

Consolidated Financial Statements

For The Fiscal Year Ended March 31, 2002

KYOWA EXEO CORPORATION

Code No. : 1951
 URL : <http://www.exeo.co.jp>
 Stock Exchange Listed : Tokyo and Osaka Stock Exchange-First Section
 Corporate Headquarters : 29-20, Shibuya 3-chome, Shibuya-ku, Tokyo Japan
 Investor Relations : Sadao Ikeda, Director, General Manager, Finance & Accounts Division
 Tel (03) 5778-1106

Date of the meeting of the Board of Directors for approval of non-consolidated financial statements : May15, 2002
 Adoption of U.S.GAAP : None

1. Consolidated Financial Results for the Fiscal Years Ended March 31, 2002 and 2001

• The Company was merged with Showa Technos Corporation on April 1, 2001

(1) Consolidated Results of Operations (million yen, except per share amount)

	Sales		Operating Income		Ordinary Income	
Year ended March 31, 2002	203,336	0.1%	8,308	0.0%	9,062	10.4%
Year ended March 31, 2001	203,069	(6.2)%	8,304	(29.9)%	8,209	(32.1)%

	Net Income		Net Income per Share	Diluted Net Income Per Share	ROE [Ratio of Net Income to Shareholders' Equity]	Ordinary Income/ Total Assets	Ordinary Income/ Net Sales
Year ended March 31, 2002	2,989	(17.5)%	25.56 yen	22.52 yen	5.1%	6.4%	4.5%
Year ended March 31, 2001	3,622	43.1%	34.00 yen	29.12 yen	6.7%	5.5%	4.0%

- Notes : 1. Equity in earnings (losses) of affiliates : For the fiscal year ended March 31, 2002 : - million yen
 For the fiscal year ended March 31, 2001 : - million yen
 2. Average number of shares outstanding : Year ended March 31, 2002 116,987,821 shares
 Year ended March 31, 2001 106,547,287 shares
 3. Change in accounting policy : None
 4. Percentages above represent annual changes over the preceding year unless otherwise stated.

(2) Consolidated Financial Positions (million yen, except per share amount)

	Total Assets	Shareholders' Equity	Ratio of Shareholders' Equity to Total Assets	Shareholders' Equity per Share
Year ended March 31, 2002	136,575	63,314	46.4%	544.69 yen
Year ended March 31, 2001	145,453	54,860	37.7%	515.57 yen

(3) Consolidated Cash Flows (million yen)

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at Fiscal Year End
Year ended March 31, 2002	6,886	(357)	(14,035)	19,325
Year ended March 31, 2001	6,773	(73)	(7,592)	24,053

(4) Number of consolidated companies and companies accounted for using the equity method

The number of consolidated subsidiaries: 21
 The number of unconsolidated subsidiaries accounted for using the equity method: -
 The number of affiliates accounted for using the equity method: -

(5) Change of reporting entities

The number of consolidated companies added: 1 The number of consolidated companies removed: 1
 The number of companies carried by the equity method added: - The number of companies carried by the equity method removed: -

2. Consolidated Financial Forecasts for the Fiscal Year ending March 31, 2003

(million yen, except per share amount)

	Sales	Ordinary Income	Net Income
Six months ending September 30, 2002	82,000	2,150	1,150
Year ending March 31, 2003	208,000	9,300	4,800

(Reference) Expected Net Income per Share : 41.29 yen

※Management of the Company has made estimates and assumptions relating to financial forecasts based on information available as of the reporting date. Actual results could differ from those estimates.

Amounts are disregarded to omit fraction less than 1 million yen, through this report.

KYOWA EXEO CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

MARCH 31, 2002 and 2001

(Million yen)

	March 31, 2001	March 31, 2002	Increase (Decrease)
(ASSETS)			
I .Current assets	¥104,252	¥95,142	¥(9,109)
Cash and bank deposits	15,046	14,118	(928)
Notes and accounts receivable, trade	57,265	52,652	(4,613)
Marketable securities	9,238	5,696	(3,541)
Contracts in process	19,157	20,309	1,151
Deferred tax assets-current	1,123	679	(444)
Other	2,563	1,786	(777)
Allowance for doubtful accounts	(142)	(99)	43
II .Fixed assets	41,201	41,432	231
1. Property and equipment	24,849	26,974	2,125
Buildings and structures	16,301	18,388	2,087
Machinery, vehicles, tools and equipment	7,601	7,654	52
Land	13,663	15,271	1,607
Accumulated depreciation	(12,717)	(14,339)	(1,621)
2. Intangible fixed assets	3,571	2,711	(859)
Software	3,265	2,399	(865)
Other	305	311	5
3. Investments and other	12,781	11,746	(1,034)
Investment securities	6,116	5,082	(1,033)
Deferred tax assets-non-current	3,742	4,131	389
Other	3,159	2,788	(370)
Allowance for doubtful accounts	(236)	(256)	(19)
TOTAL ASSETS	¥145,453	¥136,575	¥(8,878)

	(Million yen)		
	March 31,2001	March 31, 2002	Increase (Decrease)
(LIABILITIES)			
I .Current liabilities	¥55,530	¥35,707	¥(19,823)
Notes and accounts payable, trade	28,114	22,836	(5,278)
Current portion of convertible bonds	10,000	-	(10,000)
Income taxes payable	3,795	1,424	(2,371)
Advances received on contracts in process	5,581	6,127	546
Allowance for compensation for construction damages	130	130	(0)
Other	7,907	5,188	(2,719)
II .Long-term liabilities	33,433	36,685	3,251
Bonds	14,600	14,100	(500)
Convertible bonds	14,664	14,664	-
Accrued pension and severance cost	2,363	5,577	3,214
Allowance for retirement benefits for directors and corporate auditors	653	602	(51)
Deferred tax liabilities-non-current	-	110	110
Negative consolidation goodwill	869	1,615	746
Other	283	14	(269)
TOTAL LIABILITIES	88,964	72,392	(16,572)
MINORITY INTERESTS IN CONSOLIDATED SUBSIDIARIES	1,628	868	(759)
(SHAREHOLDERS' EQUITY)			
I .Common stock	5,407	6,888	1,481
II .Additional paid-in capital	4,321	5,761	1,439
III .Retained earnings	45,319	51,914	6,595
IV .Net unrealized gains on securities	373	209	(164)
V .Treasury stock	(562)	(1,459)	(897)
TOTAL SHAREHOLDERS' EQUITY	54,860	63,314	8,454
TOTAL LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY	¥145,453	¥136,575	¥(8,878)

- Notes :
- All amounts less than one million yen have been disregarded.
 - Stock and others of nonconsolidated subsidiaries and affiliate companies

Investment securities (stock)	1,006	million yen
Other (Investment in capital stock)	2	million yen
 - Liability for guarantee 2,744 million yen
(including 1,340 million yen to be guaranteed by other companies)
 - Notes receivable – endorsed 120 million yen
 - As financial institutions in Japan were closed on March 31, 2002, the following amounts that would normally be settled on March 31 are included:

Notes receivable	132	million yen
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KYOWA EXEO CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED MARCH 31, 2002 and 2001

(Million yen)

	March 31,2001	March 31, 2002	Increase (Decrease)
I .Net sales	¥203,069	¥203,336	¥267
II .Cost of sales	178,544	178,691	147
Gross income	24,525	24,645	120
III.Selling, general and administrative expenses	16,220	16,336	116
Operating income	8,304	8,308	4
IV.Non - operating income	1,445	1,762	317
Interest income	64	42	(21)
Dividends income	234	146	(87)
Commission income	-	250	250
Insurance income	190	-	(190)
Amortization of consolidation goodwill	243	593	350
Other	712	729	16
V.Non-operating expenses	1,540	1,008	(531)
Interest expenses	607	584	(22)
Losses on revaluation of securities	178	-	(178)
Other	754	423	(331)
Ordinary income	8,209	9,062	853
VI.Special income	3,585	-	(3,585)
Gains on securities contributed to employee retirement benefit trust	3,041	-	(3,041)
Gains on sales of investment securities	544	-	(544)
VII.Special losses	3,897	3,112	(784)
Special retirement benefits	404	1,635	1,231
Losses on write-offs of uncollectible accounts	-	545	545
Losses on revaluation of investment securities	-	487	487
Losses on revaluation of investment in memberships	-	345	345
Amortization of transition obligation under new pension accounting	3,167	-	(3,167)
Losses on business of affiliated companies	324	-	(324)
Other	-	99	99
Income before income taxes and minority interests	7,897	5,949	(1,948)
Income taxes – current	5,181	1,898	(3,282)
Income taxes – deferred	(935)	1,013	1,948
Minority interests	28	47	18
Net income	¥3,622	¥2,989	¥(632)

Notes : All amounts less than one million yen have been disregarded.

KYOWA EXEO CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF RETAINED EARNINGS
YEARS ENDED MARCH 31, 2002 and 2001

(Million yen)

	March 31,2001	March 31, 2002
I .Balance of consolidated retained earnings at the beginning of the year	¥42,978	¥45,319
II .Increase in consolidated retained earnings	-	4,901
Increase due to merger	-	4,901
III .Decrease in consolidated retained earnings	1,281	1,296
Cash dividends	1,175	1,170
Directors' bonuses	106	125
IV .Net income	3,622	2,989
V .Balance of consolidated retained earnings at the end of the year	¥45,319	¥51,914

Notes : All amounts less than one million yen have been disregarded.

KYOWA EXEO CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 2002 and 2001

(Million yen)

	March 31, 2001	March 31, 2002
I .Cash flows from operating activities:		
Income before income taxes and minority interests	¥7,897	¥5,949
Depreciation and amortization	2,232	2,221
Amortization of consolidation goodwill	(243)	(593)
Losses on revaluation of investment securities	-	487
Losses on revaluation of investment in memberships	-	345
Special retirement benefits	-	1,635
Gains on securities contributed to employee retirement benefit trust	(3,041)	-
Post-employment benefit expenses on establishment of retirement benefit trust	2,880	-
Changes in allowance for foreign investment losses	(2,802)	-
Gains on sales of investment securities	(544)	-
Foreign currency transaction exchange gains	-	(19)
Foreign currency transaction exchange losses	(16)	-
Changes in other operating assets	4,831	1499
Changes in other operating liabilities	2,599	(3,158)
Decrease in allowance for doubtful accounts	(166)	(43)
Changes in Accrued pension and severance cost	(1,408)	907
Interest and dividends income	(299)	(189)
Interest expenses paid	607	584
Changes in notes and accounts receivable trade	(3,381)	10,082
Changes in contracts in process	6,802	943
Decrease in accounts payable, trade	(946)	(7,509)
Changes in advances received on contracts in process	(3,455)	(181)
Other-net	199	76
Sub-total	11,744	13,039
Interest and dividends received	304	193
Interest expenses paid	(610)	(582)
Income taxes paid	(4,665)	(4,225)
Special retirement benefits paid	-	(1,538)
Net cash provided by operating activities	6,773	6,886
II .Cash flows from investing activities:		
Proceeds from time deposits	852	173
Payments for purchases of marketable securities	(200)	(500)
Proceeds from sales of marketable securities	974	290
Payments for purchases of property and equipment	(904)	(721)
Proceeds from sales of property and equipment	160	89
Payments for intangible fixed assets and other investments	(145)	(99)
Payments for purchases of investment securities	(1,595)	(408)
Proceeds from sales of investment securities	888	713
Purchases of subsidiary stock due to changing scope of consolidation	-	51
Payment for loans	(389)	(265)
Settlement of loans	150	207
Other-net	134	111
Net cash used in investing activities	(73)	(357)
III .Cash flows from financing activities:		
Net change in short-term borrowings	(4,661)	(1,097)
Proceeds from long-term debt	95	-
Payments of long-term debt	(879)	(334)
Payments for redemption of bonds	(400)	(10,531)
Proceeds from common stock by a subsidiary	-	24
Payments for purchases of treasury stock	(561)	(940)
Proceeds from sales of treasury stock	-	44
Proceeds from sales of the parent company's stock owned by a subsidiary	-	35
Proceeds from sales of treasury stock owned by the merged company	-	55
Cash dividends paid	(1,175)	(1,170)
Cash dividends paid to the minority shareholders	(9)	(11)
Cash delivered due to merger	-	(109)
Net cash used in financing activities	(7,592)	(14,035)
IV .Effect of exchange rate changes on cash and cash equivalents	11	(9)
V .Net decrease in cash and cash equivalents	(881)	(7,516)
VI .Cash and cash equivalents at the beginning of the year	24,934	24,053
VII .Increase in cash and cash equivalents due to merger	-	2,789
VIII .Cash and cash equivalents at the end of the year	¥24,053	¥19,325

- Notes : 1. All amounts less than one million yen have been disregarded.
 2. Relation between ending balance of cash and cash equivalents and amounts of account titles on balance sheet

Cash and bank deposits	14,118 million yen
Marketable securities	5,696 million yen
Marketable securities with original maturities over three months	(489) million yen
<u>Cash and cash equivalents</u>	<u>19,325 million yen</u>

3. Significant non-cash transactions
 Summary of assets and liabilities transferred to the Company due to the merger of Showa Technos is as follows:

		(As of April 1, 2001)
Current assets		10,191 million yen
Fixed assets		3,491 million yen
	Total assets	<u>13,682 million yen</u>
Current liabilities		3,385 million yen
Long-term liabilities		2,279 million yen
	Total liabilities	<u>5,664 million yen</u>

The merger increased common stock by 1,481 million yen, additional paid-in-capital by 1,439 million yen, legal reserve by 195 million yen and retained earnings by 4,871 million yen, respectively.

Accounting Basis for the Consolidated Financial Statements

1. Principles of consolidation

The consolidated financial statements include the accounts of KYOWA EXEO CORPORATION (the "Company") and substantially all of its 21 subsidiaries except 10 subsidiaries.

2. Application of the equity method of accounting for investments

Investments in non-consolidated subsidiaries and affiliated companies have not been accounted for by the equity method because they have not been significant to the consolidated net income and retained earnings.

3. Fiscal year of consolidated subsidiaries

The fiscal year-ends for all consolidated subsidiaries are March 31.

4. Significant accounting policies:

(1) Marketable and investment securities

Investments in unconsolidated subsidiaries and affiliated companies are stated at cost determined by the moving-average method.

Available-for-sale securities with available fair market values are stated at fair value, with unrealized gains and losses excluded from earnings and included in a separate component of shareholders' equity on a net-of-tax basis. The cost of securities sold is determined by the moving-average method.

Other securities that do not have fair values are stated at cost determined by the moving average method.

(2) Derivative

Derivative financial instruments are stated at fair value.

(3) Valuation of inventories

Contracts in process are stated at cost using the specific identification cost method.

Raw materials and supplies are stated at cost using the first-in, first-out method.

(4) Depreciation of fixed assets

a. Property and equipment

Depreciation of property and equipment is computed using the declining-balance method at rates based on the estimated useful lives of the respective assets. Buildings acquired after March 31, 1998 are depreciated using the straight-line method.

b. Intangible fixed assets

Software for internal use is amortized for the estimated useful life (five years) on a straight-line basis. Other intangible assets are amortized using the straight-line method.

(5) Treatment of liabilities allowance

a. Allowance for doubtful accounts

The Company and its consolidated subsidiaries provide for doubtful accounts principally at an amount computed based on the historical bad debt ratio during a certain reference period plus the estimated uncollectible amount based on the analysis of certain individual accounts, including claims in bankruptcy.

b. Allowance for compensation for construction damages

Allowance for compensation for construction damages is provided at the amount equal to 1/1000 of total net sales for each fiscal year, except for sales of a portion that others are responsible for completion of construction, in order to cover possible losses of incompleion.

c. Accrued pension and severance cost

In order to provide for the employees' retirement benefits, the Company and its consolidated subsidiaries accrue the liability by the amount calculated based on the estimated projected benefit obligation and plan asset at the end of the fiscal year.

d. Allowance for retirement benefits for directors and corporate auditors

Allowance for retirement benefits for directors and corporate auditors is provided in accordance with the Company's and consolidated subsidiaries' bylaws respectively.

(6) Accounting for certain lease transactions

Finance leases that do not transfer titles to lessees are accounted for in the same manner as operating leases.

(7) Accounting for consumption tax

Consumption tax is excluded from each account that is subject to such tax.

5. Valuation of assets and liabilities of consolidated subsidiaries

The subsidiaries' assets and liabilities are valued using gross basis fair value method.

6. Consolidation goodwill

Consolidation goodwill is amortized over an estimated useful life of five years.

7. Appropriation of retained earnings

Accompanying consolidated statements of retained earnings have been prepared based on the appropriation of the retained earnings approved during the year.

8. Cash and cash equivalents in the statement of cash flows

Cash and cash equivalents include cash balances and highly liquid investments with an original maturity of three months or less.

Non-consolidated Financial Statements

For The Fiscal Year Ended March 31, 2002

KYOWA EXEO CORPORATION

Code No. : 1951
 URL : <http://www.exeo.co.jp>
 Stock Exchange Listed : Tokyo and Osaka Stock Exchange-First Section
 Corporate Headquarters : 29-20, Shibuya 3-chome, Shibuya-ku, Tokyo Japan
 Investor Relations : Sadao Ikeda, Director, General Manager, Finance & Accounts Division
 Tel (03) 5778-1106

Date of the meeting of the Board of Directors for approval of non-consolidated financial statements : May 15, 2002
 Date of the meeting of shareholders for approval of non-consolidated financial statements : June 27, 2002
 Interim Dividends Plan : Exist
 Trading unit share plan : Exist (1,000 shares per trading unit share)

1. Non-consolidated Financial Results for the Fiscal Years Ended March 31, 2002 and 2001

- The Company was merged with Showa Technos Corporation on April 1, 2001.
- Treasury stock is excluded from the computation of the average number of shares outstanding during the ended March 31, 2002 and the number of shares outstanding as of March 31, 2002.

(1) Non-consolidated Results of Operations (million yen, except per share amount)

	Sales		Operating Income		Ordinary Income	
Year ended March 31, 2002	190,687	0.2 %	7,207	(4.0) %	7,265	3.0 %
Year ended March 31, 2001	190,317	(7.2)%	7,507	(27.2)%	7,051	(32.4)%

	Net Income		Net Income Per Share	Diluted Net Income Per Share	ROE [Ratio of Net Income to Shareholders' Equity]	Ordinary Income/ Total Assets	Ordinary Income/ Net Sales
Year ended March 31, 2002	2,330	(30.0)%	19.92 yen	17.79 yen	4.2 %	5.5 %	3.8 %
Year ended March 31, 2001	3,331	80.0 %	31.17 yen	26.79 yen	6.5 %	5.1 %	3.7 %

- Notes : 1. Average number of shares outstanding : Year ended March 31, 2002 116,995,978 shares
 Year ended March 31, 2001 106,860,645 shares
 2. Change in accounting policy : None
 3. Percentages above represent annual changes over the preceding year unless otherwise stated.

(2) Dividends (yen, except Total Dividends for the Year)

	Total Dividends per Share			Total Dividends for the Year	Payout Ratio	Ratio of Dividends to Shareholders' Equity
	Interim Dividends per Share	Year-End Dividends per Share				
Year ended March 31, 2002	11.00	0.00	11.00	1,278 million yen	54.9 %	2.1%
Year ended March 31, 2001	11.00	-	11.00	1,170 million yen	35.1 %	2.2%

Note: Breakdown of year-end dividends Memorial dividends - yen, Special dividends 4 yen

(3) Non-consolidated Financial Positions (million yen, except per share amount)

	Total Assets	Shareholders' Equity	Ratio of Shareholders' Equity to Total Assets	Shareholders' Equity per Share
Year ended March 31, 2002	129,940	59,685	45.9%	513.47 yen
Year ended March 31, 2001	136,313	52,224	38.3%	488.72 yen

- Note: 1. Number of shares outstanding at the end of the fiscal year: Year ended March 31, 2002 116,239,154 shares
 Year ended March 31, 2001 106,860,645 shares
 2. Number of treasury stock at the end of the fiscal year Year ended March 31, 2002 1,573,265 shares

2. Non-consolidated Financial Forecasts for the Fiscal Year ending March 31, 2003

(million yen, except per share amount)

	Sales	Ordinary Income	Net Income	Total Dividends per Share		
				Interim Dividends per Share	Year-End Dividends per Share	
Six months ending September 30, 2002	78,000	1,900	1,050	5.00	-	-
Year ending March 31, 2003	195,000	8,000	4,100	-	6.00	11.00

(Reference) Expected Net Income per Share : 35.27yen

※Management of the Company has made estimates and assumptions relating to financial forecasts based on information available as of the reporting date. Actual results could differ from those estimates.

Amounts are disregarded to omit fraction less than 1 million yen, through this report.

KYOWA EXEO CORPORATION
NON-CONSOLIDATED BALANCE SHEETS
MARCH 31, 2002 and 2001

	(Million yen)		
	March 31, 2001	March 31, 2002	Increase (Decrease)
(ASSETS)			
I .Current assets	¥99,236	¥93,157	¥(6,079)
Cash and bank deposits	12,941	13,761	819
Notes receivable	2,142	2,535	393
Accounts receivable, trade	52,683	47,098	(5,585)
Marketable securities	9,219	5,691	(3,527)
Contracts in process	16,379	18,239	1,860
Short-term loans receivable	2,925	3,614	688
Deferred tax assets-current	1,097	585	(511)
Other	2,097	1,854	(243)
Allowance for doubtful accounts	(250)	(223)	26
II .Fixed assets	37,076	36,783	(293)
1. Property and equipment	21,520	23,242	1,721
Buildings and structures	8,489	9,039	549
Machinery and vehicles	286	325	38
Tools and equipment	581	561	(20)
Land	12,162	13,316	1,153
2. Intangible fixed assets	3,477	2,617	(860)
Software	3,261	2,390	(871)
Other	216	227	11
3. Investments and other	12,078	10,923	(1,154)
Investment securities	6,934	5,612	(1,321)
Long-term loans receivable	102	207	104
Reorganization credits	113	180	67
Long-term prepaid expenses	211	270	59
Deferred tax assets-non-current	3,265	3,654	388
Other	2,092	1,586	(505)
Allowance for doubtful accounts	(640)	(588)	52
TOTAL ASSETS	¥136,313	¥129,940	¥(6,373)

(Million yen)

	March 31, 2001	March 31, 2002	Increase (Decrease)
(LIABILITIES)			
I .Current liabilities	¥53,257	¥36,696	¥(16,560)
Notes payable	841	302	(539)
Accounts payable, trade	28,838	24,261	(4,576)
Current portion of convertible bonds	10,000	-	(10,000)
Accrued expenses	3,406	2,220	(1,186)
Income taxes payable	3,319	662	(2,656)
Advances received on contracts in process	4,716	5,598	882
Deposits received	-	2,798	2,798
Allowance for compensation for construction damages	123	127	4
Other	2,012	725	(1,287)
II .Long-term liabilities	30,831	33,558	2,726
Bonds	14,600	14,100	(500)
Convertible bonds	14,664	14,664	-
Accrued pension and severance cost	1,258	4,450	3,192
Allowance for retirement benefits for directors and corporate auditors	309	339	29
Other	-	3	3
TOTAL LIABILITIES	84,089	70,255	(13,834)
(SHAREHOLDERS' EQUITY)			
I .Common stock	5,407	6,888	1,481
II .Additional paid-in capital	4,321	5,761	1,439
III .Legal reserve	1,351	1,547	195
IV .Retained earnings	40,778	46,760	5,981
Voluntary reserves	36,755	44,482	7,726
Reserve for deferred gain on sale of property	155	152	(3)
General reserve	36,600	44,330	7,730
Unappropriated earnings	4,023	2,278	(1,744)
[including net income for the year]	[3,331]	[2,330]	[(1,000)]
V .Net unrealized holding gains on securities	364	186	(177)
VI .Treasury stock	-	(1,459)	(1,459)
TOTAL SHAREHOLDERS' EQUITY	52,224	59,685	7,460
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	¥136,313	¥129,940	¥(6,373)

- Notes :
- All amounts less than one million yen have been disregarded.
 - Accumulated depreciation of property and equipment 11,482 million yen
 - Liability for guarantee 2,735 million yen
(including 1,340 million yen to be guaranteed by other companies)
 - As financial institutions in Japan were closed on March 31, 2002, the following amounts that would normally be settled on March 31 are included:
Notes receivable 124 million yen
 - The merger increased number of shares outstanding by 10,951,774 stock, common stock by 1,481 million yen, additional paid-in-capital by 1,439 million yen.

KYOWA EXEO CORPORATION
NON-CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED MARCH 31, 2002 and 2001

(Million yen)

	March 31, 2001	March 31, 2002	Increase (Decrease)
I .Net sales	¥190,317	¥190,687	¥369
II .Cost of sales	169,321	169,382	61
Gross income	20,996	21,304	308
III .Selling, general and administrative expenses	13,488	14,096	607
Operating income	7,507	7,207	(299)
IV .Non - operating income	686	932	246
Interest and dividends income	321	231	(89)
Foreign currency transaction exchange gains	-	112	112
Commission income	-	250	250
Other	364	338	(26)
V .Non - operating expenses	1,141	874	(267)
Interest expenses	530	563	32
Other	610	310	(299)
Ordinary income	7,051	7,265	214
VI .Special income	3,585	-	(3,585)
Gains on securities contributed to employee retirement benefit trust	3,041	-	(3,041)
Gains on sales of investment securities	544	-	(544)
VII .Special losses	4,032	2,880	(1,152)
Special retirement benefits	404	1,635	1,231
Losses on write-offs of uncollectible accounts	-	492	492
Losses on revaluation of investment securities	-	420	420
Amortization of net transition obligation under new pension accounting	2,880	-	(2,880)
Losses on business of affiliated companies	747	-	(747)
Other	-	330	330
Income before income taxes	6,604	4,385	(2,218)
Income taxes – current	4,290	950	(3,340)
Income taxes – deferred	(1,016)	1,104	2,121
Net income	3,331	2,330	(1,000)
Retained earnings brought forward	572	1,906	1,334
Reversal of reserve for foreign investment losses	120	-	(120)
Undisposed deficit succeeded due to merger	-	1,958	1,958
Unappropriated retained earnings	¥4,023	¥2,278	¥(1,744)

Notes : All amounts less than one million yen have been disregarded.

KYOWA EXEO CORPORATION
APPROPRIATION OF RETAINED EARNINGS
YEARS ENDED MARCH 31, 2002 and 2001

(Million yen)

	March 31, 2001		March 31, 2002 Proposal	
	I .Unappropriated retained earnings		¥4,023	
II .Reversal of voluntary earned surplus				
Transfer from reserve for deferred gain on sale of property	3	3	3	3
Sub-total		4,026		2,282
III .Appropriations of retained earnings				
Cash dividends	1,170		1,278	
Directors' bonuses	50		55	
Voluntary earned surplus				
General reserve	900	2,120	-	1,333
IV .Retained earnings carried forward		1,906		948

- Notes : 1. All amounts less than one million yen have been disregarded.
2. The treatment of "Transfer from reserve for deferred gain on sale of property" is based on the Special Taxation Measures Law of Japan.

[Breakdown of dividends per share]

(yen)

	March 31,2001			March 31,2002 Proposal		
	Annual	Interim	Year-End	Annual	Interim	Year-End
Common stock	11.00	-	11.00	11.00	0.00	11.00
Ordinary	7.00	-	7.00	7.00	-	7.00
Special	4.00	-	4.00	4.00	-	4.00

- Notes : Effective from April 1, 2001, the Company adopted interim dividends plan based on resolution of the shareholders' meeting held on June 28, 2001.

Significant accounting policies:

(1) Marketable and investment securities

Investments in subsidiaries and affiliated companies are stated at cost determined by the moving- average method.

Available-for-sale securities with available fair market values are stated at fair value, with unrealized gains and losses excluded from earnings and included in a separate component of shareholders' equity on a net-of-tax basis. The cost of securities sold is determined by the moving-average method.

Other securities that do not have fair values are stated at cost determined by the moving average method.

(2) Derivative

Derivative financial instruments are stated at fair value.

(3) Valuation of inventories

Contracts in process are stated at cost using the specific identification cost method.

Raw materials and supplies are stated at cost using the first-in, first-out method.

(4) Depreciation of fixed assets

a. Property and equipment

Depreciation of property and equipment is computed using the declining-balance method at rates based on the estimated useful lives of the respective assets. Buildings acquired after March 31, 1998 are depreciated using the straight-line method.

b. Intangible fixed assets

Software for internal use is amortized for the estimated useful life (five years) on a straight-line basis. Other intangible assets are amortized using the straight-line method.

(5) Treatment of liabilities allowance

a. Allowance for doubtful accounts

The Company provides for doubtful accounts principally at an amount computed based on the historical bad debt ratio during a certain reference period plus the estimated uncollectible amount based on the analysis of certain individual accounts, including claims in bankruptcy.

b. Allowance for compensation for construction damages

Allowance for compensation for construction damages is provided at the amount equal to 1/1000 of total net sales for each fiscal year, except sales of a portion that others are responsible for completion of construction, in order to cover possible losses of incompleteness.

c. Accrued pension and severance cost

In order to provide for the employees' retirement benefits, the Company accrues the liability by the amount calculated based on the estimated projected benefit obligation and plan asset at the end of the fiscal year.

d. Allowance for retirement benefits for directors and corporate auditors

Allowance for retirement benefits for directors and corporate auditors is provided in accordance with the Company's bylaws.

(6) Accounting for certain lease transactions

Finance leases that do not transfer titles to lessees are accounted for in the same manner as operating lease.

(7) Accounting for consumption tax

Consumption tax is excluded from each account that is subject to such tax.