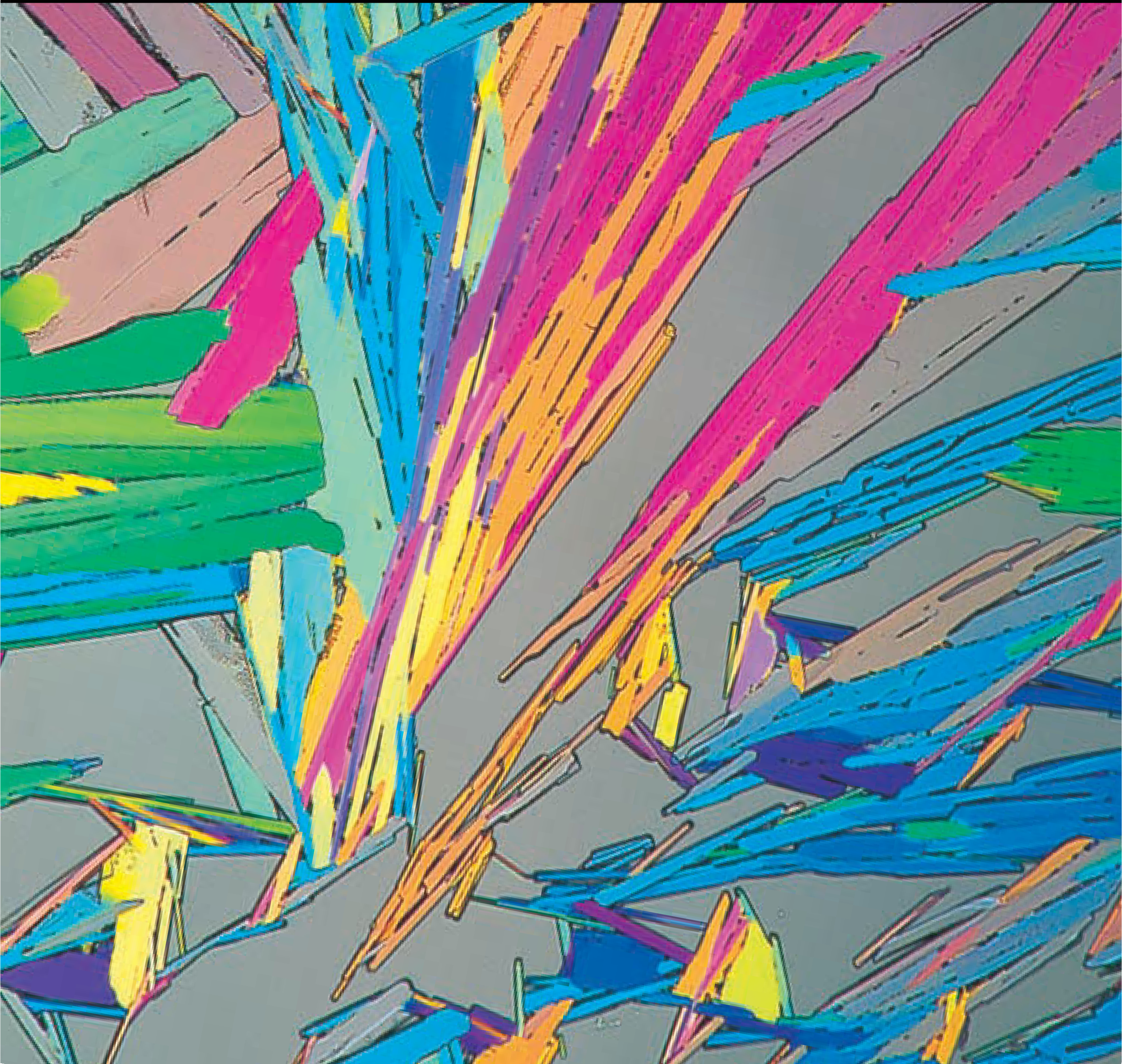
NIPPON SHOKUBAI

Annual Report 2005

"Making human life richer and more comfortable through technological innovations"



Profile

Basic Corporate Vision

We are aiming to be a "global company creating new values through unique technologies" with our corporate philosophy, "Techno Amenity; making human life richer and more comfortable through technological innovations."

Business Fields

Since the establishment in 1941, we have carried out original research and development in 4 major fields such as polymer synthesis, environment preservation system, organic synthesis, and catalyst technologies.

Our major products are 1)Basic Chemicals, such as acrylic acid, and ethylene oxide, higher alcohol surfactants, etc., 2)Functional Chemicals, such as super absorbent polymers, concrete admixture and resins for paints and adhesives, etc., and 3)Environment and Catalysts, such as catalysts for cleaning automobile exhaust gases, process catalysts, De-NOx catalysts and dioxins decomposition/ elimination equipments, etc.

In addition, our technologies for manufacturing chemical products are appreciated in foreign countries as well as our diversified line of products. We have licensed our technologies for manufacturing various chemicals such as acrylic acids and esters worldwide.

Created through our original technologies and know how, our products above have made various contributions to our society and daily life.

Contents

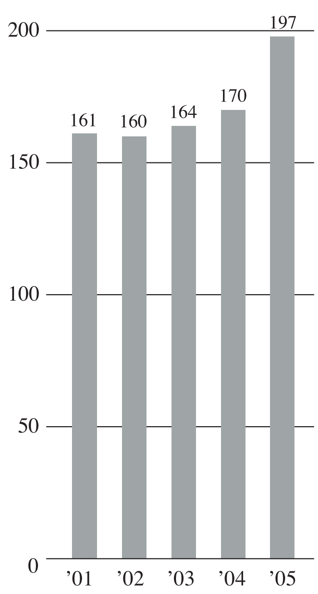
Financial Highlights

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

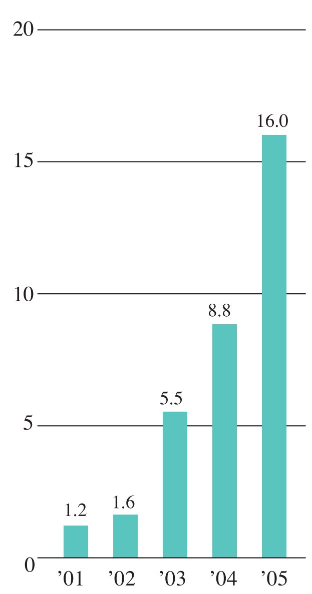
	Millions of yen			Thousands of U.S. dollars
	2005	2004	2003	**2005**
For the Year				
Net Sales	**¥197,222**	¥169,733	¥163,514	**$1,836,331**
Operating Income	**22,212**	15,450	12,757	**206,816**
Ordinary Income	**23,709**	17,212	10,971	**220,754**
Net Income	**15,705**	8,822	5,516	**146,229**
At Year-End				
Total Assets	**¥249,349**	¥220,185	¥216,756	**$2,321,685**
Total Shareholders' Equity	**144,660**	131,685	121,297	**1,346,927**
	Yen			U.S. dollars
Per Share Amounts				
Net Income	**¥81.37**	¥45.37	¥27.97	**$0.76**
Cash Dividends	**13.00**	9.00	7.00	**0.12**

Foreign Exchange Rate: US$1.00 = ¥107.4

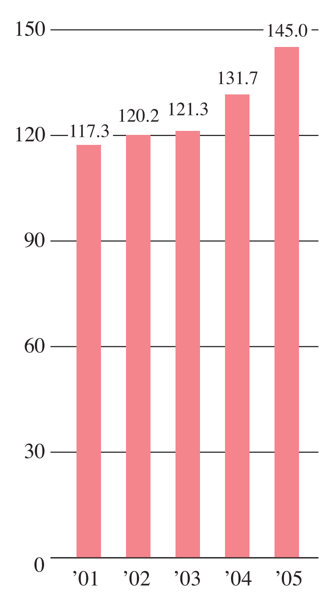
Net Sales
(Billions of yen)



Net Income
(Billions of yen)



Shareholders' Equity
(Billions of yen)



To Our Shareholders

Tadao Kondo, Representative Director, President

It gives me great pleasure to report on the performance of NIPPON SHOKUBAI CO., LTD., for the fiscal year ended March 31, 2005 (fiscal 2004).

Overview

During the fiscal year ended March 31, 2005 (fiscal 2004), the Japanese economy gathered momentum in the first half on the back of rising private-sector capital expenditures and export growth thanks to the turnaround of the global economy. Nevertheless, the pace of recovery started to slacken gradually in the latter half as growth in exports and personal consumption slowed.

Corporate performance picked up overall in the chemical industry, thanks to a rise in selling prices and a mild increase in exports to Asia, especially to China, although profitability was restricted somewhat by a steep rise in materials prices.

Under such circumstances, our consolidated net sales increased by ¥27,489 million, or 16.2% year-on-year, to ¥197,222 million, owing to a rise in the prices both at home and abroad of such Basic Chemicals as ethylene glycols and acrylic esters, brisk performance of automotive catalysts and Functional Chemicals like super absorbent polymers, and additional contributions from Singapore Acrylic Pte Ltd. in which we acquired a stake in July 2004.

Despite an increase in materials prices, driven by a steep rise in naphtha prices, consolidated operating income increased by ¥6,762 million, or 43.8% year-on-year, to ¥22,212 million, as a result of the rise in prices for Basic Chemicals, higher sales volumes of functional chemicals, and our focus on lowering production costs.

Performance Highlights

(Unit: millions of yen)

	Fiscal Year		Change	
	2004	2003	Amount	%
Net sales	197,222	169,733	27,489	16.2%
Operating income	22,212	15,450	6,762	43.8%
Ordinary income	23,709	17,212	6,496	37.7%
Net income	15,705	8,822	6,882	78.0%
Net income per share	¥81.37	¥45.37	¥36.0	79.3%
ROA	10.1%	7.9%	—	2.2 points
ROE	11.4%	7.0%	—	4.4 points
Exchange rate	\$=¥107.52 EUR=¥135.20	\$=¥113.11 EUR=¥132.64		(¥5.59) ¥2.56
Naphtha price	¥32,200/kl	¥25,600/kl		¥6,600/kl

Consolidated ordinary income increased by ¥6,496 million, or 37.7% year-on-year, to ¥23,709 million, and consolidated net income by ¥6,882 million, or 78.0% year-on-year, to ¥15,705 million, owing to an improvement in the financial balance, in spite of a decline in technical license revenues.

On a non-consolidated basis, net sales were ¥146,789 million, operating income, ¥15,251 million, ordinary income, ¥17,795 million, and net income, ¥11,063 million.

Considering the business environment and our performance, we decided to increase the year-end dividend per share to ¥6 and pay an additional ¥2 per share as a memorial dividend to celebrate our 65th anniversary, for a total of ¥8 per share. Together with the interim dividend, the annual dividend for this fiscal year amounts to ¥13 per share.

Medium- and Long-term Business Plans

In April 2001, we launched a six-year long-term business plan, "TechnoAmenity NV," as well as a medium-term business plan that served as an action plan for the first three-year period. The key objectives of the plans have been to achieve qualitative growth through sifting and/or concentrating our management resources, recognizing our strengths and weaknesses. With the start of fiscal 2004, we kicked off a new medium-term business plan, prepared on the results of the previous plan, to aim for further growth.

Summary of the Long-term Business Plan, "TechnoAmenity NV"

1. The vision of the Company for the future is to be a "global company creating new value through unique technology."

2. Guided by the slogan, "A Shift from Quantitative to Qualitative Growth for Our Development in the 21st Century," we are aiming to strengthen our staying power by sifting and/or concentrating our management resources in emerging product categories, establishing a business portfolio and defining where profit responsibility lies in existing categories, and revitalizing our personnel and the organization.

3. To increase the efficiency of our assets and the profitability of our products, we will use consolidated ROA (Return on Assets) as the indicator for overall performance, and, as the indicator for business operations, cash flows from operating activities and "sales profits" which is our original indicator.

Summary of the New Medium-term Business Plan

Under the new Medium-term Business Plan, we will stay the course laid out in the Long-term Business Plan, focusing on: (1) the continued strengthening of core businesses, and (2) acceleration of new product development and commercialization. We intend to deepen our corporate resilience by increasing the profitability of products to a level free from market conditions, attempting to minimize any negative impact from anticipated weakening of basic chemical prices.

Performance by Business Group and Region

(Unit: millions of yen)

	Fiscal Year 2004			Fiscal Year 2003			Change		
Product Group	Basic Chemicals	Functional Chemicals	Environment & Catalysts	Basic Chemicals	Functional Chemicals	Environment & Catalysts	Basic Chemicals	Functional Chemicals	Environment & Catalysts
Sales	80,027	99,355	17,840	63,320	90,647	15,766	16,707	8,708	2,074
Operating income	9,931	10,089	2,130	4,261	10,412	829	5,669	(323)	1,301

	Fiscal Year 2004				Fiscal Year 2003				Change			
Regional	Japan	Europe	Asia	Other Regions	Japan	Europe	Asia	Other Regions	Japan	Europe	Asia	Other Regions
Sales	147,020	22,701	17,611	9,890	135,576	18,818	6,693	8,646	11,444	3,884	10,917	1,244
Operating income	16,884	970	3,186	247	12,859	957	472	512	4,025	12	2,713	(266)

1. Continued strengthening of core businesses

In the acrylic acid business, we acquired 51% stake in Singapore Acrylic Pte Ltd. from Sumitomo Chemical Singapore Pte Ltd. and 100% stake in Singapore Glacial Acrylic Pte Ltd. (former Sumika Glacial Acrylic Pte Ltd) in July 2004, seeking a 30% increase of annual acrylic acid production capacity by debottlenecking in around July 2005. We are also expanding the Himeji Plant, with operations scheduled to start in the fall of 2006. These measures will increase our Group's annual acrylic acid production capacity to 620,000 tons.

In the super absorbent polymers business, our subsidiary NISSHOKU CHEMICAL INDUSTRY (ZHANGJIAGANG) CO., LTD., Jiangsu, China, completed a new plant with an annual capacity of 30,000 tons, which has gone into commercial operation on schedule. In Belgium, Nippon Shokubai Europe N.V. likewise started expanding their plant in October 2004 to boost annual output by 30,000 tons, with completion scheduled for the end of 2005. We are currently expanding the annual capacity at the Himeji Plant in Japan by 30,000 tons to coincide with the expansion of the acrylic acid production plants. Going forward, we plan to increase our Group's annual capacity of super absorbent polymers to 350,000 tons, to maintain our leading share of the global super absorbent polymer market.

In the ethylene oxide business, we aim to improve the sales mix in favor of non-EG (ethylene glycol) products by expediting development of new ethylene oxide derivative products, so we can stabilize profitability free from market conditions.

In other categories of business, we plan to release some of our internationally competitive products overseas, including Functional Chemicals like polycarboxylates for concrete admixtures, special acrylates and water soluble polyacrylates, automotive catalysts and De-NOx catalysts, by making effective use of our global network and the cash flows being generated through the worldwide development of core businesses and cost reductions. In line with this, our US subsidiary, NA Industries, Inc. has built a plant to produce water soluble polyacrylates, which went into operation in early 2005. In addition, we opened an office in Shanghai, China, at the end of 2004 to launch a full-scale effort to survey and develop markets for functional chemicals and De-NOx catalysts there.

2. Acceleration of new product development and commercialization

Our priority categories for new products are: electronic information materials, fine chemical intermediates such as pharmaceuticals, and new energy materials. Electronic information materials, above all, have top priority in the concentration of our management resources.

Swift response to market demand is the key to sharply accelerating product development and commercialization. We will maximize the benefits of the business unit system that we introduced in April 2004, furthering our partnerships with our customers through improvements to our existing lines and development of peripherals for them, as well as aggressive promotion of joint development, to act proactively in developing and bringing to market new products that provide solutions.

We would like to express our sincere appreciation and ask all of our shareholders for their continued support and guidance as we move forward.

June 2005

近藤忠夫

Tadao Kondo
Representative Director, President

Topics

Ramping up Production at a New Acrylic Acid Plant

On April 11, 2005, a groundbreaking ceremony was held for a new acrylic acid plant in the Himeji Plant. When it is completed, it will add 160,000 tons of capacity to the Company's annual output of acrylic acid.

In recent years there has been a rapid expansion of demand in acrylic acids for super absorbent polymers and acrylic esters (for adhesives and paints). To ensure a stable supply for our customers and materials for in-house consumption, we decided to establish a new plant. Together with the increase at Singapore Acrylic Pte Ltd. thanks to its debottleneck, when the new plant goes into operation in the fall of 2006, the Group's annual acrylic acid production capacity will total 620,000 tons, making us the second largest manufacturer of this commodity in the world.

The new plant incorporates a new process that will help us further reduce costs, and we expect it to sharpen our competitiveness.

Increasing Capacity at Super Absorbent Polymer Plants

Our Group is increasing production capacity of super absorbent polymers in order to meet the growing global demand.

In February 2005, our subsidiary NISSHOKU CHEMICAL INDUSTRY (ZHANGJIAGANG) CO., LTD., Jiangsu, China, put a new plant with an annual capacity of 30,000 tons into commercial operation. In Belgium, Nippon Shokubai Europe N.V. is currently constructing a plant that will boost its annual output by 30,000 tons, scheduled for completion by the end of 2005. We are currently expanding annual capacity of super absorbent polymers at the Himeji Plant in Japan by 30,000 tons to coincide with the expansion of the acrylic acid production plants. All in all, this will boost our Group's annual capacity of super absorbent polymers to 350,000 tons by 2006, making us the top manufacturer of super absorbent polymer in the world.

New Special Esters Plant

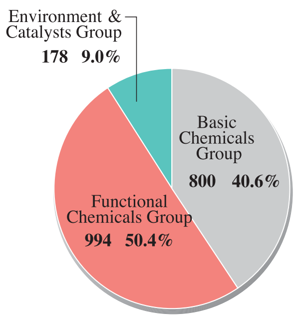
Construction of a special esters plant was completed at the Himeji Plant on January 21, 2005. With an annual capacity of 15,000 tons, the new plant incorporates several improvements, including higher production efficiency thanks to the recycling of catalysts and reduced production of industrial waste.

Special esters are derivatives of acrylic acid and methacrylic acid. Demand for these is increasing for such applications as high-end automobile paints and electronic information materials like resists for semiconductors and color filters. Combining the output at existing plants, the total annual output of the Group will expand to 29,000 tons, the largest in the world. We intend to accelerate our global reach, looking to acquire 25% of the world market.

Acrylic Acid plant in Himeji Plant

NISSHOKU CHEMICAL INDUSTRY (ZHANGJIAGANG) CO., LTD.

Breakdown and Component Ratio by Each Business Group
(100 millions of yen)



Basic Chemicals Group

Sales of acrylic acid and acrylic esters saw substantial increases, between brisk demand and price increases both at home and abroad and additional contributions from Singapore Acrylic Pte Ltd., a stake in which the Company acquired in July 2004.

Sales of ethylene glycols advanced owing to bullish international market conditions, but sales volumes, particularly of exports, decreased as inventory levels declined due to periodical maintenance of equipment.

Sales of ethylene oxide increased thanks to firm domestic demand.

Sales of ethanolamine increased thanks to continued firm demand from overseas.

Sales of the higher-alcohol surfactant “SOFTANOL” increased thanks to a correction in export prices.

Overall, sales for the Basic Chemicals Group grew 26.4% year-on-year to ¥80,027 million.

Operating income of this Group jumped by 133.0% year-on-year to ¥9,931 million, thanks to a rise in market prices of acrylic acid, acrylic esters, ethylene glycols, etc., both at home and abroad.


Paints (acrylic esters)

Functional Chemicals Group

The growing global demand for super absorbent polymers pushed up both sales volume.

Sales of resin modifiers and intermediates for pharmaceuticals increased on the back of firm demand both at home and abroad.

As prices proceeded to correct themselves due to a steep hike in raw materials prices, demand remained strong for maleic anhydride both at home and overseas, pushing up sales.

Sales of concrete admixtures increased, with demand stimulated by the introduction of a new product line.

Supported by firm demand both at home and abroad, sales of water treatments and raw materials for paints/resins increased.

Solid demand for organic and inorganic fine sphere particles at home resulted in sales growth.

Sales of resins for acrylic adhesives and paints advanced thanks to steady demand both at home and abroad. Sales of processed adhesive products and plastic molded products also increased.

Sales of iodine compounds increased on firm demand.

Sales of unsaturated polyester resins declined due to stagnant domestic demand.

Consequently, sales for the Functional Chemicals Group increased 9.6% year-on-year to ¥99,355 million.

Operating income of this Group declined 3.1% year-on-year to ¥10,089 million due to a rise in the price of some of the raw materials, while the sales of super absorbent polymers and resins for adhesives and paints increased.


LCD (organic and inorganic fine sphere particles)

Environment & Catalysts Group

Sales of automotive catalysts rose thanks to strong demand in export markets.

Sales of industrial catalysts through technology licensing increased because of strong replacement demand overseas.

Sales of equipment and catalysts for wastewater treatment plants advanced thanks to steady domestic demand.

Sales of De-NOx catalysts declined due to stagnant domestic demand.

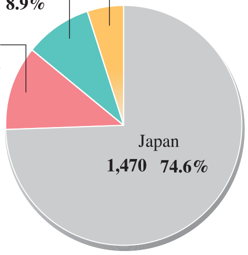
Consequently, sales for the Environment & Catalysts Group grew 13.2% to ¥17,840 million year-on-year.

Operating income of this Group surged 156.8% year-on-year to ¥2,130 million on the back of growth in sales of industrial catalysts through technology licensing, with its relatively higher added value.

Automotive catalysts/De-NOx catalysts

Regional Information

Breakdown and Component Ratio by Region
(100 millions of yen)



Japan

Sales in Japan increased by 8.4% year-on-year, to ¥147,020 million owing to a rise in the prices of Basic Chemicals and brisk performance of such Functional Chemicals as super absorbent polymers, resins for adhesives and paints.

Operating income in Japan increased by 31.3% year-on-year to ¥16,884 million, to which rise in market prices of Basic Chemicals' products and increased sales volumes of some Functional Chemicals' products contributed.

Europe

Supported by the stable sales of super absorbent polymers, net sales in Europe increased by 20.6% year-on-year to ¥22,701 million.

However, operating income in Europe was ¥970 million as just about the same as that in last fiscal year, due to the rise in raw material prices.

Asia

Net sales in Asia jumped by 163.1% year-on-year to ¥17,611 million due to the substantial increase of the sales of acrylic acid, acrylic esters and super absorbent polymers, and additional contributions from Singapore Acrylic Pte Ltd. and Singapore Glacial Acrylic Pte Ltd., stake in which the Company acquired in July 2004.

Operating income in Asia jumped by 573.0% year-on-year to ¥3,186 million, to which recovered market prices of acrylic acid and acrylic esters.

Other Regions

The net sales in other regions increased by 14.4 % year-on-year to ¥9,890 million due to the substantial sales volume of super absorbent polymers.

Operating income in other regions decreased by 51.9% year-on-year to ¥247 million due to the rise of raw materials prices.

Corporate Governance Initiatives

We are striving to reinforce our staying power and our competitive edge so that we can cope flexibly with any changes in the global marketplace. We regard corporate governance as key for achieving this goal, and are taking steps to revitalize the board of directors, strengthen the audit system, increase the efficiency of the management structure, and ensure tighter compliance.

To this end, in July 2004 we established a Responsible Care (RC) Office directly under the President. The RC Office ensures that existing management systems function properly in the broad areas of legal compliance, environmental preservation, safety and disaster prevention, occupational safety and health, chemical substance safety, and quality. The office is likewise charged with encouraging the entire Group to join hands to improve the levels of corporate environmental management and customer satisfaction.

The legal section also organizes in-house training on legal matters coincident with the establishment, revision and repeal of related laws, develops the concomitant in-house guidelines, and holds a series of training seminars on corporate legal affairs. During the year under review, the Office organized briefing seminars on the Personal Information Protection Act, the Subcontract Act, and acts related to security export controls. It also established related in-house guidelines and implemented programs designed to ensure compliance throughout the Group.

Corporate Governance System

–Corporate governance structure, administrative decision-making, executive, supervisory and administrative functions–

1. Company with an Auditor System or Company with Committees, etc.

The Company has adopted the auditor system as its corporate governance structure. Two of the four corporate auditors are outside auditors.

2. Board of Directors

As of March 31, 2005, the Company's board of directors is comprised of 15 directors, who deliberate and resolve matters relating to the execution of business operations and supervise the directors in the execution of their duties. In principle, the board of directors convenes once a month, chaired by the president. The four corporate auditors, including two from outside, attend the meeting to present statements when deemed necessary.

3. Corporate Management Committee

An advisory organ to the president, the corporate management committee deliberates basic management policies, matters relating to management policies, and the execution of important business operations by individual divisions. Agenda items referred to the corporate management committee that are deemed important are forwarded to the board of directors for deliberation. The corporate management committee is attended by the president, senior managing directors, managing directors and directors nominated by president. It is tasked with ensuring speedy decision-making and efficient business operations in the execution of important duties.

4. Board of Corporate Auditors

The Company's board of corporate auditors is comprised of four corporate auditors, including two outside auditors. In principle, the board of corporate auditors convenes once a month to report, discuss and resolve important matters. In addition to attending the meetings of the board of directors, the corporate auditors attend corporate management committee and other important meetings to monitor the process of making important decisions and the execution of business operations, receive reports from the accounting auditors, directors and others, and put forward an audit opinion following due consultation.

5. Lawyers, Accounting Auditors, and Other Third Parties

The Company solicits opinions from its legal advisors when decisions on legal issues are called for. The accounting auditors perform their services under the Commercial Code and Securities and Exchange Law of Japan, and their opinions are solicited when decisions on accounting issues are called for. None of the accounting auditors is involved in the management of the Company.

6. Risk Management Structure

The Company assigns pertinent departments to investigate and analyze any risk that might arise in the course of general business operations for the sake of its effective management. Following deliberation at management meetings and board of directors meetings, as the occasion demands, contingency plans are implemented.

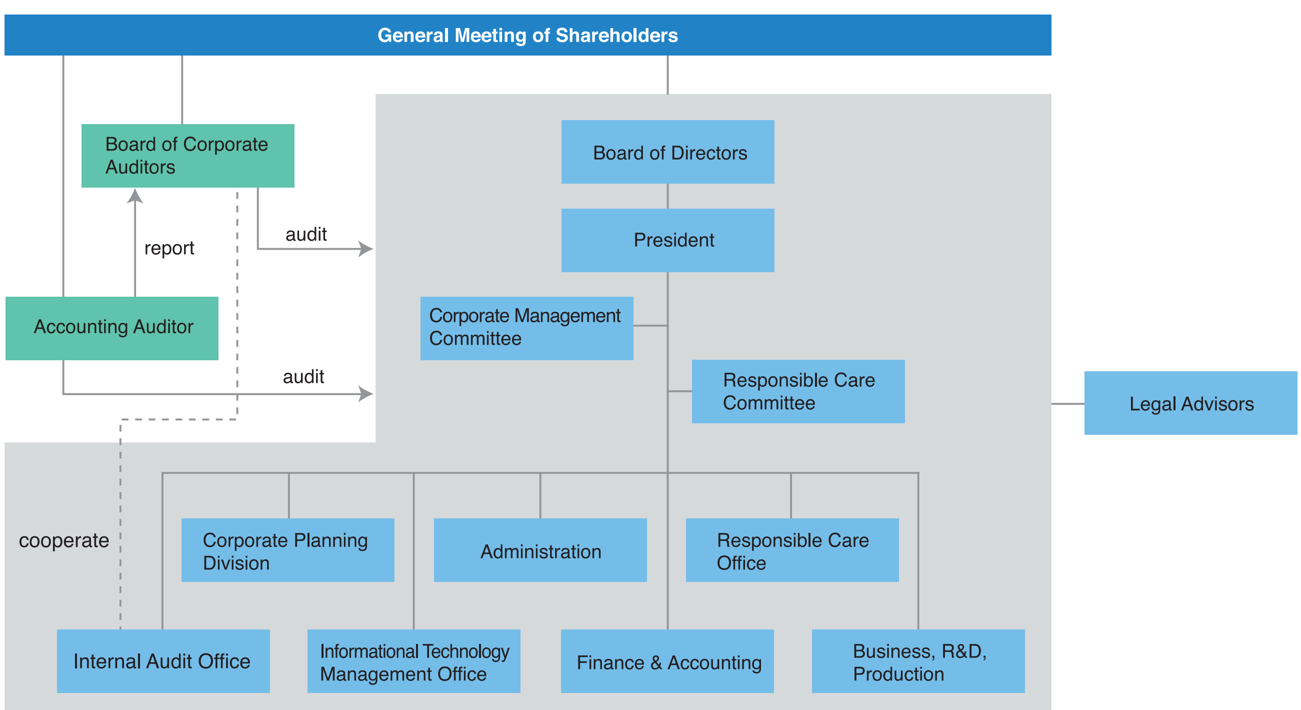
7. Internal Audit

We place the Internal Audit Office for carrying out internal audits (verify the adequacy and effectiveness of the business process in each division and report the results to the directors) and the Responsible Care Office for auditing responsible care activities.

8. Possible Conflicts of Interest Among Outside Directors and Auditors

The two current outside auditors have no personal or any other relationship through investments that could create a conflict of interest in the performance of their duties.

Corporate Governance System

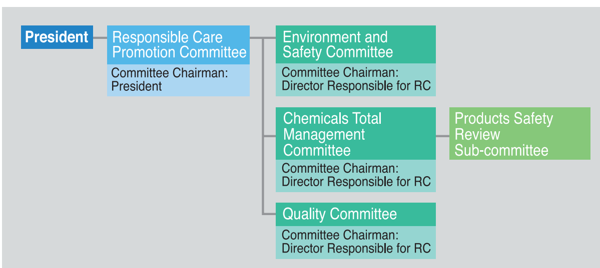


1. Nippon Shokubai's Fundamental Policy Regarding Environmental Preservation, Safety and Quality

Under the key concept "Sustainable Development," which is the fundamental policy of our corporate activities, and which serves to harmonize our activity with environmental preservation on global basis, we believe that we have to be a good corporate citizen of this world, and place a special emphasis on environmental preservation, safety and quality throughout the entire life cycle of our products from the development to disposal.

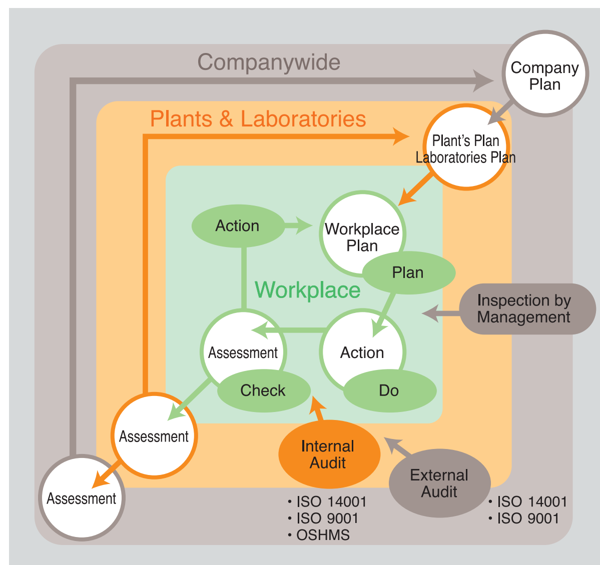
2. RC Promotion Organization

(1) RC Promotion System

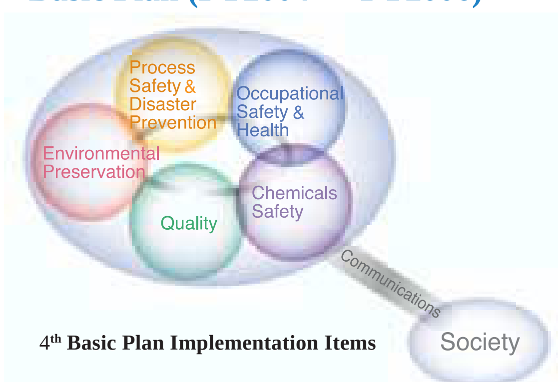


Note:"FY" Stands for fiscal year.

(2) RC Management System



3. 4th Medium-Term RC Promotion Basic Plan (FY2004 — FY2006)



4th Basic Plan Implementation Items

ISO Registration

ISO 14001 (EMS) :
Registrations of all operations completed in July 2001.

ISO 9001 (QMS):
Registrations of all operations complete. Upgrading to improved 2000 standards completed in 2003.

Goals

(1) Voluntarily pursuing goals in each of the related areas within the company

Environmental Preservation

- 50% reduction of emissions based on PRTR chemical substances. (vrs. FY2000)
- Reduction of amount of externally commissioned waste
  - 40% reduction of total externally commissioned waste disposal (vrs. FY2002)
  - Reduction of waste for external landfill disposal.
- Energy saving activities: maintain basic energy unit at FY1997 levels (112.6 L/t)

Process Safety and Disaster Prevention

- Zero disaster, 50% reduction of accidents. (vrs. FY2001 – FY2003)

Occupational Safety and Health

- Zero industrial injuries with lost workdays.
- 50% reduction of industrial injuries without lost workdays. (vrs. FY2001 – FY2003)

Chemicals Safety

- Zero problems on chemicals safety (legal or social).

Communications with Society

- Communication with regional communities regarding RC and hold events.

Quality

- Zero serious claims

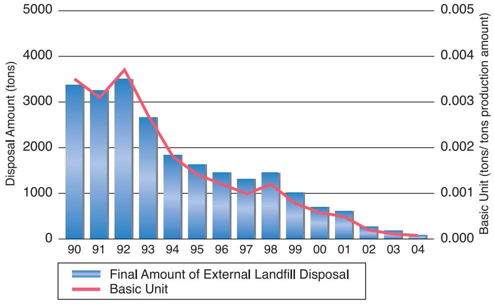
(2) Group RC activities in domestic & overseas

- Establishment of management systems by domestic and overseas affiliated companies for promoting RC activities.

4. RC Performance in FY2003

(1) Environmental Preservation
- ① Energy Saving
- ② Reduction of emissions based on PRTR chemical substances
- ③ Reduction of industrial wastes

Final Amount of External Landfill Disposal



(2) Process Safety and Disaster Prevention
- ① Prior facilities assessment and safety re-assessment by HAZOP method.
- ② Disaster prevention organization and training.
- ③ There have been no disasters in 8 years since FY1997.
- ④ Logistics safety: using Yellow Card system and training for transport emergencies.
- ⑤ Management of changes.
- ⑥ Implementation of RC inspections. (Theme: Safety Measures of Plant)

(3) Occupational Safety and Health

OSHMS (Occupational Safety and Health Management System) introduced since FY2001, self-verification.

(4) Chemicals Safety

Safety assessment of new chemicals, MSDS, LRI, HPV, container Yellow Card.

(5) Communications with regional communities

Regional activities (potato digging, conservation of local chrysanthemums "Noji-Giku"), participation to Regional Community Dialogue in Hyogo and Osaka area with JRCC.

Conservation of local chrysanthemums "Noji-Giku"

Potato digging

Regional Community Dialogue with JRCC (Osaka area)

Regional Community Dialogue with JRCC (Hyogo area)

(6) Quality
- Zero serious claim
- Green procurement activity
  Guarantee and disclosure of product's information (management of specific substances and no specific substances within products) and corporate information (integrating EMS) to customers.

(7) Group RC activities in domestic & overseas
- Reduction of environmental emissions, labor accidents, equipment troubles and quality claims & nonconformities
- Share of information

① Domestic-affiliated companies:
RC information exchange, case study work-shop in quality and mutual site inspections carried out twice annually.

② Overseas-affiliated companies:
Implementation of RC meeting for exchange of RC information in Himeji Plant.

PRTR: Pollutant Release and Transfer Register
A regulatory system which requires reporting of emission volumes of chemical substances into the air, water and soil and transferred volumes of wastes. Data compiled to the government bodies are disclosed to the public.

HAZOP: Hazard and Operability Studies
An execution to estimate the safety of plants.

Yellow Card:
A card stating the procedures to be taken and contact information for transporters, fire squads, and police in the event of an accident during the road transport of chemicals.

Management of Changes:
Program to ensure that proposed changes to plant operations are evaluated and approved before being implemented and that inadvertent or unintended changes are prevented so as to maintain the safety of employees, the public, and the environment, etc.

MSDS : Material Safety Data Sheet
A document that describes the health, safety and environmental hazards of a material and provides information on how the material can be safely handled, used and disposed.

LRI: Long-range Research Initiative
A voluntary long-term plan to study the effects of chemical substances on health, safety, and the environment, one of ICCA's most crucial agendas.

HPV: (High Production Volume) Existing Chemicals
An OECD program for collecting and evaluating safety data on chemicals with production volumes exceeding 1,000 tons/year.

JRCC: Japan Responsible Care Council
An organization established within JCIA in 1995 for the promotion of RC in Japan.

Management Indices

(1) Consolidated Management Indices

Year ended March 31st (Fiscal Year)	2001 (2000)	2002 (2001)	2003 (2002)	2004 (2003)	2005 (2004)
					(Millions of yen)
Net Sales	160,585	159,722	163,514	169,733	197,222
Ordinary Income	4,303	5,558	10,971	17,212	23,709
Net Income	1,242	1,590	5,516	8,822	15,705
Total Shareholders' Equity	117,340	120,238	121,297	131,685	144,660
Total Assets	230,468	230,253	216,756	220,185	249,349
					(yen)
Net Assets per Share	602.11	617.05	631.12	685.20	757.72
Net Income per Share	6.37	8.16	27.97	45.37	81.37
Fully Diluted Net Income per Share	—	—	—	—	—
Capital Ratio (%)	50.9	52.2	56.0	59.8	58.0
Return on Equity (%)	1.1	1.3	4.6	7.0	11.4
Price Earning Ratio (times)	70.6	62.0	20.4	18.0	11.9
					(Millions of yen)
Cash Flow from Operating Activities	9,757	17,268	23,117	16,399	22,161
Cash Flow from Investing Activities	(12,961)	(8,178)	(8,751)	(9,161)	(16,934)
Cash Flow from Financing Activities	(6,584)	(1,579)	(15,956)	(9,506)	(861)
Cash and Cash Equivalents at Year-end	14,806	23,151	21,217	18,654	24,160
Number of Employees	3,189	3,077	2,967	2,658	2,721

Note 1: Net Sales do not include consumption taxes.
Note 2: Starting with the fiscal year ended March 2003, net assets and net income per share have been prepared in accordance with Financial Accounting Standard No.2, "Accounting Standards for Earnings per Share," and Financial Accounting Standard Implementation Guidance No.4, "Implementation Guidance for Accounting Standard for Earnings per Share."
Note 3: Fully diluted Net Income per Share is not recorded because no dilutive shares exist.

(2) Non-consolidated Management Indices

Year ended March 31st (Fiscal Year)	2001 (2000)	2002 (2001)	2003 (2002)	2004 (2003)	2005 (2004) *(Millions of yen)*
Net Sales	129,712	123,706	126,612	132,622	146,789
Ordinary Income	5,205	8,054	10,879	14,228	17,795
Net Income	2,539	1,744	3,094	5,966	11,063
Capital	16,529	16,529	16,529	16,529	16,529
Issued and Outstanding Shares (Thousands shares)	194,881	194,881	194,881	194,881	194,881
					(Millions of yen)
Total Shareholders' Equity	114,568	115,578	115,593	124,417	133,100
Total Assets	189,236	188,821	176,155	182,806	207,303
					(yen)
Net Assets per Share	587.89	593.14	601.48	647.41	697.19
Dividend per Share	7.00	7.00	7.00	9.00	13.00
(Interim Dividend per Share)	(3.50)	(3.50)	(3.50)	(4.00)	(5.00)
Net Income per Share	13.03	8.95	15.55	30.56	57.20
Fully Diluted Net Income per Share	—	—	—	—	—
Capital Ratio (%)	60.5	61.2	65.6	68.1	64.2
Return on Equity (%)	2.2	1.5	2.7	5.0	8.6
Price Earning Ratio (times)	34.5	56.5	36.7	26.7	17.0
Dividend Payout Ratio (%)	53.7	78.2	45.0	29.5	22.7
Number of Employees	2,004	1,937	1,881	1,774	1,731

Note 1: Net Sales do not include consumption taxes.
Note 2: Starting with the fiscal year ended March 2002, treasury stock has been eliminated from capital and also eliminated from issued and outstanding shares in the calculation of net assets and net income per share.
Note 3: Starting with the fiscal year ended March 2003, net assets and net income per share have been prepared in accordance with Financial Accounting Standard No.2, "Accounting Standards for Earnings per Share," and Financial Accounting Standard Implementation Guidance No.4, "Implementation Guidance for Accounting Standard for Earnings per Share."
Note 4: The dividend per share for the fiscal year ended March 31, 2005 (fiscal 2004) include a ¥2 memorial dividend to celebrate our 65th anniversary of the company's foundation.
Note 5: Fully diluted Net Income per Share is not recorded because no dilutive shares exist.

Consolidated Financial Statements

Years ended March 31, 2005 and 2004

Report of Independent Auditors

ERNST & YOUNG SHINNIHON

Report of Independent Auditors

The Board of Directors
Nippon Shokubai Co., Ltd.

We have audited the accompanying consolidated balance sheets of Nippon Shokubai Co., Ltd. and consolidated subsidiaries as of March 31, 2005 and 2004, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nippon Shokubai Co., Ltd. and consolidated subsidiaries at March 31, 2005 and 2004, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2005 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.

Ernst & Young ShinNihon

June 22, 2005

A Member of Ernst & Young Global

Consolidated Balance Sheets

Nippon Shokubai Co., Ltd. and Consolidated Subsidiaries

	March 31, 2005	March 31, 2004	2005
	(Millions of yen)		(Thousands of U.S. dollars) (Note 2)
Assets			
Current assets:			
Cash and cash equivalents	¥ 24,160	¥ 18,654	$ 224,953
Time deposits *(Note 6)*	33	18	307
Notes and accounts receivable:			
Unconsolidated subsidiaries and affiliates	6,537	5,505	60,865
Trade	46,459	39,042	432,580
Allowance for doubtful receivables	(87)	(112)	(810)
Inventories *(Note 4)*	29,702	23,918	276,555
Deferred income taxes *(Note 8)*	2,606	2,666	24,264
Other current assets	5,438	5,771	50,634
Total current assets	114,848	95,462	1,069,348
Property, plant and equipment *(Notes 5 and 6)*:			
Land	24,839	25,086	231,276
Buildings and structures	59,568	58,268	554,637
Machinery and equipment	209,787	203,991	1,953,324
Construction in progress	9,315	639	86,732
Accumulated depreciation	(217,099)	(210,826)	(2,021,407)
Property, plant and equipment, net	86,410	77,158	804,562
Investments and other assets:			
Investments in securities *(Notes 3 and 6)*	24,109	21,839	224,479
Investments in and advances to unconsolidated subsidiaries and affiliates	11,001	11,456	102,430
Deferred income taxes *(Note 8)*	1,494	1,669	13,911
Prepaid pension cost	2,348	1,972	21,862
Other assets	9,139	10,629	85,093
Total investments and other assets	48,091	47,565	447,775
Total assets	¥ 249,349	¥ 220,185	$ 2,321,685

	March 31,		
	2005	2004	2005
	(Millions of yen)		(Thousands of U.S. dollars) (Note 2)
Liabilities and shareholders' equity			
Current liabilities:			
Short-term bank loans *(Note 6)*	¥ 6,951	¥ 7,188	$ 64,721
Current portion of long-term debt *(Note 6)*	5,653	11,825	52,635
Notes and accounts payable:			
Unconsolidated subsidiaries and affiliates	5,313	3,856	49,469
Trade	31,313	25,270	291,555
Construction	275	685	2,561
Accrued income taxes *(Note 8)*	5,029	3,206	46,825
Other current liabilities	10,545	8,911	98,184
Total current liabilities	65,079	60,941	605,950
Long-term liabilities:			
Long-term debt *(Note 6)*	26,541	16,070	247,123
Accrued retirement benefits for employees *(Note 7)*	6,756	6,609	62,905
Accrued retirement benefits for directors and corporate auditors	390	292	3,631
Deferred income taxes *(Note 8)*	1,157	1,077	10,773
Other	1,272	1,741	11,843
Total long-term liabilities	36,116	25,789	336,275
Minority interests	3,494	1,770	32,533
Contingent liabilities *(Note 12)*			
Shareholders' equity *(Note 9)*:			
Common stock:			
Authorized – 424,000,000 shares			
Issued – 194,881,287 shares in 2005 and 2004	16,529	16,529	153,901
Additional paid-in capital	13,565	13,563	126,304
Retained earnings	112,496	98,947	1,047,449
Net unrealized holding gain on securities	5,632	4,961	52,439
Translation adjustments	(1,057)	(839)	(9,842)
Less treasury stock, at cost	(2,505)	(1,476)	(23,324)
Total shareholders' equity	144,660	131,685	1,346,927
Total liabilities and shareholders' equity	¥ 249,349	¥ 220,185	$ 2,321,685

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

Nippon Shokubai Co., Ltd. and Consolidated Subsidiaries

	Year ended March 31,		
	2005	2004	**2005**
	(Millions of yen)		(Thousands of U.S. dollars) (Note 2)
Net sales *(Note 16)*	**¥ 197,222**	¥ 169,733	**$ 1,836,331**
Cost of sales *(Note 10)*	**145,019**	125,699	**1,350,270**
Gross profit	**52,203**	44,034	**486,061**
Selling, general and administrative expenses *(Note 10)*	**29,991**	28,584	**279,245**
Operating income *(Note 16)*	**22,212**	15,450	**206,816**
Other income (expenses):			
Interest and dividend income	**972**	596	**9,050**
Interest expense	**(480)**	(602)	**(4,469)**
Royalty income	**1,006**	1,929	**9,367**
Equity in earnings of unconsolidated subsidiaries and affiliates	**572**	596	**5,326**
Gain on sales of property, plant and equipment	**–**	167	**–**
Impairment loss on fixed assets *(Note 5)*	**(479)**	(3,709)	**(4,460)**
Other, net	**(573)**	(686)	**(5,336)**
Income before income taxes and minority interests	**23,230**	13,741	**216,294**
Income taxes *(Note 8)*:			
Current	**7,422**	5,397	**69,106**
Deferred	**(173)**	(480)	**(1,611)**
	7,249	4,917	**67,495**
Income before minority interests	**15,981**	8,824	**148,799**
Minority interests in earnings of consolidated subsidiaries	**(276)**	(2)	**(2,570)**
Net income *(Note 13)*	**¥ 15,705**	¥ 8,822	**$ 146,229**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Nippon Shokubai Co., Ltd. and Consolidated Subsidiaries

	Year ended March 31,		
	2005	2004	**2005**
	(Millions of yen)		(Thousands of U.S. dollars) (Note 2)
Common stock:			
Balance at beginning and end of year	**¥ 16,529**	¥ 16,529	**$ 153,901**
Additional paid-in capital:			
Balance at beginning of year	**¥ 13,563**	¥ 13,562	**$ 126,285**
Gain on sale of treasury stock	**2**	1	**19**
Balance at end of year	**¥ 13,565**	¥ 13,563	**$ 126,304**
Retained earnings:			
Balance at beginning of year	**¥ 98,947**	¥ 91,652	**$ 921,294**
Net income	**15,705**	8,822	**146,229**
Cash dividends	**(1,920)**	(1,440)	**(17,877)**
Bonuses to directors and corporate auditors	**(110)**	(87)	**(1,024)**
Decrease in retained earnings resulting from exclusion of an affiliate accounted for by equity method	**(126)**	–	**(1,173)**
Balance at end of year	**¥ 112,496**	¥ 98,947	**$ 1,047,449**
Net unrealized holding gain on securities:			
Balance at beginning of year	**¥ 4,961**	¥ 539	**$ 46,192**
Net change during the year	**671**	4,422	**6,247**
Balance at end of year	**¥ 5,632**	¥ 4,961	**$ 52,439**
Translation adjustments:			
Balance at beginning of year	**¥ (839)**	¥ 468	**$ (7,812)**
Net change during the year	**(218)**	(1,307)	**(2,030)**
Balance at end of year	**¥ (1,057)**	¥ (839)	**$ (9,842)**
Less treasury stock, at cost:			
Balance at beginning of year	**¥ (1,476)**	¥ (1,453)	**$ (13,743)**
Net change during the year	**(1,029)**	(23)	**(9,581)**
Balance at end of year	**¥ (2,505)**	¥ (1,476)	**$ (23,324)**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Nippon Shokubai Co., Ltd. and Consolidated Subsidiaries

	Year ended March 31,		
	2005	2004	**2005**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 2)*
Operating activities:			
Income before income taxes and minority interests	**¥ 23,230**	¥ 13,741	**$ 216,294**
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	**8,028**	7,998	**74,749**
Impairment loss on fixed assets	**479**	3,709	**4,460**
Increase (decrease) in accrued retirement benefits	**148**	(466)	**1,378**
Interest and dividend income	**(972)**	(596)	**(9,050)**
Interest expense	**480**	602	**4,469**
Equity in earnings of unconsolidated subsidiaries and affiliates	**(572)**	(596)	**(5,326)**
Loss on disposal of property, plant and equipment	**340**	477	**3,166**
Other, net	**2,513**	(1,110)	**(23,398)**
Changes in operating assets and liabilities:			
Notes and accounts receivable	**(7,913)**	(2,743)	**(73,678)**
Inventories	**(5,140)**	(194)	**(47,858)**
Notes and accounts payable	**7,052**	672	**65,661**
Other current liabilities	**(169)**	0	**(1,574)**
Subtotal	**27,504**	21,494	**256,089**
Interest and dividends received	**957**	675	**8,911**
Interest paid	**(470)**	(710)	**(4,376)**
Income taxes paid	**(5,830)**	(5,060)	**(54,283)**
Net cash provided by operating activities	**22,161**	16,399	**206,341**
Investing activities:			
Proceeds from sales of short-term investments and investments in securities	**3**	2,004	**28**
Purchases of marketable securities and investments in securities	**(3,351)**	(5,671)	**(31,201)**
Acquisition of investments in subsidiaries resulting in inclusion in consolidation	**(2,130)**	–	**(19,832)**
Purchases of property, plant and equipment	**(12,033)**	(5,356)	**(112,039)**
Proceeds from sales of property, plant and equipment	**29**	624	**270**
Increase in loans receivable	**(334)**	(683)	**(3,110)**
Collection of loans receivable	**1,126**	1,085	**10,484**
Other, net	**(244)**	(1,164)	**(2,272)**
Net cash used in investing activities	**(16,934)**	(9,161)	**(157,672)**

	Year ended March 31,		
	2005	2004	**2005**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 2)*
Financing activities:			
Decrease in short-term bank loans, net	**(453)**	(4,636)	**(4,218)**
Proceeds from long-term debt	**10,700**	6,350	**99,628**
Repayment of long-term debt	**(8,148)**	(9,742)	**(75,866)**
Proceeds from issuance of bonds	**5,000**	–	**46,555**
Redemption of bonds	**(5,000)**	–	**(46,555)**
Cash dividends paid	**(1,920)**	(1,440)	**(17,877)**
Purchases of treasury stock	**(1,031)**	(26)	**(9,600)**
Other, net	**(9)**	(12)	**(84)**
Net cash used in financing activities	**(861)**	(9,506)	**(8,017)**
Effect of exchange rate changes on cash and cash equivalents	**80**	(295)	**745**
Increase (decrease) in cash and cash equivalents	**4,446**	(2,563)	**41,397**
Cash and cash equivalents at beginning of year	**18,654**	21,217	**173,687**
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	**1,060**	–	**9,869**
Cash and cash equivalents at end of year	**¥ 24,160**	¥ 18,654	**$ 224,953**

See accompanying notes to consolidated financial statements.

Notes to Consolodated Financial Statements

Nippon Shokubai Co., Ltd. and Consolidated Subsidiaries
March 31, 2005

1. Summary of Significant Accounting Policies

(a) Basis of Presentation

Nippon Shokubai Co., Ltd. (the "Company") and its domestic consolidated subsidiaries maintain their accounts and records in accordance with accounting principles generally accepted 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 are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

(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.

Investments in an unconsolidated subsidiary and significant affiliates are accounted for by the equity method.

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. Differences resulting from translating the financial statements of the foreign consolidated subsidiaries are not included in the determination of net income but are reported as translation adjustments in a separate component of shareholders' equity and minority interests in the consolidated balance sheets at March 31, 2005 and 2004.

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

All monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date and the gain or loss on each translation is credited or charged to income.

(d) Cash and Cash Equivalents

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 moving average 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 that the foreign consolidated subsidiaries 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 leases 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) Investments in Securities

Securities are classified into three categories: trading securities, held-to-maturity debt securities and other securities.

Trading securities, consisting of debt and marketable equity securities, are carried at fair value. Gain and loss, both realized and unrealized, are charged to income. Held-to-maturity debt securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value, with any changes in unrealized holding gain or loss, net of the applicable income taxes, reported as a separate component of shareholders' equity. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method.

(i) Research and Development Costs and Computer Software

Research and development costs are charged to income when incurred.

Expenditures relating to the development of computer software intended 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.

(j) Income Taxes

Income taxes are calculated based on taxable income and charged to income on an accrual basis. Deferred income tax assets and liabilities are computed based on the temporary differences between the financial reporting and tax bases of the assets and liabilities which will result in taxable or deductible amounts in the future. The calculation of deferred income tax assets and liabilities is based on the enacted tax laws.

(k) Retirement Benefits

The Company's employees are covered by an employees' retirement benefit plan and an employees' pension plan. The employees' retirement benefit plan provides for lump-sum payments determined by reference to their basic salary, years of service and certain other factors. The domestic consolidated subsidiaries have either unfunded employees' retirement benefit 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.

Accrued retirement benefits for employees have been provided, in general, based on the retirement benefit obligation and the fair value of the pension plan assets as adjusted for unrecognized actuarial gain or loss and unrecognized prior service cost.

Prior service cost is amortized principally by the straight-line method over 5 years, which falls within the estimated average remaining years of service of the eligible employees.

Actuarial gain or loss is amortized in the year following the year in which the gain or loss is recognized principally by the straight-line method over 10 years, which falls within the estimated average remaining years of service of the eligible employees.

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 benefit plans. The provision for retirement benefits for these officers has been made at an estimated amount.

(l) 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 the financial period. The accounts for that period do not, therefore, reflect such appropriations (see Note 17).

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 ¥107.4 = U.S.$1.00, the approximate rate of exchange in effect on March 31, 2005. This 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. Investments in Securities

Marketable securities classified as other securities at March 31, 2005 and 2004 are summarized as follows:

	2005					
	(Millions of yen)			*(Thousands of U.S. dollars)*		
	Cost	**Book value (Fair market value)**	**Unrealized gain (loss)**	**Cost**	**Book value (Fair market value)**	**Unrealized gain (loss)**
Securities whose fair market value exceeds their cost:						
Equity securities	**¥ 12,350**	**¥ 21,892**	**¥ 9,542**	**$ 114,991**	**$ 203,836**	**$ 88,845**
Subtotal	**12,350**	**21,892**	**9,542**	**114,991**	**203,836**	**88,845**
Securities whose cost exceeds their fair market value:						
Equity securities	**578**	**551**	**(27)**	**5,381**	**5,130**	**(251)**
Subtotal	**578**	**551**	**(27)**	**5,381**	**5,130**	**(251)**
Total	**¥ 12,928**	**¥ 22,443**	**¥ 9,515**	**$ 120,372**	**$ 208,966**	**$ 88,594**

	2004		
	(Millions of yen)		
	Cost	**Book value (Fair market value)**	**Unrealized gain (loss)**
Securities whose fair market value exceeds their cost:			
Equity securities	¥ 10,893	¥ 19,410	¥ 8,517
Subtotal	10,893	19,410	8,517
Securities whose cost exceeds their fair market value:			
Equity securities	931	800	(131)
Subtotal	931	800	(131)
Total	¥ 11,824	¥ 20,210	¥ 8,386

The proceeds and gross realized gains and losses on sales of securities classified as other securities for the years ended March 31, 2005 and 2004 were as follows:

2005			2004			2005		
(Millions of yen)						*(Thousands of U.S. dollars)*		
Proceeds	**Gross realized gains**	**Gross realized losses**	**Proceeds**	**Gross realized gains**	**Gross realized losses**	**Proceeds**	**Gross realized gains**	**Gross realized losses**
¥ 2	**¥ 1**	**¥ –**	¥ 702	¥ 71	¥ 0	**$ 19**	**$ 9**	**$ –**

A breakdown of other securities whose market value was not determinable at March 31, 2005 and 2004 is as follows:

	2005	2004	2005
	(Millions of yen)		*(Thousands of U.S. dollars)*
Preferred subscription certificates	**¥ 500**	¥ 500	**$ 4,655**
Other securities	**1,166**	1,128	**10,857**

4. Inventories

Inventories at March 31, 2005 and 2004 were as follows:

	2005	2004	2005
	(Millions of yen)		*(Thousands of U.S. dollars)*
Merchandise and finished goods	**¥ 13,996**	¥ 10,134	**$ 130,317**
Raw materials	**7,626**	7,159	**71,001**
Work in process	**6,301**	4,872	**58,671**
Supplies	**1,779**	1,753	**16,566**
	¥ 29,702	¥ 23,918	**$ 276,555**

5. Impairment Loss on Fixed Assets

The impairment loss on fixed assets for the years ended March 31, 2005 and 2004 related primarily to the significant decrease in the market value of the Company's land as well as to an overall deterioration in its business environment.

Impairment loss on fixed assets for the years ended March 31, 2005 and 2004 consisted of the following:

	2005	
	(Millions of yen)	*(Thousands of U.S. dollars)*
Rental properties:		
Land	**¥ 333**	**$ 3,101**
Building	**37**	**344**
Structure	**1**	**9**
	371	**3,454**
Production facilities for polyvinilpyrrolidone:		
Machinery	**101**	**941**
Structure	**4**	**37**
Building	**3**	**28**
	108	**1,006**
Total	**¥ 479**	**$ 4,460**

An impairment loss on rental properties and production facilities for polyvinilpyrrolidone for the year ended March 31, 2005 was recorded at the amount at which the acquisition cost of each asset exceeded an estimate of its future cash flows, discounted at 1.7%.

	2004
	(Millions of yen)
Plant site (nonperforming assets):	
Land	¥ 2,564
Structure	455
Other	115
	3,134
Production facilities for fluorine compounds:	
Machinery	221
Building	123
Structure	17
	361
Nonperforming assets:	
Land	214
Total	¥ 3,709

An impairment loss on production facilities for fluorine compounds for the year ended March 31, 2004 was recorded at the amount at which the acquisition cost of each asset exceeded an estimate of its future cash flows, discounted at 1.2%.

An impairment loss on plant site and nonperforming assets for the year ended March 31, 2004 was recorded at the amount at which the acquisition cost of each asset exceeded its estimated fair value. The estimated fair value of these assets, if material, was determined using real estate appraisal standards.

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

Short-term bank loans consisted mainly of unsecured loans. The average interest rates on the short-term bank loans outstanding at March 31, 2005 and 2004 were 0.95% and 0.96%, respectively.

Long-term debt at March 31, 2005 and 2004 consisted of the following:

	2005	2004	2005
	(Millions of yen)		(Thousands of U.S. dollars)
0.81% unsecured bonds due November 2009	¥5,000	¥ –	$46,555
1.85% unsecured bonds due November 2004	–	5,000	–
Unsecured loans from banks and insurance companies, payable in yen, at rates from 0.49% to 1.62%, due through 2011	16,221	7,847	151,034
Unsecured loans from banks, payable in U.S. dollars, at rates from 2.14% to 3.60%, due through 2009	9,274	12,078	86,350
Unsecured loans from banks, payable in Euro, at rates from 2.14%, due through 2005	347	999	3,231
Secured loans from banks and insurance companies, payable in yen, at rates from 1.10% to 5.60%, due through 2008	1,352	1,971	12,588
Subtotal	32,194	27,895	299,758
Less current portion	(5,653)	(11,825)	(52,635)
Total	¥26,541	¥16,070	$247,123

The aggregate annual maturities of long-term debt subsequent to March 31, 2005 are summarized below:

Year ending March 31,	(Millions of yen)	(Thousands of U.S. dollars)
2006	¥ 5,653	$ 52,635
2007	4,452	41,453
2008	4,226	39,348
2009	3,531	32,877
2010 and thereafter	14,332	133,445
	¥ 32,194	$ 299,758

Assets pledged as collateral for short-term bank loans, long-term debt, including the current portion thereof, and accounts and notes payable at March 31, 2005 and 2004 were as follows:

	2005	2004	2005
	(Millions of yen)		(Thousands of U.S. dollars)
Time deposits	¥ 8	¥ 8	$ 74
Land	55	55	512
Buildings and structures	30	32	279
Investments in securities	2,517	2,463	23,437
	¥ 2,610	¥ 2,558	$ 24,302

7. Retirement Benefits

The following table sets forth the funded and accrued status of the pension plans and the amounts recognized in the consolidated balance sheets at March 31, 2005 and 2004 for the Company's and the consolidated subsidiaries' defined benefit plans:

	2005	2004	2005
	(Millions of yen)		(Thousands of U.S. dollars)
Retirement benefit obligation at end of year	¥ (30,610)	¥ (27,512)	$ (285,009)
Fair value of plan assets at end of year	19,643	19,150	182,895
Unfunded retirement benefit obligation	(10,967)	(8,362)	(102,114)
Unrecognized actuarial loss	6,667	4,165	62,076
Unrecognized past service cost	(108)	(440)	(1,005)
Net retirement benefit obligation	(4,408)	(4,637)	(41,043)
Prepaid pension cost	2,348	1,972	21,862
Accrued retirement benefits	¥ (6,756)	¥ (6,609)	$ (62,905)

The components of retirement benefit expenses for the years ended March 31, 2005 and 2004 are outlined as follows:

	2005	2004	2005
	(Millions of yen)		(Thousands of U.S. dollars)
Service cost	¥ 950	¥ 995	$ 8,845
Interest cost	677	725	6,304
Expected return on plan assets	(435)	(363)	(4,050)
Amortization:			
Past service cost	(273)	(285)	(2,542)
Actuarial loss	621	1,090	5,782
Retirement benefit expenses	¥ 1,540	¥ 2,162	$ 14,339

The assumptions used in accounting for the defined benefit plans for the years ended March 31, 2005 and 2004 were as follows:

	2005	2004
Discount rate	Principally 1.9%	Principally 2.6%
Expected rate of return on plan assets	Principally 3.0%	Principally 3.0%

8. 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, 2005 and 2004 were, in the aggregate, approximately 40.6% and 42.0% respectively. The effective tax rates reflected in the consolidated statements of income for the years ended March 31, 2005 and 2004 differed from the above statutory tax rates for the following reasons:

	2005	2004
Statutory tax rate	40.6%	42.0%
Effect of:		
Tax credit for research and development costs	(4.3)	(5.8)
Permanently nondeductible expenses	0.6	0.8
Permanently nontaxable dividends received	(0.7)	(0.9)
Equity in earnings of an unconsolidated subsidiary and affiliates	(1.0)	(1.8)
Valuation allowance	0.6	2.4
Tax loss carryforward	(3.7)	(1.7)
Other, net	(0.9)	0.8
Effective tax rates	31.2%	35.8%

Deferred income taxes reflect the net tax effect of the temporary differences between the carrying amounts of the assets and liabilities calculated 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 its consolidated subsidiaries at March 31, 2005 and 2004 are summarized as follows:

	2005	2004	2005
	(Millions of yen)		(Thousands of U.S. dollars)
Deferred tax assets:			
Accrued retirement benefits	¥ 1,519	¥ 1,367	$ 14,143
Intercompany profit on inventories and property, plant and equipment	926	987	8,622
Tax loss carryforwards	647	359	6,024
Reserve for repairs	902	856	8,399
Depreciation and amortization	715	479	6,657
Impairment loss on fixed assets	1,562	1,507	14,544
Accrued employees' bonuses	759	709	7,067
Impairment of investments in securities and other	1,888	1,896	17,579
Accrued enterprise tax	444	385	4,134
Other	772	1,031	7,189
Gross deferred tax assets	10,134	9,576	94,358
Less: Valuation allowance	(1,064)	(1,016)	(9,907)
Total deferred tax assets	9,070	8,560	84,451
Deferred tax liabilities:			
Equity in earnings of a foreign affiliate	(909)	(535)	(8,464)
Net unrealized holding gain on securities	(3,862)	(3,404)	(35,959)
Depreciation and amortization	(822)	(807)	(7,654)
Deferred capital gain on property	(340)	(342)	(3,166)
Reserve for depreciation for tax purposes	(110)	(143)	(1,024)
Other	(84)	(71)	(782)
Total deferred tax liabilities	(6,127)	(5,302)	(57,049)
Net deferred tax assets	¥ 2,943	¥ 3,258	$ 27,402

9. Shareholders' Equity

The Commercial Code of Japan (the "Code") provides that an amount equal to at least 10% of the amounts to be disbursed as distributions of earnings be appropriated to the legal reserve until the sum of the legal reserve and additional paid-in capital equals 25% of the common stock account. The Code also stipulates that, to the extent that the sum of the additional paid-in capital account and the legal reserve exceeds 25% of the common stock account, the amount of any such excess is available for appropriation by resolution of the shareholders.

Retained earnings include the legal reserve provided in accordance with the Code. The legal reserve of the Company included in retained earnings amounted to ¥3,920 million ($36,499 thousand) at March 31, 2005 and 2004.

10. 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, 2005 and 2004 totaled ¥9,529 million ($88,724 thousand) and ¥9,424 million, respectively.

11. 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, 2005 and 2004, 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:

	2005	2004	2005
	(Millions of yen)		(Thousands of U.S. dollars)
Machinery and equipment and software:			
Acquisition costs	¥ 490	¥ 525	$ 4,562
Accumulated depreciation	(292)	(253)	(2,719)
Net book value	¥ 198	¥ 272	$ 1,843

Lease payments relating to finance leases accounted for as operating leases amounted to ¥125 million ($1,164 thousand) and ¥126 million for the years ended March 31, 2005 and 2004, respectively. Depreciation of the leased assets calculated by the straight-line method over the respective lease terms amounted to ¥125 million ($1,164 thousand) and ¥126 million for the years ended March 31, 2005 and 2004, respectively.

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2005 for finance leases accounted for as operating leases are summarized as follows:

Years ending March 31,	(Millions of yen)	(Thousands of U.S. dollars)
2006	¥ 100	$ 931
2007 and thereafter	98	912
	¥ 198	$ 1,843

12. Contingent Liabilities

At March 31, 2005, the Company and one consolidated subsidiary were contingently liable as guarantors of indebtedness of affiliates, the Company's employees and others in the aggregate amount of ¥2,649 million ($24,665 thousand).

In addition, at March 31, 2005, two consolidated subsidiaries had contingent liabilities arising from notes discounted by banks and notes endorsed in the aggregate amount of ¥530 million ($4,935 thousand).

13. Amounts Per Share

	2005	2004	2005
	(yen)		(U.S. dollars)
Net income	¥ 81.37	¥ 45.37	$ 0.76
Cash dividends	13.00	9.00	0.12
Net assets	757.72	685.20	7.06

Net income per share has been computed based on the net income attributable to shareholders of common stock and the weighted-average number of shares of common stock outstanding during the year. Diluted net income per share has not been presented for the years ended March 31, 2005 and 2004 since neither the Company nor any of the consolidated subsidiaries had any potentially dilutive shares at March 31, 2005 and 2004.

The amount per share of net assets has been computed based on the net assets available for distribution to shareholders of common stock and the number of shares of common stock outstanding at the year end.

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

The financial data used in the computation of net income per share for the years ended March 31, 2005 and 2004 is summarized as follows:

	2005	2004	2005
	(Millions of yen)		(Thousands of U.S. dollars)
Net income	¥ 15,705	¥ 8,822	$ 146,229
Deduction from net income:			
Bonuses to directors and corporate auditors	(125)	(109)	(1,164)
Adjusted net income attributable to shareholders of common stock	¥ 15,580	¥ 8,713	$ 145,065
Weighted-average number of shares of common stock outstanding for the year (thousands of shares)	191,486	192,036	191,486

14. Derivatives

Derivative financial instruments are utilized by the Company and its 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 transactions involving derivatives. The Company and its consolidated subsidiaries do not hold or issue derivatives for speculative trading purposes.

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

At March 31, 2005, two consolidated subsidiaries had open interest-rate swap positions. The total value of these positions, however, was immaterial.

15. Supplemental Information on Consolidated Statements of Cash Flows

In July 2004, the Company purchased shares of Singapore Acrylic Pte Ltd. and Singapore Glacial Acrylic Pte Ltd. and initially consolidated the accounts of the these companies for the year ended March 31, 2005. The following summarizes the assets and liabilities included in consolidation and presents the acquisition costs and cash disbursements:

	2005	
	(Millions of yen)	*(Thousands of U.S. dollars)*
Current assets	¥ 1,671	$ 15,559
Non-current assets	3,355	31,238
Excess of investment cost over underlying net assets of a consolidated subsidiary	280	2,607
Current liabilities	(1,299)	(12,095)
Non-current liabilities	(42)	(391)
Minority interests	(1,545)	(14,385)
Acquisition costs	2,420	22,533
Cash and cash equivalents of the two companies	(290)	(2,700)
Cash disbursements	¥ 2,130	$ 19,833

16. Segment Information

The Company and its consolidated subsidiaries are primarily engaged in the manufacture and sales of products in Japan and overseas.

Business Segments

The business segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2005 and 2004 is outlined as follows:

	Year ended March 31, 2005					
	Basic chemicals	Functional chemicals	Environment & catalysts	Total	Eliminations or corporate	Consolidated
	(Millions of yen)					
I. Sales and operating income						
Sales to third parties	¥ 80,027	¥ 99,355	¥ 17,840	¥ 197,222	¥ –	¥ 197,222
Intergroup sales and transfers	12,330	441	200	12,971	(12,971)	–
Total sales	92,357	99,796	18,040	210,193	(12,971)	197,222
Operating expenses	82,426	89,707	15,910	188,043	(13,033)	175,010
Operating income	¥ 9,931	¥ 10,089	¥ 2,130	¥ 22,150	¥ 62	¥ 22,212
II. Assets, depreciation, impairment loss and capital expenditures						
Total assets	¥ 81,919	¥ 113,542	¥ 22,409	¥ 217,870	¥ 31,479	¥ 249,349
Depreciation and amortization	2,963	5,624	407	8,994	–	8,994
Impairment loss	–	479	–	479	–	479
Capital expenditures	5,090	7,537	375	13,002	–	13,002

	Year ended March 31, 2004					
	Basic chemicals	Functional chemicals	Environment & catalysts	Total	Eliminations or corporate	Consolidated
	(Millions of yen)					
I. Sales and operating income						
Sales to third parties	¥ 63,320	¥ 90,647	¥ 15,766	¥ 169,733	¥ –	¥ 169,733
Intergroup sales and transfers	8,766	269	829	9,864	(9,864)	–
Total sales	72,086	90,916	16,595	179,597	(9,864)	169,733
Operating expenses	67,825	80,504	15,766	164,095	(9,812)	154,283
Operating income	¥ 4,261	¥ 10,412	¥ 829	¥ 15,502	¥ (52)	¥ 15,450
II. Assets, depreciation, impairment loss and capital expenditures						
Total assets	¥ 65,103	¥ 106,092	¥ 19,189	¥ 190,384	¥ 29,801	¥ 220,185
Depreciation and amortization	2,950	5,111	471	8,532	43	8,575
Impairment loss	–	575	–	575	3,134	3,709
Capital expenditures	1,987	5,874	551	8,412	–	8,412

	Year ended March 31, 2005					
	Basic chemicals	Functional chemicals	Environment & catalysts	Total	Eliminations or corporate	Consolidated
	(Thousands of U.S. dollars)					
I. Sales and operating income						
Sales to third parties	**$ 745,130**	**$ 925,093**	**$ 166,108**	**$1,836,331**	**$ –**	**$1,836,331**
Intergroup sales and transfers	**114,804**	**4,106**	**1,862**	**120,772**	**(120,772)**	**–**
Total sales	**859,934**	**929,199**	**167,970**	**1,957,103**	**(120,772)**	**1,836,331**
Operating expenses	**767,467**	**835,261**	**148,138**	**1,750,866**	**(121,351)**	**1,629,515**
Operating income	**$ 92,467**	**$ 93,938**	**$ 19,832**	**$ 206,237**	**$ 579**	**$ 206,816**
II. Assets, depreciation, impairment loss and capital expenditures						
Total assets	**$ 762,747**	**$1,057,188**	**$ 208,650**	**$ 2,028,585**	**$293,100**	**$2,321,685**
Depreciation and amortization	**27,588**	**52,365**	**3,790**	**83,743**	**–**	**83,743**
Impairment loss	**–**	**4,460**	**–**	**4,460**	**–**	**4,460**
Capital expenditures	**47,393**	**70,177**	**3,492**	**121,062**	**–**	**121,062**

Geographical Areas

The geographical segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2005 and 2004 is outlined as follows:

A new geographic segment, “Asia,” which had previously been part of the “Other” segment has been disclosed separately in the geographical segment information for the year ended March 31, 2005 because of the increase in its materiality.

	Year ended March 31, 2005						
	Japan	**Europe**	**Asia**	**Other**	**Total**	**Eliminations or corporate**	**Consolidated**
					(Millions of yen)		
I. Sales and operating income							
Sales to third parties	**¥ 147,020**	**¥ 22,701**	**¥ 17,611**	**¥ 9,890**	**¥ 197,222**	**¥ –**	**¥ 197,222**
Intergroup sales and transfers	**15,096**	**52**	**176**	**603**	**15,927**	**(15,927)**	**–**
Total sales	**162,116**	**22,753**	**17,787**	**10,493**	**213,149**	**(15,927)**	**197,222**
Operating expenses	**145,232**	**21,783**	**14,601**	**10,247**	**191,863**	**(16,853)**	**175,010**
Operating income	**¥ 16,884**	**¥ 970**	**¥ 3,186**	**¥ 246**	**¥ 21,286**	**¥ 926**	**¥22,212**
II. Total assets	**¥ 170,752**	**¥ 13,428**	**¥ 27,355**	**¥ 12,634**	**¥ 224,169**	**¥ 25,180**	**¥ 249,349**

	Year ended March 31, 2004						
	Japan	**Europe**	**Asia**	**Other**	**Total**	**Eliminations or corporate**	**Consolidated**
					(Millions of yen)		
I. Sales and operating income							
Sales to third parties	¥ 135,576	¥ 18,818	¥ 6,693	¥ 8,646	¥ 169,733	¥ –	¥ 169,733
Intergroup sales and transfers	12,426	46	2,525	415	15,412	(15,412)	–
Total sales	148,002	18,864	9,218	9,061	185,145	(15,412)	169,733
Operating expenses	135,143	17,907	8,746	8,549	170,345	(16,062)	154,283
Operating income	¥ 12,859	¥ 957	¥ 472	¥ 512	¥ 14,800	¥ 650	¥ 15,450
II. Total assets	¥ 153,434	¥ 11,634	¥ 15,338	¥ 14,367	¥ 194,773	¥ 25,412	¥ 220,185

	Year ended March 31, 2005						
	Japan	Europe	Asia	Other	Total	Eliminations or corporate	Consolidated
	(Thousands of U.S. dollars)						
I. Sales and operating income							
Sales to third parties	$ 1,368,901	$ 211,369	$ 163,976	$ 92,085	$ 1,836,331	$ –	$ 1,836,331
Intergroup sales and transfers	140,559	484	1,639	5,615	148,297	(148,297)	–
Total sales	1,509,460	211,853	165,615	97,700	1,984,628	(148,297)	1,836,331
Operating expenses	1,352,253	202,821	135,950	95,410	1,786,434	(156,919)	1,629,515
Operating income	$ 157,207	$ 9,032	$ 29,665	$ 2,290	$ 198,194	$ 8,622	$ 206,816
II. Total assets	$ 1,589,870	$ 125,028	$ 254,702	$ 117,635	$ 2,087,235	$ 234,450	$ 2,321,685

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, 2005 and 2004 are summarized as follows:

	Year ended March 31, 2005				
	Asia	Europe	North America	Other	Total
	(Millions of yen)				
Overseas sales	¥ 36,309	¥ 28,688	¥ 15,975	¥ 4,079	¥ 85,051
Overseas sales as a percentage of consolidated net sales	18.4%	14.5%	8.1%	2.1%	43.1%

	Year ended March 31, 2004				
	Asia	Europe	North America	Other	Total
	(Millions of yen)				
Overseas sales	¥ 29,952	¥ 24,712	¥ 12,593	¥ 4,387	¥ 71,644
Overseas sales as a percentage of consolidated net sales	17.6%	14.6%	7.4%	2.6%	42.2%

	Year ended March 31, 2005				
	Asia	Europe	North America	Other	Total
	(Thousands of U.S. dollars)				
Overseas sales	$ 338,072	$ 267,114	$ 148,743	$ 37,980	$ 791,909

17. Subsequent Event

The following appropriations of retained earnings of the Company, which have not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2005, were approved at a shareholders' meeting held on June 22, 2005:

	(Millions of yen)	*(Thousands of U.S. dollars)*
Cash dividends (¥8.00 = $0.07 per share)	¥ 1,526	$ 14,209
Bonuses to directors and corporate auditors	110	1,024
	¥ 1,636	$ 15,233

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
Consolidated: 2,721/Non-consolidated: 1,731

Stock Listings
First Section, Tokyo Stock Exchange
First Section, Osaka Securities Exchange

Transfer Agent
UFJ Trust Bank Limited
1-4-3 Marunouchi, Chiyoda-ku
Tokyo 100-0005, Japan

(as of March 31, 2005)

Organization

- Board of Directors
  - President
    - Corporate Management Committee
    - **Division and Department**
      - Internal Audit Office
      - Corporate Planning
      - Information Technology Management Office
      - Administration
      - Finance & Accounting
      - Responsible Care
      - Production
      - Business Planning
      - Research & Development
      - Ethylene Oxide Business
      - Acrylic Business
      - Fine & Specialty Chemicals Business
      - Performance Chemicals Business
      - Environment & Catalysts Business
      - Logistics & Sales Support
      - Shanghai Office
      - Kawasaki Plant
      - Himeji Plant
      - Suita Plant
- Board of Corporate Auditors
- Corporate Auditors
  - Auditor’s Office

Consolidated Subsidiaries and Affiliates

Name	Equity Ownership (%)	Principal Business	President
Nippoh Chemicals Co., Ltd.*	67.9	Manufacture and sale of iodine, natual gas, intermediates for API and agro-chemicals and photo/electro chemicals	Tatsuhito Matsuda
Nippon Polyester Co., Ltd.*	97.7	Manufacture and sale of synthetic resins and related additives	Tamotsu Okamura
Nisshoku Butsuryu Co., Ltd.*	100.0	Logistics	Wataru Makii
Tokyo Fine Chemical Co., Ltd.*	88.7	Manufacture and sale of stabilizer of vinyl chloride resin and anti-freeze	Tadayoshi Honda
Chugoku Kako Co., Ltd.*	89.4	Manufacture and sale of adhesive tape and heat insulator	Fukio Ogawa
Shinritsu Co., Ltd.*	73.1	Sale of chemical products	Masayoshi Sugimoto
NA Industries, Inc.**	100.0	Manufacture and sale of super-absorbent polymers Technical liaison and business development	Yuji Noma
Nippon Shokubai (Asia) Pte. Ltd.*	100.0	Sale of chemical products	Takeshi Sano
Nippon Shokubai Europe N.V.*	100.0	Manufacture and sale of superabsorbent polymers	Keishi Tsuboi
PT. Nippon Shokubai Indonesia*	93.7	Manufacture and sale of acrylic acid and acrylic esters	Takashi Onishi
Singapore Acrylic Pte Ltd.	51.0	Manufacture and sale of crude acrylic acid	Kenji Ozeki
Singapore Glacial Acrylic Pte Ltd.	100.0	Manufacture and sale of acrylic acid	Kenji Ozeki
NISSHOKU CHEMICAL INDUSTRY (ZHANGJIAGANG) CO., LTD.	100.0	Manufacture and sale of super-absorbent polymers	Kiyoshi Kawamura
Nihon Jyoryu Kogyo Co., Ltd.	83.4	Manufacture and sale of anthraquinone, carbozole, and their derivatives	Takakiyo Goto
ICT Co., Ltd.	50.0	Sale of automobile exhaust catalyst	Yojiro Takahashi
Nihon Polymer Ind. Co., Ltd.	50.0	Manufacture and sale of acrylic emulsions	Tadahiro Yoneda
International Catalyst Technology, Inc.	50.0	Manufacture and sale of auto-mobile exhaust catalyst	William Staron
Japan Composite Co., Ltd.	35.0	Manufacture and sale of unsaturated polyesters resin and plastic molded materials	Tadayoshi Kishimoto

(as of June 30, 2005)

* Included in consolidation
** American Acryl NA LLC, and American Acryl L.P., are consolidated into NA Industries, Inc. by the equity method.

Directory

HEAD OFFICES

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4-1-1 Koraibashi, Chuo-ku
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Telephone: 81-6-6223-9111
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Hibiya Dai Bldg.
1-2-2 Uchisaiwai-cho, Chiyoda-ku
Tokyo 100-0011, Japan
Telephone: 81-3-3506-7475
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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 671-1282, Japan

Ehime Plant
5-1 Soubiraki-cho, Niihama, Ehime 792-8521, Japan

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

OVERSEAS OFFICES

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R/No. 3604, The Center, 989 Changle Road Shanghai, China, 200031
Telephone: 86-21-5407-5959
Facsimile: 86-21-5407-5673

LABORATORIES

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

Advanced Materials Research Laboratory
5-8 Nishi Otabi-cho, Suita
Osaka 564-8512, Japan

E&I Materials Research Laboratory
5-8 Nishi Otabi-cho, Suita
Osaka 564-8512, Japan

Strategic Technology Research Laboratory
5-8 Nishi Otabi-cho, Suita
Osaka 564-8512, Japan

Superabsorbents Research Center
992-1 Aza-Nishioki Okihama, Aboshi-ku, Himeji
Hyogo 671-1292, Japan

Fine & Specialty Chemicals Research Center
5-8 Nishi Otabi-cho, Suita
Osaka 564-8512, Japan

Catalysts Research Center
992-1 Aza-Nishioki Okihama, Aboshi-ku, Himeji
Hyogo 671-1292, Japan

OVERSEAS COMPANIES

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