



2000 *Annual Report*



Nippon
Shokubai

Profile

Since its foundation in 1941, Nippon Shokubai has been engaged in R&D activities in search of original technical solutions in four major fields: catalyst technology, polymer synthesis, environment preservation systems, and organic synthesis. Our major products are basic chemicals, including acrylic acid, methacrylic acid and ethylene oxide; fine and specialty chemicals, including superabsorbent polymers and higher alcohols; synthetic resin, including unsaturated polyester resins; and catalysts/environment preservation systems, including catalysts for cleaning automobile exhaust gases, process catalysts and dioxins decomposition/elimination equipment. Created through our proprietary technology and know-how, these products have made various contributions to our society and people's daily lives.

In addition, our various chemical product manufacturing technologies have been highly appreciated overseas, as well as our diverse line of products. A wide variety of chemicals manufacturing technologies, including those related to acrylic acid/esters, methacrylic acid/esters and many other process technologies, have been exported to Europe, Asia, the USA, and elsewhere.

In recent years, we have been making efforts to develop our business at global basis by establishing production bases for acrylic acid and acrylic esters in Southeast Asia and North America and for superabsorbent polymers in North America and Europe.

Under our corporate philosophy of "TechnoAmenity," which seeks to harmonize "Technology" and "Natural Environment," and focusing on our ultimate objective, "making human life richer and more comfortable through technological innovations," we are working to meet emerging global changes and to enhance our potential for commercial competition.

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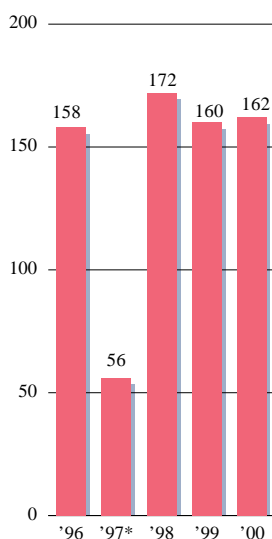
Financial Highlights

Nippon Shokubai Co., Ltd. and Consolidated Subsidiaries
Year ended March 31

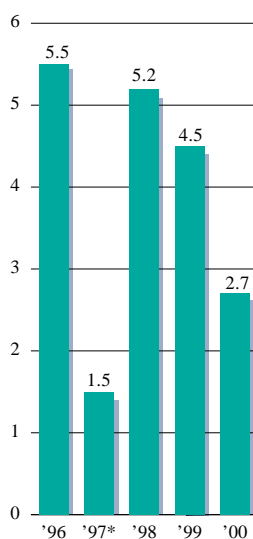
	Millions of yen			Thousands of U.S. dollars
	2000	1999	1998	2000
For the Year				
Net Sales	¥162,461	¥160,190	¥171,805	\$1,530,485
Operating Income	6,622	8,906	11,103	62,383
Income before Income Taxes	5,349	7,925	10,425	50,390
Net Income	2,659	4,450	5,226	25,049
At Year-End				
Total Assets	¥216,896	¥231,081	¥218,953	\$2,043,297
Total Shareholders' Equity	118,820	114,658	111,673	1,119,359
Per Share Amounts				
Net Income	¥13.54	¥22.61	¥26.54	\$0.13
Cash Dividends	7.00	7.00	7.00	0.07

Foreign Exchange Rate: US\$1.00 = ¥106.15

Net Sales (Billions of yen)

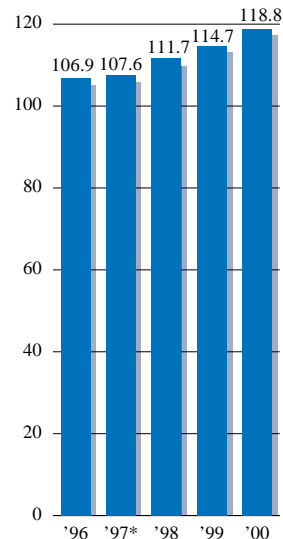


Net Income (Billions of yen)



Shareholders' Equity

(Billions of yen)



*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

Performance

In fiscal 1999, which ended on March 31, 2000, uncertainty about Japan's economy persisted throughout the year with the prevailing sentiment that production facilities and work force were in excess, coupled with still slow personal spending, although in the year's second half the economy appeared to have bottomed out and showed signs of mild recovery due to some growth in capital investment in industries related to information technology and in consumer demand.

Business conditions for the chemical industry were harsh as ever, as the yen's steady ascent and the sharp rise in raw material prices, notably those of naphtha, had impact on corporate earnings, although the recovering Asian economy helped sustain demand.

In this business environment, our total net sales increased by 2,271 million yen (1.4 percent), to 162,461 million yen, due to higher sales volume and the addition of three consolidated subsidiaries, in spite of decrease in proceeds caused by lower price levels and the yen's advance against the dollar.

Operating profit declined by 2,283 million yen (25.6 percent), to 6,622 million yen, as decrease in proceeds due to lower selling prices, rise in raw materials cost and the appreciation of the yen counteracted the effects of sales volume increase and cost reduction.

Ordinary profits totaled 5,088 million yen, down 3,142 million yen (38.2 percent) from the previous term. This decline was mainly due to losses on investment by equity method of accounting, caused by the addition as equity-method affiliates of two new associated companies that had newly commenced commercial operation.

Net profits for the term totaled 2,659 million yen, down 1,790 million yen (40.2 percent) from the previous fiscal year, in spite of the reduction in effective corporate tax rate.

Net income per share was 13.54 yen, reducing ROE to 2.3 percent, down 1.6 points from the previous term.

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 44.3 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.

Our Business Program

In the new fiscal year, which will see the completion of our middle-range business plan, we will focus our efforts on the following three points, with the aim of solidifying our business foundation for great strides in the century ahead.

(1) Reinforcement of our core businesses

- Our acrylic acid and acrylic ester business will be boosted by P.T. Nisshoku Tripolyta Acrylindo in Indonesia, which started commercial operation in November 1998, as well as by the project involving a new plant in the United States that is now under construction.
- In order to maintain our position as the top leading firm in the superabsorbent polymer business, we have expanded the production capacity of Himeji Plant and developed the highly advanced and most efficient manu-

facturing process that will respond to various customer needs. Construction of the plant of our wholly owned subsidiary, Nippon Shokubai Europe N.V. in Belgium is progressing rapidly and will be completed by the year-end. Combined with these developments, NA Industries, Inc., our wholly owned subsidiary in the United States, that also increased its production capacity in 1998, will strengthen our tri-polar (Japan-U.S.-Europe) superabsorbent polymer business.

(2) Development of new products

In this fiercely contested market, the development of new products is essential for survival. In April of this year, we reformed the R&D division and established the New Products Promotion Committee, with the President as Chairman, whose task is to optimize the selection of R&D subjects and the allocation of managerial resources.

(3) Expansion of the environment business

We are striving to spur innovation on catalyst technologies, which are the mainstay of the company, and to promote their application to the environment business. In particular, our efforts are concentrated on the development and marketing of publicly concerned dioxin decomposition catalysts and their related systems, and exhaust gas and waste water clean-up systems.

In addition, we will also focus on “Responsible Care” activities, obtaining ISO 9000 certificates for all products, and promoting the environmental management plan to obtain ISO 14000 certification.

As regards Y2K computer problems, we were able to forestall any adverse effects by taking various countermeasures on the initiative of our Computer System Year 2000 Readiness Committee.



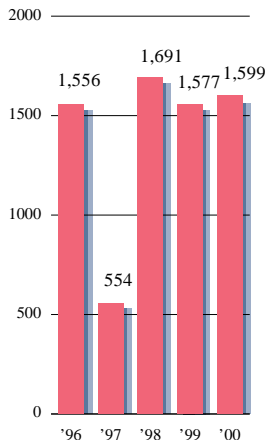
Hiroshi Yanagida, President

A handwritten signature in black ink that reads "Hiroshi Yanagida". The signature is written in a cursive, flowing style.

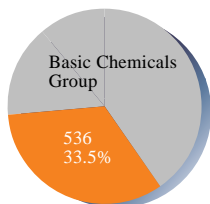
Hiroshi Yanagida
President

Chemical Business

Chemical Business
(Change of net sales)
(100 millions of yen)



Breakdown and component ratio in 2000:
(100 millions of yen)



Basic Chemicals Group

Demand for acrylic acid and acrylic esters for use in superabsorbent polymers remained strong, and this, together with recovered demand for uses in paints and adhesives, contributed to an increase in revenues in spite of reduced proceeds due to the strong yen. Prices of methacrylic acid and methacrylate esters did not return to previous period levels, but demand for their use in resins and paints started to recover, which, combined with the addition of Nippon Shokubai (Asia) Pte. Ltd. to the consolidated subsidiaries, was conducive to

higher revenues.

Prices of ethylene glycols were boosted by better demand and supply balance, but reduced proceeds due to the appreciating yen led to a decrease in revenues. Prices of ethylene oxide and its derivatives did not return to previous period levels, but recovered demand for their use in surface-active agents brought about a gain in revenues.

Domestic demand remained stagnant for phthalic anhydride for use in plasticizers and paint, and revenues fell as a result.

Domestic demand for maleic anhydride for use in synthetic resins and its prices in overseas market also failed to grow, which resulted in reduced revenues.

Consequently, sales of the Basic Chemicals Group totaled 53,584 million yen.



Chemicals Production Plant



*Polyester fibers
(Ethylene glycols)

Fine & Specialty Chemicals Group

Sales volumes of superabsorbent polymer products were about the same as the previous year, in spite of the adverse effects of the appreciating yen and the demise of spot sales, which had been carried out in the previous term. This was mainly due to the addition of Ultrisorb Chemikalien GmbH in Germany to our consolidated subsidiaries.

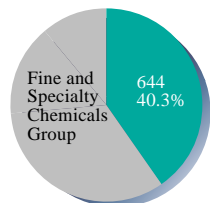
End-user demand for higher-alcohol products (SOFTANOL) and other raw materials for detergents recovered, and brought about increased revenues.

Thanks to their strong reputation in the market, products used as concrete admixtures saw a steady upward trend in sales in spite of the prolonged slump in construction investment, and yielded higher revenues.

Regarding other fine chemicals, demand for raw materials for paints and resins, resin adulterants and iodides remained firm, but medical intermediates showed a poor sales trend owing to decreased exports.

As a result, overall sales of the Fine & Specialty Chemicals Group amounted to 64,414 million yen.

Breakdown and component ratio in 2000:
(100 millions of yen)

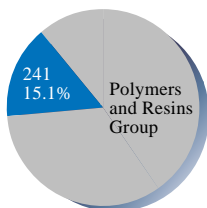


*LCD displays (EPOSTAR)



*Polymers for concrete admixture (AQUALOC)

Breakdown and component ratio in 2000:
(100 millions of yen)



Polymers & Resins Group

Sales of unsaturated polyester resin (EPOLAC) for use in housing construction and transport equipment continued to fall, leading to lower revenues.

Sales of FRP corrugated panels and components were weak, but demand for polycarbonate resin sheets remained firm.

Revenues from heat resisting paints and insulating varnishes fell due to weak sales, but sales of resins for use in ultra weather-resistant paints, adhesives and adherent articles were generally strong.

Consequently, sales of the Polymers & Resins Group totaled 24,068 million yen.

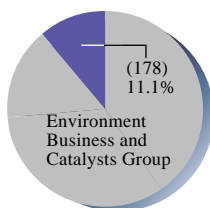


*Bath Room (EPOLAC)



*CRT deflection yoke coil (ISOMID)

Breakdown and component ratio in 2000:
(100 millions of yen)



Environment Business & Catalysts Group

Sales of industrial catalysts through technology licensing grew overall, owing to firm replacement demand.

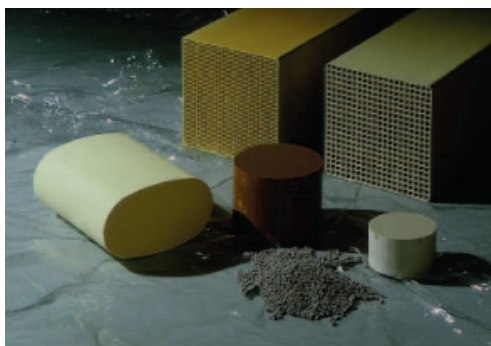
De-NO_x catalysts enjoyed higher sales and revenues due to higher demand for their use in power plants, and sales of automotive catalysts also grew.

Sales of wet-air oxidation catalysts and processing system (NSLC waste-water treatment system) declined, but dioxins decomposition catalysts and their related systems enjoyed higher sales, mainly for their use in municipal waste incineration facilities.

As a result, sales of the Environment Business & Catalysts Group totaled 17,838 million yen.

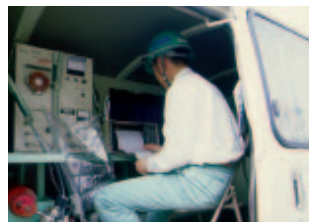
Consequently, overall sales for the chemicals business grew 2,200 million yen (1.4 percent) from the previous term, to 159,907 million yen.

Operating profits fell 2,243 million yen (28.3 percent) from the previous term, to 5,681 million yen, because of weak product prices, rising raw materials prices and the yen's advance.



Exhaust gas treatment catalysts

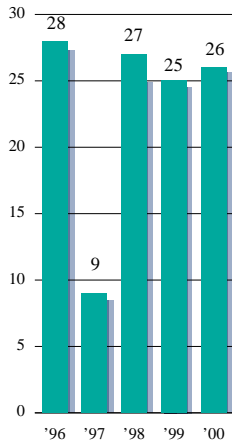
Environmental monitoring vehicle



*Examples of end uses for Nippon Shokubai products. The raw material in parentheses is the Nippon Shokubai products.

Other Businesses

Other Businesses
(Change of net sales)
(100 millions of yen)



Revenues from the transportation business grew owing to increased haulage volume, while service business suffered declining revenues due to the lingering recession.



As a result, sales in other businesses increased by 2.8 percent from the previous term, to 2,554 million yen. Operating profits fell 4.9 percent, to 808 million yen, in spite of our efforts in cost reduction.



Geographic Information

Japan

Chemicals business was slow throughout the year, and sales totaled 143,363 million yen, while operating profits were 5,399 million yen.

Overseas

Ultrasorb Chemikalien GmbH in Germany and Nippon Shokubai (Asia) Pte. Ltd. in Singapore were added to our consolidated subsidiaries. As a result, overall sales for overseas regions amounted to 19,097 million yen, and operating profits totaled 1,119 million yen.

Cogeneration System in Himeji Plant to Start Operation

A gas turbine cogeneration system was installed in Himeji Plant, in order to cope with increasing demand for steam and electricity while spurring energy conservation.



Cogeneration system in Himeji Plant

Cogeneration is a dual-purpose system that provides heat (steam) and electricity. The new system in our Himeji Plant uses town gas as fuel, and its three gas turbines and one steam turbine are capable of generating 26,000 kW of power. This system can provide 70 to 80 percent of the electricity used in the

Plant, while the steam from waste heat boilers with gas turbines is supplied to the steam turbine and the production facilities in the Plant.

Nippon Shokubai Europe N.V.'s Superabsorbent Polymer Plant Construction Underway

Nippon Shokubai Europe N.V., our wholly owned subsidiary in Belgium, held the groundbreaking ceremony for its new superabsorbent polymer plant on September 2, 1999, in Antwerp, Flanders, with the Flanders Minister of Economy, the Japanese Ambassador to Belgium, the Governor of Antwerp, the Mayor of Antwerp and many other associated persons in attendance. The new plant, with an annual output of 30,000 tons, will serve as production base in Europe after its completion at the end of this year.



New Production Facilities of Concrete Admixture AQUALOC FC in the United States

Domestic demand for the polycarboxylic acid concrete admixture AQUALOC FC is growing steadily; Himeji and Kawasaki Plants' annual output of 20,000 tons in total will be sufficient to cope with this.

In order to meet the growing demand in the larger North American market, NA Industries, Inc., our wholly owned subsidiary in the United States, started the construction of a new plant with an annual output of 10,000 tons, which will start commercial operation in the spring of 2001.



Groundbreaking ceremony on April 6, 2000

Management Indices

(1) Consolidated Management Indices

Period Fiscal Year End	83rd November 1995	84th November 1996	85th March 1997	86th March 1998	87th March 1999	88th March 2000
<i>(Millions of yen)</i>						
Net Sales	152,658	158,460	56,272	171,805	160,190	162,461
Ordinary Income	10,604	10,078	3,392	11,222	8,231	5,088
Net Income	5,601	5,488	1,533	5,226	4,450	2,659
Net Assets	102,676	106,872	107,625	111,673	114,658	118,820
Total Assets	200,196	206,459	206,748	218,953	231,081	216,896
<i>(yen)</i>						
Net Assets per Share	521.52	542.83	546.66	567.21	582.39	609.72
Net Income per Share	28.45	27.88	7.79	26.54	22.61	13.54
Fully Diluted Net Income per Share	—	—	—	—	—	—
Capital Ratio (%)	51.3	51.8	52.1	51.0	49.6	54.8
Return on Equity (%)	5.6	5.2	4.3	4.8	3.9	2.3
Price Earning Ratio (times)	33.5	31.2	31.6	28.0	29.7	33.2
<i>(Millions of yen)</i>						
Cash Flow from Operating Activities	—	—	—	—	—	18,285
Cash Flow from Investing Activities	—	—	—	—	—	(5,709)
Cash Flow from Financing Activities	—	—	—	—	—	(13,463)
Cash and Cash Equivalents at Year-end	—	—	—	—	23,767	22,827
Number of Employees	—	—	—	—	—	3,050

Note 1: Net Sales do not include consumption taxes.

Note 2: Fully Diluted Net Income per Share is not recorded because bonds with warrants attached and convertible bonds are not issued.

Note 3: The 85th period was 4 months, from December 1, 1996 through March 31, 1997, owing to the fact that the balance sheet date was changed to March 31. Return on Equity and Price Earning Ratio are on an annualized basis.

(2) Non-consolidated Management Indices

Period Fiscal Year End	83rd November 1995	84th November 1996	85th March 1997	86th March 1998	87th March 1999	88th March 2000
<i>(Millions of yen)</i>						
Net Sales	128,162	135,006	46,782	141,755	128,998	128,086
Ordinary Income	9,007	9,169	2,954	9,146	6,870	4,616
Net Income	4,807	5,319	1,394	5,546	4,115	3,097
Capital	16,529	16,529	16,529	16,529	16,529	16,529
Issued and Outstanding Shares (Thousands shares)	196,881	196,881	196,881	196,881	196,881	194,881
<i>(Millions of yen)</i>						
Net Assets	97,251	101,115	101,743	106,113	109,533	113,470
Total Assets	180,245	184,303	183,600	193,178	203,537	189,999
<i>(yen)</i>						
Net Assets per Share	493.96	513.59	516.78	538.97	556.34	582.25
Dividend per Share	7.00	7.00	2.35	7.00	7.00	7.00
(Interim Dividend per Share)	(3.50)	(3.50)	(—)	(3.50)	(3.50)	(3.50)
Net Income per Share	24.42	27.02	7.08	28.17	20.90	15.77
Fully Diluted Net Income per Share	—	—	—	—	—	—
Capital Ratio (%)	54.0	54.9	55.4	54.9	53.8	59.7
Return on Equity (%)	5.0	5.4	4.1	5.3	3.8	2.8
Price Earning Ratio (times)	39.0	32.2	34.8	26.4	32.1	28.5
Dividend Payout Ratio (%)	28.7	25.9	33.2	24.8	33.5	44.3
Number of Employees	2,275	2,214	2,190	2,217	2,258	2,217

Note 1: Net Sales do not include consumption taxes.

Note 2: Fully Diluted Net Income per Share is not recorded because bonds with warrants attached and convertible bonds are not issued.

Note 3: The 85th period was 4 months, from December 1, 1996 through March 31, 1997, owing to the fact that the balance sheet date was changed to March 31 at the shareholders' meeting on February 27, 1997. Therefore, the Company waived an interim dividend for the period. Return on Equity and Price Earning Ratio are on an annualized basis.

Note 4: Issued and Outstanding Shares are 2,000 thousands less than in the previous year, owing to the retirement of shares out of profit.

Note 5: Number of Employees will be the representation of the number of people actually engaged in work from this 88th period onward.



Financial Section

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Report of Independent Certified Public Accountants

The Board of Directors and Shareholders
Nippon Shokubai Co., Ltd.

We have audited the consolidated balance sheets of Nippon Shokubai Co., Ltd. and consolidated subsidiaries as of March 31, 2000 and 1999, and the related consolidated statements of income and shareholders' equity for the years then ended, and the consolidated statement of cash flows for the year ended March 31, 2000, all expressed in yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements, expressed in yen, present fairly the consolidated financial position of Nippon Shokubai Co., Ltd. and consolidated subsidiaries at March 31, 2000 and 1999, and the consolidated results of their operations for the years then ended and their cash flows for the year ended March 31, 2000 in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

As described in Notes 1 to the consolidated financial statements, Nippon Shokubai Co., Ltd. and consolidated subsidiaries have adopted new accounting standards for research and development costs and tax-effect accounting in the preparation of their consolidated financial statements for the year ended March 31, 2000.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2000 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

Osaka, Japan
June 27, 2000

Century Ota Showa & Co.

See note 1(a) to the consolidated financial statements which explains the basis of preparation of the consolidated financial statements of Nippon Shokubai Co., Ltd. under Japanese accounting principles and practices.

Consolidated Balance Sheets

Nippon Shokubai Co., Ltd. and Consolidated Subsidiaries

	March 31,		
	2000	1999	2000
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars) (Note 2)</i>
Assets			
Current assets:			
Cash and cash equivalents	¥ 22,827	¥ 23,767	\$ 215,045
Time deposits	362	3,551	3,410
Marketable securities (Note 3)	22	739	207
Notes and accounts receivable:			
Unconsolidated subsidiaries and affiliates	4,508	7,175	42,468
Trade	41,524	36,370	391,182
Allowance for doubtful receivables	(259)	(334)	(2,440)
Inventories (Note 4)	24,408	27,638	229,939
Deferred income taxes (Note 6)	1,713	—	16,138
Other current assets	2,528	4,712	23,815
Total current assets	97,633	103,618	919,764
Property, plant and equipment:			
Land	26,991	26,991	254,272
Buildings and structures	57,937	55,961	545,803
Machinery and equipment	194,006	186,034	1,827,659
Construction in progress	109	10,071	1,027
Accumulated depreciation	(195,602)	(185,502)	(1,842,694)
Property, plant and equipment, net	83,441	93,555	786,067
Investments and other assets:			
Investments in securities (Note 3)	12,799	16,608	120,575
Investments in and advances to unconsolidated subsidiaries and affiliates	13,600	12,261	128,121
Deferred income taxes (Note 6)	3,096	—	29,166
Other assets	4,640	4,704	43,711
Total investments and other assets	34,135	33,573	321,573
Translation adjustments	1,687	335	15,893
Total assets	¥216,896	¥231,081	\$2,043,297

	March 31,		
	2000	1999	2000
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars) (Note 2)</i>
Liabilities and shareholders' equity			
Current liabilities:			
Short-term bank loans (Note 5).....	¥ 12,928	¥14,409	\$ 121,790
Current Portion of long-term debt (Note 5).....	5,520	12,987	52,002
Notes and accounts payable:			
Unconsolidated subsidiaries and affiliates	4,763	1,979	44,870
Trade	22,261	25,558	209,713
Construction	1,184	8,473	11,154
Accrued income taxes (Note 6).....	1,514	1,314	14,263
Other current liabilities	7,808	6,788	73,556
Total current liabilities	<u>55,978</u>	<u>71,508</u>	<u>527,348</u>
Long-term liabilities:			
Long-term debt (Note 5)	29,741	32,190	280,179
Retirement allowances	10,372	10,877	97,711
Deferred income taxes (Note 6)	8	—	75
Other	164	183	1,545
Total long-term liabilities	<u>40,285</u>	<u>43,250</u>	<u>379,510</u>
Minority interests	1,813	1,665	17,080
Contingent Liabilities (Note 10)			
Shareholders' equity:			
Common stock, ¥50 par value:			
Authorized—426,000,000 shares:			
Issued— 194,881,287 shares in 2000			
196,881,287 shares in 1999	16,529	16,529	155,713
Additional paid-in capital	13,562	13,562	127,763
Retained earnings (Note 7)	88,731	84,569	835,902
Less treasury stock, at cost.....	(2)	(2)	(19)
Total shareholders' equity	<u>118,820</u>	<u>114,658</u>	<u>1,119,359</u>
Total liabilities and shareholders' equity	<u>¥216,896</u>	<u>¥231,081</u>	<u>\$2,043,297</u>

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

Nippon Shokubai Co., Ltd. and Consolidated Subsidiaries

	Year ended March 31,		
	2000	1999	2000
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 2)</i>
Net sales (Note 13)	¥162,461	¥160,190	\$1,530,485
Cost of sales (Note 8)	125,753	120,613	1,184,673
Gross profit	36,708	39,577	345,812
Selling, general and administrative expenses (Note 8)	30,086	30,671	283,429
Operating income (Note 13)	6,622	8,906	62,383
Other income (expenses):			
Interest and dividend income	532	767	5,012
Interest expense	(1,212)	(1,361)	(11,417)
Gain (loss) on sales of investments in securities	886	(314)	8,347
Royalty income	673	955	6,340
Loss on devaluation of investments in securities	(208)	—	(1,959)
Equity in (losses) earnings of unconsolidated subsidiaries and affiliates	(1,372)	142	(12,925)
Other, net	(572)	(1,170)	(5,390)
Income before income taxes and minority interests	5,349	7,925	50,391
Income taxes (Note 6):			
Current	2,858	3,156	26,924
Deferred	(402)	—	(3,787)
	2,456	3,156	23,137
Income before minority interests	2,893	4,769	27,254
Minority interests in earnings of consolidated subsidiaries.....	(234)	(319)	(2,205)
Net income (Note 11)	¥ 2,659	¥4,450	\$ 25,049

See accompanying notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Nippon Shokubai Co., Ltd. and Consolidated Subsidiaries

	Year ended March 31,		
	2000	1999	2000
	(Millions of yen)		(Thousands of U.S. dollars) (Note 2)
Common stock:			
Balance at beginning and end of year	<u>¥16,529</u>	¥16,529	<u>\$155,713</u>
Additional paid-in capital:			
Balance at beginning and end of the year	<u>¥13,562</u>	¥13,562	<u>\$127,763</u>
Retained earnings:			
Balance at beginning of the year	¥84,569	¥81,582	\$796,693
Prior year's adjustment for deferred income taxes	4,202	—	39,585
Net income	2,659	4,450	25,049
Cash dividends	(1,378)	(1,378)	(12,981)
Bonuses to directors and corporate auditors	(88)	(85)	(829)
Increase in retained earnings resulting from inclusion of consolidated subsidiaries	63	—	593
Decrease in retained earnings resulting from exclusion of consolidated subsidiaries	(225)	—	(2,120)
Decrease in retained earnings resulting from addition of companies accounted for by the equity method	(90)	—	(847)
Retirement of treasury stock	(981)	—	(9,241)
Balance at end of year	<u>¥88,731</u>	¥84,569	<u>\$835,902</u>

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Nippon Shokubai Co., Ltd. and Consolidated Subsidiaries

	Year ended March 31,	
	2000	2000
	(Millions of yen)	(Thousands of U.S. dollars) (Note 2)
Operating activities:		
Income before income taxes and minority interests	¥ 5,349	\$ 50,391
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:		
Depreciation and amortization	12,475	117,522
Reversal of retirement allowances	(504)	(4,748)
Interest and dividend income	(532)	(5,012)
Interest expense	1,212	11,417
Equity in losses of unconsolidated subsidiaries and affiliates	1,372	12,925
Gain on sale of investments in securities	(862)	(8,121)
Loss on devaluation of investments in securities	208	1,959
Loss on disposal of property, plant and equipment	236	2,223
Other, net	454	4,278
Changes in operating assets and liabilities:		
Notes and accounts receivable	839	7,904
Inventories	2,893	27,254
Other current assets	1,013	9,543
Notes and accounts payable	(3,210)	(30,240)
Other current liabilities	702	6,614
Subtotal	21,645	203,909
Interest and dividend income received	532	5,012
Interest paid	(1,358)	(12,793)
Income taxes paid	(2,534)	(23,872)
Net cash provided by operating activities	18,285	172,256
Investing activities:		
Decrease in time deposits	3,199	30,137
Proceeds from sales of marketable securities and investments in securities	6,774	63,815
Purchases of marketable securities and investments in securities Purchases of property, plant and equipment	(4,665)	(43,947)
Purchases of property, plant and equipment	(9,971)	(93,933)
Increase in loans receivable	(629)	(5,926)
Collection of loans receivable	206	1,941
Other, net	(624)	(5,879)
Net cash used in investing activities	(5,710)	(53,792)

	Year ended March 31,	
	2000	2000
	(Millions of yen)	(Thousands of U.S. dollars) (Note 2)
Financing activities:		
Decrease in short-term bank loans, net	¥ (1,259)	\$ (11,861)
Proceeds from long-term debt	6,070	57,183
Repayment of long-term debt	(15,901)	(149,797)
Purchases of treasury stock	(981)	(9,241)
Cash dividends paid	(1,378)	(12,981)
Other, net	(15)	(142)
Net cash used in financing activities	(13,464)	(126,839)
Effects of exchange rate changes on cash and cash equivalents ..	77	725
Decrease in cash and cash equivalents	(812)	(7,650)
Cash and cash equivalents at beginning of year	23,767	223,900
Decrease in cash and cash equivalents resulting from change in number of consolidated subsidiaries	(128)	(1,205)
Cash and cash equivalents at end of year	¥22,827	\$215,045

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Nippon Shokubai Co., Ltd. and Consolidated Subsidiaries
 March 31, 2000

1. Summary of Significant Accounting Policies

(a) Basis of Presentation of Consolidated Financial Statements

Nippon Shokubai Co., Ltd. (the "Company") and its domestic consolidated subsidiaries maintain their accounts and records in accordance with accounting principles and practices generally accepted and applied in Japan. Its foreign subsidiaries maintain their accounts in conformity with the requirements of their countries of domicile. The accompanying consolidated financial statements have been compiled from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of Japan, which may differ in certain material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

(b) Basis of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its significant subsidiaries. All significant intercompany items have been eliminated in consolidation.

The foreign consolidated subsidiaries are consolidated on the basis of fiscal periods ending December 31, which differs from the balance sheet date of the Company. As a result, adjustments have been made for any significant intercompany transactions which took place during the period between the year ends of these foreign consolidated subsidiaries and the year end of the Company.

Under a revised accounting standard for consolidated financial statement, which become effective April 1, 1999, the Company is principally required to consolidate all entities which are effectively controlled by the Company unless such control is considered temporary. The effect of the application of this new accounting standard for consolidated financial statements was immaterial.

Investments in an unconsolidated subsidiary and significant affiliates are stated at cost plus equity in their undistributed earnings or losses. Consolidated net income includes the Company's equity in the current net income or losses of such companies, after the elimination of unrealized intercompany profits.

Investments in unconsolidated subsidiaries and affiliates not accounted for by the equity method are carried at cost.

The excess of cost over underlying net assets at the date of acquisition is amortized over a period of

five years on a straight-line basis, except that immaterial amounts are charged to income as incurred.

(c) Foreign Currency Translation

The financial statements of the foreign consolidated subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date except that the components of shareholders' equity are translated at their historical exchange rates. Translation differences resulting from translating the financial statements of the foreign consolidated subsidiaries are not included in the determination of net income but are presented as translation adjustments in the consolidated balance sheets.

Revenue and expense items arising from transactions denominated in foreign currencies are generally translated into Japanese yen at the rates in effective at the respective transaction dates.

Short-term receivables and payables denominated in foreign currencies are translated into yen at the exchange rates prevailing at the balance sheet date, or at the applicable exchange rates under forward foreign exchange contracts.

Long-term receivables and payables denominated in foreign currencies, including investments in securities, are translated at their historical rates.

Gains and losses on foreign exchange are credited or charged to income in the period in which such gains and losses are recognized for financial reporting purposes.

(d) Consolidated Statement of Cash Flows

The Company has initially adopted "Accounting Standards for Consolidated Statements of Cash Flows" issued by the Business Accounting Deliberation Council of Japan which requires the preparation and disclosure of a consolidated statement of cash flows as part of the basic consolidated financial statements effective the year ended March 31, 2000.

For the purposes of the consolidated statement of cash flows for the year ended March 31, 2000, cash and cash equivalents include cash on hand and in banks and other highly liquid investments with maturities of three months or less when purchased.

(e) Inventories

Inventories of the Company and its consolidated subsidiaries are stated principally at the lower of cost or market, cost being determined by the last-in, first-out method.

(f) Property, Plant and Equipment

Property, plant and equipment is stated on the basis of cost. Depreciation is computed principally by the declining-balance method over the estimated useful lives of the respective assets, except for the foreign consolidated subsidiaries which compute depreciation by the straight-line method over the estimated useful lives of the respective assets.

(g) Leases

Non-cancelable leases of the Company and its domestic consolidated subsidiaries are accounted for as operating leases (whether such leases are classified as operating or finance leases) except that lease agreements which stipulate the transfer of ownership of the leased assets to the lessee are accounted for as finance leases. However, leases of the foreign consolidated subsidiaries are generally classified and accounted for as either finance or operating leases.

(h) Marketable Securities and Investments in Securities

Marketable securities and investments in securities are stated principally at cost determined by the average method.

(i) Research and Development Costs and Computer Software

Research and development costs are charged to income when incurred. Expenditures relating to computer software developed for internal use are charged to income as incurred, except if these are deemed to contribute to the generation of future income or cost savings. Such expenditures are capitalized as assets and amortized by the straight-line method over their useful lives, generally a period of 5 years. "Accounting Standards for Research and Development costs, etc." which was issued by the Business Accounting Deliberation Council of Japan has been adopted effective April 1, 1999.

(j) Income Taxes

Income taxes are calculated on taxable income and charged to income on an accrual basis. Certain temporary differences exist between taxable income and income reported for financial statement purposes which enter into the determination of taxable income in a different period. Effective April 1, 1999, the Company has initially adopted "Financial

Accounting Standards on Accounting for Effects on Income Taxes" which was issued by Business Accounting Deliberation Council of Japan and has recognized the tax effect of temporary differences in its consolidated financial statements. The cumulative effect of this adoption of tax-effect accounting through the beginning of the current year has been reported as prior year's adjustment for deferred income taxes in the consolidated statements of shareholders' equity. As a result of this change in method of accounting, retained earnings at March 31, 2000 and net income for the year ended March 31, 2000 increased by ¥4,604 million (\$43,372 thousand) and ¥402 million (\$3,787 thousand), respectively, from the amounts which would have been recorded if the method applied in the previous year had been followed.

(k) Retirement Allowances and Pension Plans

The Company's employees are covered by an employees' retirement allowances plan and an employees' pension plan. The employees' retirement allowances plan provides for a lump-sum payment determined by reference to the rate of pay, years of service and certain other factors. The employees' pension plan, which is contributory and funded, was instituted to replace 60% of the benefits under the retirement allowances plan for employees who retire at the mandatory retirement age, and 10% of the benefits under the retirement allowances plan for employees who retire at age 50 or older and after 3 or more years of service. The assets of the pension plan at March 31, 2000 amounted to ¥11,066 million (\$104,249 thousand).

The domestic consolidated subsidiaries have either unfunded employees' retirement allowances plans and/or pension plans which are noncontributory and funded and which cover substantially all their employees. These plans provide for lump-sum payments and/or annuity payments payable upon termination of employment.

The liability for retirement allowances is stated at the amount which would be required to be paid if all eligible employees terminated their employment involuntarily as of March 31, 2000 and 1999, less the balance of the funds in the pension plan.

In addition, directors and corporate auditors of the Company and certain consolidated subsidiaries are customarily entitled to lump-sum payments under their respective unfunded retirement allowances plans. The provision for retirement allow-

ances for these officers has been made at an estimated amount.

(I) Appropriation of Retained Earnings

Under the Commercial Code of Japan, the appropriation of retained earnings with respect to a given financial period is made by resolution of the shareholders at a general meeting held subsequent to the close of such financial period. The accounts for that period do not, therefore, reflect such appropriations (See Note 14).

2. U.S. Dollar Amounts

The translation of yen amounts into U.S. dollar amounts is included solely for convenience, as a matter of arithmetic computation only, at the rate of ¥106.15 = U.S.\$1.00, the approximate rate of exchange in effect on March 31, 2000. The translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

3. Marketable Securities and Investments in Securities

Information with respect to the carrying amount and market value of the marketable equity securities included in marketable securities and investments in securities at March 31, 2000 is summarized as follows:

	2000		2000	
	(Millions of yen)		(Thousands of U.S. dollars)	
	Carrying Amount	Market Value	Carrying Amount	Market Value
Marketable securities	¥8	¥8	\$75	\$75
Investments in securities	<u>¥11,962</u>	<u>¥24,146</u>	<u>\$112,689</u>	<u>\$227,470</u>

4. Inventories

Inventories at March 31, 2000 and 1999 were as follows:

	2000	1999	2000
	(Millions of yen)		(Thousands of U.S. dollars)
Merchandise and finished goods	¥10,735	¥12,916	\$101,131
Raw materials	5,982	5,207	56,354
Work in process	6,367	7,973	59,981
Supplies	1,324	1,542	12,473
	<u>¥24,408</u>	<u>¥27,638</u>	<u>\$229,939</u>

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

Short-term bank loans consisted mainly of unsecured loans. The average interest rates of the short-term bank loans outstanding at March 31, 2000 and 1999 were 0.81% and 1.49%, respectively.

Long-term debt at March 31, 2000 and 1999 consisted of the following:

	2000	1999	2000
	(Millions of yen)		(Thousands of U.S. dollars)
5.9% unsecured bonds due July 1999	¥ —	¥ 6,000	\$ —
5.7% unsecured bonds due July 1999	—	4,000	—
1.425% unsecured bonds due November 2002	5,000	5,000	47,103
1.85% unsecured bonds due November 2004	5,000	5,000	47,103
Unsecured loans from banks and insurance companies, payable in yen, at rates from 0.97% to 4.00% due through 2005	16,371	14,720	154,226
Unsecured loans from banks payable in U.S. dollars, at rates from 7.13% to 7.66%, due through 2002	2,458	803	23,156
Secured loans from banks and insurance companies, payable in yen, at rates from 1.10% to 5.60% due through 2008	6,432	9,654	60,593
	<u>35,261</u>	<u>45,177</u>	<u>332,181</u>
Less current portion	<u>(5,520)</u>	<u>(12,987)</u>	<u>(52,002)</u>
	<u>¥29,741</u>	<u>¥32,190</u>	<u>\$280,179</u>

The aggregate annual maturities of long-term debt subsequent to March 31, 2000 are summarized below:

Year ending March 31	(Millions of yen)	(Thousands of U.S. dollars)
2001	¥5,520	\$52,002
2002	6,536	61,573
2003	12,297	115,846
2004	3,005	28,309
2005 and thereafter	7,903	74,451
	¥35,261	\$332,181

Assets pledged as collateral for long-term debt, including the current portions, and accounts and notes payable at March 31, 2000 and 1999 were as follows:

	2000	1999	2000
	(Millions of yen)		(Thousands of U.S. dollars)
Cash in banks	¥ 278	¥ 218	\$ 2,619
Buildings and structures	1,003	1,085	9,449
Machinery and equipment	1,191	1,527	11,220
Land	1,145	1,647	10,786
Investments in securities	4,193	8,232	39,501
	¥7,810	¥12,709	\$73,575

6. Income Taxes

Income taxes applicable to the Company and its domestic consolidated subsidiaries consist of corporation, inhabitants' and enterprise taxes. The statutory tax rates in Japan for the years ended March 31, 2000 and 1999 were, in the aggregate, approximately 42% and 47%, respectively. The effective tax rate reflected in the consolidated statements of income for the year ended March 31, 2000 differs from the above statutory tax rate for the following reasons:

	2000
Statutory tax rates	42.0%
Effect of:	
Equity in losses of an unconsolidated subsidiary and affiliates	10.4
Exclusion from equity method	(4.0)
Permanently nondeductible expenses	2.3
Permanently nontaxable dividends received	(1.8)
Foreign tax credits	(3.1)
Other, net	0.1
Effective tax rates	45.9%

Deferred income taxes reflect the net tax effect of the temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the corresponding tax bases reported for income tax purposes. The significant components of the deferred tax assets and liabilities of the Company and consolidated subsidiaries at March 31, 2000 are summarized as follows:

	2000	2000
	(Millions of yen)	(Thousands of U.S. dollars)
Deferred tax assets:		
Accrued severance benefits	¥2,636	\$24,833
Intercompany profit on inventories and property, plant and equipment	774	7,292
Reserve for repairs	982	9,251
Depreciation and amortization ..	442	4,164
Accrued employees' bonuses	241	2,270
Accrued enterprise tax	139	1,309
Other	333	3,137
Total deferred tax assets	5,547	52,256
Deferred tax liabilities:		
Deferred capital gains on property	(463)	(4,361)
Reserve for depreciation for tax deductible purposes	(238)	(2,242)
Other	(45)	(424)
Total deferred tax liabilities	(746)	(7,027)
Net deferred tax assets	¥4,801	\$45,229

7. Retained Earnings

The Commercial Code of Japan provides that an amount which is at least 10% of cash dividends and bonuses paid to directors and corporate auditors and exactly 10% of interim cash dividends paid be appropriated to the legal reserve until such reserve equals 25% of the stated capital. The Code also provides that neither additional paid-in capital nor the legal reserve is available for dividends but both may be used to reduce or eliminate a deficit by resolution of the shareholders or may be transferred to stated capital by resolution of the Board of Directors. Retained earnings include the legal reserve provided in accordance with the provisions of the Commercial Code. The legal reserve of the Company included in retained earnings at March 31, 2000 and 1999 amounted to ¥3,691 million (\$34,772 thousand) and ¥3,542 million, respectively.

8. Research and Development Costs

Research and development costs included in cost of sales and selling, general and administrative expenses for the years ended March 31, 2000 and 1999 totaled ¥9,546 million (\$ 89,929 thousand) and ¥10,287 million, respectively.

9. Leases

The following pro forma amounts represent the acquisition costs (including the interest portion), accumulated depreciation and net book value of the leased assets as of March 31, 2000 and 1999, which would have been reflected in the balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

	2000	1999	2000
	(Millions of yen)		(Thousands of U.S. dollars)
Machinery and equipment:			
Acquisition costs	¥1,008	¥1,052	\$9,496
Accumulated depreciation	(534)	(441)	(5,031)
Net book value	¥474	¥611	\$4,465

Lease payments relating to finance leases accounted for as operating leases amounted to ¥232 million (\$2,186 thousand) and ¥213 million for the years ended March 31, 2000 and 1999, respectively. Depreciation of the leased assets calculated by the straight-line method over the respective lease terms amounted to ¥232 million (\$ 2,186 thousand) and ¥213 million for the years ended March 31, 2000

and 1999, respectively.

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2000 for finance leases accounted for as operating leases are summarized as follows:

Years ending March 31,	(Millions of yen)	(Thousands of U.S. dollars)
2001	¥201	\$1,893
2002 and thereafter	273	2,572
	¥474	\$4,465

10. Contingent Liabilities

At March 31, 2000, the Company and consolidated subsidiaries were contingently liable as guarantors of indebtedness of the Company's employees, affiliates and other in the aggregate amount of ¥14,650 million (\$ 138,012 thousand).

In addition, at March 31, 2000, the Company and consolidated subsidiaries had contingent liabilities arising from notes discounted by banks and notes endorsed and delivered for payment to vendors in the aggregate amount of ¥1,393 million (\$13,123 thousand).

11. Amounts Per Share

	2000	1999	2000
	(yen)	(yen)	(U.S. dollars)
Net income	¥13.54	¥22.61	\$0.13
Cash dividends	7.00	7.00	0.07
Net assets	609.72	582.39	5.74

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

Cash dividends per share represent the cash dividends declared as applicable to the respective years together with the interim cash dividends paid.

Net assets per share are based on the number of shares outstanding at the respective balance sheet dates.

12. Derivatives

Derivative financial instruments are utilized by the Company and consolidated subsidiaries principally to reduce the risk of fluctuation in interest rates and foreign exchange rates. The Company has established a control environment which includes policies and procedures for risk assessment and for the approval, reporting and monitoring of transac-

tions involving derivatives. The Company and consolidated subsidiaries do not hold or issue derivative financial instruments for trading purposes.

The Company and consolidated subsidiaries are exposed to certain market risks arising from forward foreign exchange contracts and swap agreements. The Company and consolidated subsidiaries are also exposed to the risk of credit loss in the event of non-performance by the counterparties to the currency and interest rate contracts; however, the Company and consolidated subsidiaries do not anticipate non-performance by any of these counterparties, all of whom are financial institutions with high credit ratings.

At March 31, 2000, a consolidated subsidiary had

certain interest rate swap positions outstanding. The total fair value of these positions was immaterial.

13. Segment Information

The Company and consolidated subsidiaries are primarily engaged in the manufacture and sale of products in Japan and overseas in the following business segments : business in the chemicals segments conducted principally by the Company.

Business Segments

The business segment information for the Company and consolidated subsidiaries for the years ended March 31, 2000 and 1999 is outlined as follows:

	Year ended March 31, 2000				
	Chemicals	Other	Total	Eliminations/ Corporate	Consolidated
	(Millions of yen)				
I. Sales and operating income					
Sales to third parties	¥ 159,907	¥ 2,554	¥ 162,461	¥ —	¥ 162,461
Intergroup sales and transfers	5	8,956	8,961	(8,961)	—
Total sales	159,912	11,510	171,422	(8,961)	162,461
Operating expenses	154,231	10,702	164,933	(9,094)	155,839
Operating income	¥ 5,681	¥ 808	¥ 6,489	¥ 133	¥ 6,622
II. Assets, depreciation and capital expenditures					
Total assets	¥176,708	¥8,475	¥ 185,183	¥ 31,713	¥ 216,896
Depreciation and amortization	12,329	340	12,669	56	12,725
Capital expenditures	4,126	83	4,209	—	4,209
	Year ended March 31, 1999				
	Chemicals	Other	Total	Eliminations/ Corporate	Consolidated
	(Millions of yen)				
I. Sales and operating income					
Sales to third parties	¥157,706	¥2,484	¥160,190	¥ —	¥160,190
Intergroup sales and transfers	—	9,555	9,555	(9,555)	—
Total sales	157,706	12,039	169,745	(9,555)	160,190
Operating expenses	149,781	11,189	160,970	(9,686)	151,284
Operating income	¥7,925	¥850	¥8,775	¥131	¥8,906
II. Assets, depreciation and capital expenditures					
Total assets	¥176,999	¥8,506	¥185,505	¥45,576	¥231,081
Depreciation	12,054	407	12,461	176	12,637
Capital expenditures	21,052	130	21,182	0	21,182

	Year ended March 31, 2000				
	Chemicals	Other	Total	Eliminations/ Corporate	Consolidated
	(Thousands of U.S. dollars)				
I. Sales and operating income					
Sales to third parties	\$1,506,425	\$24,060	\$1,530,485	\$ —	\$1,530,485
Intergroup sales and transfers	47	84,371	84,418	(84,418)	—
Total sales	1,506,472	108,431	1,614,903	(84,418)	1,530,485
Operating expenses	1,452,954	100,819	1,553,773	(85,671)	1,468,102
Operating income	\$ 53,518	\$ 7,612	\$ 61,130	\$ 1,253	\$62,383
II. Assets, depreciation and capital expenditures					
Total assets	\$1,664,701	\$79,840	\$1,744,541	\$298,756	\$2,043,297
Depreciation	116,146	3,203	119,349	528	119,877
Capital expenditures	38,869	782	39,651	—	39,651

Geographical Areas

As more than 90% of the consolidated net sales for the year ended March 31, 1999 were made in Japan, the disclosure of geographical segment information has been omitted.

The geographical segment information for the Company and consolidated subsidiaries for the year ended March 31, 2000 is outlined as follows:

	Year ended March 31, 2000				
	Japan	Foreign	Total	Eliminations/ corporate	Consolidated
	(Millions of yen)				
I. Sales and operating income					
Sales to third parties	¥143,363	¥19,098	¥162,461	¥ —	¥162,461
Intergroup sales and transfers	7,664	29	7,693	(7,693)	—
Total sales	151,027	19,127	170,154	(7,693)	162,461
Operating expenses	145,628	18,008	163,636	(7,797)	155,839
Operating income	¥5,399	¥1,119	¥ 6,518	¥104	¥ 6,622
II. Total assets					
	¥167,552	¥17,288	¥184,840	¥ 32,056	¥216,896

	Year ended March 31, 2000				
	Japan	Foreign	Total	Eliminations/ corporate	Consolidated
	(Thousands of U.S. dollars)				
I. Sales and operating income					
Sales to third parties	\$1,350,570	\$179,915	\$1,530,485	\$ —	\$1,530,485
Intergroup sales and transfers	72,200	273	72,473	(72,473)	—
Total sales	1,422,770	180,188	1,602,958	(72,473)	1,530,485
Operating expenses	1,371,908	169,647	1,541,555	(73,453)	1,468,102
Operating income	\$ 50,862	\$ 10,541	\$ 61,403	\$ 980	\$ 62,383
II. Total assets					
	\$1,578,445	\$162,864	\$1,741,309	\$301,988	\$2,043,297

Overseas Sales

Overseas sales, which include export sales of the Company and the domestic consolidated subsidiaries and sales (other than exports to Japan) of the foreign consolidated subsidiaries, for the years ended March 31, 2000 and 1999 are summarized as follows:

	Year ended March 31, 2000				
	Asia	Europe	America	Other	Total
	(Millions of yen)				
Overseas sales	¥20,119	¥15,405	¥13,905	¥5,191	¥54,620
Overseas sales as a percentage of consolidated net sales	12.4%	9.5%	8.5%	3.2%	33.6%
	Year ended March 31, 1999				
	Asia	Europe	America	Other	Total
	(Millions of yen)				
Overseas sales	¥18,646	¥14,551	¥15,706	¥4,285	¥53,188
Overseas sales as a percentage of consolidated net sales	11.6%	9.1%	9.8%	2.7%	33.2%
	Year ended March 31, 2000				
	Asia	Europe	America	Other	Total
	(Thousands of U.S. dollars)				
Overseas sales	\$189,534	\$145,125	\$130,994	\$48,902	\$514,555

14. Subsequent Events

(1) On June 19, 2000, the Company entered into an agreement to acquire 24,545 thousand shares of P.T. Nisshoku Tripolyta Acrylindo, an affiliate of the Company, from P.T. Tri Polyta Indonesia Tbk. As a result of this acquisition, P.T. Nisshoku Tripolyta Acrylindo will become a 90.9%-owned subsidiary.

(2) The following appropriations of retained earnings of the Company, which have not been reflected in the consolidated financial statements for the year ended March 31, 2000, were approved at a shareholders' meeting held on June 27, 2000:

	(Millions of yen)	(Thousands of U.S. dollars)
Cash dividends (¥3.50 = \$ 0.03 per share)	¥682	\$6,425
Bonuses to directors and corporate auditors	77	725
	¥759	\$7,150



Corporate Data

NIPPON SHOKUBAI CO., LTD.

Incorporated

August 21, 1941

Common Stock

Authorized: 424,000,000 shares

Issued: 194,881,287 shares

Capital

¥16,529,413,238

Number of Employees

2,279

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, 2000)

Board of Directors

Chairman:

Kenji Aida

President:

Hiroshi Yanagida

Executive Managing Director:

Yasumasa Oba

Senior Managing Directors:

Yoshinori Sano

Kinya Hasegawa

Managing Directors:

Takeo Munehiro

Tatsuo Konishi

Hisayoshi Jono

Kazunosuke Nagai

Keizo Maruyama

Directors:

Takahiro Toyohama

Tsumoru Yamada

Yutaka Morimoto

Yuji Noma

Norimitsu Konno

Tsuneyuki Nakashima

Michio Ueshima

Corporate Auditors:

Masaru Abe

Tadashi Kimura

Haruki Yoshida

Kaneyoshi Nishiyama

(As of June 27, 2000)

Consolidated Subsidiaries

Name	Paid-in Capital (millions)	Equity Ownership (%)	Principal Business	President
Nippon Chemicals Co., Ltd.*	¥517	67.9	Manufacture and sale of iodine, iodic compounds, and natural gas	Tadao Kondo
Nippon Polyester Co., Ltd.*	¥400	96.9	Manufacture and sale of synthetic resins and related additives	Yoshizumi Ozawa
Daiko Kaiun Co., Ltd.*	¥100	64.9	Transport	Katsunobu Kaneko
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	Seiji Yamaoka
Shinritsu Co., Ltd.*	¥40	73.1	Sale of chemical products	Toyohiko Kuniyama
Nisshoku Kosan Co., Ltd.*	¥32	100.0	Management of golf driving range and non-life insurance agent	Toshiyuki Sone
NA Industries, Inc.*	US\$1.025**	100.0	Manufacture and sale of super-absorbent polymers Technical liaison and business development	Katsumi Uchida
Ultrasorb Chemikalien GmbH*	DM2.0	100.0	Sale of superabsorbent polymers	Norihito Hirose
Nippon Shokubai (Asia) Pte. Ltd.*	S\$0.3	100.0	Sale of chemical products	Koichiro Yamada
Nihon Jyoryu Kogyo Co., Ltd.	¥90	46.6	Manufacture and sale of anthraquinone, carbazole, and their derivatives	Kensuke Kumazawa
ICT Co., Ltd.	¥270	50.0	Sale of automobile exhaust catalyst	Kazuo Koshida
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
P.T. Nisshoku Tripolyta Acrylindo	US\$60	50.0	Manufacture and sale of acrylic acid and acrylic esters	Takashi Onishi
Singapore MMA Monomer Pte. Ltd.	S\$58.9	40.0	Manufacture and sale of methacrylic acid and acrylic methacrylic esters	Kazutoshi Matsukawa
International Catalyst Technology, Inc.	US\$7.4	50.0	Manufacture and sale of automobile exhaust catalyst	J. Plessow

(as of June 30, 2000)

* Included in consolidation

American Acryl NA LLC, and American Acryl LP., are consolidated into NA Industries, Inc. by the equity method.
Nishinippon FRP Shipbuilding Co., Ltd. was liquidated on March 15, 2000.

** This item only thousand dollars

Directory

HEAD OFFICES

Osaka Office

Kogin Bldg.
4-1-1 Koraihashi, Chuo-ku
Osaka 541-0043, Japan
Telephone: 81-6-6223-9111
Facsimile: 81-6-6201-3716

Tokyo Office

Hibiya Dai Bldg.
1-2-2 Uchisaiwai-cho, Chiyoda-ku
Tokyo 100-0011, Japan
Telephone: 81-3-3506-7475
Facsimile: 81-3-3506-7598

SALES OFFICES

Nagoya Sales Office

Nagoya Mitsui Bldg., Annex
1-24-21 Meiekiminami, Nakamura-ku
Nagoya 450-0003, Japan

Fukuoka Sales Office

Hakata Bldg.
8-36 Hakataeki Chuogai, Hakata-ku
Fukuoka 812-0012, Japan

PLANTS

Kawasaki Chidori Plant

14-1 Chidori-cho, Kawasaki-ku
Kawasaki, Kanagawa 210-0865, Japan

Kawasaki Ukishima Plant

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

Himeji Plant

992-1 Aza Nishioki Okihama, Aboshi-ku
Himeji, Hyogo 671-1241, Japan

Suita Plant

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

LABORATORIES

Strategic Technology Research Center

5-8 Nishi Otabi-cho, Suita
Osaka 564-8512, Japan

Performance Chemicals & Materials Research Center

5-8 Nishi Otabi-cho, Suita
Osaka 564-8512, Japan

Polymers Research Center

5-8 Nishi Otabi-cho, Suita
Osaka 564-8512, Japan

Catalysts Research Center

992-1 Aza Nishioki Okihama, Aboshi-ku
Himeji, Hyogo 671-1241, Japan

Resins Research Center

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

Process Technology Center

992-1 Aza Nishioki Okihama, Aboshi-ku
Himeji, Hyogo 671-1241, Japan

OVERSEAS COMPANIES

NA Industries, Inc.

P.O. Box 5407
2651 Riverport Road
Chattanooga, TN 37406, U.S.A.

NIPPON SHOKUBAI (ASIA) PTE. LTD.

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

ULTRASORB Chemikalien GmbH

Niedenau 61-63
60325 Frankfurt am Main, Germany

NIPPON SHOKUBAI CO.,LTD.

Osaka Office
Kogin Bldg.
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