



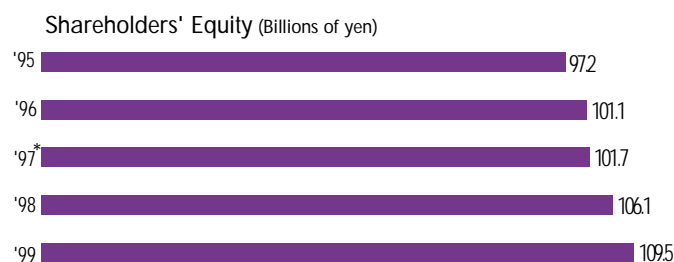
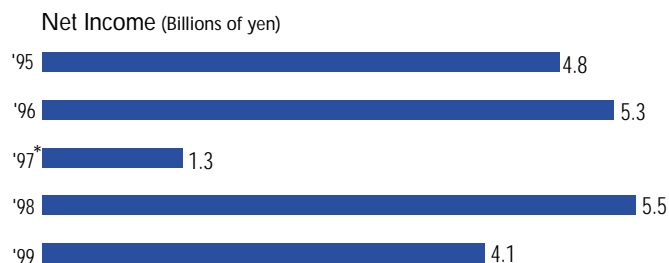
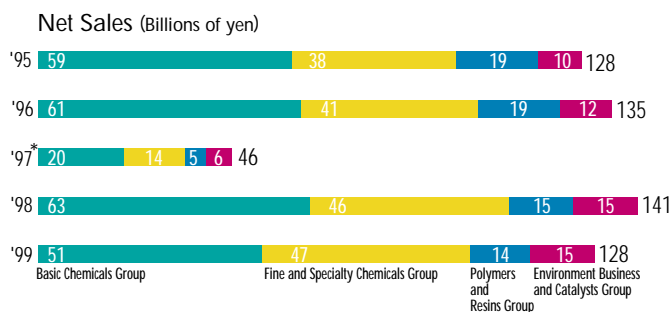
1999

FINANCIAL REPORT



FINANCIAL HIGHLIGHTS

	Millions of yen		Thousands of U.S.dollars
	1999	1998	1999
For the Year			
Net Sales	¥128,998	¥141,755	\$1,070,078
Operating Income	6,055	7,821	50,228
Income before Income Taxes	6,565	10,146	54,458
Net Income	4,115	5,546	34,135
At Year-End			
Total Assets.....	¥203,537	¥193,178	\$1,688,403
Total Shareholders' Equity.....	109,533	106,113	908,610
Per Share Amounts			
Net Income	¥ 20.90	¥ 28.17	\$ 0.17
Cash Dividends.....	7.00	7.00	0.06



* The year 1997 covers only four months, from December 1, 1996, to March 31, 1997, since the company changed its fiscal year and accounting period at the 84th annual general meeting of shareholders.

TO OUR SHAREHOLDERS

Outline of Business Performance

In the latter half of the fiscal year, the prolonged economic recession that has gripped Japan has apparently bottomed out, as the government implemented measures to stimulate the economy and the Bank of Japan enacted new financial deregulation policies. Despite these efforts, however, consumer spending and investment in facilities remained sluggish throughout the fiscal year.

The chemical industry experienced poor sales due to low domestic demand and the continued economic stagnation in Southeast Asia. Business performance thus remained weak.

Product prices dropped, and so did our sales volumes. Total net sales amounted to 128,998 million yen, a decrease of 12,756 million yen (9.0 percent) from the previous term.

Ordinary profits totaled 6,870 million yen, down 2,276 million yen (24.9 percent) from the previous term. This decline was partially due to a decrease in revenues from receiving royalties and an increase in depreciation expenses. Net profits for the term were 4,115 million yen, down 1,431 million yen (25.8 percent) from the previous fiscal year.

Dividend Policy

Nippon Shokubai considers shareholder dividends as a top corporate priority, and our policy is to ensure a pay-out of continuous, stable dividends to our shareholders. At the same time, the company must maintain its competitive edge and follow practices that promote sustainable growth, and this requires judicious investment in facilities and research and development. It is thus vital that we retain some of the profits within the company.

Based on the current business environment and the results in the fiscal year just ended, the company has decided to pay an annual dividend of ¥7.00 per share, including the ¥3.50 paid as an interim dividend, which is equivalent to a pay-out ratio of 33.5 percent.

The company plans to use its retained earnings for future projects to boost production capacity, improve operating efficiency, and engage in new research and development activities. In these efforts our aim will be to promote steady and continuous business growth in the years ahead.

Future Topics

While Japan's overall economic slump seems to be improving, private-sector investment in facilities and the employment situation show no upward signs. In this unfavorable environment, we are focusing companywide efforts on strengthening our management foundation with the aim of maintaining stable, long-term growth.

By reinforcing our core businesses and allocating managerial resources more effectively, we intend to strengthen our specialty chemicals product line, bring new products to market, and reactivate our existing businesses. We will also focus on "Responsible Care" activities and improving our systems for obtaining ISO certification.

As for overseas activities, in November 1998 we began full-scale production of acrylic acid and acrylic ester at the P.T. Nisshoku Tripolyta Acrylindo plant in Indonesia. Marketing of these products has also begun. At the start of fiscal year 1999, our joint venture company, Singapore MMA Monomer Pte.Ltd. plant began production of methacrylic ester.

We are planning to construct a super-absorbent polymer plant in Europe, and in the United States our joint-venture company, American Acryl NA, LLC, is energetically making preparations to construct an acrylic acid production plant.

As the year 2000 approaches, the company is working to prevent any so-called Y2K computer problems. We have taken measures to make our own computers Y2K compliant, while also investigating the Y2K readiness of our clients' systems. In March 1999 we set up Computer System Year 2000 Readiness Committee to spearhead these efforts. The committee is preparing a crisis containment plan designed to minimize adverse business effects, should any Y2K problems occur.

We look forward to the continued support of our shareholders in the fiscal year ahead.



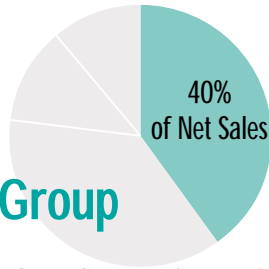
Kenji Aida

Kenji Aida
President

REVIEW OF OPERATIONS

The year 1997 covers only four months, from December 1, 1996, to March 31, 1997, since the company changed its fiscal year and accounting period at the 84th annual general meeting of shareholders.

Basic Chemicals Group

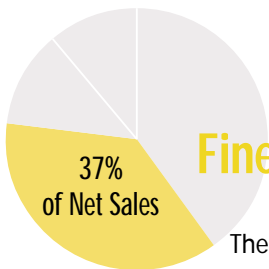
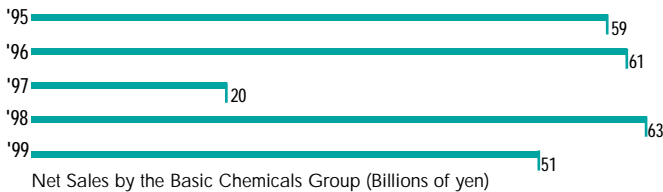


Demand for acrylic acid and acrylic ester for use in super-absorbent polymers remained strong, but exports to Asian countries of products for other uses in paints and adhesives dropped. This decline, coupled with falling prices, resulted in lower revenues. Sales of methacrylic acid and methacrylic ester also fell, due to lower market prices and sluggish demand for their use in resins and paints.

The international market price of ethylene glycol also plummeted, and revenues suffered accordingly. Sales of ethylene oxide and its derivatives also fell, due to low domestic and overseas demand for their use in surface-active agents and urethanes.

Domestic demand remained stagnant for phthalic anhydride for use in plasticizers, and the market price fell. Consequently, sales volumes and revenues declined. Sales of maleic anhydride for use in polymers and resins also failed to grow.

As a result, sales of the Basic Chemicals Group fell 18.7 percent from the previous term, to 51,908 million yen.



Fine and Specialty Chemicals Group

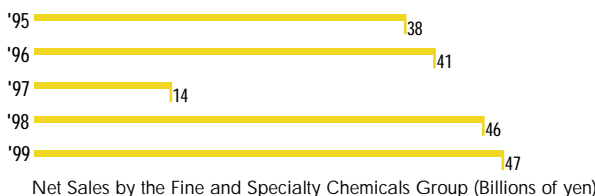


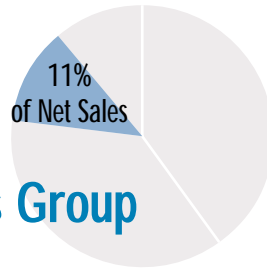
The end-user super-absorbent polymer market saw stiff competition, but demand increased on the world market. The result was an overall increase in sales volumes and revenues.

Exports of higher-alcohol products (product name: SOFTANOL™) for use as a raw material for detergents fell, and sales dipped accordingly. End-user demand for other raw materials used for detergents also remained low, but sales of new products increased. This resulted in higher overall revenues.

Regarding other fine chemicals, products used as concrete admixtures saw a steady upward trend in sales, but sales of raw materials for paints, resins and medical intermediates remained low.

Consequently, overall sales of the Fine and Specialty Chemicals Group increased 3.0 percent over the previous term, to 47,661 million yen.





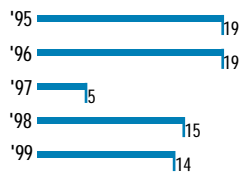
Polymers and Resins Group



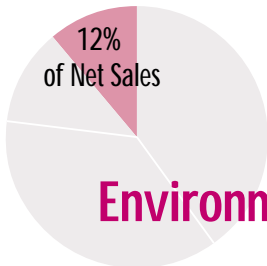
Sales of unsaturated polyester resins (product name: EPOLAC™) continued to fall, as housing investment and private-sector investment in facilities remained low. Coupled with a continued decline in market prices, this led to lower revenues.

Market prices of ultra weather-resistant paint resins and electrical insulating coating showed an upward trend. However, sales of other resins for paints and adhesives declined, due to a fall in their use for houses and automobiles.

As a result, overall sales of the Polymers and Resins Group dropped 10.1 percent from the previous year, to 14,158 million yen.



Net Sales by the Polymers and Resins Group (Billions of yen)



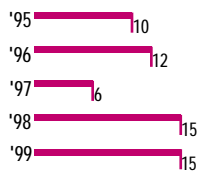
Environment Business and Catalysts Group



Sales of industrial catalysts through technology licensing fell overall, because new demand was concentrated in the previous term. Sales of automotive catalysts grew, but sales of wet-air oxidation catalysts and processing systems (product name: NS-LC™ waste-water treatment systems) declined due to sluggish overseas demand. De-NOx catalysts suffered slow sales due to lower demand for their use in power-generating plants.

Dioxin decomposition catalysts and their related systems enjoyed higher sales, mainly for their use in municipal waste incineration facilities.

As a result, overall sales of the Environment Business and Catalysts Group fell 3.7 percent from the previous term, to 15,269 million yen.



Net Sales by the Environment Business and Catalysts Group (Billions of yen)



NEWS & TOPICS

Strengthening Our Super-Absorbent Polymer Business

Nippon Shokubai Europe N.V. Established in Belgium

The company expects to see growing worldwide demand for super-absorbent polymers, which are used primarily in paper diapers and sanitary napkins.

On February 25, 1999, we took an important step to meet future demand by establishing Nippon Shokubai Europe N.V. in Belgium. The new company, a wholly owned subsidiary, will play a significant role in building an even stronger position for Nippon Shokubai in this core business area.

Nippon Shokubai Europe N.V. plans to construct a plant capable of manufacturing 30,000 tons of super-absorbent polymers per year. The plant, to be built in an industrial district in Antwerp, is scheduled to begin operation in autumn 2001.

Production Capacity Increased in Both the United States and Japan

In December 1998, NA Industries, Inc., our wholly owned subsidiary in the United States, completed installation of a facility that boosts production capacity by 12,000 tons per year. Total annual production capacity in the United States is now 60,000 tons.

In March 1999 we completed expansion of a super-absorbent polymer production facility at our Himeji Plant. The new manufacturing unit allows the production of 40,000 tons per year. The higher production capacity will help



Mr. Van den Brande the minister-president, government of Flanders and Aida president



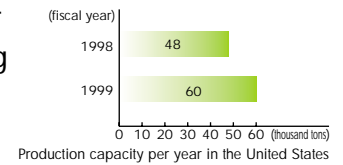
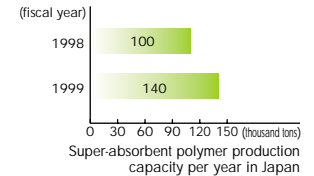
Super-absorbent polymers used in paper diapers



The super-absorbent polymer production facility at our Himeji Plant

us meet the growth in global demand we expect in the future, while also supporting the manufacture of new types of products. The company's annual domestic production capacity for super-absorbent polymers now totals 140,000 tons.

The increased production capacity in both Japan and the United States combines with our new production base in Europe to greatly strengthen our tri-polar (Japan-U.S.-Europe) super-absorbent polymer business. This solidifies Nippon Shokubai's position as the world's leading manufacturer of super-absorbent polymers and will allow us to provide a stable supply of products with advanced functions.



Indonesian Acrylic Acid and Acrylic Ester Manufacturing Facility Begins Operation



The acrylic acid and acrylic ester manufacturing facility "P.T. Nisshoku Tripolyta Acrylindo"

In August 1998 P.T. Nisshoku Tripolyta Acrylindo, our joint-venture company in Indonesia, completed construction of a manufacturing line for acrylic acid and acrylic ester. Commercial operation began in November. The facility represents the fulfillment of a goal set when the joint-venture company was established.

Working in cooperation with our Himeji Plant, the center of our acrylic acid business, P.T. Nisshoku Tripolyta Acrylindo will help ensure a stable supply of high-quality products. The company is working to solidify its business foundation and places a high priority on employee safety.

NON-CONSOLIDATED BALANCE SHEETS

ASSETS	Millions of yen		Thousands of U.S.dollars(Note 2)
	1999	1998	1999
Current Assets:			
Cash	¥ 2,055	¥ 1,684	\$ 17,046
Time deposits	21,519	15,364	178,506
Marketable securities.....	651	527	5,400
Notes and accounts receivable (Note 1):			
Trade.....	26,685	32,480	221,360
Subsidiaries and affiliates.....	9,492	8,187	78,739
Allowance for doubtful accounts (Note 1) ..	(183)	(262)	(1,518)
	<u>35,994</u>	<u>40,405</u>	<u>298,581</u>
Inventories (Notes 1 and 3)	22,606	23,541	187,523
Other current assets	5,058	4,272	41,957
Total current assets	<u>87,886</u>	<u>85,796</u>	<u>729,041</u>
Investments and Other Assets:			
Investments in securities (Notes 1, 4 and 5) .	16,456	15,357	136,507
Investments in and advances to subsidiaries and affiliates (Notes 1 and 4) ..	15,048	13,916	124,827
Other	3,943	4,874	32,708
Allowance for doubtful accounts (Note 1)	(501)	(769)	(4,155)
Total investments and other assets	<u>34,946</u>	<u>33,378</u>	<u>289,888</u>
Property, Plant and Equipment (Notes 1 and 5):			
Buildings and structures.....	45,871	43,363	380,514
Machinery and equipment.....	161,934	151,154	1,343,293
Accumulated depreciation.....	(161,537)	(151,108)	(1,340,000)
	<u>46,268</u>	<u>43,410</u>	<u>383,807</u>
Land	26,493	25,965	219,767
Construction in progress.....	7,943	4,627	65,889
Total property, plant and equipment.....	<u>80,704</u>	<u>74,003</u>	<u>669,464</u>
Total assets.....	<u>¥203,537</u>	<u>¥193,178</u>	<u>\$1,688,403</u>

See accompanying notes to non-consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S.dollars(Note 2)
	1999	1998	1999
Current Liabilities:			
Short-term bank loans and current portion of long-term debt (Note 5)	¥ 21,202	¥ 13,127	\$ 175,877
Notes and accounts payable (Note 1):			
Trade	16,541	22,338	137,212
Construction	7,956	7,021	65,997
Subsidiaries and affiliates.....	4,772	6,657	39,585
	<u>29,269</u>	<u>36,017</u>	<u>242,795</u>
Accrued expenses	994	925	8,245
Accrued income taxes (Notes 1 and 6)	878	2,311	7,283
Other current liabilities.....	4,306	4,560	35,719
Total current liabilities	<u>56,651</u>	<u>56,942</u>	<u>469,937</u>
Long-Term Liabilities:			
Long-term debt (Notes 1 and 5).....	27,576	19,448	228,751
Accrued severance indemnities (Notes 1 and 8) ...	9,611	10,504	79,726
Other long-term liabilities.....	164	168	1,360
Total long-term liabilities.....	<u>37,352</u>	<u>30,121</u>	<u>309,846</u>
Contingent Liabilities (Note 12)			
Shareholders' Equity:			
Common stock, ¥50 par value:			
Authorized: 426,000,000 shares			
Issued and outstanding:			
1999- 196,881,287 shares			
1998- 196,881,287 shares.....	16,529	16,529	137,113
Additional paid-in capital	13,562	13,562	112,501
Legal reserve (Note 11).....	3,542	3,393	29,381
Retained earnings (Note 1).....	75,899	72,628	629,605
Total shareholders' equity.....	<u>109,533</u>	<u>106,113</u>	<u>908,610</u>
Total liabilities and shareholders' equity ..	¥203,537	¥193,178	\$1,688,403

NON-CONSOLIDATED STATEMENTS OF INCOME

	Millions of yen		Thousands of U.S.dollars(Note 2)
	1999	1998	1999
Net Sales.....	¥128,998	¥141,755	\$1,070,078
Cost of Sales	96,772	109,020	802,754
Gross Profit.....	32,226	32,735	267,324
Selling, General and Administrative Expenses (Notes 1 and 9).....	26,170	24,913	217,088
Operating Income.....	6,055	7,821	50,228
Other Income (Expenses):			
Interest and dividend income.....	1,042	881	8,643
Interest expenses.....	(1,132)	(947)	(9,390)
Royalty income.....	1,279	2,227	10,609
Other, net.....	(680)	164	(5,640)
	509	2,324	4,222
Income before Income Taxes.....	6,565	10,146	54,458
Income Taxes (Notes 1 and 6).....	2,450	4,600	20,323
Net Income	4,115	5,546	34,135
Unappropriated Retained Earnings			
Carried Forward from the Previous Period	1,106	1,097	9,174
Interim Cash Dividends Paid	689	689	5,715
Transfer to Legal Reserve	68	68	564
Unappropriated Retained Earnings Transferred from merged company	120	—	995
Unappropriated Retained Earnings Carried Forward to the Next Period	¥ 4,584	¥ 5,886	\$ 38,025
		Yen	U.S.dollars (Note 2)
Per Share (Note 7):			
Net income	¥ 20.90	¥ 28.17	\$ 0.17
Cash dividends applicable to the period.....	7.00	7.00	0.06

See accompanying notes to non-consolidated financial statements.

1. Summary of Significant Accounting Policies

(1) Basis of presenting financial statements

The original non-consolidated financial statements of Nippon Shokubai Co., Ltd. (the 'Company') are prepared under the generally accepted accounting principles and practices in Japan and the Securities and Exchange Law of Japan. The financial statements mentioned in this financial report have been made for the readers outside Japan, rearranging the original non-consolidated financial statements.

Since amounts less than ¥1 million have been omitted, as permitted by the Securities and Exchange Law of Japan, total or subtotal amounts appearing in the accompanying non-consolidated financial statements and notes there to do not necessarily agree with the sum of the individual account balances.

(2) Valuation of securities and investments in and advances to subsidiaries and affiliates

Marketable and other non-marketable securities are stated at cost, as determined by the periodic-average cost method.

The Commercial Code of Japan requires such investments to be written down where there has been persistent decline in the value of investments. Where considered necessary, the Company has written down the value of such investments.

(3) Valuation of inventories

Inventories are stated at the lower of cost or market. The cost of inventories are determined by the last-in, first-out method.

(4) Depreciation and amortization

Property, plant and equipment is principally computed on the declining-balance method based on the estimated useful lives of assets stipulated by the Japanese Corporation Tax Law. However, a portion of machinery is computed based on useful lives estimated by the Company, equivalent to 75% of statutory useful lives.

Amortization of intangible assets and other assets is computed on the straight-line method over

the period stipulated by the Commercial Code of Japan or the Japanese Corporation Tax Law.

Significant renewals and additions of property, plant and equipment are capitalized at cost. Normal repairs and maintenance, including minor renewals and improvements, are charged to income as incurred.

(5) Foreign currency translation

All short-term monetary receivables and liabilities in foreign currency are translated into Japanese yen at appropriate year-end current rates.

All revenues and expenses arising from transactions in foreign currencies are translated into Japanese yen at the rates of exchange prevailing when such transactions are made.

Gains or losses resulting from the translations are credited or charged to income as incurred.

(6) Accrued severance indemnities

An employee whose employment is terminated is entitled, in most cases, to a lump-sum severance payment, the amount of which is determined by reference to the basic rate of pay, length of service and the conditions under which the termination occurs.

The Company is employing the Welfare Pension Plan to cover some portion of the lump-sum severance payment plan. The cost of the pension plan is determined actuarially, and the amortization of prior service costs is charged to income. These prior service costs are amortized over a period of seven years.

Accrued severance indemnities for employees are stated at amounts equivalent to 100% of that which would be required to be paid if all eligible employees covered by the plan mandatorially terminated their employment with the Company at the balance sheet date, less the estimated balances covered by the Welfare Pension Plan at the balance sheet date.

Retirement benefits to directors and corporate auditors are stated at an amount determined by the Company's bylaws at the end of the fiscal year.

(7) Accounting for allowances and reserves

The Company has provided certain allowances and reserves, including allowance for doubtful accounts and a reserve for employee bonuses, and a reserve

Allowance for doubtful accounts

The Company has provided an amount equivalent to the limit stipulated in the Japanese Corporation Tax Law. In addition, regarding individual receivables, the Company has provided the amounts that are expected to be uncollectable.

Reserve for employee bonuses

At fiscal year-end, the Company provided estimated amounts equivalent to those applicable to the current fiscal year to cover employee bonuses to be paid in the next period.

Reserve for repairs

In order to equalize the burden of regular maintenance and repair expenses for large-scale manufacturing equipment over the operating period, the Company has provided the estimated amounts required on a monthly prorated basis.

This reserve is offset by expenses as incurred on completion of maintenance and repair.

(8) Income taxes

Income taxes provided on an accrual basis, but deferred income taxes pertaining to timing differences between financial and tax reporting are not recognized.

(9) Research and development expenses

Research and development expenses are charged to income as incurred and are included in selling, general and administrative expenses.

(10) Net income and dividends per share

Net income per share is based on the weighted average number of common shares outstanding during each fiscal year.

Cash dividends per common share represent the amounts applicable to the respective year, including dividends to be paid after the end of the fiscal year.

(11) Appropriation of retained earnings

Under the Commercial Code of Japan and the Articles of Incorporation of the Company, the appropriation of retained earnings, primarily for cash dividend payments, with respect to a fiscal year is made by resolution of the shareholders at a general meeting to be held within three months

after the end of each fiscal year.

Therefore, such appropriation is not reflected in the respective financial statements.

2. U.S. Dollar Amounts

Amounts shown in U.S.dollars are included solely for convenience and are not intended to imply that yen amounts have been or could be readily converted into, realized in or settled in dollars.

The rate of ¥120.55 to US\$1, being the approximate exchange rate on March 31, 1999, has been used.

3. Inventories

Inventories on March 31, 1999 and 1998, were as follows:

	Millions of yen		Thousands of U.S.dollars
	1999	1998	1999
Merchandise and			
finished products	¥ 9,200	¥ 9,753	\$ 76,316
Raw materials	7,407	5,473	61,443
Work in process	4,687	6,689	38,880
Supplies	1,311	1,624	10,875
	<u>¥22,606</u>	<u>¥23,541</u>	<u>\$187,523</u>

4. Investments in Securities and Investments in and Advances to Subsidiaries and Affiliates

Investments in securities and advances held by the Company at March 31, 1999 and 1998, consisted of the following:

	Millions of yen		Thousands of U.S.dollars
	1999	1998	1999
Investments in securities:			
Corporate shares	¥16,335	¥15,197	\$135,503
Bonds and debentures..	104	129	862
Investments in portfolios and others..	17	30	141
	<u>¥16,456</u>	<u>¥15,357</u>	<u>\$136,507</u>
Investments in and advances to subsidiaries and affiliates:			
Non-listed corporate shares	¥12,726	¥11,333	\$105,566
Investments in contributions.....	1,162	1,093	9,639
Long-term loans	1,160	1,490	9,622
	<u>¥15,048</u>	<u>¥13,916</u>	<u>\$124,827</u>

5. Short-Term Bank Loans and Long-Term Debt

Short-term bank loans are unsecured and based on an overdraft contract, bearing interest at 1.338% per annum, as of March 31, 1998 and 0.994% per annum, as of March 31, 1999.

At March 31, 1999 and 1998, long-term debt consisted of the following:

	Millions of yen		Thousands of U.S.dollars
	1999	1998	1999
Loans from banks, insurance companies and others due from 1999 to 2008 with interest ranging from 1.07% to 5.15%	¥18,307	¥11,959	\$151,862
5.9% unsecured debentures due 1999..	6,000	6,000	49,771
5.7% unsecured debentures due 1999..	4,000	4,000	33,181
1.425% unsecured debentures due 2002..	5,000	—	41,476
1.85% unsecured debentures due 2004..	5,000	—	41,476
	<u>¥38,307</u>	<u>¥21,959</u>	<u>\$317,768</u>
Less-portion due within one year	10,731	2,511	89,017
	<u>¥27,576</u>	<u>¥19,448</u>	<u>\$228,751</u>

The aggregate annual maturities of long-term debt are as follows:

Year ending March 31	Millions of yen	Thousands of U.S.dollars
2000	¥ 731	\$ 6,063
2001	3,427	28,428
2002	3,804	31,555
2003 and thereafter.....	10,344	85,806

The assets pledged as collateral for long-term debt at March 31, 1999, were as follows:

	Millions of yen	Thousands of U.S.dollars
Land.....	¥ 451	\$ 3,741
Investments in securities.....	8,201	68,029

6. Income Taxes

Income taxes applicable to the Company comprise a corporation tax, inhabitants' taxes and an enterprise tax, which in the aggregate produced a normal tax rate of approximately 48% in 1999 and 51% in 1998. The effective tax rates on the statements of income differ from the normal tax rates primarily because of the effect of timing differences in the recognition of certain income and expenses for tax and financial reporting purposes, the effect of permanent non-deductible expenses, the lower tax rate applied to the portion of income distributed as dividends and tax credit for research and development expenses.

7. Net Income per Share

The computation of net income per share is based on the weighted average number of shares of common stock during the respective fiscal year.

8. Accrued Severance Indemnities

The charges to income for severance indemnities for the years ended March 31, 1999 and 1998, were as follows:

	Millions of yen	Thousands of U.S.dollars	
	1999	1998	1999
	¥606	¥864	\$5,026

The assets of the Welfare Pension Plan at March 31, 1999, were ¥9,702 million (US\$80,481 thousand).

9. Research and Development Expenses

Research and development expenses incurred and charged to income for the years ended March 31, 1999 and 1998, were as follows:

	Millions of yen	Thousands of U.S.dollars	
	1999	1998	1999
	¥9,544	¥9,214	\$79,170

10. Transactions with Subsidiaries

Transactions with subsidiaries for the years ended March 31, 1999 and 1998, were as follows:

	Millions of yen	Thousands of U.S.dollars	
	1999	1998	1999
Net sales	¥17,476	¥15,604	\$144,968
Purchases	21,778	27,519	180,655
Transactions other than operating transactions	2,652	2,367	21,999

11. Legal Reserve

The Commercial Code of Japan provides that an amount equivalent to at least 10% of appropriations paid in cash be appropriated as a legal reserve until such reserve equals 25% of the stated amount of common stock. This reserve is not available for the payment of dividends, but it may be used to reduce or eliminate a deficit by resolution of the shareholders or may be capitalized by resolution of the Board of Directors.

12. Contingent Liabilities

At March 31, 1999, the Company had the following contingent liabilities:

	Millions of yen	Thousands of U.S.dollars
As guarantor for indebtedness of subsidiaries and affiliates ..	¥11,408	\$94,632
As guarantor for housing loans of employees.....	71	588
	<u>¥11,479</u>	<u>\$95,221</u>

13. Subsequent Event

On June 25, 1999, at the general meeting of shareholders, the following appropriations of retained earnings were approved:

	Millions of yen	Thousands of U.S.dollars
Balance at beginning of the year	¥4,584	\$38,025
Add:		
Reversal of voluntary reserve..	32	265
Appropriations:		
Cash dividends		
(¥3.5-US\$0.029 per share) ...	689	5,715
Transfer to legal reserve	80	663
Bonuses to directors and statutory auditors.....	77	638
Transfer to general reserve	2,568	21,302
Carried forward to the next period.....	<u>¥1,202</u>	<u>\$ 9,970</u>

CONSOLIDATED BALANCE SHEETS

ASSETS	Millions of yen		Thousands of U.S.dollars(Note 2)
	1999	1998	1999
Current Assets:			
Cash.....	¥ 4,061	¥ 4,410	\$ 33,687
Time deposits.....	23,256	16,646	192,915
Marketable securities.....	738	629	6,121
Notes and accounts receivable (Note1):			
Trade	36,215	41,547	300,414
Unconsolidated subsidiaries and affiliates	6,996	5,807	58,034
Allowance for doubtful accounts.....	(334)	(399)	(2,770)
	<u>42,877</u>	<u>46,955</u>	<u>355,678</u>
Inventories (Note 3).....	27,638	28,279	229,265
Other current assets	5,045	3,964	41,849
Total current assets.....	<u>103,618</u>	<u>100,886</u>	<u>859,543</u>
Investments and Other Assets:			
Investments in securities.....	16,607	14,892	137,760
Investments in and advances to unconsolidated subsidiaries and affiliates...	12,261	11,728	101,708
Other	6,993	7,819	58,009
Allowance for doubtful accounts	(2,290)	(2,379)	(18,996)
Total investments and other assets.....	<u>33,572</u>	<u>32,061</u>	<u>278,490</u>
Property, Plant and Equipment:			
Buildings and structures.....	55,960	53,913	464,205
Machinery and equipment.....	186,033	174,732	1,543,201
Accumulated depreciation	(185,500)	(175,641)	(1,538,780)
	<u>56,493</u>	<u>53,004</u>	<u>468,627</u>
Land	26,990	26,460	223,890
Construction in progress.....	10,070	6,540	83,533
Total property, plant and equipment.....	<u>93,555</u>	<u>86,005</u>	<u>776,068</u>
Foreign Currency Translation Adjustments ..	335	—	2,778
Total assets.....	<u>¥231,081</u>	<u>¥218,953</u>	<u>\$1,916,889</u>

See accompanying notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S.dollars(Note 2)
	1999	1998	1999
Current Liabilities:			
Short-term bank loans and current portion of long-term debt.....	¥ 27,395	¥ 18,939	\$ 227,250
Notes and accounts payable (Note 1):			
Trade	25,557	31,433	212,003
Construction	8,473	7,541	70,286
Unconsolidated subsidiaries and affiliates ...	1,978	2,128	16,408
	<u>36,009</u>	<u>41,103</u>	<u>298,704</u>
Accrued income taxes	1,313	2,982	10,891
Other current liabilities	6,788	7,035	56,308
Total current liabilities	<u>71,508</u>	<u>70,060</u>	<u>593,181</u>
Long-Term Liabilities:			
Long-term debt	32,189	23,463	267,017
Accrued severance indemnities (Note 4)	10,876	11,762	90,219
Other long-term liabilities	183	177	1,518
Total long-term liabilities	<u>43,250</u>	<u>35,403</u>	<u>358,772</u>
Foreign Currency Translation Adjustments..	—	247	—
Minority Interests	1,665	1,568	13,811
Shareholders' Equity:			
Common stock, ¥50 par value:			
Authorized: 426,000,000 shares			
Issued and outstanding:			
1999- 196,881,287 shares			
1998- 196,881,287 shares	16,529	16,529	137,113
Additional paid-in capital.....	13,562	13,562	112,501
Consolidated Retained Earnings.....	84,569	81,582	701,526
Less common stock in treasury, at cost	(2)	(0)	(24)
Total shareholders' equity	<u>114,658</u>	<u>111,673</u>	<u>951,124</u>
Total liabilities, Minority Interests and shareholders' equity	<u>¥231,081</u>	<u>¥218,953</u>	<u>\$1,916,889</u>

CONSOLIDATED STATEMENTS OF INCOME

	Millions of yen		Thousands of U.S. dollars (Note 2)
	1999	1998	1999
Net Sales	¥160,190	¥171,805	\$1,328,826
Cost of Sales	120,613	130,450	1,000,522
Gross Profit	39,577	41,354	328,303
Selling, General and Administrative Expenses	30,671	30,251	254,425
Operating Income	8,906	11,103	73,878
Other Income (Expenses):			
Interest and dividend income	766	757	6,354
Interest expenses	(1,361)	(1,114)	(11,289)
Royalty income	955	1,851	7,922
Equity in Earnings of Unconsolidated Subsidiaries and Affiliates	142	122	1,177
Amortization of Consolidation Adjustments	97	1	804
Other, net	(1,580)	(2,297)	(13,106)
	(980)	(678)	(8,129)
Income before Income Taxes and Minority Interests	7,925	10,425	65,740
Income Taxes	3,155	5,732	26,171
Income before Minority Interests	4,770	4,692	39,568
Minority Interests	(319)	533	(2,646)
Net Income	¥ 4,450	¥ 5,226	\$ 36,914
	Yen		U.S. dollars (Note 2)
Per Share:			
Net income	¥ 22.61	¥ 26.54	\$ 0.19
Cash dividends applicable to the period	7.00	7.00	0.06

See accompanying notes to consolidated financial statements.

Reclassification:

Certain reclassifications of previously reported amounts have been made to conform with current classifications.

1. Summary of Significant Accounting Policies

The accompanying consolidated financial statements are prepared on the basis of the same accounting policies as mentioned in Note 1 of the notes to non-consolidated financial statements except for the following principles:

(1) Principles of consolidation and accounting for investments in unconsolidated subsidiaries and affiliates

The consolidated financial statements include the accounts of Nippon Shokubai Co., Ltd. (the Company) and its eight significant subsidiaries. All significant intercompany balances and transactions have been eliminated on consolidation.

The accounts of the 15 other subsidiaries are not consolidated with the Company. The total assets, net sales, net income and retained earnings of the unconsolidated subsidiaries, in the aggregate, are so small as to have an insignificant effect on the Company's consolidated accounts.

Two unconsolidated subsidiaries and four affiliated companies are accounted for by the equity method.

From this fiscal year, American Acryle L.P., established by NA Industries, Inc. and other in December 1997, is added as an affiliated company and accounted for by the equity method.

Consolidated net income includes the Company's equity in the current net income of such companies, after elimination of unrealized intercompany profits.

13 subsidiaries and 8 affiliated companies (20% to 50% owned) are not accounted for by the equity method as the effects of these companies on the Company's consolidated net income and retained earnings are immaterial.

Investments in unconsolidated subsidiaries and in the affiliated companies which are not accounted for on an equity method are carried at cost or less. Where there has been a persistent decline in the value of such investments, the Company has written down its investments.

The difference between the cost and underlying net equity of investments in consolidated and other companies accounted for by the equity method is charged or credited to income in the year of acquisition.

(2) Balance sheet date

The balance sheet date of all consolidated subsidiaries is the same as the Company's, except NA Industries, Inc., American Acryl NA LLC, and American Acryl L.P., which have a balance sheet of December 31.

The Companies have made consolidation

adjustments for significant transactions between itself and them, incurred up to and including the consolidation date of March 31.

(3) Foreign currency translation of consolidated foreign subsidiaries

Translation into Japanese yen of the financial statements of the consolidated foreign subsidiaries were made in accordance with the "Accounting Standards for Transactions Denominated in Foreign Currencies", reported in June 1979, revised in May 1995 by Japan's Financial Accounting Deliberation Council.

Translation differences are shown as "Foreign Currency Translation Adjustments" in the accompanying consolidated financial statements.

(4) Tax-effect accounting

Tax-effect accounting pertaining to timing differences on corporation taxes is not applied.

2. U.S. Dollar Amounts

The same method of translating yen amounts as described in Note 2 of the notes to non-consolidated financial statements has been used.

3. Inventories

Inventories on March 31, 1999 and 1998, were as follows:

	Millions of yen		Thousands of U.S. dollars
	1999	1998	1999
Merchandise and finished products.....	¥12,916	¥13,188	\$107,142
Raw materials.....	5,207	6,090	43,193
Work in process.....	7,973	7,178	66,138
Supplies.....	1,541	1,821	12,783
	<u>¥27,638</u>	<u>¥28,279</u>	<u>\$229,265</u>

4. Accrued Severance Indemnities

The Company has a Welfare Pension Plan, and four of its consolidated subsidiaries have a qualified pension plan. The prior service costs for the Welfare Pension Plan and the qualified pension plan are amortized over a period of seven years and five to ten years, respectively. The assets of the pension plans amounted to ¥11,432 million (US\$94,832 thousand) at March 31, 1999.

5. Subsequent Event

See Note 13 of the notes to non-consolidated financial statements.

NIPPON SHOKUBAI CO., LTD.**Incorporated**

August 21, 1941

Common Stock

Authorized: 426,000,000 shares

Issued: 196,881,287 shares

Capital

¥16,529,413,238

Number of Employees

2,258

Stock Listings

First Section, Tokyo Stock Exchange

First Section, Osaka Securities Exchange

First Section, Nagoya Stock Exchange

Transfer Agent

The Toyo Trust & Banking Co., Ltd.

1-4-3 Marunouchi, Chiyoda-ku,

Tokyo 100-0005, Japan

(as of March 31, 1999)

Board of Directors**President**

Kenji Aida

Executive Vice Presidents

Takahisa Sato

Tadashi Kimura

Senior Managing Director

Kiyoshi Nakagawa

Managing Directors

Tetsuji Ono

Kinya Hasegawa

Yasumasa Oba

Yoshinori Sano

Takeo Munehiro

Tatsuo Konishi

Hiroshi Yanagida

Directors

Hisayoshi Jono

Kazunosuke Nagai

Takahiro Toyohama

Keizo Maruyama

Tsumoru Yamada

Yutaka Morimoto

Yuji Noma

Norimitsu Konno

Corporate Auditors

Masaru Abe

Keishi Oyama

Setsuya Kitabatake

Kazuaki Hata

(as of June 25, 1999)

Consolidated Subsidiaries

Name	Paid-in Capital (millions of yen, unless otherwise stated)	Equity Ownership(%)	Principal Business	President
Nippon Chemicals Co., Ltd.*	¥ 517	67.9	Manufacture and sale of iodine, iodic compounds, and natural gas	Tsuneo Tsubakimoto
Nippon Polyester Co., Ltd.*	400	96.7	Manufacture and sale of synthetic resins and related additives	Takahiro Ito
Daiko Kaiun Co., Ltd.*	100	64.9	Transport	Katsunobu Kaneko
NA Industries, Inc.*	US\$1,025	100.0	Manufacture and sale of superabsorbent polymers Technical liaison and business development	Yuji Noma
Tokyo Fine Chemical Co., Ltd.*	¥ 80	66.2	Manufacture and sale of stabilizer of vinyl chloride resin and anti-freeze	Masatoshi Tsuchino
Chugoku Kako Co., Ltd.*	75	74.3	Manufacture and sale of synthetic resins and heat insulator	Noboru Shimizu
ICT Co., Ltd.*	60	50.0	Sale of automobile exhaust catalyst	Kazuo Koshida
Nisshoku Kosan Co., Ltd.*	32	100.0	Management of golf driving range and non-life insurance agent	Goro Kijima

Name	Paid-in Capital (millions of yen, unless otherwise stated)	Equity Ownership(%)	Principal Business	President
Nihon Jyoryu Kogyo Co., Ltd.	¥ 90	46.6	Manufacture and sale of anthraquinone, carbazole, and their derivatives	Kensuke Kumazawa
Nishinippon FRP Shipbuilding Co., Ltd.	30	100.0	Manufacture and sale of FRP ship and finished products	Terumitsu Mimura
Nippon Polymer Ind. Co., Ltd.	100	50.0	Manufacture and sale of acrylic emulsions	Yoshio Yasuda
Nisshoku Schenectady Kagaku, Inc.	40	45.0	Manufacture and sale of insulating varnish and enamel	Kenji Aida

*Included in consolidation
Nisshoku Aro Chemicals Co., Ltd. was merged into Nippon Shokubai Co., Ltd. on April 1, 1998.
American Acryl NA LLC, and American Acryl L.P., are consolidated into NA Industries, Inc. by the equity method.

(as of March 31, 1999)

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Kawasaki Ukishima Plant

10-12 Ukishima-cho, Kawasaki-ku
Kawasaki, Kanagawa 210-0862, Japan

Himeji Plant

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Tsukuba Research Laboratory

1-25-12 Kannondai, Tsukuba
Ibaraki 305-0856, Japan

Polymer Research Laboratory

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Osaka 564-0034, Japan

Process Development Laboratory

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Catalyst Research Laboratory

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Specialty Polymers Research Laboratory

5-8 Nishi Otabi-cho, Suita
Osaka 564-0034, Japan

OVERSEAS COMPANIES

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P.O. Box 5407
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Chattanooga, TN 37406, U.S.A.

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60325 Frankfurt am Main, Germany

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138 Cecil Street, #05-04
Cecil Court Singapore 069538

ULTRASORB Chemikalien GmbH

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60325 Frankfurt am Main, Germany

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(as of July 1, 1999)

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