

Financial Statements for Fiscal 2006
(April 1, 2006 to March 31, 2007)

Nippon Steel Chemical Co., Ltd.

Consolidated Operating Performances

For the two years ended March 31, 2007 and 2006

	Millions of yen			Thousands of U.S. dollars
	2007	2006	<i>Increase or decrease from previous term</i>	2007
Net sales	318,776	298,508	20,268	2,699,433
Operating income	26,556	22,139	4,417	224,879
Ordinary profits	26,338	22,441	3,897	223,033
Net income	11,256	13,141	(1,885)	95,317

Note: U.S.\$ amounts are calculated solely for the reader's convenience, at the rate of US\$1=¥118.09 for the year ended March 31, 2007.

Consolidated Balance Sheets

March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
ASSETS			
Current assets:	95,700	77,506	810,399
Cash and bank deposits	1,577	1,537	13,354
Notes and accounts receivable-trade:	47,123	39,028	399,043
Inventories	24,705	20,882	209,205
Other	22,979	16,107	194,589
Allowance for doubtful accounts	(-55)	(-48)	(-466)
Fixed assets:	124,687	141,263	1,055,864
Property, plant and equipment:	80,808	91,838	684,292
Buildings and structures	22,306	24,949	188,890
Machinery and equipment	39,228	44,327	332,187
Land	17,433	18,662	147,625
Other	1,839	3,900	15,573
Intangible fixed assets:	30	48	254
Investments in securities and other assets:	43,848	49,377	371,310
Investments in securities	20,294	20,701	171,852
Deferred income taxes	17,364	22,366	147,040
Other	7,055	7,282	59,743
Allowance for doubtful accounts	(-865)	(-972)	(-7,325)
Total assets	220,388	218,769	1,866,271

Consolidated Balance Sheets

March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
LIABILITIES			
Current liabilities:	107,046	108,326	906,478
Notes and accounts payable-trade:	49,122	39,962	415,971
Short-term loans	33,649	43,858	284,944
Accrued expenses	11,916	11,236	100,906
Accrual for loss on restructuring measures	—	187	—
Other	12,357	13,083	104,641
Long-term liabilities:	45,338	56,685	383,928
Long-term debt	29,792	41,114	252,282
Deferred income tax related to land revaluation	1,532	1,532	12,973
Accrued employees' retirement benefits	12,794	12,668	108,341
Other	1,219	1,371	10,323
Total liabilities:	152,385	165,011	1,290,414
Net assets:			
Common stock	5,000	5,000	42,341
Additional paid-in capital	8,284	8,284	70,150
Retained earnings	45,198	33,942	382,742
Unrealized holding gains on other securities	2,888	2,455	24,456
Reserve for revaluation of land	1,757	1,757	14,878
Foreign currency translation adjustment	(1)	(627)	(8)
Total shareholders' equity	68,003	53,756	575,857
Minority interests	4,875	2,947	41,282
Total	220,388	218,769	1,866,271
Total shareholders' equity in terms of the former standards	63,127	50,811	534,567

Consolidated Statements of Income

For the two years ended March 31, 2007 and 2006

	Millions of yen				Thousands of U.S. dollars
	2007		2006		2007
Net sales	318,776	100.0%	298,508	100.0%	2,699,433
Cost of sales	270,393		254,265		2,289,720
Selling, general and administrative expenses	21,826		22,104		184,825
Operating costs and expenses	292,219		276,369		2,474,545
Operating income	26,556	8.3	22,139	7.4	224,879
Interest and dividend income	210		139		1,778
Foreign exchange gain, net	—		810		—
Equity in income of affiliates	1,063		1,252		9,002
Other	756		747		6,402
Non-operating profit	2,031		2,948		17,199
Interest expenses	713		729		6,038
Other	1,535		1,917		12,999
Non-operating costs and expenses	2,248		2,646		19,036
Non-operating profit (loss)	(217)		302		(1,838)
Ordinary profit	26,338	8.3	22,441	7.5	223,033
Gain on sale of fixed assets	217		—		1,838
Gain on sale of investments in securities	96		984		813
Gain on recovery of depreciated credits	—		117		—
Loss on impairment of fixed assets	1,315		—		11,136
Loss on sale of investments in securities	37		441		313
Loss on valuation of investments in securities	81		—		686
Loss on restructuring measures	581		818		4,920
Special profit (loss)	(1,702)		(158)		(14,413)
Income before income taxes and minority interests	24,635	7.7	22,283	7.5	208,612
Income taxes: Current	5,052		3,518		42,781
Income taxes: Deferred	5,988		4,305		50,707
Minority interests in income of consolidated subsidiaries	(2,338)		(1,319)		(19,798)
Net income	11,256	3.5	13,141	4.4	95,317

Retained Earnings

For the two years ended March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Retained earning at the beginning of the year	33,942	20,756	287,425
Net income for the term	11,256	13,141	95,317
Increase due to change in the scope of consolidation	—	44	—
Increase due to reversal of unrealized gains on revaluation of land	—	—	—
Increase of retained earnings	11,256	13,186	95,317
Decrease due to change in the scope of consolidation	—	—	—
Decrease of retained earnings	—	—	—
Retained earnings at the end of the year	45,198	33,942	382,742

Consolidated Statements of Cash Flows

For the two years ended March 31, 2007 and 2006

	Millions of yen		<i>Thousands of U.S. dollars</i>
	2007	2006	2007
Cash flows from operating activities:			
Income before income taxes and minority interests	24,635	22,283	208,612
Depreciation and amortization	10,683	9,276	90,456
Interest and dividend income	(211)	(139)	(1,778)
Interest expenses	714	729	6,038
Equity in income of affiliates	(1,063)	(1,252)	(9,002)
Loss on restructuring measures	582	819	4,920
Loss on impairment of fixed assets	1,315	—	11,136
Changes in notes and account receivable-trade and notes and account payable-trade	579	740	4,895
Increase (decrease) in inventories	(4,074)	(911)	(34,499)
Other	(5,296)	(4,785)	(44,839)
Subtotal	27,863	26,759	235,939
Interest and dividend income (cash basis)	500	369	4,226
Interest expense (cash basis)	(658)	(730)	(5,564)
Income taxes (cash basis)	(3,878)	(1,683)	(32,839)
Net cash provided by operating activities	23,827	24,715	210,761
Cash flows from investing activities:			
Placement of non-cash time deposits with bank	—	18	—
Payments for purchases of property, plant and equipment	(6,432)	(8,121)	(54,467)
Proceeds from sales of property, plant and equipment	3,156	711	26,725
Expense for acquisition of investments in securities	—	—	—
Proceeds from sale of investment in securities	603	1,793	5,098
Proceeds from sale of investment in securities in subsidiaries and affiliates due to change in the scope of consolidation	—	649	—
Other	(336)	(12)	(2,845)
Net cash used in investing activities	(3,009)	(4,952)	(25,472)
Cash flows from financing activities:			
Increase (decrease) of proceeds from loans and payments of loans	(20,812)	(21,030)	(176,230)
Cash dividends paid to minority shareholders	(407)	(36)	(3,438)
Proceeds from issuance of common stock to minority shareholders	—	—	—
Net cash used in financing activities	(21,219)	(21,066)	(179,677)
Effect of exchange rate changes on cash and cash equivalents	17	141	135
Net increase (decrease) in cash and cash equivalents	(384)	(1,162)	(3,243)
Cash and cash equivalents at the beginning of the year	2,512	3,674	21,263
Increase from the change in the number of companies consolidated	—	—	—
Cash and cash equivalents at the end of the year	2,128	2,512	18,020