurchase of our own shares, this yielded term-end cash and cash equivalents amounting to ¥47,846 million, up ¥100 million from the previous fiscal year.

Outlook for fiscal year ending March 2004

The outlook for the fiscal year ending March 2004 remains clouded by the instability in the Middle East and uncertainty about the course of the U.S. economy and the global economy as a whole. As such, we must continue to expect the climate of our business to be a severe one. The global semiconductor market is likely to be slow to recover owing to the lingering influence of production adjustments extending into this year. Although we think it is heading toward improvement, a firm tone of recovery is not anticipated to take hold before the second half of the year. Supported by the burgeoning demand for both LCDs and PDPs, the FPD market should continue to register high growth rates. This is especially true in the LCD market, which can look forward to expanded demand associated with the gigantic market for TV sets in addition to the pattern of increased sales through the shift from cathode ray tubes (CRT) to LCD panels for personal computer monitors. Along with this trend, newly constructed fifth-generation lines in Korea and Taiwan are projected to go into regular production in the second half of 2003. However, prices for LCD panels fell by a wide margin beginning the middle to the end of 2002, and this suggests that we should need to consider the influence of rising pressures for lower manufacturing material costs, depending on the future price trend.

In light of these external circumstances, we expect an increase in demand for semiconductor photoresist for KrF and ArF excimer lasers in photoresist for semiconductor manufacture, and a rather soft tone in that for g- and i-line photoresists under the influence of progress in miniaturization. It appears unavoidable that the demand for photoresist-related chemicals will be affected by the weak demand in the volume zone. As for LCD manufacturing materials, in spite of apprehensions about a price decline, there are excellent prospects for a volume-wise increase, and the demand for high-performance types of material should build with advances in panel resolution and functionality. In our equipment business, we foresee a rebound of our sales along with delivery for orders received by the end of the fiscal year ended March 2003.

Corporate governance

On June 27, 2003, we at Tokyo Ohka Kogyo Co., Ltd. instated the scheme of officers as part of our measures for stronger and fuller corporate governance. With the inauguration of this scheme, our capabilities of management decision-making and monitoring were placed in the hands of the board of ten full-time directors (the number has since been reduced to nine upon the demise of Director Toshimasa Nakayama), and the execution of our business, in those of a team of 17 (now 16) officers. We decided to have all of the directors also serve as officers. This was done in the judgment that, in light of our current business model and scale, the approach of having the board of directors acquire a firm grasp of the operations and data in each department would yield the greatest effect for prompt and accurate decisions as well as surveillance of business execution.

Besides the regular board meetings held once each month, we hold various other meetings to support management decision-making and rapid response to changes in the business climate. The major ones are as follows.

(1) Management Committee

This Committee is held for a sharing of information and a lively discussion on matters placed before the board of the directors. Composed of the chairman of the board, president, managing directors, and department managers, they are held regularly, once a month.

(2) Monthly departmental meetings

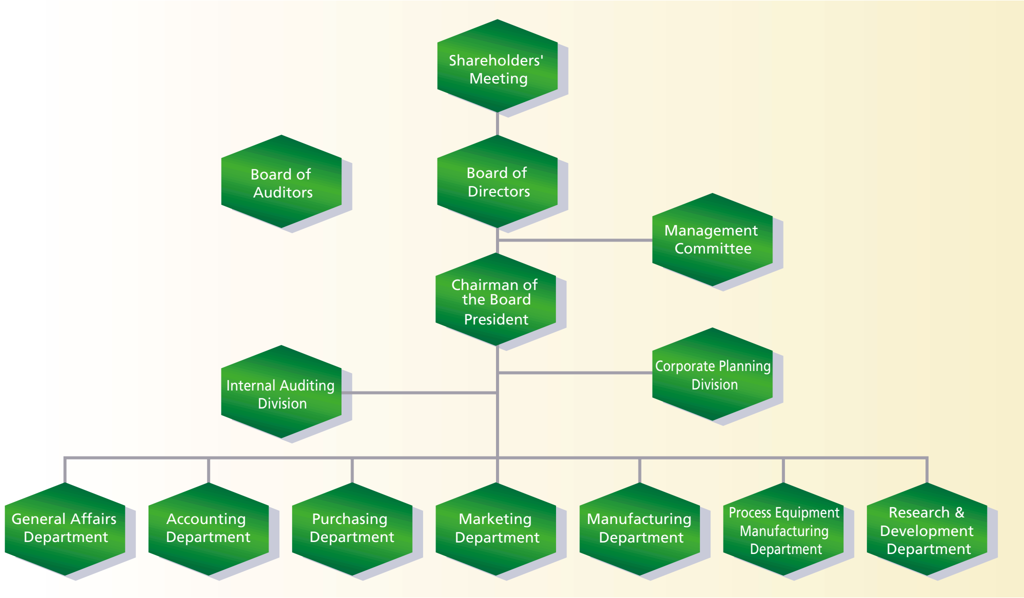
These meetings bring together department managers, general managers, and other personnel below the executive class once a month for the purpose of information exchange.

(3) Expanded departmental meetings

These meetings are held to provide for a sharing of the latest in-house information and communication of views, examination of the current management status, and grasp of the business climate. They are staged as necessary for the members of the monthly departmental meetings plus the managers of all plants.

As a company with corporate auditors, we appoint a total of four auditors (three of whom are from outside our company). We have made arrangements so that, besides participating in the board meetings and other regular meetings of importance, these auditors can discuss matters with directors when they so desire, look into the activities of subsidiaries as they see fit, and discharge their auditing duties, surveillance of business execution of directors, to the fullest.

Furthermore, we have established Internal Auditing Division that reports directly to the president and carries out requisite internal investigations. We should add that no particular interests are involved in our relationship with the three outside corporate auditors who were appointed in June of this year. It may also be noted that this position of outside corporate auditor meets the requirements stipulated in Paragraph 1, Article 18 of the Law for Special Exception to the Commercial Code Concerning Audit, etc. of Kabushiki-kaisha of Japan.



Aims in formulation of the second TOK Challenge 21 medium-term plan

We at Tokyo Ohka Kogyo Co., Ltd. (TOK) have formulated a second installment of TOK Challenge 21, our medium-term plan extending from the fiscal year ending on March 31, 2004 to the year ending March 2006.

The first installment was aimed at achieving both ends of expanding the scale of our business and increasing our earnings so that we could emerge victorious in the global competition. To these ends, it posted key tactics in the following four areas to be shared throughout the company as a matter of policy: 1) promotion of globalization, 2) sales engineers (SE), 3) new technologies, and 4) enhancement of positioning. In the process, we achieved a variety of results, including the establishment of a scheme for cooperation with exposure equipment manufacturers in development of ArF excimer laser lithography (with forerunning commercialization of photoresists for it), adoption of KrF excimer laser photoresists used on the latest production lines, and commercialization of "Spinless" coaters of use in the production of LCDs for fifth-generation glass substrates. In spite of these achievements, however, we are still on the way to attaining our stated objectives, largely because of the slump in the world semiconductor industry, which some have termed unprecedented.

We aim at improving our result over the coming years by making the most of our outstanding infrastructure, including the new components added during the period of the previous medium-term plan. The major ones are the new inspection building at our Koriyama plant, which is installed with the most sophisticated inspecting equipment in the business; the dedicated production facilities for PDP manufacturing materials at our Koriyama plant and photopolymer plates for flexographic printing at our Yamanashi plant; and our expanded network of overseas locations.

Background of the formulation of the second TOK Challenge 21 medium-term plan

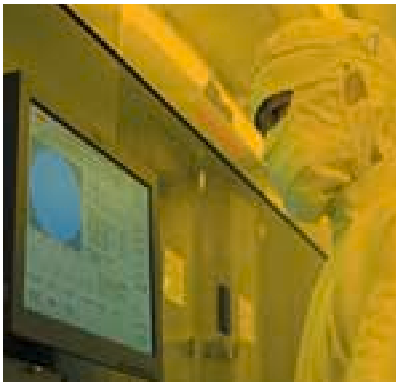
The intensified competition on a global scale and related factors are having the effect of quickening the change of technological generations and increasing the speed of price decline. Meanwhile, products are facing requirements for higher levels of functionality and performance, which generates more complicated wants and needs. Semiconductor manufacturers and related businesses in particular have to work under increasing economic constraints, as exemplified by calls for shorter terms of retrieval for the increasing amounts of investment in R&D. The picture is similar in the FPD manufacturers and its related business. Although the market has prospects for rapid growth along with the demand shifting away from the conventional CRT TV sets, FPD manufacturers and their suppliers are being required to obtain capabilities not only for developing high-performance technologies but also for lowering costs as needed to bring panel prices down. To create and market new items and remain in business, all entrants are going to find it increasingly important to cultivate demand on a global scale.

Management vision

We have defined our business domain as the advanced areas of all fields requiring sophisticated microprocess technology, and aspire to be the kind of company endowed with all the capabilities needed for successful survival in the global market. We are determined to continue with our endeavors to realize this vision. This quest may, at the same time, be equated with the building of a process for recovering past profit peaks, as for the leading firm in any field. We have identified the following three items and prerequisites for attainment of our management vision.

(1) Preparation and execution of an action plan emphasizing trends in the global market
(2) Active accumulation of an internal store of core technology, and exercise of originality based on it
(3) Flexible yet firm foundation enabling prompt and accurate adaptation to changes in the business climate

To meet these three prerequisites, we have laid down three pillars for constructing strategy in all fields, and established them as basic policies.



Basic policies

(1) Diverse business in microprocess technology

- Promotion of microprocess technology in a "vertical" orientation to enhance the profitability of existing business and establish a competitive edge in new frontiers.
- Promotion of microprocess technology business in a "horizontal" orientation to diversify earning sources; active approaches to developing more applications for existing technology and products, and to generating new demand through the marketing of new products
- Vigorous buildup of an internal store of core technology through reinforced R&D related to new key materials
  - Focus on use of the new R&D building featuring a full assortment of test facilities and equipment to handle all items from the latest materials to chemicals
- Extensive employment of collaboration with manufacturers of equipment and materials
- Effective promotion of materials and equipment (M&E) business
  - Full use in developing new applications for existing technologies and products, and marketing new products
  - Consideration of linkages between the materials of other companies and our equipment, and our materials and the equipment of other companies

(2) More extensive development of business overseas

- Development of business outside Japan based on a setup integrating the three divisions of marketing, development, and production, by seizing the opportunities represented by the start-up of new plants
- Augmentation of the staffs and skills of

offshore locations
- Enhancement of marketing capabilities for expanded sales of the latest materials in Asia, North America, and Europe

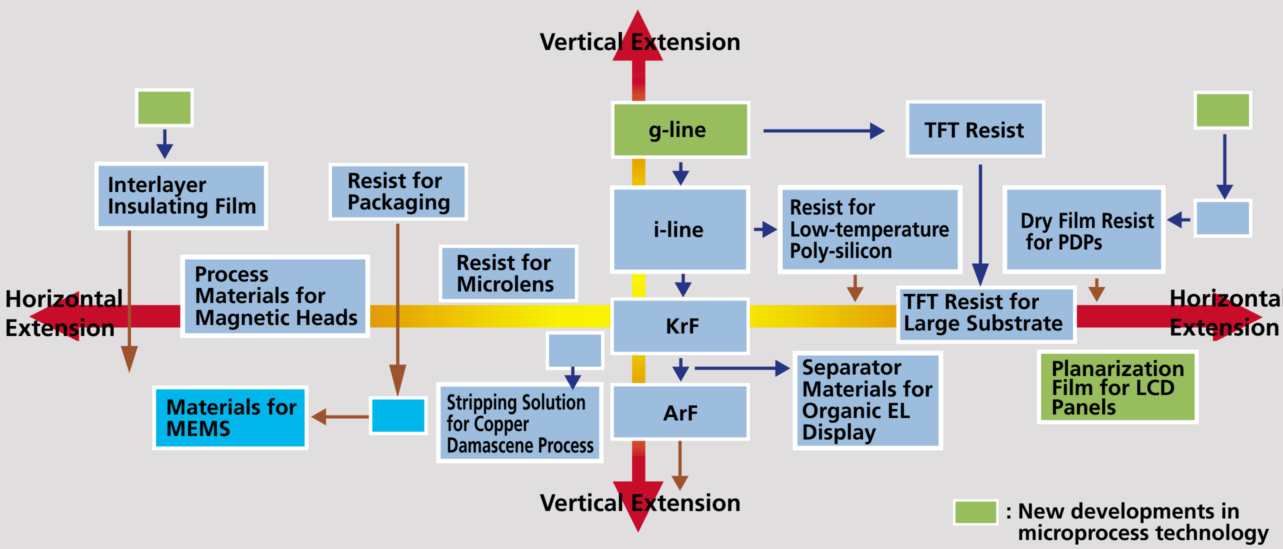
(3) Strengthening of cost competitiveness
- Higher cost resiliency resting on in-house production of certain components and materials
- Construction of production and R&D setups matching the product attributes/scale and our management resources

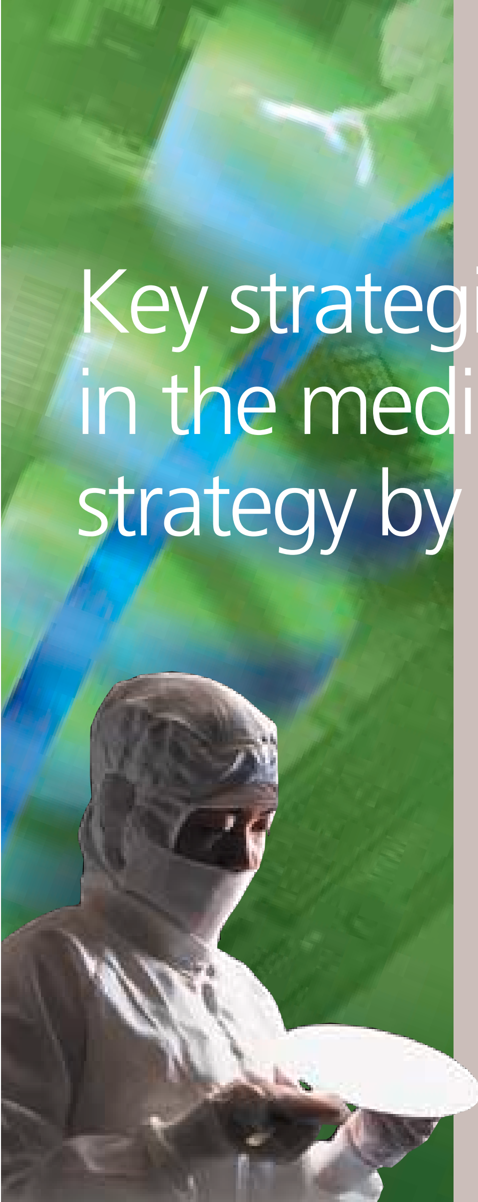
To execute strategy for business based on these three policies, we are planning to make expenditures of ¥19 billion for capital investment and ¥20.6 billion for R&D over the three-year period from the fiscal year ended March 2004 to the fiscal year ending March 2006. While expenditures will therefore remain on high levels, we regard this input of business resources as necessary for steady recovery of profit and return to the growth path with a view to regaining the peak levels reached in the fiscal year ended March 1998.

Additionally, for the purpose of operational innovation and efficiency improvement, we have decided to build an information system* incorporating enterprise resource planning (ERP) as part of our plans for a more solid management foundation. We are now engaged in this project and hope to put the system into operation in the fiscal year ending March 2005.

Note: The cost of constructing this information system is not included in the figure of ¥19 billion in capital investment noted above.

Diversification of Microprocess Technology
Applied to the Frontiers in Every Field
Diversification in Vertical/Horizontal/Vertical+Horizontal/New Orientation





Key strategies and points in the medium-term plan - strategy by field

Electronic materials

In this field, our business strategy is grounded in the concept of expanding sales proceeds and profits through wider sales of advanced materials related to semiconductors. There are two major reasons for this line, as follows: 1) advanced materials have a high level of value-added, and higher sales of them readily lead to increased proceeds and profit growth; and 2) the microprocess technology developed for them belongs to leading-edge domains and may be expected to make a big contribution to the creation of new products in other fields. Of all advanced semiconductor materials, the medium-term plan accords the highest priority to wider sales of photoresists for ArF excimer lasers. For this purpose, it is absolutely essential for us to capture a sizable share of the demand in overseas markets, where use of this material is further ahead. Therefore, we plan to conduct aggressive campaigns grounded in arrangements integrating the three divisions of marketing, development, and production, with a focus on face-to-face communication with customers.

In our business in ArF excimer laser photoresist, we have posted the target of retaining a market share far in excess of that for photoresists for other light sources (g-line, i-line, and KrF excimer laser) up to and including the fiscal year ending March 2006. Apart from being the terminal year of the current medium-term plan, we believe the fiscal year ending March 2006 will see use of ArF excimer laser photoresists by the major semiconductor manufacturers around the world on their new mass-production lines, such that the worldwide market will amount to about ¥10 billion. The few years after that should coincide with the start of application on even more mass-production lines and layers, for a further increase in the size of the market. Eventually, we think this market will exceed those for g-line and i-line photoresists. In keeping with this outlook, we intend to make the physical and staffing arrangements needed to gain a good share of this market, and to make an intensive input of resources to this end on a priority basis.

Arrangements for capturing a substantial share of the ArF excimer laser photoresist market

Marketing by project teams formed for each customer

• Provision of solutions through synchronized action by Marketing and Research & Development departments in response to customer wants and needs

• Backup for mass production on the 110-, 90-, and 65-nanometer levels, regardless of the light source

Interdivisional organization for optimizing qualitative performance

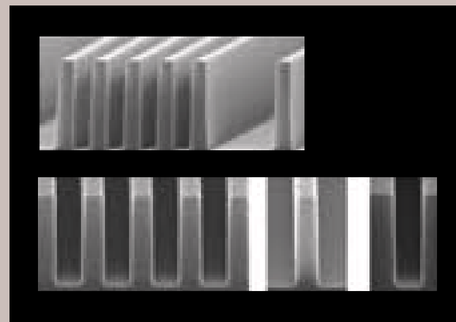
• Project teams with members from the Manufacturing Technology division,

Quality Assurance division, and Research & Development department
• Accumulation of a store of know-how in refining and optimizing inspection technology, based on centralized management of information on qualitative properties and preferences

Priority, intensive input of resources into ArF excimer laser photoresists

Prompt and flexible preparation and buildup of the R&D infrastructure

• Installation of Hi-NA scanners and surface defect inspection equipment (the latest equipment in the world) already completed; continued installation of the latest inspection facilities in anticipation of coming technological trends



Buildup of the manpower required for marketing keyed by speed and depth

• Reinforcement of development teams and increased dispatch of sales and SE personnel to overseas locations
• Increase in processing capacities for analysis of characteristics to cope with increases in sample shipment destinations and volumes

Consideration of the establishment of new production lines

• Capacity increase through renewal of certain production lines
• Careful reading of future demand trends and immediate increase in capacity as necessary

The area of KrF excimer laser photoresists has both prospects for continued expansion of the market and margin for further technological progress. In our marketing activities for it, we are therefore accenting opportunities associated with desires to lengthen the service life of technology on the order of 110-nanometers or below. We want to capture further market share by drawing on our capability to furnish solutions for improved product quality underpinned by the world's finest inspection facilities. The areas of i-line and g-line photoresists, on the other hand, have relatively mature markets. Our strategy for them consequently revolves around assuring profitability, and lies in reducing manufacturing costs by consolidating types to obtain larger scales of production.

In our business in other materials, we are going to fill out our assortment of items for new processes by bringing out stripping solutions for copper damascene delivering higher levels of performance. In that of spin-on-glass (SOG), we intend to cultivate demand through a hard-hitting program aimed at developing new applications in connection with low-k materials and dual damascene.

Display materials

In our display material business, our strategy proceeds from the aim of assuring profits by increasing sales volumes and expanding product assortments with a focus on the market share for materials used in manufacture of LCDs and PDPs. For the time being, we are going to concentrate on retaining a substantial share of the market, due to the good prospects for a big surge in demand for LCD and PDP materials as LCD and PDP TV sets begin to find full-fledged diffusion. Even assuming that prices for various parts continue to fall, we think we can graduate to the next stage of profit growth if we maintain our current net income levels through ongoing efforts to reduce costs. We are also going ahead with the development of materials for organic electro-luminescent (EL) displays and other kinds of FPD with the potential to generate major markets in the future. In this way, we are steadily sowing the seeds of tomorrow's business.

The LCD production lines to be installed over the coming years will apply large glass substrates of the so-called fifth and sixth generations (measuring 1,100 x 1,300 millimeters

and 1,500 x 1,850 millimeters, respectively). In regional terms, their installation will also be characterized by concentration in Japan, Taiwan, and Korea. The larger glass substrate sizes are making it physically more difficult to attain uniform coating film of photoresist and high rates of through-put. This presents us with an opening to increase our share of the market.

Main approaches for LCD manufacturing materials

• Improvement of the coating performance and sensitivity of TFT photoresists for new lines (fifth and succeeding generations)
• Revision of production processes for simultaneous achievement of reduced costs and increased supply capacity
• Expanded sales of photoresist for low-temperature polysilicon
• Expanded sales of pigment-dispersed chrome-free photoresist (CFPR) for forming black matrices of color filters
  - Cultivation of demand through replacement of chrome etching in the area of large glass substrates
  - Stronger development of new applications at the same time
• More extensive record of adoption for transparent planarization film (TPAR) for LCD panels
  - Increased utilization for small panels, and more aggressive development and marketing for medium and large panels
• Expanded sales of chemicals for photolithography process in Taiwan by fully exercising the advantages of production there

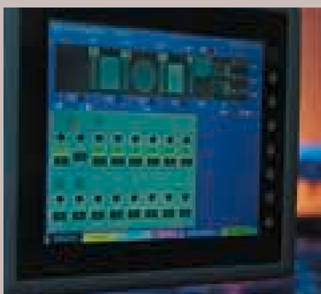
Although PDPs are beginning to come into extensive use with TV sets for the home, accelerated penetration of the market growth will probably call for reduction in price by one or two rungs. On this front, we are not only working to enhance our price flexibility by reducing costs but also to create improved products that help to increase panel yield while simplifying the production process. Although the trend toward installing new, and enlarging existing, PDP production lines is likely to be centered in Japan for the time being, we will also pay attention to the movements of panel manufacturers in other Asian countries in our marketing activities.

Main approaches for PDP manufacturing materials

• Fuller assortment of PDP manufacturing materials
• High-blast-resistant dry film resist (DFR) for rib processing
• Development of Dry film photoresist for electrode formation

Image-forming materials

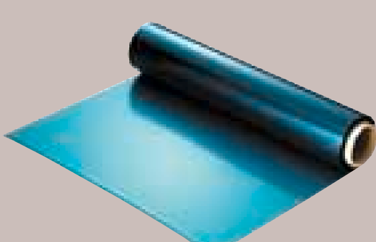
Business in Image-forming materials revolves mainly around photopolymer



plates and other printing materials (which command a market that is enormous but also fully mature), photoresist materials (whose market amounts to only a few billions of yen but has bright prospects for growth), and circuit board materials for printed circuit boards (which have a market that is fairly large but leveling off). In this business, the market and conditions differ greatly depending on the segment. As such, we have defined separate strategic concepts and are tackling various tasks in each segment, as follows.

Photopolymer plates

Overseas markets carry considerable weight in the regional composition of the demand, and we intend to make formidable marketing efforts aimed primarily at Europe during the run of the medium-term plan. We want to get new customers by bolstering our price competitiveness through doing OEM at our new production facilities for the elaslon photopolymer plate, while reviewing our sources for supplies and turning to in-house production as necessary. In parallel with this, we are developing new products to augment our assortment for letterpress and label seal printing.



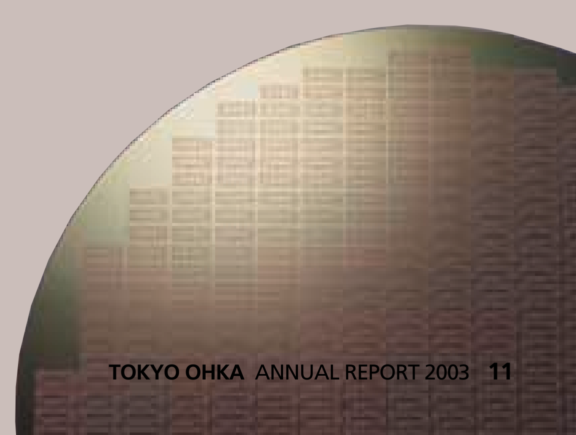
Circuit board materials

Users have strong price sensitivity for the mainstay dry film resist, and we are attempting to lower our costs by means including in-house production. Meanwhile, we are going to develop a high-follow dry film resist for use in buildup process of printed circuit board, whose specification requirements are rising along with the demands for smaller sizes and higher performance from items such as cellular telephones and other small portable terminals.

Photoresist materials

We plan to fill out our line of packaging materials to keep abreast of the advances in LSI packaging technology and the diversification caused by changes in bump material. We have developed business in this segment mainly in the Japanese market so far, but want to step up our marketing campaigns in other markets, where LSI packaging technology is a subject of mounting attention.

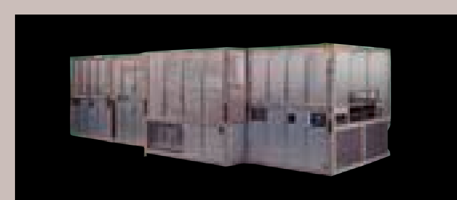
In this segment, we plan to pursue an active development of applications for photoresist materials to join those already commercialized, including photoresists for Chip on film (COF) and Chip Size Package (CSP), photoresists for Charge-Coupled Devices (CCD) microlenses, and process materials for fabrication of magnetic heads. We are also aiming to create new markets through a horizontal spread of microprocess technology making the most of our store of expertise accumulated through business in electronic materials.



Equipment

In our equipment business, our top priority is an increase in our profit rate, which continues to sag. For this reason, we defined the key strategic concept as improvement of return by selective pursuit of orders and rigorous cost control management for each item. The specific policy pillars may be summarized in the following four points.

- Reinforcement of campaigns for orders spearheaded by "spinless" coaters for LCDs
  - Ability to narrow the range of items for which orders are accepted and achieve a better mass-production effect
  - Early commercialization of equipment for the seventh generation on the heels of that for the fifth and sixth generations
- Efficient retrieval of development investment
- Thoroughgoing management of the cost of sales
  - Flexible management of delivery terms and process steps in coordination with cooperating firms, in the interest of assuring profitability when orders are received
  - Curtailment of the impact of cost increases due to modification of delivery deadlines, etc.
- Development of equipment for custom applications
  - Promotion of M&E effective for breeding and expanding new applications for our materials
  - Active supply of solutions utilizing our LSI packaging materials, SOG, low-k materials, and MEMS materials



Management Discussions and Analysis

Results of Operations

Net Sales

The Tokyo Ohka Kogyo (TOK) Group recorded net sales of ¥72,286 million, down 1.4 percent from the previous fiscal year. Although sales in the material business segment rose by 14.2 percent to ¥62,721 million, those in the equipment business segment plummeted by a remarkable 48.0 percent to 9,644 million.

As for the trend by region, sales in Japan slipped by 1.8 percent to ¥37,200 million, while those in the rest of Asia fell by 1.8 percent to ¥21,638 million. In both of these markets, the increased sales of semiconductor and FPD manufacturing materials were not enough to offset the decrease in equipment sales. In Europe, sales came to ¥5,029 million, a decline of 0.7 percent, owing to the withdrawal of Japanese semiconductor manufacturers. In North America, however, we chalked up sales of 8,417 million, up 1.4 percent, as a result of increases in advanced materials for semiconductor manufacturing and in printing / plate-making materials.

By location of operations, the Japanese division achieved a substantial increase in sales of materials business segment, but the large decline in the equipment business segment held the sales total to ¥62,041 million, down 2.5 percent.

Similarly, the North American division recorded sales of ¥7,371 million, down 0.9 percent, under the influence of yen's appreciation, and the European division, sales of ¥5,517 million, down 1.2 percent, because of the sales decline at our U.K. subsidiary and sluggish performance at our Italian subsidiary. Our Asian division, in contrast, registered sales of ¥5,096 million, up a hefty 62.7 percent, as the surging production of LCD-related products supported brisk sales of photoresists and chemicals for photolithography process by our Taiwanese subsidiary.

Gross Margin

The cost of sales decreased to ¥48,758 million, due to the improvement made in our product mix by lower sales in the equipment business segment and higher ones in the material business segment, which offers higher margins. In response, our gross margin rate rose by 4.0 percentage points to 32.5 percent.

SGA

Selling, general and administrative expenses amounted to ¥18,964 million, up 3.8 percent. This increase derived from a rise in storage, transportation, and personnel costs along with the resurgence of sales in the material business segment, and from increased R&D expenditures. As percentage of sales, however, selling, general and administrative expenses came to 26.2 percent, for a year on year rise of only 1.3 percentage points.

Operating Income

Our operating income amounted to ¥4,563 million, up a remarkable 74.3 percent. The ratio of operating income to sales jumped by 2.7 percentage points to 6.3 percent from the previous fiscal year.

Income before income taxes and minority interests, and net income

Income before income taxes and minority interests hit ¥3,885 million, up 49.4 percent, as the rebound of operating income offset a variety of negative factors, including loss from write-down of investment securities due to the decline in stock market prices, foreign currency transaction loss, and the cost burden for starting up production facilities dedicated to PDP manufacturing materials within the Koriyama plant. This brought net income to ¥1,924 million, up 46.4 percent.

Segment Analysis

Material Business

Sales rose by 14.2 percent to ¥62,721 million, as a reflection of double-digit percent recovery in the photoresists, printing materials, and chemicals divisions. In addition, operating income came to ¥8,597 million, up 58.1 percent, as a result of not only this sales recovery but also efforts to reduce raw materials costs and manufacturing costs.

In the photoresists division, sales totaled ¥29,045 million, a year on year increase of 13.9 percent. In a continuation of the trend in the previous year, sales of photoresists for printed circuit boards were forced downward by factors such as intensified competition in overseas markets, but the division managed to expand its sales of photoresists used in manufacturing semiconductors and FPDs. In the subsegment of semiconductor photoresists, advanced photoresists for KrF and ArF excimer lasers achieved sales increases in excess of those for g- and i-line photoresists. By region, the division recorded a fairly flat sales trend in the North American market under the effect of the adjustments in semiconductor production that began in the second half of fiscal year ended March 2003, but successfully increased its sales in the Asian market, which has been emphasized in our strategy. In the subsegment of photoresists for FPDs, sales expanded in spite of the continuing pressures for price reductions. This expansion is attributable to the maintenance of a favorable trend in sales of LCD photoresists through hard-hitting campaigns and the commencement of photoresist shipments for PDPs.

In the printing materials division, sales increased by 25.8 percent to ¥5,935 million. Photopolymer plates sold well for flexographic printing in the European market, which is a priority one for expanded sales, and also for general printing in the North American market. Sales of offset printing materials exhibited a firm trend, as well.

In the chemicals division, sales amounted to ¥22,508 million, up 17.1 percent. In spite of the tough requests for discounts from our customers, we succeeded in extending our sales by a wide margin as a result of high-powered efforts to promote sales of materials for manufacturing semiconductors and LCDs.

The specialty chemicals division recorded sales of ¥4,617 million, slightly less than the previous fiscal year. Sales of items used in semiconductor manufacturing (including the mainstay interlayer insulation film and planarizing insulation film) held firm in the domestic market but faced a severe situation in other Asian markets due to price declines.

During the year, we made capital expenditures of ¥6,836 million, up 40.2 percent, for subjects such as installing more R&D equipment and building production facilities exclusively for PDP manufacturing materials. Depreciation amounted to ¥4,071 million, down 5.1 percent from the previous fiscal year.

Equipment Business

Sales of semiconductor manufacturing equipment were off due subdued investment by semiconductor manufacturers. In both volume and backlog of, orders for LCD panel manufacturing equipment showed a substantial increase as we stayed surely abreast of the expanded investment for larger glass substrate sizes. Nevertheless, many of these orders could not be posted in this year's book due to the delivery dates, and the overall sales in this segment consequently fell by 48.0 percent to ¥9,644 million. Operating income plunged by 86.6 percent to ¥208 million. This drop came in spite of our efforts to reduce manufacturing costs, and was caused by the sharp decline in sales.

Financial Review

Financial Position

As of March 31 2003, our total assets stood at ¥141,402 million, up ¥5,820 million, from the end of the previous fiscal year. Although investments and other assets fell by ¥1,393 million, under the impact of the depreciation of stockholdings, current assets increased by ¥4,156 million, due to an increase in accounts receivable along with the expansion of sales of the material business segment in Japan and Taiwan, and an increase in inventories caused by the buildup of equipment delivered waiting to be inspected. Additionally, net property, plant and equipment increased by ¥2,998 million, as our investment in plants and equipment remained high.

Current liabilities increased by ¥6,964 million, to ¥21,573 million, owing to a rise in advances accompanying the recovery of equipment orders. Long-term liabilities came to ¥7,954 million, an increase of only ¥537 million, while shareholders' equity dropped by ¥1,884 million, to ¥111,241 million, because of repurchase of our shares. The ratio of shareholders' equity to total assets was 78.7 percent, down 4.7 percentage points, because of the increase in total assets.

Cash Flows

The net cash provided by operating activities amounted to an income of ¥11,638 million, up ¥5,167 million. The negative factor of an increase in requisite operating capital was outweighed by the increases in income before income taxes and minority interests, and advances, and income taxes refunded.

Net cash used in investing activities came to ¥8,404 million, up ¥1,082 million, because of aggressive capital investment in plants and equipment.

The net cash in financing activities yielded an expenditure of ¥3,091 million, up ¥563 million, mainly for the repurchase of our own shares.

As a consequence, cash and cash equivalents as of March 31, 2003 totaled ¥47,846 million, an increase of ¥100 million from that as of March 31, 2002.

TOKYO OHKA KOGYO CO., LTD. and Consolidated Subsidiaries

Consolidated Balance Sheets

March 31, 2003 and 2002

ASSETS	Millions of Yen 2003	Millions of Yen 2002	Thousands of U.S. Dollars (Note 1) 2003
CURRENT ASSETS:			
Cash and cash equivalents	**¥ 47,846**	¥ 47,746	**$ 398,723**
Receivables:			
Trade notes	**4,960**	5,047	**41,340**
Trade accounts	**18,062**	15,632	**150,521**
Other	**120**	79	**1,007**
Allowance for doubtful receivables	**(294)**	(279)	**(2,455)**
Inventories (Note 4)	**16,060**	13,439	**133,835**
Deferred tax assets (Note 8)	**1,125**	692	**9,377**
Income taxes refundable		2,020	
Prepaid expenses and other current assets	**1,197**	543	**9,975**
Total current assets	**89,078**	84,922	**742,324**
PROPERTY, PLANT AND EQUIPMENT:			
Land	**9,372**	9,432	**78,104**
Buildings and structures	**49,773**	48,055	**414,782**
Machinery and equipment	**37,910**	34,944	**315,922**
Furniture and fixtures	**11,713**	10,531	**97,610**
Construction in progress	**2,654**	1,690	**22,117**
Total	**111,424**	104,655	**928,537**
Accumulated depreciation	**(68,244)**	(64,473)	**(568,705)**
Net property, plant and equipment	**43,179**	40,181	**359,832**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 3)	**3,691**	5,152	**30,766**
Investments in an unconsolidated subsidiary and an affiliate	**7**	7	**62**
Lease deposits	**122**	118	**1,016**
Accumulated insurance premiums	**299**	435	**2,491**
Deferred tax assets (Note 8)	**3,063**	2,598	**25,525**
Long-term prepaid expenses	**1,723**	1,969	**14,359**
Other assets	**236**	195	**1,974**
Total investments and other assets	**9,143**	10,477	**76,197**
TOTAL	**¥ 141,402**	¥ 135,582	**$ 1,178,354**

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen 2003	Millions of Yen 2002	Thousands of U.S. Dollars (Note 1) 2003
CURRENT LIABILITIES:			
Short-term borrowings (Note 5)	**¥ 181**	¥ 201	**$ 1,515**
Current portion of long-term debt (Note 5)	**1**	1	**13**
Payables:			
Trade notes	**1,410**	1,334	**11,751**
Trade accounts	**5,688**	4,632	**47,402**
Construction and other	**3,953**	3,823	**32,947**
Income taxes payable	**1,590**	266	**13,257**
Accrued expenses	**3,106**	2,806	**25,884**
Advances from customers	**5,463**	1,321	**45,528**
Deferred tax liabilities (Note 8)	**65**	2	**543**
Other current liabilities	**112**	220	**934**
Total current liabilities	**21,573**	14,610	**179,778**
LONG-TERM LIABILITIES:			
Long-term debt (Note 5)	**10**	19	**89**
Liability for retirement benefits (Note 6)	**7,586**	7,099	**63,220**
Deferred tax liabilities (Note 8)	**292**	230	**2,440**
Other long-term liabilities	**64**	65	**538**
Total long-term liabilities	**7,954**	7,414	**66,289**
MINORITY INTERESTS	**632**	429	**5,270**
SHAREHOLDERS' EQUITY (Notes 7 and 12):			
Common stock			
authorized, 200,000,000 shares;			
issued, 50,600,000 shares in 2003 and 2002	**14,640**	14,640	**122,003**
Capital surplus	**15,207**	15,207	**126,732**
Retained earnings	**84,074**	83,146	**700,619**
Unrealized gain on available-for-sale securities	**790**	1,217	**6,586**
Foreign currency translation adjustments	**(10)**	377	**(91)**
Total	**114,702**	114,589	**955,850**
Treasury stock—at cost			
2,041,848 shares in 2003 and 788,417 shares in 2002	**(3,460)**	(1,463)	**(28,834)**
Total shareholders' equity	**111,241**	113,126	**927,015**
TOTAL	**¥ 141,402**	¥ 135,582	**$ 1,178,354**

TOKYO OHKA KOGYO CO., LTD. and Consolidated Subsidiaries

Consolidated Statements of Income

Years Ended March 31, 2003 and 2002

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2002	**2003**
NET SALES	**¥ 72,286**	¥ 73,297	**$ 602,385**
COST OF SALES	**48,758**	52,414	**406,318**
Gross profit	**23,528**	20,883	**196,067**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	**18,964**	18,265	**158,038**
Operating income	**4,563**	2,618	**38,028**
OTHER INCOME (EXPENSES):			
Interest and dividend income	**104**	149	**873**
Interest expense	**(21)**	(34)	**(181)**
Foreign currency transaction (loss) gain—net	**(157)**	207	**(1,310)**
Royalty income	**133**	75	**1,111**
Loss on sales and disposals of property, plant and equipment—net	**(159)**	(221)	**(1,327)**
Loss on disposals of inventories	**(109)**	(245)	**(916)**
Loss on devaluation of investment securities	**(680)**	(238)	**(5,667)**
Start-up cost of new plants	**(121)**		**(1,011)**
Other—net	**333**	288	**2,780**
Other expenses—net	**(677)**	(17)	**(5,649)**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**3,885**	2,601	**32,378**
INCOME TAXES (Note 8):			
Current	**2,169**	904	**18,081**
Deferred	**(415)**	236	**(3,464)**
Total income taxes	**1,754**	1,140	**14,617**
MINORITY INTERESTS IN NET INCOME	**(207)**	(146)	**(1,726)**
NET INCOME	**¥ 1,924**	¥ 1,314	**$ 16,035**

	Yen		U.S. Dollars
	2003	2002	**2003**
PER SHARE OF COMMON STOCK (Note 2.n):			
Net income	**¥ 39.12**	¥ 26.28	**$ 0.32**
Cash dividends applicable to the year	**20.00**	20.00	**0.16**

See notes to consolidated financial statements.

TOKYO OHKA KOGYO CO., LTD. and Consolidated Subsidiaries

Consolidated Statements of Shareholders' Equity

Years Ended March 31, 2003 and 2002

	Thousands	Millions of Yen					
	Issued Number of Shares of Common Stock	Common Stock	Capital surplus	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock
BALANCE, APRIL 1, 2001	**50,600**	**¥ 14,640**	**¥ 15,207**	**¥ 82,918**	**¥ 1,167**	**¥ (454)**	
Net income				1,314			
Cash dividends paid:							
Final for prior year, ¥10.0 per share				(505)			
Interim for current year, ¥10.0 per share				(498)			
Bonuses to directors and corporate auditors				(82)			
Increase in treasury stock (788,361 shares)							¥ (1,462)
Net increase in unrealized gain on available-for-sale securities					49		
Net increase in foreign currency translation adjustments						832	
BALANCE, MARCH 31, 2002	**50,600**	**14,640**	**15,207**	**83,146**	**1,217**	**377**	**(1,463)**
Net income				1,924			
Cash dividends paid:							
Final for prior year, ¥10.0 per share				(498)			
Interim for current year, ¥10.0 per share				(498)			
Increase in treasury stock (1,253,431 shares)							(1,996)
Net decrease in unrealized gain on available-for-sale securities					(427)		
Net decrease in foreign currency translation adjustments						(388)	
BALANCE, MARCH 31, 2003	**50,600**	**¥ 14,640**	**¥ 15,207**	**¥ 84,074**	**¥ 790**	**¥ (10)**	**¥ (3,460)**

	Thousands of U.S. Dollars (Note 1)					
	Common Stock	Capital surplus	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock
BALANCE, MARCH 31, 2002	**$ 122,003**	**$ 126,732**	**$ 692,886**	**$ 10,145**	**$ 3,148**	**$ (12,194)**
Net income			16,035			
Cash dividends paid:						
Final for prior year, ¥10.0 per share			(4,150)			
Interim for current year, ¥10.0 per share			(4,150)			
Increase in treasury stock (1,253,431 shares)						(16,640)
Net decrease in unrealized gain on available-for-sale securities				(3,558)		
Net decrease in foreign currency translation adjustments					(3,240)	
BALANCE, MARCH 31, 2003	**$ 122,003**	**$ 126,732**	**$ 700,619**	**$ 6,586**	**$ (91)**	**$ (28,834)**

See notes to consolidated financial statements.

TOKYO OHKA KOGYO CO., LTD. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows

Years Ended March 31, 2003 and 2002

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2002	**2003**
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	**¥ 3,885**	¥ 2,601	**$ 32,378**
Adjustments for:			
Income taxes paid	**(836)**	(6,093)	**(6,971)**
Income taxes refunded	**2,025**		**16,876**
Depreciation and amortization	**5,232**	5,031	**43,606**
Provision for doubtful receivables	**(41)**	63	**(344)**
Provision for retirement benefits	**484**	780	**4,036**
Loss on sales and disposals of property, plant and equipment	**159**	221	**1,327**
Loss on devaluation of investment securities	**680**	238	**5,667**
Bonuses to directors and corporate auditors		(82)	
Changes in assets and liabilities:			
(Increase) decrease in trade notes and accounts receivables	**(2,466)**	8,578	**(20,555)**
(Increase) decrease in inventories	**(2,795)**	5,608	**(23,293)**
Increase (decrease) in trade notes and accounts payables	**1,149**	(6,828)	**9,579**
Increase (decrease) in advances from customers	**4,141**	(2,645)	**34,515**
Other—net	**19**	(1,004)	**162**
Net cash provided by operating activities	**11,638**	6,470	**96,985**
INVESTING ACTIVITIES:			
(Increase) decrease in time deposits	**(166)**	953	**(1,388)**
Purchases of property, plant and equipment	**(7,973)**	(6,214)	**(66,446)**
Long-term prepaid expenses	**(231)**	(2,060)	**(1,931)**
Other—net	**(32)**		**(273)**
Net cash used in investing activities	**(8,404)**	(7,322)	**(70,039)**
FINANCING ACTIVITIES:			
Decrease in short-term borrowings—net	**(34)**	(41)	**(287)**
Repayments of long-term debt	**(9)**	(1)	**(77)**
Issuance of common stock to minority shareholders		11	
Dividends paid	**(993)**	(1,000)	**(8,279)**
Purchases of treasury stock	**(1,999)**	(1,462)	**(16,659)**
Other—net	**(54)**	(31)	**(457)**
Net cash used in financing activities	**(3,091)**	(2,527)	**(25,762)**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**(41)**	153	**(347)**
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS—(Forward)	**¥ 100**	¥ (3,224)	**$ 835**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**47,746**	50,971	**397,887**
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥ 47,846**	¥ 47,746	**$ 398,723**

See notes to consolidated financial statements.

TOKYO OHKA KOGYO CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

Years Ended March 31, 2003 and 2002

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards. The consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications and rearrangements have been made in the 2002 financial statements to conform to classifications and presentations used in 2003.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which TOKYO OHKA KOGYO CO., LTD. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥120 to $1, the approximate rate of exchange at March 31, 2003. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

Amounts of less than one million yen have been rounded off. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sum of the individual amounts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. ***Consolidation—***The consolidated financial statements include the accounts of the Company and its 8 significant subsidiaries (together, the "Group").

Investments in an unconsolidated subsidiary and an affiliate are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The excess of the cost of the Company's investments in consolidated subsidiaries, over the underlying equity at the respective dates of acquisition, is being amortized over a period of 5 years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

b. ***Cash Equivalents—***Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits which mature within three months of the date of acquisition.

c. ***Inventories—***Merchandise, work in process and raw materials and supplies are stated at cost determined by the first-in, first-out method. Finished products are stated at average cost. Inventories of semiconductor manufacturing equipment are stated at cost determined by the individual identification method, which are included in raw materials, work in process and finished products.

d. ***Marketable and Investment Securities—***Marketable and investment securities are classified and accounted for, depending on management's intent, as follows:
i) trading securities, which are held for the purpose of earning capital gains in the near term are reported at fair value, and the related unrealized gains and losses are included in earnings,
ii) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity are reported at amortized cost, and
iii) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of shareholders' equity.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

e. ***Property, Plant and Equipment—***Property, plant and equipment are stated at cost. Depreciation is computed by the declining-balance method over the estimated useful lives of the assets for the Company and its domestic consolidated subsidiaries, while the straight-line method is applied to buildings of the Company acquired after April 1, 1998 and to the foreign consolidated subsidiaries. The range of useful lives is principally from 3 to 50 years for buildings and structures, and from 3 to 8 years for machinery and equipment, and for furniture and fixtures.

f. ***Retirement and Pension Plans—***The Company and its certain consolidated subsidiaries have contributory funded pension plans covering substantially all of their employees. Other consolidated subsidiaries have unfunded retirement benefit plans.

The annual provisions for retirement benefits for directors and corporate auditors are calculated to state the liability at the amount that would be required if all of them retired at each balance sheet date.

g. ***Research and Development Costs—***Research and development costs are charged to income as incurred.

h. ***Leases—***Leases are mainly accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain “as if capitalized” information is disclosed in the notes to the lessee’s financial statements.

i. ***Income Taxes—***The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

j. ***Appropriations of Retained Earnings—***Appropriations of retained earnings at each year end are reflected in the financial statements for the following year upon shareholders’ approval.

k. ***Foreign Currency Transactions—***All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the current exchange rate as of each balance sheet date. The foreign currency translation gains and losses are recognized in the consolidated statements of income to the extent that they are not hedged by foreign currency forward contracts.

l. ***Foreign Currency Financial Statements—***The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of balance sheet date except for shareholders’ equity, which is translated at the historical rates.

Differences arising from such translation are shown as “Foreign currency translation adjustments” in a separate component of shareholders’ equity.

Revenue and expense accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate.

m. ***Derivative Financial Instruments—***The Group uses derivative financial instruments to manage its exposures to the fluctuations in foreign exchange. Foreign currency forward contracts are utilized by the Group to hedge foreign currency exchange risk. The Group does not enter into the derivative for trading or speculative purposes.

Trade receivables and payables denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting.

n. ***Per Share Information—***Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period.

Diluted net income per share is not disclosed because it is anti-dilutive.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

3. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2003 and 2002 consisted of equity securities.

The carrying amounts and aggregate fair values of marketable and investment securities at March 31, 2003 and 2002 were as follows:

	Millions of Yen			
March 31, 2003	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale—equity securities	¥ 1,719	¥ 1,352	¥ 30	¥ 3,041
March 31, 2002				
Securities classified as:				
Available-for-sale—equity securities	¥ 2,384	¥ 2,400	¥ 317	¥ 4,467

	Thousands of U.S. Dollars			
March 31, 2003	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale—equity securities	$ 14,330	$ 11,270	$ 256	$ 25,344

The difference between the above fair values and the amounts shown in the accompanying consolidated balance sheets consists of non-marketable securities whose fair values are not readily determinable.

Proceeds from sales of available-for-sale securities for the years ended March 31, 2003 and 2002 were ¥ 18 million ($ 150 thousand) and ¥ 0 million, respectively. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥ 0 million ($ 7 thousand) and ¥ 0 million ($ 0 thousand), respectively, for the year ended March 31, 2003.

4. INVENTORIES

Inventories at March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Merchandise	**¥ 745**	¥ 958	**$ 6,210**
Finished products	**9,432**	5,553	**78,604**
Work in process	**2,803**	3,737	**23,359**
Raw materials and supplies	**3,079**	3,189	**25,661**
Total	**¥ 16,060**	¥ 13,439	**$ 133,835**

5. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Unsecured loans from minority shareholder, with interest rates of 3.91% (2003) and 3.91% (2002)	**¥ 25**	¥ 23	**$ 208**
Bank overdrafts, with interest rates of 3.60% (2003) and 4.75% (2002)	**156**	178	**1,307**
Total	**¥ 181**	¥ 201	**$ 1,515**

Long-term debt at March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Unsecured loans from a financial institution for employees' housing loans, with interest rates of 4.47% (2003) and 4.83% (2002)	**¥ 12**	¥ 21	**$ 103**
Less current portion	**(1)**	(1)	**(13)**
Long-term debt, less current portion	**¥ 10**	¥ 19	**$ 89**

Annual maturities of long-term debt at March 31, 2003 for the next five years and thereafter were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2004	¥ 1	$ 13
2005	1	8
2006	1	9
2007		8
2008		7
2009 and thereafter	6	56
Total	¥ 12	$ 103

6. RETIREMENT AND PENSION PLANS

The Company and its certain consolidated subsidiaries have severance payment plans for employees, directors and corporate auditors.

Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on their rate of pay at the time of termination, their average pay during employment, years of service and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Company or from certain consolidated subsidiaries and annuity payments from a trustee.

The liabilities for retirement benefits at March 31, 2003 and 2002 for directors and corporate auditors are ¥679 million ($5,662 thousand) and ¥907 million, respectively. The retirement benefits for directors and corporate auditors are paid subject to the approval of the shareholders.

The liability for employees' retirement benefits at March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Projected benefit obligation	**¥ 18,541**	¥ 15,273	**$ 154,509**
Fair value of plan assets	**(5,949)**	(6,374)	**(49,579)**
Unrecognized prior service cost	**580**	645	**4,837**
Unrecognized actuarial loss	**(6,265)**	(3,352)	**(52,210)**
Net liability	**¥ 6,906**	¥ 6,191	**$ 57,557**

The components of net periodic benefit costs are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Service cost	**¥ 902**	¥ 912	**$ 7,523**
Interest cost	**412**	394	**3,437**
Expected return on plan assets	**(189)**	(187)	**(1,581)**
Amortization of prior service cost	**(65)**	(5)	**(542)**
Recognized actuarial loss	**363**	279	**3,026**
Net periodic benefit costs	**¥ 1,423**	¥ 1,394	**$ 11,864**

Assumptions used for the years ended March 31, 2003 and 2002 are set forth as follows:

	2003	2002
Discount rate	**2.25%**	2.75%
Expected rate of return on plan assets	**3.00%**	3.00%
Amortization period of prior service cost	**10 years**	10 years
Recognition period of actuarial gain/loss	**10 years**	10 years

7. SHAREHOLDERS' EQUITY

Japanese companies are subject to the Japanese Commercial Code (the "Code") to which certain amendments became effective from October 1, 2001.

The Code was revised whereby common stock par value was eliminated resulting in all shares being recorded with no par value and at least 50% of the issue price of new shares is required to be recorded as common stock and the remaining net proceeds as additional paid-in capital, which is included in capital surplus.
The revised Code also provides that an amount at least equal to 10% of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period shall be appropriated as a legal reserve (a component of retained earnings) until such reserve and additional paid-in capital equals 25% of common stock. The amount of total additional paid-in capital and legal reserve that exceeds 25% of the common stock may be available for dividends by resolution of the shareholders. In addition, the Code permits the transfer of a portion of additional paid-in capital and legal reserve to the common stock by resolution of the Board of Directors.

The revised Code eliminated restrictions on the repurchase and use of treasury stock allowing Japanese companies to repurchase treasury stock by a resolution of the shareholders at the general shareholders meeting and dispose of such treasury stock by resolution of the Board of Directors beginning April 1, 2002. The repurchased amount of treasury stock cannot exceed the amount available for future dividend plus amount of common stock, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the general shareholders meeting.

The amount of retained earnings available for dividends under the Code was ¥75,362 million ($628,021 thousand) as of March 31, 2003, based on the amount recorded in the parent company's general books of account. In addition to the provision that requires an appropriation for a legal reserve in connection with the cash payment, the Code imposes certain limitations on the amount of retained earnings available for dividends.

Dividends are approved by the shareholders at a meeting held subsequent to the fiscal year to which the dividends are applicable. Semiannual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

In July 2001, the Company granted stock options to 15 directors and 123 employees of the Company after approval by shareholders on June 28, 2001. The stock options are granted to acquire 788 thousand treasury shares of the Company at an exercise price of ¥1,872($15.60) per share, which will be exercisable from July 1, 2003 to June 30, 2008.

8. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 41.6% for the years ended March 31, 2003 and 2002. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2003 and 2002 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Current assets:			
Deferred tax assets:			
Excess of tax allowance for provision of doubtful accounts	¥ 120	¥ 87	$ 1,005
Accrued expense for bonuses to employees	457	315	3,813
Unrealized gains on inventories	174	210	1,456
Other	372	79	3,100
Total	¥ 1,125	¥ 692	$ 9,377
Non-current assets:			
Deferred tax assets:			
Liability for retirement benefits	¥ 3,004	¥ 2,899	$ 25,039
Property and equipment	399	499	3,325
Investment securities	284		2,367
Other	35	219	294
Total	3,723	3,619	31,026
Deferred tax liabilities			
Property and equipment	128	153	1,073
Unrealized gain on available-for-sale securities	531	867	4,427
Total	660	1,020	5,500
Net deferred tax assets	¥ 3,063	¥ 2,598	$ 25,525
Current liabilities—Deferred tax liabilities	¥ 65	¥ 2	$ 543
Non-current liabilities:			
Deferred tax liabilities:			
Property and equipment	¥ 146	¥ 240	$ 1,217
Undistributed earnings of foreign subsidiaries	146		1,222
Total	292	240	2,440
Deferred tax assets		10	
Net deferred tax liabilities	¥ 292	¥ 230	$ 2,440

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2003 and 2002 are as follows:

	2003	2002
Normal effective statutory tax rate	41.6%	41.6%
Expenses not deductible for income tax purposes	0.8	1.3
Revenue deductible for income tax purpose	(0.4)	(0.6)
Lower income tax rates applicable to income in certain foreign countries	(1.4)	(4.3)
Effect of tax rate reduction	2.8	
Other—net	1.7	5.9
Actual effective tax rate	45.1%	43.9%

On March 31, 2003, a tax reform law was enacted in Japan which changed the normal effective statutory tax rate from approximately 41.6% to 40.2%, effective for years beginning on or after April 1, 2004. The effect of this change was to decrease deferred tax assets-non-current by ¥104 million ($871 thousand), decrease deferred tax liabilities-non-current by ¥15 million ($127 thousand), increase income taxes-deferred by ¥107 million ($898 thousand) and increase unrealized gain on available-for-sale securities by ¥18 million ($154 thousand) in the consolidated financial statements for the year ended March 31, 2003.

9. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥6,028 million ($50,234 thousand) and ¥5,803 million for the years ended March 31, 2003 and 2002, respectively.

10. LEASES

The Group leases certain buildings and structures, machinery, computer hardware, software and other assets.

Total lease payments under finance leases for the years ended March 31, 2003 and 2002 were ¥457 million ($3,809 thousand) and ¥501 million, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligation under finance lease, depreciation expense, interest expense of finance leases that do not transfer ownership of the leased property to the lessee on an “as if capitalized” basis for the years ended March 31, 2003 and 2002 was as follows:

(1) Acquisition Cost and Accumulated Depreciation

	Millions of Yen			
March 31, 2003	Buildings and Structures	Machinery and Equipment	Furniture and Fixtures	Total
Acquisition cost	¥ 99	¥ 527	¥ 1,016	¥ 1,643
Accumulated depreciation	61	324	688	1,073
Net leased property	**¥ 38**	**¥ 203**	**¥ 328**	**¥ 569**

	Thousands of U.S. Dollars			
March 31, 2003	Building sand Structures	Machinery and Equipment	Furniture and Fixtures	Total
Acquisition cost	$ 827	$ 4,394	$ 8,472	$ 13,695
Accumulated depreciation	510	2,701	5,734	8,946
Net leased property	**$ 317**	**$ 1,693**	**$ 2,738**	**$ 4,748**

	Millions of Yen			
March 31, 2002	Buildings and Structures	Machinery and Equipment	Furniture and Fixtures	Total
Acquisition cost	¥ 109	¥ 587	¥ 1,816	¥ 2,513
Accumulated depreciation	47	254	1,176	1,478
Net leased property	**¥ 62**	**¥ 333**	**¥ 640**	**¥ 1,035**

(2) Obligations under Finance Leases

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Due within one year	¥ 320	¥ 468	$ 2,668
Due after one year	249	566	2,080
Total	**¥ 569**	**¥ 1,035**	**$ 4,748**

The amounts of acquisition cost, depreciation and obligations under finance leases include the imputed interest expense portion. Depreciation expense which was not reflected in the consolidated statements of income, computed by straight-line method was ¥457 million ($3,809 thousand) and ¥501 million for the years ended March 31, 2003 and 2002, respectively.

The minimum rental commitments under noncancelable operating leases at March 31, 2003 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due within one year	¥ 38	$ 318
Due after one year		
Total	**¥ 38**	**$ 318**

11. DERIVATIVES

The Group enters into foreign currency forward contracts to hedge foreign currency exchange risk associated with certain assets and liabilities denominated in foreign currencies.

All derivative transactions are entered into to hedge foreign currency exposures incorporated within its business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities.

Because the counterparties to these derivatives are limited to major international financial institutions, the Group does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Group have been made in accordance with internal policies which regulate the authorization and credit limit amounts.

There is no disclosure of market value information because all foreign currency forward contracts qualify for hedge accounting at March 31, 2003 and 2002.

12. SUBSEQUENT EVENTS

At the general shareholders meeting held on June 27, 2003, the Company's shareholders approved the following appropriation of retained earnings and the purchase of treasury stock:

a) Appropriations of Retained Earnings

	Millions of Yen	Thousands of U.S. Dollars
Cash dividends, ¥10 ($0.08) per share	**¥ 485**	**$ 4,046**

b) Purchase of treasury stock

The Company is authorized to repurchase up to 3 million shares of the Company's common stock (aggregate amount of ¥ 7 billion) as treasury stock until the next general shareholders meeting.

13. SEGMENT INFORMATION

(1) Business Segments

The Group operates in the following industries.

Material business consists of photoresists and related materials, printing materials, and specialty chemicals.
Equipment business consists of semiconductor manufacturing equipment and LCD manufacturing equipment.

Information about business segments for the years ended March 31, 2003 and 2002 is as follows:

	Millions of Yen				
	2003				
	Material Business	Equipment Business	Total	Eliminations and Corporate	Consolidated
Sales to customers	¥ 62,721	¥ 9,564	¥ 72,286		¥ 72,286
Intersegment sales		80	80	¥ (80)	
Total sales	62,721	9,644	72,366	(80)	72,286
Operating expenses	54,124	9,435	63,560	4,162	67,722
Operating income	**¥ 8,597**	**¥ 208**	**¥ 8,806**	**¥ (4,242)**	**¥ 4,563**
Assets	**¥ 63,349**	**¥ 14,714**	**¥ 78,064**	**¥ 63,338**	**¥ 141,402**
Depreciation	**4,071**	**395**	**4,466**	**765**	**5,232**
Capital expenditures	**6,836**	**773**	**7,610**	**514**	**8,124**

	Thousands of U.S. Dollars				
	2003				
	Material Business	Equipment Business	Total	Eliminations and Corporate	Consolidated
Sales to customers	$ 522,682	$ 79,703	$ 602,385		$ 602,385
Intersegment sales		670	670	$ (670)	
Total sales	522,682	80,373	603,055	(670)	602,385
Operating expenses	451,038	78,633	529,671	34,685	564,357
Operating income	**$ 71,644**	**$ 1,739**	**$ 73,384**	**$ (35,355)**	**$ 38,028**
Assets	**$ 527,915**	**$ 122,622**	**$ 650,537**	**$ 527,816**	**$ 1,178,354**
Depreciation	**33,925**	**3,297**	**37,223**	**6,382**	**43,606**
Capital expenditures	**56,974**	**6,447**	**63,421**	**4,285**	**67,707**

	Millions of Yen				
	2002				
	Material Business	Equipment Business	Total	Eliminations and Corporate	Consolidated
Sales to customers	¥ 54,903	¥ 18,393	¥ 73,297		¥ 73,297
Intersegment sales		165	165	¥ (165)	
Total sales	54,903	18,559	73,463	(165)	73,297
Operating expenses	49,464	17,006	66,470	4,208	70,679
Operating income	**¥ 5,439**	**¥ 1,553**	**¥ 6,992**	**¥ (4,374)**	**¥ 2,618**
Assets	**¥ 60,153**	**¥ 10,193**	**¥ 70,347**	**¥ 65,235**	**¥ 135,582**
Depreciation	**4,290**	**362**	**4,652**	**379**	**5,031**
Capital expenditures	**4,877**	**435**	**5,313**	**2,357**	**7,670**

(2) Geographical Segments

Information about geographical segments for the years ended March 31, 2003 and 2002, is as follows:

	Millions of Yen						
	2003						
	Japan	North America	Europe	Asia	Total	Eliminations and Corporate	Consolidated
Sales to customers	¥ 54,963	¥ 6,708	¥ 5,517	¥ 5,096	¥ 72,286		¥ 72,286
Interarea transfer	7,077	663			7,740	¥ (7,740)	
Total sales	62,041	7,371	5,517	5,096	80,027	(7,740)	72,286
Operating expenses	57,928	7,033	5,200	4,239	74,402	(6,679)	67,722
Operating income	**¥ 4,112**	**¥ 337**	**¥ 317**	**¥ 856**	**¥ 5,624**	**¥ (1,061)**	**¥ 4,563**
Assets	**¥ 88,239**	**¥ 5,278**	**¥ 4,605**	**¥ 2,473**	**¥ 100,597**	**¥ 40,805**	**¥ 141,402**

	Thousands of U.S. Dollars						
	2003						
	Japan	North America	Europe	Asia	Total	Eliminations and Corporate	Consolidated
Sales to customers	$ 458,031	$ 55,904	$ 45,979	$ 42,469	$ 602,385		$ 602,385
Interarea transfer	58,980	5,526			64,506	$ (64,506)	
Total sales	517,011	61,431	45,979	42,469	666,892	(64,506)	602,385
Operating expenses	482,740	58,615	43,335	35,328	620,019	(55,662)	564,357
Operating income	**$ 34,270**	**$ 2,816**	**$ 2,643**	**$ 7,141**	**$ 46,872**	**$ (8,843)**	**$ 38,028**
Assets	**$ 735,329**	**$ 43,985**	**$ 38,377**	**$ 20,616**	**$ 838,308**	**$ 340,045**	**$ 1,178,354**

	Millions of Yen						
	2002						
	Japan	North America	Europe	Asia	Total	Eliminations and Corporate	Consolidated
Sales to customers	¥ 57,740	¥ 6,838	¥ 5,586	¥ 3,132	¥ 73,297		¥ 73,297
Interarea transfer	5,865	599			6,464	¥ (6,464)	
Total sales	63,605	7,438	5,586	3,132	79,762	(6,464)	73,297
Operating expenses	60,992	7,542	5,165	2,585	76,285	(5,606)	70,679
Operating income (loss)	**¥ 2,612**	**¥ (104)**	**¥ 421**	**¥ 547**	**¥ 3,476**	**¥ (858)**	**¥ 2,618**
Assets	**¥ 81,093**	**¥ 6,129**	**¥ 4,615**	**¥ 1,606**	**¥ 93,445**	**¥ 42,137**	**¥ 135,582**

(3) Sales to Foreign Customers

Information about sales to foreign customers of the Group for the years ended March 31, 2003 and 2002 is as follows:

	Millions of Yen				
	2003				
	North America	Europe	Asia	Other Areas	Total
Sales to foreign customers (A)	¥ 8,417	¥ 5,029	¥ 21,638		¥ 35,086
Consolidated sales (B)					72,286
(A)/(B)	11.6%	7.0%	29.9%		48.5%

	Thousands of U.S. Dollars				
	2003				
	North America	Europe	Asia	Other Areas	Total
Sales to foreign customers (A)	$ 70,143	$ 41,914	$ 180,324	$ 3	$ 292,385
Consolidated sales (B)					602,385
(A)/(B)	11.6%	7.0%	29.9%		48.5%

	Millions of Yen				
	2002				
	North America	Europe	Asia	Other Areas	Total
Sales to foreign customers (A)	¥ 8,298	¥ 5,063	¥ 22,033	¥ 11	¥ 35,407
Consolidated sales (B)					73,297
(A)/(B)	11.3%	6.9%	30.1%	0.0%	48.3%

* * * * * *

INDEPENDENT AUDITORS' REPORT

Deloitte
Touche
Tohmatsu

To the Board of Directors of
TOKYO OHKA KOGYO CO., LTD.:

We have audited the accompanying consolidated balance sheets of TOKYO OHKA KOGYO CO., LTD. and consolidated subsidiaries as of March 31, 2003 and 2002, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards, procedures and practices generally accepted and applied in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of TOKYO OHKA KOGYO CO., LTD. and consolidated subsidiaries as of March 31, 2003 and 2002, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

June 27, 2003

Board of Directors, Corporate Auditors, and Officers

Chairman of the Board & Officer	Akira Yokota
President & Officer	Haruhiko Uchida
Managing Director & Officer	Muneo Nakayama Toshimi Aoyama Akira Furuya
Director & Officer	Takashi Komine Koichi Kaihatsu Yukiyasu Henmi Yoichi Nakamura
Standing Statutory Auditor	Yusuke Ogawa Motoyasu Sugiyama
Auditor	Shigeru Hirata Fujio Higaki
Officer	Yutaka Miyagi Hiroyuki Tohda Akinori Horikoshi Hitoshi Furuya Katsuyuki Ohta Hiroshi Asaba Kobun Iwasaki

Corporate Data (As of March 31, 2003)

Corporate Name:	TOKYO OHKA KOGYO CO., LTD.	
Established:	1940	
Corporate Headquarters:	150 Nakamaruko, Nakahara-ku, Kawasaki, Kanagawa 211-0012, JAPAN	
Employees:	1,751	
Common Stock:	Authorized	200,000,000 shares
	Issued	50,600,000 shares
Capitalized:	¥14,640 million	
Shareholders:	15,233	
Stock Listing:	Tokyo	
Investor Relations Contact:	Public Relations Section 150 Nakamaruko, Nakahara-ku, Kawasaki, Kanagawa 211-0012, JAPAN TEL. +81-44-435-3000 FAX. +81-44-435-3020	

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TOK TECHNO SERVICE CO., LTD.
7-8-16 Ichinomiya, Samukawa-machi, Koza-gun, Kanagawa 253-0111, JAPAN

Safe Harbor Statement

This annual report contains forward-looking statements based on management's current expectations, estimates and projections. All statements that address expectations or projections about the future, including statements about the company's strategy for growth, product development, market position, expected expenditures and financial results are forward-looking statements may be identified by words like"expects","anticipates","plans","intends","projects", "indicates","believes", and similar expressions. These statements are not guarantees of future performance and involve a number of risks, uncertainties and assumptions. Many factors could cause results to differ materially from those stated. These factors include, but are not limited to changes in the laws, regulations, policies and economic conditions, including inflation, deflation, interest and foreign currency exchange rates, of countries in which the company does business; competitive pressures; successful integration of structural changes, including restructuring plans, acquisitions, divestitures and alliances; cost of raw materials, research and development of new products, including regulatory approval and market acceptance.

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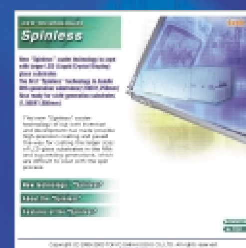
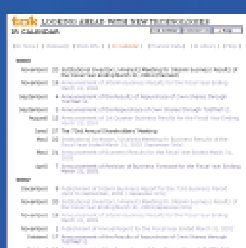
IR TOP

News Release



New Technologies



IR Calendar

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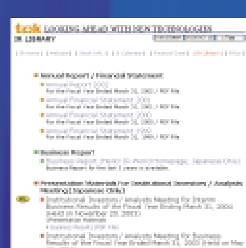

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LOOKING AHEAD WITH NEW TECHNOLOGIES

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