

Financial Statements for Fiscal 2005
(April 1, 2005 to March 31, 2006)

Nippon Steel Chemical Co., Ltd.

Consolidated Operating Performances

For the two years ended March 31, 2006 and 2005

	Millions of yen			Thousands of U.S. dollars
	2006	2005	Increase or decrease from previous term	2006
Net sales	298,508	270,597	27,911	2,541,142
Operating income	22,139	25,964	(3,825)	188,465
Ordinary profits	22,441	23,685	(1,244)	191,036
Net income	13,141	20,807	(7,666)	111,867

Note: U.S.\$ amounts are calculated solely for the reader's convenience, at the rate of US\$1=¥117.47 for the year ended March 31, 2006.

NIPPON STEEL CHEMICAL CO., LTD.

Non-Consolidated Operating Performances

For the two years ended March 31, 2006 and 2005

	Millions of yen			Thousands of U.S. dollars
	2006	2005	Increase or decrease from previous term	2006
Net sales	220,262	200,072	20,190	1,875,049
Operating income	13,010	21,662	(8,652)	110,752
Ordinary profits	12,939	21,022	(8,083)	110,147
Net income	7,695	19,465	(11,770)	65,506

Note: U.S.\$ amounts are calculated solely for the reader's convenience, at the rate of US\$1=¥117.47 for the year ended March 31, 2006.

Consolidated Balance Sheets

March 31, 2006 and 2005

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
ASSETS			
Current assets:	77,506	81,997	659,794
Cash and bank deposits	1,537	3,691	13,084
Notes and accounts receivable-trade:	39,028	43,006	332,238
Inventories	20,882	20,581	177,765
Other	16,107	14,800	137,116
Allowance for doubtful accounts	(-48)	(-81)	(-409)
Fixed assets:	141,263	149,760	1,202,545
Property, plant and equipment:	91,838	97,821	781,800
Buildings and structures	24,949	25,921	212,386
Machinery and equipment	44,327	45,330	377,348
Land	18,662	18,954	158,866
Other	3,900	7,616	33,200
Intangible fixed assets:	48	149	408
Investments in securities and other assets:	49,377	51,790	420,337
Investments in securities	20,701	18,204	176,224
Deferred income taxes	22,366	27,611	190,397
Other	7,282	6,481	61,990
Allowance for doubtful accounts	(-972)	(-506)	(-8,274)
Total assets	218,769	231,757	1,862,339

Consolidated Balance Sheets

March 31, 2006 and 2005

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
LIABILITIES			
Current liabilities:	108,326	138,150	<i>922,159</i>
Notes and accounts payable-trade:	39,962	41,211	<i>340,189</i>
Short-term loans	43,858	68,735	<i>373,355</i>
Accrued expenses	11,236	11,254	<i>95,650</i>
Accrual for loss on restructuring measures	187	1,156	<i>1,592</i>
Other	13,083	15,794	<i>111,373</i>
Long-term liabilities:	56,685	56,408	<i>482,549</i>
Long-term debt	41,114	40,446	<i>349,996</i>
Deferred income tax related to land revaluation	1,532	1,315	<i>13,042</i>
Accrued employees' retirement benefits	12,668	13,111	<i>107,840</i>
Other	1,371	1,536	<i>11,671</i>
Total liabilities:	165,011	194,558	<i>1,404,708</i>
Minority interests	2,947	1,658	<i>25,087</i>
Shareholders' equity:			
Common stock	5,000	5,000	<i>42,564</i>
Additional paid-in capital	8,284	8,284	<i>70,520</i>
Retained earnings	33,942	20,756	<i>288,942</i>
Reserve for revaluation of land	1,757	1,974	<i>14,957</i>
Unrealized holding gains on other securities	2,455	1,464	<i>20,899</i>
Foreign currency translation adjustment	(627)	(1,937)	<i>(5,338)</i>
Common stock in treasury, at cost	—	—	<i>—</i>
Total shareholders' equity	50,811	35,541	<i>432,544</i>
Total	218,769	231,757	<i>1,862,339</i>

Consolidated Statements of Income

For the two years ended March 31, 2006 and 2005

	Millions of yen				Thousands of U.S. dollars
	2006		2005		2006
Net sales	298,508	100.0%	270,597	100.0%	2,541,142
Cost of sales	254,265		221,213		2,164,510
Selling, general and administrative expenses	22,104		23,420		188,167
Operating costs and expenses	276,369		244,633		2,352,677
Operating income	22,139	7.4	25,964	9.6	188,465
Interest and dividend income	139		165		1,183
Equity in income of affiliates	1,252		856		10,658
Foreign exchange gain, net	810		27		6,896
Other	747		736		6,359
Non-operating profit	2,948		1,784		25,096
Interest expenses	729		1,195		6,206
Other	1,917		2,868		16,319
Non-operating costs and expenses	2,646		4,063		22,525
Non-operating loss	302		2,279		2,571
Ordinary profit	22,441	7.5	23,685	8.8	191,036
Gain on recovery of depreciated credits	117		322		996
Gain on sale of investments in securities	543		15		4,622
Special profit	660		337		5,618
Loss on restructuring measures	818		3,924		6,963
Loss on sale of tangible fixed assets	—		355		—
Write-down of investments in securities	—		99		—
Special retirement benefits paid	—		161		—
Amortization of cumulative effect of change in accounting for employees' retirement benefits	—		2,143		—
Other	—		315		—
Special loss	818		6,997		6,963
Special profit (loss)	(158)		(6,660)		(1,345)
Income before income taxes and minority interests	22,283	7.5	17,025	6.3	189,691
Income taxes: Current	3,518		983		29,948
Income taxes: Deferred	4,305		(-)4,960		36,648
Minority interests in income of consolidated subsidiaries	(1,319)		(195)		(11,228)
Net income	13,141	4.4	20,807	7.7	111,867

Retained Earnings

For the two years ended March 31, 2006 and 2005

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Retained earning at the beginning of the year	20,756	270	<i>176,692</i>
Net income for the term	13,141	20,807	<i>111,867</i>
Increase due to reversal of unrealized gains on revaluation of land	45	1	<i>383</i>
Increase of retained earnings	13,186	20,808	<i>112,250</i>
Decrease due to change in the scope of consolidation	—	(322)	—
Decrease of retained earnings	—	(322)	—
Retained earnings at the end of the year	33,942	20,756	<i>288,942</i>

Consolidated Statements of Cash Flows

For the two years ended March 31, 2006 and 2005

	Millions of yen		<i>Thousands of U.S. dollars</i>
	2006	2005	2006
Cash flows from operating activities:			
Income before income taxes and minority interests	22,283	17,025	189,691
Depreciation and amortization	9,276	9,598	78,965
Interest and dividend income	(139)	(165)	(1,183)
Interest expenses	729	1,195	6,206
Equity in income of affiliates	(1,252)	(855)	(10,658)
Loss on restructuring measures	818	3,923	6,963
Amortization of cumulative effect of change in accounting for employees' retirement benefit	—	2,143	—
Changes in notes and account receivable-trade and notes and account payable-trade	739	4,344	6,291
Increase (decrease) in inventories	(911)	(1,076)	(7,755)
Other	(4,784)	4,670	(40,726)
Subtotal	26,759	40,802	227,794
Interest and dividend income (cash basis)	369	312	3,141
Interest expense (cash basis)	(730)	(1,192)	(6,214)
Income taxes (cash basis)	(1,683)	(181)	(14,327)
Net cash provided by operating activities	24,715	39,741	210,394
Cash flows from investing activities:			
Placement of non-cash time deposits with bank	18	179	153
Payments for purchases of property, plant and equipment	(8,121)	(10,740)	(69,133)
Proceeds from sales of property, plant and equipment	711	2,467	6,053
Expense for acquisition of investments in securities	—	(92)	—
Proceeds from sales of investment in securities	1,793	2,988	15,263
Expense for acquisition of investment in securities in subsidiaries and affiliates	—	(169)	—
Proceeds from sale of investment in securities in subsidiaries and affiliates	649	—	5,525
Other	(1)	(49)	(8)
Net cash used in investing activities	(4,951)	(5,416)	(42,147)
Cash flows from financing activities:			
Increase (decrease) of proceeds from loans and payments of loans	(21,030)	(35,349)	(179,025)
Cash dividends paid to minority shareholders	(36)	—	(306)
Proceeds from issuance of common stock to minority shareholders	—	281	—
Net cash used in financing activities	(21,066)	(35,068)	(179,331)
Effect of exchange rate changes on cash and cash equivalents	141	(51)	1,200
Net increase (decrease) in cash and cash equivalents	(1,161)	(794)	(9,884)
Cash and cash equivalents at the beginning of the year	3,673	4,335	31,268
Increase from the change in the number of companies consolidated	—	132	—
Cash and cash equivalents at the end of the year	2,512	3,673	21,384

Non-Consolidated Balance Sheets

March 31, 2006 and 2005

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
ASSETS			
Current assets:	60,307	65,536	513,382
Cash and bank deposits	906	1,786	7,713
Notes and accounts receivable-trade	28,489	27,822	242,521
Inventories	13,496	11,275	114,889
Short-term loans to subsidiaries	—	1,492	—
Other	17,465	23,227	148,676
Allowance for doubtful accounts	(-49)	(-66)	(-417)
Fixed assets:	134,262	139,821	1,142,947
Property, plant and equipment:	69,273	67,860	589,708
Buildings	14,318	12,671	121,886
Structures	4,758	4,756	40,504
Machinery and equipment	37,392	34,513	318,311
Other	12,805	15,920	109,007
Intangible fixed assets:	39	71	332
Investments in securities and other assets:	64,950	71,890	552,907
Investments in securities	6,976	5,935	59,385
Investments in securities in subsidiaries and affiliates	17,729	19,848	150,924
Long-term loans to subsidiaries	13,500	14,237	114,923
Deferred income taxes	20,742	26,411	176,573
Other	7,423	11,534	63,190
Allowance for doubtful accounts	(-1,420)	(-6,075)	(-12,088)
Total assets	194,569	205,357	1,656,329

Non-Consolidated Balance Sheets

March 31, 2006 and 2005

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
LIABILITIES			
Current liabilities:	91,231	115,365	776,632
Notes and accounts payable-trade	35,426	37,731	301,575
Short-term loans	38,709	59,383	329,522
Other	17,096	18,251	145,535
Long-term liabilities:	54,108	49,216	460,611
Long-term debt	39,948	35,140	340,070
Accrued employees' retirement benefit	11,935	12,172	101,600
Deferred income tax related to land revaluation	1,532	1,316	13,042
Other	693	588	5,899
Total liabilities:	145,339	164,581	1,237,243
COMMON STOCK			
Common stock:	5,000	5,000	42,564
Additional paid-in capital:	8,284	8,284	70,520
Retained earnings:	31,791	24,096	270,631
Unappropriated income for the term	31,791	24,096	270,631
Reserve for revaluation of land:	1,757	1,974	14,957
Unrealized holding gains on other securities:	2,398	1,422	20,414
Total shareholders' equity	49,230	40,776	419,086
Total	194,569	205,357	1,656,329

Non-Consolidated Statements of Income

For the two years ended March 31, 2006 and 2005

	Millions of yen				Thousands of U.S. dollars
	2006		2005		2006
Net sales	220,262	100.0%	200,072	100.0%	<i>1,875,049</i>
Cost of sales	191,804		162,084		<i>1,632,791</i>
Selling, general and administrative expenses	15,448		16,326		<i>131,506</i>
Operating costs and expenses	207,252		178,410		<i>1,764,297</i>
Operating income	13,010	5.9	21,662	10.8	<i>110,752</i>
Interest and dividend income	581		2,016		<i>4,946</i>
Miscellaneous	1,416		508		<i>12,054</i>
Non-operating profit	1,997		2,524		<i>17,000</i>
Interest expenses	600		915		<i>5,108</i>
Miscellaneous	1,468		2,249		<i>12,497</i>
Non-operating costs and expenses	2,068		3,164		<i>17,605</i>
Non-operating loss	(71)		(640)		<i>(604)</i>
Ordinary profit	12,939	5.9	21,022	10.5	<i>110,147</i>
Gain on recovery of depreciated credits	117		335		<i>996</i>
Gain on sale of investments in securities	546		1,597		<i>4,648</i>
Special profit	663		1,932		<i>5,644</i>
Loss on sale of tangible fixed assets	—		119		—
Loss on restructuring measures	732		5,659		<i>6,231</i>
Amortization of cumulative effect of change in accounting for employees' retirement benefits	—		2,033		—
Special retirement benefits paid	—		70		—
Other	—		100		—
Special loss	732		7,981		<i>6,231</i>
Special profit (loss)	(69)		(6,049)		<i>(587)</i>
Income before income taxes	12,870	5.8	14,973	7.5	<i>109,560</i>
Income taxes: Current	75		108		<i>638</i>
Income taxes: Deferred	(-)5,100		(-)4,600		<i>(-)43,415</i>
Net income	7,695	3.5	19,465	9.7	<i>65,506</i>
Income brought forward from the previous term	24,096		7,630		<i>205,125</i>
Disposal of unrealized gain on revaluation of land	—		1		—
Loss on write off of tie-in shares due to merger	—		3,000		—
Unappropriated income for the term	31,791		24,096		<i>270,631</i>