

Financial Statements for Fiscal 2007
(April 1, 2007 to March 31, 2008)

Nippon Steel Chemical Co., Ltd.

Consolidated Operating Performances

March 31, 2008 and 2007

	Millions of yen			Thousands of U.S. dollars
	2008	2007	<i>Increase or decrease from previous term</i>	2008
Net sales	288,888	318,776	(29,888)	2,883,114
Operating income	23,849	26,556	(2,706)	238,014
Ordinary profits	23,111	26,338	(3,226)	230,649
Net income	10,583	11,256	(672)	105,619

Note: U.S.\$ amounts are calculated solely for the reader's convenience, at the rate of US\$1=¥100.20 for the year ended March 31, 2008.

Consolidated Balance Sheets

March 31, 2008 and 2007

	Millions of yen		<i>Thousands of U.S. dollars</i>
	2008	2007	2008
ASSETS			
Current assets:	87,422	95,700	<i>872,475</i>
Cash and bank deposits	2,428	1,577	<i>24,232</i>
Notes and accounts receivable-trade:	48,016	47,123	<i>479,202</i>
Inventories	23,454	24,075	<i>234,072</i>
Other	13,532	22,979	<i>135,050</i>
Allowance for doubtful accounts	(-9)	(-55)	<i>(-90)</i>
Fixed assets:	94,720	124,687	<i>945,309</i>
Tangible fixed assets:	57,143	80,808	<i>570,289</i>
Buildings and structures	18,435	22,306	<i>183,982</i>
Machinery and equipment	19,911	39,228	<i>198,713</i>
Land	16,659	17,433	<i>166,257</i>
Other	2,137	1,839	<i>21,327</i>
Intangible fixed assets:	231	30	<i>2,305</i>
Investments in securities and other assets:	37,345	43,848	<i>372,705</i>
Investments in securities	19,228	20,294	<i>191,896</i>
Deferred tax assets	12,625	17,364	<i>125,998</i>
Other	6,304	7,055	<i>62,914</i>
Allowance for doubtful accounts	(-814)	(-865)	<i>(-8,124)</i>
Total assets	182,143	220,388	<i>1,817,794</i>

Consolidated Balance Sheets

March 31, 2008 and 2007

	Millions of yen		<i>Thousands of U.S. dollars</i>
	2008	2007	2008
LIABILITIES			
Current liabilities	82,059	107,046	<i>818,952</i>
Notes and accounts payable-trade:	40,721	49,122	<i>406,397</i>
Short-term loans	25,017	33,649	<i>249,671</i>
Accrued expenses	7,696	11,916	<i>76,806</i>
Other	8,624	12,357	<i>86,068</i>
Long-term liabilities	22,067	45,338	<i>220,230</i>
Long-term loans	9,118	29,792	<i>90,998</i>
Deferred tax liabilities related to land revaluation	1,532	1,532	<i>15,289</i>
Accrued employees' retirement benefits	10,434	12,794	<i>104,132</i>
Other	983	1,219	<i>9,810</i>
Total liabilities	104,127	152,385	<i>1,039,192</i>
Net assets			
Common stock	5,000	5,000	<i>49,900</i>
Additional paid-in capital surplus	8,284	8,284	<i>82,675</i>
Retained earnings	55,242	45,198	<i>551,317</i>
Shareholders' equity	68,527	58,483	<i>683,902</i>
Unrealized holding gains on other securities	1,381	2,888	<i>13,782</i>
Deferred hedge account	0	—	<i>0</i>
Reserve for revaluation of land	2,297	1,757	<i>22,924</i>
Foreign currency translation adjustment	(394)	(1)	<i>(3,932)</i>
Valuation and translation adjustments	3,284	4,644	<i>32,774</i>
Minority interests	6,205	4,875	<i>61,926</i>
Total net assets	78,016	68,003	<i>778,603</i>
Total	182,143	220,388	<i>1,817,794</i>
(Treasury stock)	(71,811)	(63,127)	<i>(716,677)</i>

Consolidated Statements of Income

For the two years ended March 31, 2008 and 2007

	Millions of yen				Thousands of U.S. dollars
	2008		2007		2008
Net sales	288,888	100.0%	318,776	100.0%	2,883,114
Cost of sales	244,077		270,393		2,435,898
Selling, general and administrative expenses	20,960		21,826		209,182
Operating costs and expenses	265,038		292,219		2,645,090
Operating income	23,849	8.3	26,556	8.3	238,014
Interest income	61		59		609
Dividend income	287		151		2,864
Equity in income of affiliates	1,360		1,063		13,573
Other	1,002		756		10,000
Non-operating profit	2,711		2,031		27,056
Interest expense	524		713		5,230
Foreign exchange loss	1,968		26		19,641
Other	955		1,508		9,531
Non-operating costs and expenses	3,448		2,248		34,411
Non-operating profit (loss)	(737)		(217)		(7,355)
Ordinary profit	23,111	8.0	26,338	8.3	230,649
Gain on sale of fixed assets	142		217		1,417
Gain on sale of investments in securities	—		96		—
Special profit	142		313		1,417
Loss on impairment of fixed assets	—		1,315		—
Loss on sale of fixed assets	796		—		7,944
Loss on sale of investments in securities	—		37		—
Loss on valuation of investments in securities	43		81		429
Loss on restructuring measures	—		581		—
Special loss	840		2,016		8,383
Special profit (loss)	(698)		(1,702)		(6,966)
Income before income taxes and minority interests	22,413	7.8	24,635	7.7	223,683
Income taxes: Current	4,909		5,052		48,992
Income taxes: Deferred	4,531		5,988		45,220
Minority interests in income of consolidated subsidiaries	(2,389)		(2,338)		(23,842)
Net income	10,583	3.7	11,256	3.5	105,619

Retained Earnings

For the two years ended March 31, 2008 and 2007

	Millions of yen		<i>Thousands of U.S. dollars</i>
	2008	2007	2008
Additional paid-in capital surplus			
At the beginning of the year	8,284	8,284	82,675
At the end of the year	8,284	8,284	82,675
Retained earnings			
Retained earnings at the beginning of the year	45,198	33,942	451,078
Net income for the term	10,583	11,256	105,619
Increase of retained earnings	10,583	11,256	105,619
Decrease due to reversal of unrealized gains on revaluation of land	(539)	—	5,379
Decrease of retained earnings	(539)	—	(5,379)
Retained earnings at the end of the year	55,242	45,198	551,317

Consolidated Statements of Cash Flows

For the two years ended March 31, 2008 and 2007

	Millions of yen		<i>Thousands of U.S. dollars</i>
	2008	2007	2008
Cash flows from operating activities:			
Income before income taxes and minority interests	22,413	24,635	223,683
Depreciation and amortization	9,406	10,683	93,872
Interest and dividend income	(348)	(210)	(3,473)
Interest expense	524	713	5,230
Equity in income of affiliates	(1,360)	(1,063)	(13,573)
Loss on restructuring measures	—	581	—
Loss on impairment of fixed assets	—	1,315	—
Loss on sale of fixed assets	654	—	6,527
Changes in notes and accounts receivable-trade and notes and accounts payable-trade	(6,812)	578	(67,984)
Increase (decrease) in inventories	(1,225)	(4,074)	(12,226)
Other	(5)	(5,295)	(50)
Subtotal	23,247	27,862	232,006
Interest and dividend income (cash basis)	694	499	6,926
Interest expense (cash basis)	(571)	(657)	(5,699)
Income taxes (cash basis)	(6,165)	(3,878)	(61,527)
Net cash provided by operating activities	17,205	23,826	171,707
Cash flows from investing activities:			
Payments for purchases of property, plant and equipment	(5,439)	(6,432)	(54,281)
Proceeds from sales of property, plant and equipment	910	3,156	9,082
Expense for acquisition of investments in securities	8,152	—	81,357
Proceeds from sale of investment in securities	8	602	80
Other	(140)	(336)	(1,397)
Net cash used in investing activities	3,491	(3,008)	34,840
Cash flows from financing activities:			
Increase (decrease) of proceeds from loans and payments of loans	(19,324)	(20,811)	(192,854)
Cash dividends paid to minority shareholders	(915)	(406)	(9,132)
Net cash used in financing activities	(20,239)	(21,218)	(201,986)
Effect of exchange rate changes on cash and cash equivalents	(105)	16	(1,048)
Net increase (decrease) in cash and cash equivalents	351	(383)	3,503
Cash and cash equivalents at the beginning of the year	2,128	2,511	21,238
Cash and cash equivalents at the end of the year	2,480	2,128	24,750