

Financial Statements for Fiscal 2004
(April 1, 2004 to March 31, 2005)

Nippon Steel Chemical Co., Ltd.

Consolidated Operating Performances

For the two years ended March 31, 2005 and 2004

	Millions of yen			Thousands of U.S. dollars
	2005	2004	Increase or decrease from previous term	2005
Net sales	270,597	222,033	48,564	2,519,291
Operating income	25,964	13,730	12,234	241,728
Ordinary profits	23,685	10,231	13,454	220,510
Net income	20,807	7,780	13,027	193,716

Note: U.S.\$ amounts are calculated solely for the reader's convenience, at the rate of US\$1=¥107.41 for the year ended March 31, 2005.

NIPPON STEEL CHEMICAL CO., LTD.

Non-Consolidated Operating Performances

For the two years ended March 31, 2005 and 2004

	Millions of yen			Thousands of U.S. dollars
	2005	2004	Increase or decrease from previous term	2005
Net sales	200,072	156,253	43,819	1,862,694
Operating income	21,662	11,901	9,761	201,676
Ordinary profits	21,022	8,957	12,065	195,717
Net income	19,465	7,630	11,835	181,221

Note: U.S.\$ amounts are calculated solely for the reader's convenience, at the rate of US\$1=¥107.41 for the year ended March 31, 2005.

Consolidated Balance Sheets

March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
ASSETS			
Current assets:	81,997	74,702	763,402
Cash and bank deposits	3,691	3,792	34,364
Notes and accounts receivable-trade:	43,006	38,467	400,391
Inventories	20,581	19,033	191,611
Other	14,800	13,461	137,790
Allowance for doubtful accounts	(-81)	(-51)	(-754)
Fixed assets:	149,760	151,773	1,394,284
Property, plant and equipment:	97,821	102,643	910,726
Buildings and structures	25,921	27,626	241,328
Machinery and equipment	45,330	48,250	422,028
Land	18,954	23,103	176,464
Other	7,616	3,664	70,906
Intangible fixed assets:	149	238	1,387
Investments in securities and other assets:	51,790	48,892	482,171
Investments in securities	18,204	19,542	169,481
Deferred income taxes	27,611	23,040	257,062
Other	6,481	8,821	60,339
Allowance for doubtful accounts	(-506)	(-2,511)	(-4,711)
Total assets	231,757	226,475	2,157,686

Consolidated Balance Sheets

March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
LIABILITIES			
Current liabilities:	138,150	150,584	1,286,193
Notes and accounts payable-trade:	41,211	32,333	383,679
Short-term loans	68,735	93,570	639,932
Convertible bonds due within one year	—	—	—
Accrued expenses	11,254	9,812	104,776
Accrual for loss on restructuring measures	1,156	668	10,762
Other	15,794	14,201	147,044
Long-term liabilities:	56,408	60,990	525,166
Long-term debt	40,446	48,478	376,557
Deferred income tax related to land revaluation	1,315	1,316	12,243
Accrued employees' retirement benefits	13,111	10,666	122,066
Other	1,536	530	14,300
Total liabilities:	194,558	211,574	1,811,359
Minority interests	1,658	444	15,436
Shareholders' equity:			
Common stock	5,000	5,000	46,551
Additional paid-in capital	8,284	8,284	77,125
Retained earnings	20,756	270	193,241
Reserve for revaluation of land	1,974	1,975	18,378
Unrealized holding gains on other securities	1,464	1,180	13,630
Foreign currency translation adjustment	(1,937)	(2,252)	(18,034)
Common stock in treasury, at cost	—	—	—
Total shareholders' equity	35,541	14,457	330,891
Total	231,757	226,475	2,157,686

Consolidated Statements of Income

For the two years ended March 31, 2005 and 2004

	Millions of yen				Thousands of U.S. dollars
	2005	2004	2005	2004	2005
Net sales	270,597	100.0	222,033	100.0%	2,519,291
Cost of sales	221,213		186,676		2,059,520
Selling, general and administrative expenses	23,420		21,627		218,043
Operating costs and expenses	244,633		208,303		2,277,563
Operating income	25,964	9.6	13,730	6.2	241,728
Interest and dividend income	165		157		1,536
Equity in income of affiliates	856		596		7,969
Other	763		612		7,104
Non-operating profit	1,784		1,365		16,609
Interest expenses	1,195		2,069		11,126
Foreign exchange loss, net	—		913		—
Other	2,868		1,882		26,701
Non-operating costs and expenses	4,063		4,864		37,827
Non-operating loss	2,279		3,499		21,218
Ordinary profit	23,685	8.8	10,231	4.6	220,510
Gain on recovery of depreciated credits	322		514		2,998
Gain on sale of investments in securities	15		984		140
Other	—		30		—
Special profit	337		1,529		3,138
Loss on restructuring measures	3,924		1,949		36,533
Loss on impairment of tangible fixed assets	—		1,455		—
Loss on sale of tangible fixed assets	355		47		3,305
Write-down of investments in securities	99		140		922
Special retirement benefits paid	161		531		1,499
Amortization of cumulative effect of change in accounting for employees' retirement benefits	2,143		2,160		19,952
Other	315		373		2,932
Special loss	6,997		6,655		65,143
Special profit (loss)	(6,660)		(5,126)		(62,005)
Income before income taxes and minority interests	17,025	6.3	5,105	2.3	158,505
Income taxes: Current	983		410		9,152
Income taxes: Deferred	(-)4,960		(-)3,310		(-)46,178
Minority interests in income of consolidated subsidiaries	(195)		(225)		(1,815)
Net income	20,807	7.7	7,780	3.5	193,716

Retained Earnings

For the two years ended March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Retained earning at the beginning of the year	270	(70,192)	2,514
Net income for the term	20,807	7,780	193,716
Increase due to reduction of capital	—	62,682	—
Increase due to reversal of unrealized gains on revaluation of land	1	—	9
Increase of retained earnings	20,808	70,462	193,725
Decrease due to change in the scope of consolidation	(322)	—	(2,998)
Decrease of retained earnings	(322)	—	(2,998)
Retained earnings at the end of the year	20,756	270	193,241

Consolidated Statements of Cash Flows

For the two years ended March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Cash flows from operating activities:			
Income before income taxes and minority interests	17,025	5,105	158,505
Depreciation and amortization	9,598	10,623	89,358
Interest and dividend income	(165)	(156)	(1,536)
Interest expenses	1,195	2,069	11,126
Equity in income of affiliates	(855)	(596)	(7,960)
Loss on impairment of tangible fixed assets	—	1,455	—
Loss on restructuring measures	3,923	1,898	36,524
Amortization of cumulative effect of change in accounting for employees' retirement benefit	2,143	2,160	19,952
Changes in notes and account receivable-trade and notes and account payable-trade	4,344	473	40,443
Increase (decrease) in inventories	(1,076)	5,721	(10,018)
Other	4,670	(5,448)	43,478
Subtotal	40,802	23,304	379,872
Interest and dividend income (cash basis)	312	310	2,905
Interest expense (cash basis)	(1,192)	(1,648)	(11,098)
Income taxes (cash basis)	(181)	(580)	(1,685)
Net cash provided by operating activities	39,741	21,386	369,994
Cash flows from investing activities:			
Placement of non-cash time deposits with bank	179	809	1,666
Payments for purchases of property, plant and equipment	(10,740)	(8,560)	(99,991)
Proceeds from sales of property, plant and equipment	2,467	2,082	22,968
Expense for acquisition of investments in securities	(92)	(36)	(857)
Proceeds from sales of investment in securities	2,988	206	27,819
Expense for acquisition of investment in securities in subsidiaries and affiliates	(169)	(4)	(1,573)
Proceeds from sale of investment in securities in subsidiaries and affiliates	—	1,478	—
Other	(49)	113	(456)
Net cash used in investing activities	(5,416)	(3,905)	(50,424)
Cash flows from financing activities:			
Increase (decrease) of proceeds from loans and payments of loans	(35,349)	(46,947)	(329,103)
Payments for purchase of convertible bonds for retirement	—	(10,112)	—
Proceeds from issuance of stocks	—	35,000	—
Purchase of common stock in treasury	—	(1)	—
Cash dividends paid to minority shareholders	—	(64)	—
Proceeds from issuance of common stock to minority shareholders	281	—	2,616
Net cash used in financing activities	(35,068)	(22,124)	(326,487)
Effect of exchange rate changes on cash and cash equivalents	(51)	(267)	(475)
Net increase (decrease) in cash and cash equivalents	(794)	(4,910)	(7,392)
Cash and cash equivalents at the beginning of the year	4,335	9,245	40,359
Increase from the change in the number of companies consolidated	132	—	1,229
Cash and cash equivalents at the end of the year	3,673	4,335	34,196

Non-Consolidated Balance Sheets

March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
ASSETS			
Current assets:	65,536	68,934	610,148
Cash and bank deposits	1,786	660	16,628
Notes and accounts receivable-trade	27,822	28,106	259,026
Inventories	11,275	13,601	104,972
Short-term loans to subsidiaries	1,492	8,705	13,891
Other	23,227	17,910	216,245
Allowance for doubtful accounts	(-66)	(-48)	(-614)
Fixed assets:	139,821	137,845	1,301,750
Property, plant and equipment:	67,860	66,348	631,785
Buildings	12,671	9,344	117,969
Structures	4,756	6,149	44,279
Machinery and equipment	34,513	37,452	321,320
Other	15,920	13,403	148,217
Intangible fixed assets:	71	131	661
Investments in securities and other assets:	71,890	71,366	669,304
Investments in securities	5,935	5,588	55,255
Investments in securities in subsidiaries and affiliates	19,848	23,887	184,787
Long-term loans to subsidiaries	14,237	15,000	132,548
Deferred income taxes	26,411	21,382	245,890
Other	11,534	11,492	107,383
Allowance for doubtful accounts	(-6,075)	(-5,989)	(-56,559)
Total assets	205,357	206,779	1,911,898

Non-Consolidated Balance Sheets

March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
LIABILITIES			
Current liabilities:	115,365	128,156	1,074,062
Notes and accounts payable-trade	37,731	30,892	351,280
Short-term loans	59,383	81,049	552,863
Other	18,251	16,215	169,919
Long-term liabilities:	49,216	54,573	458,207
Long-term debt	35,140	42,865	327,158
Accrued employees' retirement benefit	12,172	9,901	113,323
Deferred income tax related to land revaluation	1,316	1,316	12,252
Other	588	491	5,474
Total liabilities:	164,581	182,729	1,532,269
COMMON STOCK			
Common stock:	5,000	5,000	46,551
Additional paid-in capital:	8,284	8,284	77,125
Retained earnings:	24,096	7,630	224,336
Unappropriated income for the term	24,096	7,630	224,336
Reserve for revaluation of land:	1,974	1,975	18,378
Unrealized holding gains on other securities:	1,422	1,161	13,239
Total shareholders' equity	40,776	24,050	379,629
Total	205,357	206,779	1,911,898

Non-Consolidated Statements of Income

For the two years ended March 31, 2005 and 2004

	Millions of yen				Thousands of U.S. dollars
	2005	2004	2005	2004	2005
Net sales	200,072	100.0	156,253	100.0%	1,862,694
Cost of sales	162,084		128,345		1,509,021
Selling, general and administrative expenses	16,326		16,007		151,997
Operating costs and expenses	178,410		144,352		1,661,018
Operating income	21,662	10.8	11,901	7.6	201,676
Interest and dividend income	2,016		527		18,769
Miscellaneous	508		484		4,729
Non-operating profit	2,524		1,011		23,498
Interest expenses	915		1,338		8,519
Miscellaneous	2,249		2,617		20,938
Non-operating costs and expenses	3,164		3,955		29,457
Non-operating loss	(640)		(2,944)		(5,958)
Ordinary profit	21,022	10.5	8,957	5.7	195,717
Gain on recovery of depreciated credits	335		513		3,119
Gain on sale of investments in securities	1,597		850		14,868
Special profit	1,932		1,363		17,987
Loss on sale of tangible fixed assets	119		—		1,108
Loss on impairment of tangible fixed assets	—		1,066		—
Loss on restructuring measures	5,659		1,757		52,686
Amortization of cumulative effect of change in accounting for employees' retirement benefits	2,033		2,032		18,927
Special retirement benefits paid	70		434		652
Other	100		82		931
Special loss	7,981		5,371		74,304
Special profit (loss)	(6,049)		(4,008)		(56,317)
Income before income taxes	14,973	7.5	4,949	3.2	139,400
Income taxes: Current	108		219		1,006
Income taxes: Deferred	(-)4,600		(-)2,900		42,827
Net income	19,465	9.7	7,630	4.9	181,221
Income brought forward from the previous term	7,630		—		71,036
Loss brought forward from the previous term	—		62,682		—
Reduction of capital for appropriation of loss	—		62,682		—
Disposal of unrealized gain on revaluation of land	1		—		9
Loss on write off of tie-in shares due to merger	3,000		—		27,930
Unappropriated income for the term	24,096		7,630		224,336