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Consolidated Results for the Third Quarter of Fiscal 2003

1. Consolidated Results for the Third Quarter of Fiscal 2003
 (From April 1, 2003 to December 31, 2003)

(1) Consolidated Results

(Rounded off to million yen - except per share data)

	Third Quarter 2003		Fiscal 2002	
	million yen	%	million yen	%
Net Sales	372,303	-	513,535	-
Operating Income	12,259	-	26,399	-
Ordinary Income	7,422	-	16,052	-
Net Income	3,911	-	8,120	-
Net Income per share	¥4.61		¥9.61	
Net Income per share – diluted	¥4.32		¥8.99	

Note: Since this is the first year for the company to announce its quarterly results, no year-on-year comparisons are available in this report.

(2) Qualitative Information Related to the Consolidated Results

The company posted cumulative consolidated net sales of ¥372.3 billion, operating income of ¥12.2 billion, ordinary income of ¥7.4 billion and net income of ¥3.9 billion for the first three quarters of Fiscal 2003 (from April 1, 2003 to December 31, 2003). Net sales was slightly weak as recognition of part of machinery sales was deferred, and sales volume of imported coal declined due to the shortage of coal supplies. Operating income dwindled, reflecting the decrease in machinery sales and the increase in the cost of raw materials that remained high throughout the period. Ordinary income and net income were also affected by the weakness in operating income.

Performance summary by segment is provided below:

[1] Chemicals & Plastics

Net sales amounted to ¥111.2 billion with operating loss of ¥300 million. While net sales were in line with the original projection, the operating loss was due to the cost of raw materials such as naphtha and benzene that remained high throughout the period.

[2] Specialty Chemicals & Products

Net sales and operating income were ¥45.9 billion and ¥4.1 billion respectively. Both were in line with our original projections.

[3] Energy & Environment

Operating income amounted to ¥800 million on net sales of ¥11.3 billion. Net sales remained weak as global tightening of coal supply prevented us from procuring imported coal as originally planned. Operating income was in line with our original projection.

[4] Construction Materials

Net sales and operating income were in line with our original projections at ¥129.9 billion and ¥7.6 billion respectively.

[5] Machinery & Metal Products

Net sales amounted to ¥70.1 billion with operating loss of ¥700 million. Net sales remained weak as recognition of part of machinery sales were deferred. Operating loss is attributable to the weakness of the aluminum wheel business, which was affected by the labor dispute in our US operations related to the labor agreement, as well as to the effect of the deferred recognition of machinery sales.

[6] Other Businesses

Net sales and operating income were ¥3.5 billion and ¥700 million respectively. Both were in line with our original projections.

On a non-consolidated basis, the Company posted cumulative net sales of ¥166.2 billion, operating income of ¥8.4 billion, ordinary income of ¥5 billion and net income of ¥2.1 billion for the first three quarters of fiscal 2003.

(3) Consolidated Financial Position

	(in million yen - except per share data)	
	Third Quarter 2003	Fiscal 2002
Total assets	728,932	745,890
Stockholders' equity	103,828	96,161
Stockholders' equity to Total assets ratio	14.2 %	12.9 %
Stockholders' equity per share	¥119.69	¥114.55

(4) Qualitative Information on the Consolidated Financial Position

Total assets at the end of the third quarter decreased by ¥16.9 billion from the previous fiscal year-end to ¥728.9 billion, reflecting the reduction in cash and cash equivalents and decrease in tangible fixed assets through securitization. Liabilities decreased by ¥25.3 billion to ¥607.9 billion due to the reduction in interest-bearing debt. Shareholders' equity increased by ¥7.6 billion to ¥103.8 billion, reflecting the increase in additional paid-in capital associated with our corporate acquisitions through stock exchange, and the increase in unrealized gain on holdings of other marketable securities.

1. Outlook for Fiscal 2003 (From April 1, 2003 to March 31, 2004)

Consolidated basis (Full year)

	Sales	Operating Income	Ordinary Income	Net Income
	million yen	million yen	million yen	million yen
New projection (A)	507,000	17,000	8,000	(16,000)
Previous projection (B) (announced on November 18, 2003)	517,000	25,000	17,000	9,000
Increase/Decrease (A-B)	(10,000)	(8,000)	(9,000)	(25,000)
Rate of increase/decrease (%)	(1.9%)	(32.0%)	(52.9%)	-
Fiscal 2002 results	513,535	26,399	16,052	8,120

Non-consolidated basis (Full year)

	Sales	Operating Income	Ordinary Income	Net Income
	million yen	million yen	million yen	million yen
New projection (A)	224,000	11,000	5,000	(11,000)
Previous projection (B) (announced on November 18, 2003)	228,000	14,000	8,000	4,000
Increase/Decrease (A-B)	(4,000)	(3,000)	(3,000)	(15,000)
Rate of increase/decrease (%)	(1.8%)	(21.4%)	(37.5%)	-
Fiscal 2002 results	229,272	12,148	6,644	4,058

Revision of Fiscal 2003 year-end Dividend per Share Projection

	Year-end Dividend	Annual Dividend
New projection (A)	No payment	No payment
Previous projection (B) (announced on November 18, 2003)	¥3.00	¥3.00
Fiscal 2002 Dividend amount	¥3.00	¥3.00

Qualitative Information on the Outlook for Fiscal 2003

Looking ahead, further increases are expected in the price of raw materials such as naphtha and benzene. Coal supply is also expected to remain tight, while the yen is likely to remain strong. Thus, business environment surrounding the company is expected to further deteriorate. Although the labor dispute in the US-based aluminum wheel operations was settled in mid-January this year, productivity slowdown during the dispute had a significant negative impact on its operating performance. As a result of these negative developments, we expect to end the year with annual sales and earnings that are substantially smaller than our original projections.

To accelerate the improvement of our financial position, the Company adopted the new accounting standard for the impairment of fixed assets from current fiscal year. As a result, we will be posting a large amount of impairment losses in extraordinary loss category.

As a result, our revised full-year forecast stands for a major net loss on both consolidated and non-consolidated bases. Dividend forecast is also revised to "nil dividend payment."

[1] Forecast of consolidated results

Net sales is expected to decline mainly due to the reduced sales in the coal and chemicals & plastics segments. Operating income is expected to decrease, reflecting the increases in the price of raw materials such as naphtha and benzene, the deterioration in machinery business' profitability due to the increased cost and appreciation of the yen, and the drop in income of the aluminum wheel business caused by productivity slowdown. Ordinary income is expected to decline by a wider margin as compared to the drop in operating income, as non-operating profit/loss will deteriorate with extraordinary losses expected from the labor dispute at the aluminum wheel plant in the U.S. Net income will be in negative territory as a large amount of impairment losses is scheduled to be booked following the adoption of the new accounting standard on fixed asset impairment.

[2] Forecast of non-consolidated results

Net sales are expected to decline for the same reasons as discussed above the consolidated results forecast. Operating income will dwindle reflecting the drop in income in chemicals & plastics segment caused by the rise in the prices of raw materials. Ordinary income is also expected to decline in line with the decrease in operating income. Net income will be in negative territory as a large amount of impairment losses is scheduled to be booked following the adoption of the new accounting standard on fixed asset impairment.

Major extraordinary profit/loss items related to the revised forecast are listed below:

	(in million yen)	
	Consolidated basis	Non-consolidated basis
Impairment losses	(18,000)	(9,000)
Write-down losses on investment securities	(1,000)	(12,000)
Gains on sale of land, buildings and securities	6,000	5,000
Losses on disposal of fixed assets	(3,000)	(3,000)
Other	(4,000)	(1,000)
Total	(20,000)	(20,000)

* The above projections are based on certain assumptions which the Company considers reasonable. Actual results may differ significantly from the above projections depending on various conditions.

Condensed Consolidated Balance Sheets

(in million yen)

	<u>Third Quarter 2003</u>		<u>Fiscal 2002</u>	
	(as of December 31, 2003)		(as of March 31, 2003)	
	Amount	Ratio (%)	Amount	Ratio (%)
Cash and cash equivalents	23,981	3.3	50,366	6.8
Notes and accounts receivable	133,630	18.3	131,346	17.6
Inventories	83,351	11.4	69,578	9.3
Other current assets	23,196	3.2	23,783	3.2
Fixed assets	463,892	63.7	469,970	63.0
Deferred assets	882	0.1	847	0.1
Total Assets	728,932	100.0	745,890	100.0
Interest-bearing liabilities	432,026	59.3	458,370	61.5
Notes and accounts payable	87,604	12.0	87,016	11.6
Other liabilities	88,273	12.1	87,861	11.8
Total Liabilities	607,903	83.4	633,247	84.9
Minority Interests	17,201	2.4	16,482	2.2
Common stock	43,565	6.0	43,565	5.8
Additional paid-in capital	13,241	1.8	9,606	1.3
Retained earnings	48,386	6.6	47,301	6.3
Others	(1,364)	(0.2)	(4,311)	(0.5)
Total Shareholders' Equity	103,828	14.2	96,161	12.9
Total Liabilities, Minority Interests and Stockholders' Equity	728,932	100.0	745,890	100.0

Condensed Consolidated Statements of Income

(in million yen)

	Third Quarter 2003 (From April 1, 2003 to December 31, 2003)	Fiscal 2002 (From April 1, 2002 to March 31, 2003)
Net sales	372,303	513,535
Cost of sales	304,203	410,982
Gross profit	68,100	102,553
Selling, general and administrative expense	55,841	76,154
Operating income	12,259	26,399
Non-operating income	8,338	8,424
Non-operating expenses	13,175	18,771
Ordinary income	7,422	16,052
Extraordinary gains	3,602	20,178
Extraordinary losses	3,346	17,396
Income before income taxes	7,678	18,834
Income tax, inhabitants tax & enterprise taxes	3,252	9,806
Minority interests in income of consolidated subsidiaries	515	908
Net income	<u>3,911</u>	<u>8,120</u>

Segment Information

(in million yen)

	Third Quarter 2003	Fiscal 2002
Net Sales:		
Chemicals & Plastics	111,287	150,504
Specialty Chemicals & Products	45,991	57,345
Energy & Environment	11,373	19,617
Construction Materials	129,981	185,640
Machinery & Metal Products	70,132	95,281
Other Businesses	3,539	5,148
Total	<u>372,303</u>	<u>513,535</u>
Operating Income:		
Chemicals & Plastics	(352)	3,808
Specialty Chemicals & Products	4,121	6,098
Energy & Environment	855	1,854
Construction Materials	7,693	9,501
Machinery & Metal Products	(737)	3,968
Other Businesses	725	1,115
Elimination or Corporate	(46)	55
Total	<u>12,259</u>	<u>26,399</u>

Note: Change in business segmentation

The company's businesses used to be classified into five segments, namely "Chemicals & Plastics", "Construction Materials", "Machinery & Metal Products", "Energy & Environment" and "Other". In conjunction with the reorganization of the management structure, we reviewed existing business segmentation with a view toward presenting more accurate picture of our business operations. To be more effective for segment information we revised business segmentation into six segments including "Chemicals & Plastics", "Specialty Chemicals & Products", "Energy & Environment", "Construction materials", "Machinery & Metal Products" and "Other Businesses." The affiliated companies were also reclassified according to the new business segmentation.

Segment information for Fiscal 2002 was reclassified according to the new segmentation.