

Financial Statements for Fiscal 2003
(April 1, 2003 to March 31, 2004)

Nippon Steel Chemical Co., Ltd.

Consolidated Operating Performances

For the two years ended March 31, 2004 and 2003

	Millions of yen			Thousands of U.S. dollars
	2004	2003	<i>Increase or decrease from previous term</i>	2004
Net sales	222,033	296,116	-74,083	2,101,988
Operating income	13,730	12,321	1,409	129,982
Ordinary profits	10,231	9,180	1,051	96,857
Net income	7,780	(31,776)	39,556	73,653

NIPPON STEEL CHEMICAL CO., LTD.

Non-Consolidated Operating Performances

For the two years ended March 31, 2004 and 2003

	Millions of yen			Thousands of U.S. dollars
	2004	2003	<i>Increase or decrease from previous term</i>	2004
Net sales	156,253	211,754	-55,501	1,479,248
Operating income	11,901	9,396	2,505	112,667
Ordinary profits	8,957	8,020	937	84,796
Net income (loss)	7,630	(44,324)	51,954	72,233

Note: U.S.\$ amounts are calculated solely for the reader's convenience, at the rate of US\$1=¥105.63 for the year ended March 31, 2004.

Consolidated Balance Sheets

March 31, 2004 and 2003

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
ASSETS			
Current assets:	74,702	87,535	707,205
Cash and bank deposits	3,792	8,522	35,899
Notes and accounts receivable-trade:	38,467	43,341	364,167
Inventories	19,033	26,665	180,186
Other	13,461	9,165	127,435
Allowance for doubtful accounts	(-51)	(-158)	(-482)
Fixed assets:	151,773	160,564	1,436,836
Property, plant and equipment:	102,643	113,701	971,722
Buildings and structures	27,626	30,261	261,536
Machinery and equipment	48,250	53,929	456,783
Land	23,103	25,565	218,716
Other	3,664	3,946	34,687
Intangible fixed assets:	238	577	2,253
Investments in securities and other assets:	48,892	46,286	462,861
Investments in securities	19,542	17,795	185,004
Deferred income taxes	23,040	20,808	218,120
Other	8,821	10,204	83,509
Allowance for doubtful accounts	(-2,511)	(-2,521)	(-23,772)
Total assets	226,475	248,099	2,144,041

Consolidated Balance Sheets

March 31, 2004 and 2003

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
LIABILITIES			
Current liabilities:	150,584	208,462	1,425,580
Notes and accounts payable-trade:	32,333	36,262	306,097
Short-term loans	93,570	134,938	885,828
Convertible bonds due within one year	—	10,112	—
Accrued expenses	9,812	9,439	92,890
Accrual for loss on restructuring measures	668	6,426	6,324
Other	14,201	11,285	134,441
Long-term liabilities:	60,990	66,068	577,393
Long-term debt	48,478	55,146	458,942
Deferred income tax related to land revaluation	1,316	1,316	12,459
Accrued employees' retirement benefits	10,666	9,082	100,975
Other	530	524	5,017
Total liabilities:	211,574	274,530	2,002,973
Minority interests	444	2,266	4,203
Shareholders' equity:			
Common stock	5,000	40,966	47,335
Additional paid-in capital	8,284	—	78,425
Retained earnings (accumulated deficit)	270	(70,192)	2,556
Reserve for revaluation of land	1,975	1,975	18,697
Unrealized holding gains (losses) on other securities	1,180	(144)	11,171
Foreign currency translation adjustment	(2,252)	(1,296)	(21,319)
Common stock in treasury, at cost	—	(6)	—
Total shareholders' equity	14,457	(28,697)	136,865
Total	226,475	248,099	2,144,041

Consolidated Statements of Income

For the two years ended March 31, 2004 and 2003

	Millions of yen				Thousands of U.S. dollars
	2004		2003		2004
Net sales	222,033	100.0%	296,116	100.0%	<i>2,101,988</i>
Cost of sales	186,676		261,116		<i>1,767,263</i>
Selling, general and administrative expenses	21,627		22,679		<i>204,743</i>
Operating costs and expenses	208,303		284,795		<i>1,972,006</i>
Operating income	13,730	6.2	12,321	4.2	<i>129,982</i>
Interest and dividend income	157		226		<i>1,486</i>
Equity in income of affiliates	596		125		<i>5,642</i>
Other	612		643		<i>5,794</i>
Non-operating profit	1,365		994		<i>12,922</i>
Interest expenses	2,069		2,808		<i>19,587</i>
Foreign exchange loss, net	913		505		<i>8,643</i>
Other	1,882		820		<i>17,817</i>
Non-operating costs and expenses	4,864		4,135		<i>46,047</i>
Non-operating loss	3,499		3,141		<i>33,125</i>
Ordinary profit	10,231	4.6	9,180	3.1	<i>96,857</i>
Gain on recovery of depreciated credits	514		118		<i>4,866</i>
Gain on sale of investments in securities	984		34		<i>9,315</i>
Conciliation expense for liquidation of joint ventures	—		200		<i>—</i>
Other	30		—		<i>284</i>
Special profit	1,529		352		<i>14,475</i>
Loss on restructuring measures	1,949		16,059		<i>18,451</i>
Loss on impairment of tangible fixed assets	1,455		—		<i>13,775</i>
Write-down of investments in securities	140		2,457		<i>1,325</i>
Loss on sale of investments in securities	—		303		<i>—</i>
Special retirement benefits paid	531		442		<i>5,027</i>
Amortization of cumulative effect of change in accounting for employees' retirement benefits	2,160		2,239		<i>20,449</i>
Provision for doubtful accounts	—		2,433		<i>—</i>
Loss on disposal of property	—		14,916		<i>—</i>
Other	420		—		<i>3,976</i>
Special loss	6,655		38,849		<i>63,003</i>
Special profit (loss)	(5,126)		(38,496)		<i>(48,528)</i>
Income (loss) before income taxes and minority interests	5,105	2.3	(29,316)	-9.9	<i>48,329</i>
Income taxes: Current	410		456		<i>3,882</i>
Income taxes: Deferred	(-)3,310		1,251		<i>(-)31,336</i>
Minority interests in income of consolidated subsidiaries	(225)		(753)		<i>(2,130)</i>
Net income (loss)	7,780	3.5	(31,776)	-10.7	<i>73,653</i>

Retained Earnings

For the two years ended March 31, 2004 and 2003

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Retained earning at the beginning of the year	(70,192)	(38,806)	(664,508)
Net income for the term	7,780	—	73,653
Increase due to reduction of capital	62,682	—	593,411
Increase due to change in voting right percentage	—	546	—
Increase of retained earnings	70,462	546	667,064
Net loss for the term	—	31,776	—
Decrease due to reversal of unrealized gains on revaluation of land	—	146	—
Other	—	9	—
Decrease of retained earnings	—	31,931	—
Retained earnings at the end of the year	270	(70,192)	2,556

Consolidated Statements of Cash Flows

For the two years ended March 31, 2004 and 2003

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Cash flows from operating activities:			
Loss before income taxes and minority interests	5,105	(29,315)	48,329
Depreciation and amortization	10,623	11,975	100,568
Interest and dividend income	(156)	(227)	(1,477)
Interest expenses	2,069	2,808	19,587
Equity in income of affiliates	(596)	(125)	(5,642)
Changes in notes and account receivable-trade and notes and account payable-trade	473	6,293	4,478
Increase (decrease) in inventories	5,721	(1,222)	54,161
Other	65	33,792	615
Subtotal	23,304	23,979	220,619
Income and expense of interests and income taxes	(1,918)	(3,062)	(18,157)
Net cash provided by operating activities	21,386	20,917	202,462
Cash flows from investing activities:			
Placement of non-cash time deposits with bank	809	(988)	7,659
Payments for purchases of property, plant and equipment	(8,560)	(8,647)	(81,037)
Proceeds from sales of property, plant and equipment	2,082	13	19,710
Expense for acquisition of investments in securities	(36)	(123)	(341)
Proceeds from sales of investments in securities	1,699	3,031	16,084
Other	101	207	956
Net cash used in investing activities	(3,905)	(6,507)	(36,969)
Cash flows from financing activities:			
Increase (decrease) of proceeds from loans and payments of loans	(46,947)	(9,558)	(444,448)
Payments for purchase of convertible bonds for retirement	(10,112)	(3,100)	(95,730)
Proceeds from issuance of stocks	35,000	—	331,345
Purchase of common stock in treasury	(1)	(5)	(9)
Cash dividends paid to minority shareholders	(64)	(229)	(606)
Net cash used in financing activities	(22,124)	(12,892)	(209,448)
Effect of exchange rate changes on cash and cash equivalents	(267)	(195)	(2,528)
Net increase (decrease) in cash and cash equivalents	(4,910)	1,323	(46,483)
Cash and cash equivalents at the beginning of the year	9,245	8,435	87,522
Effect of change on scope of consolidated subsidiaries	—	(513)	—
Cash and cash equivalents at the end of the year	4,335	9,245	41,039

Non-Consolidated Balance Sheets

March 31, 2004 and 2003

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
ASSETS			
Current assets:	68,934	62,716	652,599
Cash and bank deposits	660	2,201	6,248
Notes and accounts receivable-trade:	28,106	25,663	266,080
Inventories	13,601	18,037	128,761
Short-term loans to subsidiaries	8,705	4,143	82,410
Other	17,910	12,707	169,554
Allowance for doubtful accounts	(-48)	(-35)	(-454)
Fixed assets:	137,845	123,332	1,304,979
Property, plant and equipment:	66,348	67,390	628,117
Buildings	9,344	8,804	88,460
Structures	6,149	6,589	58,213
Machinery and equipment	37,452	39,297	354,558
Other	13,403	12,700	126,886
Intangible fixed assets:	131	183	1,240
Investments in securities and other assets:	71,366	55,759	675,622
Investments in securities	5,588	3,523	52,902
Investments in securities in subsidiaries and affiliates	23,887	24,578	226,138
Long-term loans to subsidiaries	15,000	—	142,005
Deferred income taxes	21,388	19,451	202,480
Other	11,492	13,140	108,795
Allowance for doubtful accounts	(-5,989)	(-4,933)	(-56,698)
Total assets	206,779	186,048	1,957,578

Non-Consolidated Balance Sheets

March 31, 2004 and 2003

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
LIABILITIES			
Current liabilities:	128,156	144,964	1,213,254
Notes and accounts payable-trade:	30,892	26,942	292,455
Short-term loans	81,049	92,353	767,291
Convertible bonds due within one year	—	10,112	—
Other	16,215	15,557	153,508
Long-term liabilities:	54,573	60,937	516,643
Long-term debt	42,865	50,916	405,803
Deferred income tax related to land revaluation	1,316	1,316	12,459
Accrued employees' retirement benefits	9,901	8,238	93,733
Other	491	467	4,648
Total liabilities:	182,729	205,901	1,729,897
COMMON STOCK			
Common stock:	5,000	40,966	47,335
Additional paid-in capital:	8,284	—	78,425
Retained earnings (accumulated deficit):	7,630	(62,682)	72,233
Unappropriated income (loss) for the term	7,630	(62,682)	72,233
Reserve for revaluation of land:	1,975	1,975	18,697
Unrealized holding gains (losses) on other securities:	1,161	(106)	10,991
Common stock in treasury, at cost:	—	(6)	—
Total shareholders' equity	24,050	(19,853)	227,681
Total	206,779	186,048	1,957,578

Non-Consolidated Statements of Income

For the two years ended March 31, 2004 and 2003

	Millions of yen				Thousands of U.S. dollars
	2004		2003		2004
Net sales	156,253	100.0%	211,754	100.0%	1,479,248
Cost of sales	128,345		187,999		1,215,043
Selling, general and administrative expenses	16,007		14,359		151,538
Operating costs and expenses	144,352		202,358		1,366,581
Operating income	11,901	7.6	9,396	4.4	112,667
Interest income	527		786		4,989
Miscellaneous	484		322		4,582
Non-operating profit	1,011		1,108		9,571
Interest expenses	1,338		1,493		12,667
Miscellaneous	2,617		991		24,775
Non-operating costs and expenses	3,955		2,484		37,442
Non-operating loss	(2,944)		(1,376)		(27,871)
Ordinary profit	8,957	5.7	8,020	3.8	84,796
Gain on recovery of depreciated credits	513		118		4,856
Gain on sale of investments in securities	850		34		8,047
Conciliation expense for liquidation of joint ventures	—		200		—
Special profit	1,363		352		12,903
Loss on impairment of tangible fixed assets	1,066		—		10,092
Loss on restructuring measures	1,757		33,809		16,633
Loss on sale of tangible fixed assets and other assets	—		2,925		—
Loss on valuation in investments in securities in subsidiaries and affiliates	61		6,551		577
Write-down of investments in securities	21		2,289		199
Loss on sale of investments in securities	—		57		—
Special retirement benefits paid	434		240		4,109
Amortization of cumulative effect of change in accounting for employees' retirement benefits	2,032		2,032		19,237
Loss on disposal of tangible fixed assets and other assets	—		3,418		—
Special loss	5,371		51,321		50,847
Special profit (loss)	(4,008)		(50,969)		(37,944)
Income (loss) before income taxes and minority interests	4,949	3.2	(42,949)	-20.3	46,852
Income taxes: Current	219		75		2,073
Income taxes: Deferred	(-)2,900		1,300		27,454
Net income (loss)	7,630	4.9	(44,324)	-20.9	72,233
Loss brought forward from the previous term	62,682		18,212		593,411
Reduction of capital for appropriation of loss	62,682		—		593,411
Disposal of unrealized gain on revaluation of land	—		(146)		—
Unappropriated income (loss) for the term	7,630		(62,682)		72,233