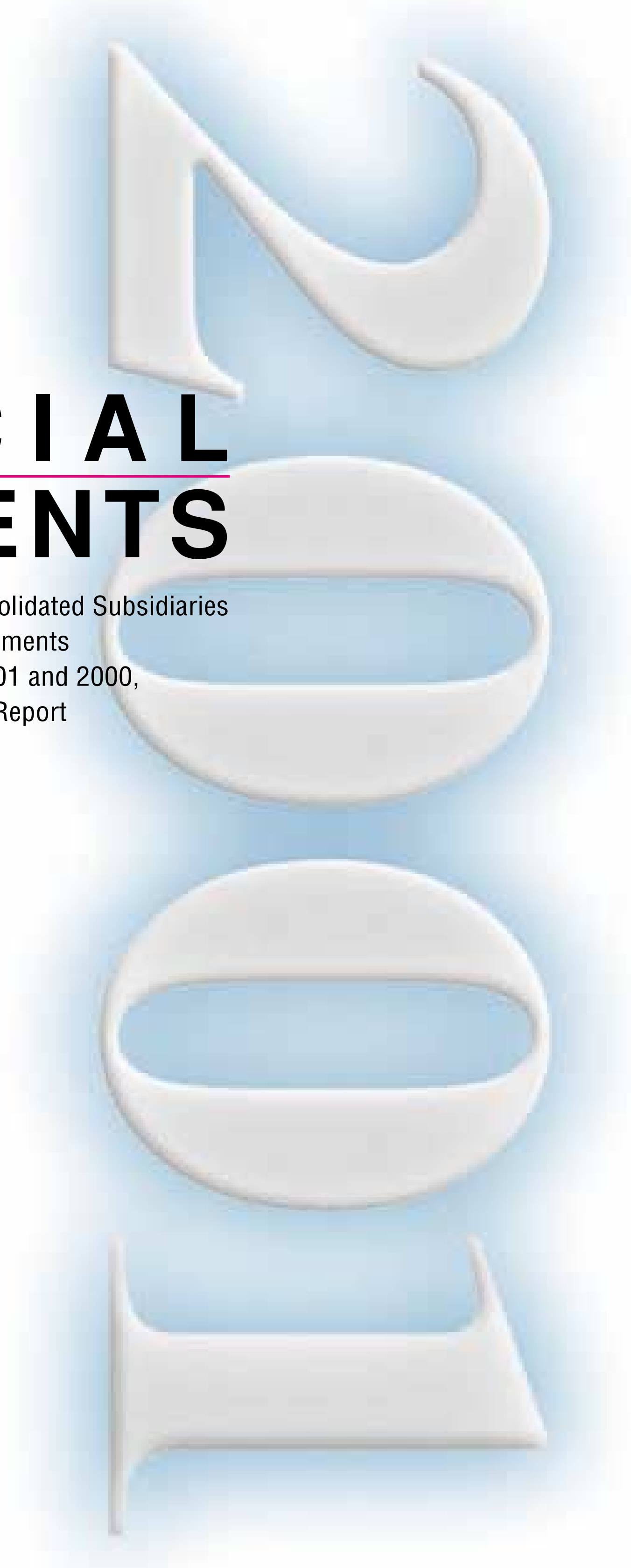


FINANCIAL STATEMENTS

TOKYO OHKA KOGYO CO., LTD. and Consolidated Subsidiaries
Consolidated Financial Statements
for the Years Ended March 31, 2001 and 2000,
and Independent Auditors' Report

TOKYO OHKA KOGYO CO., LTD.

TOKYO OHKA KOGYO CO., LTD.
and Consolidated Subsidiaries

Financial Highlights For the Years Ended March 31

	Millions of Japanese Yen				
	1997	1998	1999	2000	**2001**
Net Sales	81,691	84,880	74,444	73,108	**83,456**
Net Income	6,539	7,152	3,715	4,483	**3,250**
Net Income per Share (Yen)	129.23	141.35	73.42	88.60	**64.24**
Cash Dividends	911	910	1,011	1,011	**1,163**

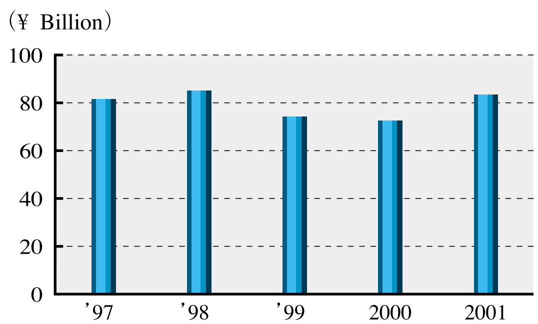
Corporate Data As of March 31, 2001

Corporate Name	TOKYO OHKA KOGYO CO., LTD.	
Founded	1940	
Corporate Headquarters	150 Nakamaruko, Nakahara-ku, Kawasaki, Kanagawa 211-0012, JAPAN	
Common Stock	Authorized	200,000,000 shares
	Issued	50,600,000 shares
Capitalized	¥14,640 million	
Shareholders	18,373	
Employees	1,735	

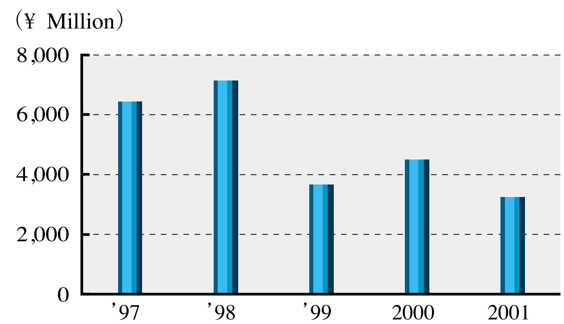
Financial Review

TOKYO OHKA KOGYO CO., LTD. and Consolidated Subsidiaries

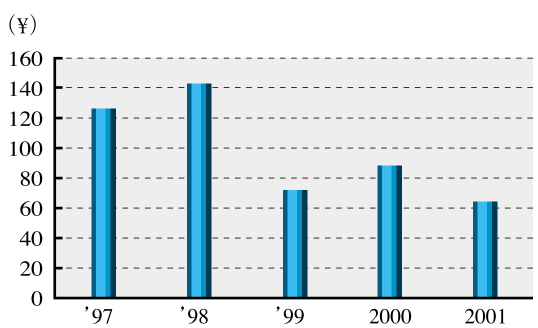
Net Sales



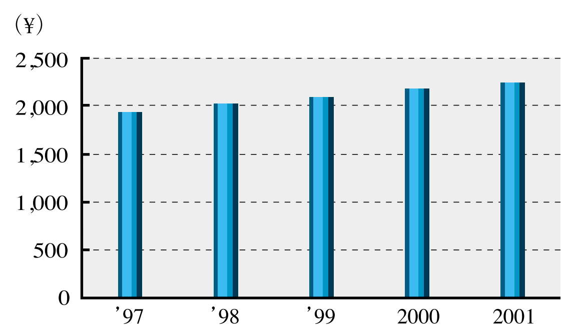
Net Income



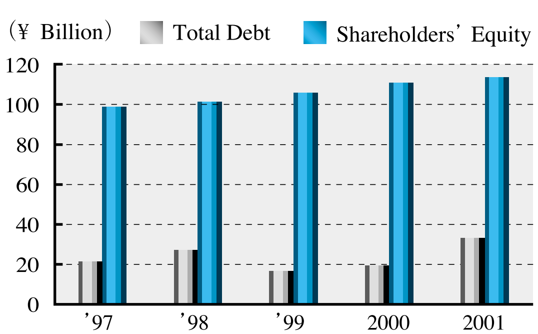
Net Income per Share



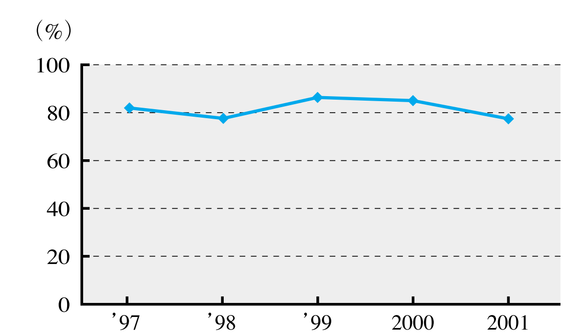
Shareholders' Equity per Share



Total Debt and Shareholders' Equity



Shareholders' Equity to Total Assets



To our shareholders

It gives me great pleasure to take this opportunity to report, to our shareholders and friends, the financial results of Tokyo Ohka Kogyo Co., Ltd., and consolidated subsidiaries, for the fiscal year 2001, ended March 31, 2001.

The consolidated net sales for the fiscal year, ended March 31, 2001 were ¥83,456 million, which is an increase of 14.2% over the previous fiscal year. The consolidated ordinary income was ¥10,673 million, which is a 44.9% increase over the previous fiscal year. This increase in the ordinary income is largely due to an increase in sales as well as the overall rationalization of the company. The income before income taxes and minority interests, however, suffered a reduction of 28.7% from the previous fiscal year, ending at ¥5,497 million. The net income for the fiscal term also dropped by 27.5% from the previous year, to ¥3,250 million. The reduction in the aforementioned categories stemmed from the implementation of a retirement benefits accounting system in Japan, which resulted in the change of the accounting standard necessitating an addition to expenses by ¥4,778 million.

Let us now look back at the global economy during the past fiscal year. In the first half of the fiscal year, we witnessed relatively favorable trends in the United States, while signs of recovery were seen in some segments of Japan, due to increases in the facility investments in the private sector, as well as an increase in exports. The Asian and European economies experienced a favorable period as well. In the second half of the fiscal year, however, the economies in Japan and other economic blocs were starting to feel the effects of the sluggish economy of the United States, resulting in a decline in the business and economic climate.

The electronics industry, where a major portion of the demand for our products can be found, has experienced an initial increase in demand for communications and information related equipment and facilities, because of the brisk business stemming from information technology investment. The business environment, however, had become quite unfavorable from the beginning of autumn. This turn of events came about when the personal computer market in the United States slowed down while the cellular telephone markets worldwide showed a sluggish growth rate. This in turn triggered a rapid deterioration of the semiconductor and Liquid Crystal Display (LCD) markets, resulting in the reduced production of semiconductors and LCD devices.

Even under these conditions, the photoresist for excimer lasers continued to show an increase in sales both domestically and overseas. Through generally unfavorable conditions, we made exceptional efforts to increase sales primarily for photoresist for excimer lasers, but also for other electronic materials, as well as semiconductor manufacturing equipment, and manufacturing equipment that accommodates the increased sizes of the LCD panels.

In the area of development, we have accelerated our research and development of cutting-edge materials, such as the next-generation photoresist, inter-layer dielectric materials with a low dielectric constant, and packaging materials for semiconductor packages. We were also aggressively engaged in the development of materials related to LCD, plasma displays and printed circuit boards by applying micro-fabrication technologies. We have therefore been involved in diversified business developments.

We have also strengthened the production capability, as well as research and development facilities for the development of products with an expected growth in the future. We have proceeded to strengthen the administration of our management, while rationalizing and improving the efficiency of the entire company, in order to respond accurately to the changes of the global market environments. Additional efforts were sought to press even harder for an increase in the sales performance of the company. We believe that all these activities have led to the fiscal results, which have been outlined.

There has been some hope and expectations in Japan that the Government initiated measures will improve the economy. However, the decline in prices has not been stopped. The reduction in consumer spending and the stagnation of the private sector investments in facilities, are continuing. Due to all this, combined with the deceleration of the economic growth in the United States that is affecting the global economy, we believe that a very careful observation is essential, while the economy continues to show unfavorable trends.

Under these circumstances, we at Tokyo Ohka Kogyo, have integrated a joint effort with our subsidiaries, to effectively and efficiently engage in activities based on our corporate policy, laid out in the middle range plan. These activities include "diversified distribution of micro-fabrication technology", "promotion of materials and equipment (M&E)", "enhancement of collaborations with subsidiaries", "intensification of our overseas strategies" and "fortification of the management practices". These are combined with investments in information technology related facilities for the purpose of improving efficiency in the business management. Through all these, we shall be working even harder than before, to make sure that our business performance continues to improve, and establish a firm management organization.

Akira Yokota
President

Consolidated Balance Sheets

Years Ended March 31, 2001 and 2000

TOKYO OHKA KOGYO CO., LTD. and Consolidated Subsidiaries

ASSETS	Millions of Yen 2001	Millions of Yen 2000	Thousands of U.S. Dollars (Note 1) 2001
CURRENT ASSETS:			
Cash and cash equivalents	¥ 50,971	¥ 45,510	$ 411,060
Marketable securities (Note 3)		47	
Receivables:			
Trade notes	6,790	6,425	54,762
Trade accounts	22,119	16,968	178,383
Other	165	844	1,332
Allowance for doubtful receivables	(266)	(116)	(2,152)
Inventories (Note 4)	18,660	14,843	150,485
Deferred tax assets (Note 9)	1,400	568	11,291
Prepaid expenses and other current assets	1,444	737	11,649
Total current assets	101,284	85,830	816,813
PROPERTY, PLANT AND EQUIPMENT (Note 5):			
Land	7,114	7,034	57,372
Buildings and structures	46,267	43,430	373,123
Machinery and equipment	34,330	35,131	276,860
Furniture and fixtures	8,853	7,815	71,395
Construction in progress	621	2,314	5,010
Total	97,186	95,727	783,763
Accumulated depreciation	(60,272)	(57,702)	(486,072)
Net property, plant and equipment	36,913	38,024	297,691
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 3)	5,305	3,189	42,786
Investments in an unconsolidated subsidiary and an affiliate	7	7	60
Lease deposits	114	573	925
Accumulated insurance premiums	533	518	4,305
Deferred tax assets (Note 9)	2,269	903	18,298
Foreign currency translation adjustments		939	
Other assets	305	403	2,465
Total investments and other assets	8,536	6,535	68,842
TOTAL	¥ 146,735	¥ 130,390	$1,183,348

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen 2001	Millions of Yen 2000	Thousands of U.S. Dollars (Note 1) 2001
CURRENT LIABILITIES:			
Short-term borrowings (Note 6)	**¥ 222**	¥ 178	**$ 1,796**
Payables:			
Trade notes	**5,679**	3,431	**45,798**
Trade accounts	**7,054**	5,670	**56,894**
Construction and other	**2,499**	2,644	**20,157**
Income taxes payable	**3,418**	1,354	**27,566**
Accrued expenses	**3,215**	2,407	**25,931**
Advances from customers	**3,962**	2,185	**31,959**
Deferred tax liabilities (Note 9)	**6**	4	**50**
Other current liabilities	**179**	126	**1,448**
Total current liabilities	**26,238**	18,003	**211,602**
LONG-TERM LIABILITIES:			
Long-term debt (Note 6)	**23**	48	**191**
Liability for employees' retirement benefits (Note 7)	**5,493**	308	**44,299**
Liability for directors' and corporate auditors' retirement benefits (Note 7)	**823**	747	**6,639**
Deferred tax liabilities (Note 9)	**297**	165	**2,398**
Other long-term liabilities	**130**	109	**1,049**
Total long-term liabilities	**6,767**	1,379	**54,577**
MINORITY INTERESTS	**249**	244	**2,010**
SHAREHOLDERS' EQUITY (Note 8):			
Common stock, ¥50 par value - authorized, 200,000,000 shares; issued and outstanding, 50,600,000 shares	**14,640**	14,640	**118,068**
Additional paid-in capital	**15,207**	15,207	**122,644**
Retained earnings	**82,918**	80,913	**668,696**
Unrealized gain on available-for-sale securities	**1,167**		**9,418**
Foreign currency translation adjustments	**(454)**		**(3,668)**
Total shareholders' equity	**113,479**	110,762	**915,158**
TOTAL	**¥ 146,735**	¥ 130,390	**$1,183,348**

Consolidated Statements of Income

Years Ended March 31, 2001 and 2000

TOKYO OHKA KOGYO CO., LTD. and Consolidated Subsidiaries

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2001	2000	2001
NET SALES	¥ 83,456	¥ 73,108	$ 673,032
COST OF SALES	55,544	49,592	447,936
Gross profit	27,911	23,516	225,095
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	18,613	16,400	150,111
Operating income	9,298	7,115	74,984
OTHER INCOME (EXPENSES):			
Interest and dividend income	180	132	1,458
Interest expense	(26)	(33)	(217)
Valuation loss on marketable and investment securities		(13)	
Foreign currency transaction gain (loss) - net	415	(281)	3,348
Royalty income	540	591	4,360
Loss on sales and disposals of property, plant and equipment - net	(337)	(84)	(2,719)
Profit accruing from insurance		412	
Loss on disposal of inventories	(37)	(77)	(303)
Charge for full amount of transitional obligation for employees' retirement benefits	(4,778)		(38,540)
Other - net	243	(51)	1,965
Other income (expenses) - net	(3,800)	595	(30,648)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	5,497	7,710	44,335
INCOME TAXES (Note 9):			
Current	5,150	3,124	41,538
Deferred	(2,912)	103	(23,488)
Total income taxes	2,238	3,228	18,050
MINORITY INTERESTS	(8)		(69)
NET INCOME	¥ 3,250	¥ 4,483	$ 26,215
	Yen		U.S.Dollars
PER SHARE OF COMMON STOCK (Note 2.m):			
Net income	¥ 64.24	¥ 88.60	$ 0.51
Cash dividends applicable to the year	20.00	23.00	0.16

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Years Ended March 31, 2001 and 2000

TOKYO OHKA KOGYO CO., LTD. and Consolidated Subsidiaries

	Thousands	Millions of Yen				
	Outstanding Number of Shares of Common Stock	Common Stock	Additional Paid-in Capital	Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Retained Earnings
BALANCE, APRIL 1, 1999	50,600	¥ 14,640	¥ 15,207			¥ 75,978
Cumulative effect of deferred income taxes to the beginning retained earnings						1,545
Net income						4,483
Cash dividends paid:						
Final for prior year, ¥10.0 per share						(505)
Interim for current year, ¥10.0 per share						(505)
Bonuses to directors and corporate auditors						(82)
BALANCE, MARCH 31, 2000	50,600	¥ 14,640	¥ 15,207			¥ 80,913
Net income						3,250
Cash dividends paid:						
Final for prior year, ¥13.0 per share						(657)
Interim for current year, ¥10.0 per share						(505)
Bonuses to directors and corporate auditors						(82)
BALANCE, MARCH 31, 2001	**50,600**	**¥ 14,640**	**¥ 15,207**	**¥ 1,167**	**¥ (454)**	**¥ 82,918**

	Thousands of U.S. Dollars (Note 1)				
	Common Stock	Additional Paid-in Capital	Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Retained Earnings
BALANCE, MARCH 31, 2000	$118,068	$122,644			$652,530
Net income					26,215
Cash dividends paid:					
Final for prior year, $0.10 per share					(5,304)
Interim for current year, $0.08 per share					(4,080)
Bonuses to directors and corporate auditors					(663)
BALANCE, MARCH 31, 2001	**$118,068**	**$122,644**	**$ 9,418**	**$ (3,668)**	**$668,696**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years Ended March 31, 2001 and 2000

TOKYO OHKA KOGYO CO., LTD. and Consolidated Subsidiaries

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2001	**2000**	**2001**
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ **5,497**	¥ 7,710	$ **44,335**
Adjustments for:			
Income taxes paid	**(3,094)**	(3,500)	**(24,956)**
Depreciation and amortization	**4,809**	5,327	**38,787**
Provision for doubtful receivables	**159**	(69)	**1,289**
Provision for retirement benefits	**5,258**	94	**42,410**
Foreign currency transaction gain - net		(14)	
Loss on sales and disposals of property, plant and equipment	**337**	84	**2,719**
Bonuses to directors and corporate auditors	**(82)**	(82)	**(663)**
Changes in assets and liabilities:			
Increase in trade notes and accounts receivables	**(5,393)**	(1,140)	**(43,494)**
Increase in inventories	**(3,621)**	(1,245)	**(29,201)**
Increase in trade notes and accounts payables	**3,607**	1,061	**29,091**
Increase in advances from customers	**1,777**	1,855	**14,332**
Other - net	**1,336**	(174)	**10,778**
Net cash provided by operating activities	**10,593**	9,906	**85,428**
INVESTING ACTIVITIES:			
Increase in time deposits	**(574)**	(331)	**(4,629)**
Purchases of property, plant and equipment	**(3,785)**	(2,424)	**(30,528)**
Other - net	**329**	(55)	**2,658**
Net cash used in investing activities	**(4,029)**	(2,812)	**(32,499)**
FINANCING ACTIVITIES:			
Increase in short-term borrowings - net	**37**	112	**304**
Repayments of long-term debt	**(27)**	(27)	**(223)**
Issuance of common stock to minority shareholder	**30**	29	**248**
Dividends paid	**(1,160)**	(1,012)	**(9,361)**
Other - net	**(24)**		**(196)**
Net cash used in financing activities	**(1,144)**	(898)	**(9,228)**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**41**	(32)	**337**
INCREASE IN CASH AND CASH EQUIVALENTS	**5,460**	6,162	**44,037**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**45,510**	39,347	**367,022**
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ **50,971**	¥ 45,510	$ **411,060**

See notes to consolidated financial statements.

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 generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Accounting 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 accordance with accounting procedures generally accepted in Japan, certain comparative disclosures are not required to be but are presented herein as additional information.

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 ¥124 to $1, the approximate rate of exchange at March 31, 2001. 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 all of its 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 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 five 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 and 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 -*** Prior to April 1, 2000, current and non-current marketable securities listed on stock exchanges were stated at the lower of cost, determined by the moving-average method, or market. Effective April 1, 2000, the Group adopted a new accounting standard for financial instruments. Under this standard, securities whose fair values are readily determinable are classified as available-for-sale securities and are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of shareholders' equity. The cost of securities sold is determined based on the moving-average method. The effect of this change was to increase income before income taxes by ¥158 million ($1,277 thousand) for the year ended March 31, 2001.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. For other than temporary declines in net realizable value, non-marketable available-for-sale 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. ***Employees' Retirement Benefits -*** The Company has a contributory funded pension plan covering substantially all of its employees. Prior to April 1, 2000, amounts contributed to the plan were charged to income when paid. In addition, the Group has an unfunded retirement benefit plan for certain employees. Prior to April 1, 2000, the annual provisions for the plan are calculated to state the liability at the amount which would be required if all of them retired at the balance sheet date.

Effective April 1, 2000, the Company and domestic consolidated subsidiaries adopted a new accounting standard for employees' retirement benefits and accounted for the liability for retirement benefits based on projected benefit obligations and plan assets at the balance sheet date. The transitional obligation of ¥4,778 million ($38,540 thousand), determined as of the beginning of year, is charged to income and presented as other expense in the statements of income. As a result, net periodic benefit costs, as compared with the prior method, increased by ¥5,156 million ($41,585 thousand) and income before income taxes and minority interests decreased by ¥5,113 million ($41,234 thousand).

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. ***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.

h. ***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.

i. ***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.

j. ***Foreign Currency Transactions -*** Prior to April 1, 2000, short-term receivables and payables denominated in foreign currencies were translated into Japanese yen at the current exchange rates at each balance sheet date, while long-term receivables and payables denominated in foreign currencies were translated at historical rates.

Effective April 1, 2000, the Group adopted a revised accounting standard for foreign currency transactions. Under the revised standard, all short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the current exchange rate at the balance sheet date. The foreign currency translation gains and losses are recognized in the statements of income to the extent that they are not hedged by foreign currency forward contracts.

k. ***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 the balance sheet date except for shareholders' equity, which is translated at the historical rate.

Prior to April 1, 2000, differences arising from such translation were shown as "Foreign currency translation adjustments" as either all asset or liability in the balance sheet. Effective April 1, 2000, such differences are shown as "Foreign currency translation adjustments" in a separate component of shareholders' equity under the revised accounting standard for foreign currency transactions.

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

l. ***Derivative Financial Instruments -*** The Company uses the derivative financial instrument to manage its exposures to the fluctuation in foreign exchange. Foreign currency forward contracts are utilized by the Company to hedge foreign currency exchange risk. The Company does not enter into the derivative for trading or speculative purposes.

Effective April 1, 2000, the Company adopted a new accounting standard for derivative financial instruments and a revised accounting standard for foreign currency transactions. Under these standards, trade receivables denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting.

The adoption of the new accounting standard for derivative financial instruments and the revised accounting standard for foreign currency transactions did not have a material effect on the Group's consolidated financial statements.

m. ***Per Share Information -*** The computation of net income per share is based on the weighted average number of shares of common stock outstanding during each year. The weighted average number of common shares used in the computation was 50,599,932 shares for 2001 and 50,599,919 shares for 2000.

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, 2001 and 2000, consisted of equity securities.

The costs and aggregate fair values of marketable and investment securities at March 31, 2001, were as follows:

	Millions of Yen			
	2001			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as -				
Available-for-sale - equity securities	¥ 2,621	¥ 2,158	¥ 159	¥ 4,620

	Thousands of U.S. Dollars			
	2001			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as -				
Available-for-sale - equity securities	$ 21,140	$ 17,410	$ 1,285	$ 37,265

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.

4. INVENTORIES

Inventories at March 31, 2001 and 2000, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2001	**2000**	**2001**
Merchandise	**¥ 1,615**	¥ 1,016	**$ 13,025**
Finished products	**9,630**	6,149	**77,665**
Work in process	**3,641**	4,435	**29,365**
Raw materials and supplies	**3,773**	3,241	**30,428**
Total	**¥ 18,660**	¥ 14,843	**$ 150,485**

5. PROPERTY, PLANT AND EQUIPMENT

Depreciation expense for the years ended March 31, 2001 and 2000, was ¥4,737 million ($38,204 thousand) and ¥5,265 million, respectively.

6. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2001 and 2000, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2001	**2000**	**2001**
Unsecured loans from minority shareholder, 7.5%	**¥ 42**	¥ 19	**$ 344**
Bank overdrafts, 5.25% (2001) and 4.125% (2000)	**179**	158	**1,451**
Total	**¥ 222**	¥ 178	**$ 1,796**

Long-term debt at March 31, 2001 and 2000, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2001	**2000**	**2001**
Unsecured loans from a financial institution for employees' housing loans	**¥ 23**	¥ 27	**$ 191**
Unsecured loans from minority shareholder, ranged from 5.57% to 8%, due serially to 2000		21	
Total	**¥ 23**	¥ 48	**$ 191**

7. RETIREMENT BENEFITS

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 lump-sum severance payments from the Company or from its certain consolidated subsidiaries and annuity payments from a trustee.

The retirement benefits for directors and corporate auditors are paid subject to the approval of the shareholders.

Effective April 1, 2000, the Group adopted a new accounting standard for employees' retirement benefits.

The liability (asset) for employees' retirement benefits at March 31, 2001, consisted of the following:

	Millions of Yen	Thousands of U.S. Dollars
	2001	**2001**
Projected benefit obligation	¥ 14,593	$ 117,693
Fair value of plan assets	(6,302)	(50,829)
Unrecognized actuarial loss	(2,797)	(22,564)
Net liability	**¥ 5,493**	**$ 44,299**

The components of net periodic retirement benefit costs are as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2001	**2001**
Service cost	¥ 799	$ 6,444
Interest cost	398	3,213
Expected return on plan assets	(192)	(1,555)
Amortization of transitional obligation	4,778	38,540
Net periodic retirement benefit costs	**¥ 5,783**	**$ 46,642**

Assumptions used for the year ended March 31, 2001, are set forth as follows:

	2001
Discount rate	2.75%
Expected rate of return on plan assets	3.00%
Recognition period of actuarial gain / loss	10 years

Total provision for pension costs and retirement benefits charged to income were ¥712 million for the year ended March 31, 2000.

8. SHAREHOLDERS' EQUITY

Under the Japanese Commercial Code (the "Code"), at least 50% of the issue price of new shares with a minimum of the par value, is to be designated as stated capital. The portion which is to be designated as stated capital is determined by resolution of the Board of Directors. Proceeds in excess of the amounts designated as stated capital are credited to additional paid-in capital. The Company may transfer portions of additional paid-in capital to stated capital by resolution of the Board of Directors.

Under the Code, the Company is required to appropriate as a legal reserve portions of retained earnings in the amount equal to at least 10% of cash payments appropriated in each financial period, including cash dividends and bonuses to directors and corporate auditors until the reserve equals 25% of the stated capital. This reserve is not available for cash dividends but may be used to reduce a deficit by resolution of the shareholders or transferred to the stated capital by resolution of the Board of Directors. In the consolidated financial statements, the legal reserve, which totals ¥1,584 million ($12,775 thousand) in 2001 and ¥1,457 million in 2000, is included in the retained earnings.

The Company may also transfer portions of unappropriated retained earnings to stated capital by resolution of the shareholders.

Under the Code, the Company may issue new shares of its common stock to the existing shareholders without consideration pursuant to resolution of the Board of Directors as a stock split. The Company may make such a stock split to the extent that the amount calculated by multiplying the number of issued shares after the stock split by par value per share does not exceed the stated capital and that the amount calculated by dividing the total amount of shareholders' equity by the number of issued shares after the stock split shall not be less than ¥50.

The Company is authorized to repurchase, by resolution of the Board of Directors, up to five million shares of the Company's stock for the purpose of canceling the shares and charging such amounts to retained earnings.

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.

Under the Code, the amount available for dividends is based upon retained earnings as recorded on the books of the Company. At March 31, 2001, retained earnings recorded on the books of the Company was ¥78,740 million ($635,002 thousand) which is available for future dividends subject to the approval of the shareholders and legal reserve requirements.

9. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local taxes based on income which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 41.6% in 2001 and 2000. Foreign subsidiaries are subject to income taxes of the countries in which they operate. The actual effective tax rates in the accompanying consolidated statements of income for 2001 and 2000 differed from the normal effective statutory rates due principally to certain expenses that are permanently non-deductible for tax purposes.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2001 and 2000, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
Current assets:			
Deferred tax assets:			
Accrued expense for bonuses to employees	¥ 328	¥ 207	$ 2,648
Accrued enterprise tax	308	109	2,487
Other	777	269	6,267
Total	1,414	585	11,404
Deferred tax liabilities	13	17	112
Net deferred tax assets	**¥ 1,400**	**¥ 568**	**$ 11,291**
Non-current assets:			
Deferred tax assets:			
Liability for employees' retirement benefits	¥ 2,234		$ 18,022
Property and equipment	603	¥ 669	4,867
Liability for directors' and corporate auditors' retirement benefits	342	311	2,761
Other	98	119	792
Total	3,279	1,100	26,444
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	831		6,709
Property and equipment	178	197	1,437
Total	1,010	197	8,146
Net deferred tax assets	**¥ 2,269**	**¥ 903**	**$ 18,298**
Current liabilities - Deferred tax liabilities	**¥ 6**	**¥ 4**	**$ 50**
Non-current liabilities:			
Deferred tax liabilities:			
Property and equipment	¥ 291	¥ 292	$ 2,349
Other	36		290
Total	327	292	2,640
Deferred tax assets	30	126	242
Net deferred tax liabilities	**¥ 297**	**¥ 165**	**$ 2,398**

10. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥6,160 million ($49,677 thousand) and ¥5,752 million for the years ended March 31, 2001 and 2000, respectively.

11. 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, 2001 and 2000, were ¥553 million ($4,460 thousand) and ¥451 million, respectively.

Acquisition cost and accumulated depreciation as of March 31, 2001, were as follows:

	Millions of Yen			
	Buildings and Structures	Machinery and Equipment	Furniture and Fixtures	Total
Acquisition cost	¥ 99	¥ 530	¥ 2,116	¥ 2,747
Accumulated depreciation	23	128	1,074	1,226
Net leased property	**¥ 76**	**¥ 401**	**¥ 1,042**	**¥ 1,520**

	Thousands of U.S. Dollars			
	Buildings and Structures	Machinery and Equipment	Furniture and Fixtures	Total
Acquisition cost	$ 805	$ 4,279	$ 17,072	$ 22,157
Accumulated depreciation	188	1,038	8,667	9,893
Net leased property	**$ 617**	**$ 3,241**	**$ 8,404**	**$ 12,264**

Acquisition cost and accumulated depreciation as of March 31, 2000, were as follows:

	Millions of Yen			
	Buildings and Structures	Machinery and Equipment	Furniture and Fixtures	Total
Acquisition cost	¥ 110	¥ 458	¥ 2,508	¥ 3,077
Accumulated depreciation	3	23	974	1,001
Net leased property	**¥ 107**	**¥ 435**	**¥ 1,533**	**¥ 2,075**

Obligations under finance leases as of March 31, 2001 and 2000, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
Due within one year	¥ 543	¥ 613	$ 4,385
Due after one year	976	1,461	7,878
Total	**¥ 1,520**	¥ 2,075	**$ 12,264**

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 ¥553 million ($4,460 thousand) and ¥451 million for the years ended March 31, 2001 and 2000, respectively.

The minimum rental commitments under noncancelable operating leases at March 31, 2001, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due within one year	¥ 76	$ 615
Due after one year	114	923
Total	**¥ 190**	**$ 1,538**

12. DERIVATIVES

The Company enters into foreign currency forward contracts to hedge foreign currency exchange risk associated with certain assets 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.

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

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

The foreign currency forward contracts which are assigned to the associated assets and are recorded on the balance sheet at March 31, 2001, are excluded from the disclosure of market value information.

13. SUBSEQUENT EVENTS

At the general shareholders meeting held on June 28, 2001, the Company's shareholders approved the appropriation of retained earnings and the stock option plan for the Company's directors and key employees as follows:

(1) *Appropriation of Retained Earnings*

	Millions of Yen	Thousands of U.S. Dollars
Cash dividends	¥ 505	$ 4,080
Transfer to legal reserve	58	474
Bonuses to directors and corporate auditors	82	663
Total	**¥ 647**	**$ 5,218**

(2) *Stock Option Plan*

The plan provides for granting options to directors and key employees to purchase up to 791 thousand shares of the Company's common stock or ¥2,200 million ($17,741 thousand) in the period from July 1, 2003 to June 30, 2008. The options will be granted at an exercise price of 105% of the averaged fair market value of the Company's common stock during the month prior to the date of option grant. In the event this exercise price is lower to the market closing price at the date of option grant, the exercise price is changed to the market closing price. The Company plans to use acquired treasury stock to issue shares upon exercise of the stock options.

14. SEGMENT INFORMATION

(1) *Business Segments*

The Company 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, 2001 and 2000, is as follows:

	Millions of Yen				
	2001				
	Material Business	Equipment Business	Total	Eliminations and Corporate	Consolidated
Sales to customers	¥ 68,986	¥ 14,469	¥ 83,456		¥ 83,456
Intersegment sales		230	230	¥ (230)	
Total sales	68,986	14,700	83,686	(230)	83,456
Operating expenses	57,197	13,252	70,449	3,708	74,158
Operating income	**¥ 11,788**	**¥ 1,447**	**¥ 13,236**	**¥ (3,938)**	**¥ 9,298**
Assets	**¥ 67,558**	**¥ 15,219**	**¥ 82,777**	**¥ 63,957**	**¥ 146,735**
Depreciation	**4,104**	**411**	**4,516**	**292**	**4,808**
Capital expenditures	**2,089**	**132**	**2,222**	**1,300**	**3,522**

	Thousands of U.S. Dollars				
	2001				
	Material Business	Equipment Business	Total	Eliminations and Corporate	Consolidated
Sales to customers	$ 556,340	$ 116,692	$ 673,032		$ 673,032
Intersegment sales		1,858	1,858	$ (1,858)	
Total sales	556,340	118,550	674,891	(1,858)	673,032
Operating expenses	461,269	106,874	568,143	29,905	598,048
Operating income	**$ 95,071**	**$ 11,676**	**$ 106,747**	**$ (31,763)**	**$ 74,984**
Assets	**$ 544,822**	**$ 122,735**	**$ 667,558**	**$ 515,789**	**$1,183,348**
Depreciation	**33,104**	**3,318**	**36,422**	**2,356**	**38,779**
Capital expenditures	**16,854**	**1,067**	**17,921**	**10,488**	**28,409**

	Millions of Yen				
	2000				
	Material Business	Equipment Business	Total	Eliminations and Corporate	Consolidated
Sales to customers	¥ 65,253	¥ 7,855	¥ 73,108		¥ 73,108
Operating expenses	54,566	8,110	62,676	¥ 3,316	65,993
Operating income (loss)	**¥ 10,686**	**¥ (255)**	**¥ 10,431**	**¥ (3,316)**	**¥ 7,115**
Assets	**¥ 67,134**	**¥ 8,397**	**¥ 75,531**	**¥ 54,858**	**¥ 130,390**
Depreciation	**4,647**	**503**	**5,150**	**175**	**5,326**
Capital expenditures	**1,741**	**206**	**1,948**	**806**	**2,754**

(2) Geographical Segments

Information about geographical segments for the years ended March 31, 2001 and 2000, is as follows:

	Millions of Yen						
	2001						
	Japan	North America	Europe	Asia	Total	Eliminations and Corporate	Consolidated
Sales to customers	¥ 69,750	¥ 6,969	¥ 5,503	¥ 1,233	¥ 83,456		¥ 83,456
Interarea transfer	7,447	663	12		8,122	¥ (8,122)	
Total sales	77,197	7,632	5,515	1,233	91,578	(8,122)	83,456
Operating expenses	67,510	7,261	4,888	1,229	80,890	(6,732)	74,158
Operating income	**¥ 9,686**	**¥ 370**	**¥ 627**	**¥ 3**	**¥ 10,688**	**¥ (1,390)**	**¥ 9,298**
Assets	**¥ 87,630**	**¥ 6,812**	**¥ 3,255**	**¥ 528**	**¥ 98,227**	**¥ 48,508**	**¥ 146,735**

	Thousands of U.S. Dollars						
	2001						
	Japan	North America	Europe	Asia	Total	Eliminations and Corporate	Consolidated
Sales to customers	$ 562,501	$ 56,204	$ 44,381	$ 9,945	$ 673,032		$ 673,032
Interarea transfer	60,057	5,348	99		65,506	$ (65,506)	
Total sales	622,559	61,553	44,481	9,945	738,539	(65,506)	673,032
Operating expenses	544,438	58,563	39,423	9,915	652,340	(54,291)	598,048
Operating income	**$ 78,120**	**$ 2,989**	**$ 5,058**	**$ 30**	**$ 86,198**	**$ (11,214)**	**$ 74,984**
Assets	**$ 706,698**	**$ 54,942**	**$ 26,251**	**$ 4,261**	**$ 792,154**	**$ 391,194**	**$1,183,348**

	Millions of Yen						
	2000						
	Japan	North America	Europe	Asia	Total	Eliminations and Corporate	Consolidated
Sales to customers	¥ 64,453	¥ 5,127	¥ 3,195	¥ 332	¥ 73,108		¥ 73,108
Interarea transfer	5,582	140			5,724	¥ (5,724)	
Total sales	70,035	5,267	3,196	332	78,832	(5,724)	73,108
Operating expenses	62,207	5,200	2,940	382	70,730	(4,737)	65,993
Operating income (loss)	**¥ 7,828**	**¥ 67**	**¥ 256**	**¥ (50)**	**¥ 8,102**	**¥ (986)**	**¥ 7,115**
Assets	**¥ 79,352**	**¥ 5,953**	**¥ 2,408**	**¥ 184**	**¥ 87,899**	**¥ 42,490**	**¥ 130,390**

(3) Sales to Foreign Customers

Information about sales to foreign customers of the Group for the years ended March 31, 2001 and 2000, is as follows:

	Millions of Yen				
	2001				
	North America	Europe	Asia	Other Areas	Total
Sales to foreign customers (A)	¥ 9,416	¥ 6,046	¥ 19,697	¥ 32	¥ 35,192
Consolidated sales (B)					83,456
(A) / (B)	11.3%	7.3%	23.6%	0.0%	42.2%

	Thousands of U.S. Dollars				
	2001				
	North America	Europe	Asia	Other Areas	Total
Sales to foreign customers (A)	$ 75,940	$ 48,758	$ 158,851	$ 261	$ 283,812
Consolidated sales (B)					673,032
(A) / (B)	11.3%	7.3%	23.6%	0.0%	42.2%

	Millions of Yen				
	2000				
	North America	Europe	Asia	Other Areas	Total
Sales to foreign customers (A)	¥ 7,836	¥ 4,415	¥ 16,597	¥ 26	¥ 28,876
Consolidated sales (B)					73,108
(A) / (B)	10.7%	6.1%	22.7%	0.0%	39.5%

* * * * * *

INDEPENDENT AUDITORS' REPORT

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Deloitte Touche Tohmatsu

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

We have examined the consolidated balance sheets of TOKYO OHKA KOGYO CO., LTD. and consolidated subsidiaries as of March 31, 2001 and 2000, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. Our examinations 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 consolidated financial statements referred to above present fairly the financial position of TOKYO OHKA KOGYO CO., LTD. and consolidated subsidiaries as of March 31, 2001 and 2000, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

As described in Note 2, effective April 1, 2000, the consolidated financial statements have been prepared in accordance with new accounting standards for employees' retirement benefits and financial instruments.

Our examinations 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 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

June 28, 2001

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