



Financial results for FY2005 ending March (Consolidated)

May 19, 2005

Name of the company: Chisso Corporation

Registration: Green Sheet issues

Code: 4006

Headquarters located in: Tokyo

(URL: <http://www.chisso.co.jp>)

Representative: Chairman Shunkichi Goto

Contact person: Toshiya Horio, Deputy Chief Director of General Affairs & Human Resources Department

TEL: 03-3534-8909

The Board of Directors' meeting for account settlement held on: May 19, 2005

Name of parent company etc.: - Introduction of the US accounting standard: No

1. Consolidated business results in FY2005 ending March (April 1, 2004 to March 31, 2005)

(1) Consolidated operating results

	Sales		Operating income		Ordinary profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2005 ending March	150,694	( 13.5)	12,063	( 10.1)	12,421	( 24.7)
FY2004 ending March	132,784	(Δ2.4)	10,958	( 27.0)	9,964	( 49.5)

	Current net income	Current net income per share	Current net income per share after residual security adjustment	Return on equity	Return on asset	Sales/Recurring
	Millions of yen %	yen sen	yen sen	%	%	%
FY2005 ending March	4,215 ( 699.8)	26 99	————	-	8.1	8.2
FY2004 ending March	527 ( - )	3 38	————	-	6.9	7.5

(Note) 1. Equity in earnings of associated companies: 1,513 million yen in FY2005 ending March; 803 million yen in FY2004 ending March

2. Average number of shares in the term (consolidated): 156,135,155 shares in FY2005 ending March; 156,177,327 shares in FY2004 ending March

3. Changes in accounting procedure: None

4. Percentages in the columns of sales, operating income, ordinary profit and current net income show year-on-year increase/decrease rates.

(2) Consolidated financial conditions

	Total assets	Shareholders' equity	Equity ratio	Shareholders' equity per share
	Millions of yen	Millions of yen	%	yen sen
FY2005 ending March	152,583	Δ125,432	Δ82.2	Δ803 61
FY2004 ending March	144,691	Δ129,704	Δ89.6	Δ830 54

(Note) Number of outstanding shares at the term end (consolidated): 156,085,667 shares in FY2005 ending March; 156,167,684 shares in FY2004 ending March

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash flows from compensation for Mad Hatter's disease patients	Term-end balance of cash and cash equivalents
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY2005 ending March	12,495	Δ6,569	Δ4,188	Δ3,678	11,074
FY2004 ending March	13,976	Δ3,602	Δ5,042	Δ3,433	13,025

(4) Range of consolidation and equity method

Number of consolidated subsidiaries: 20; Number of unconsolidated subsidiaries on equity method: - ; and Number of associated companies on equity method: 3

(5) Changes in the range of consolidation and equity method

Consolidated (new): 2; (excluded): 1; Equity method (new): - ; (excluded): -

2. Forecast of consolidated business performance in FY2006 ending March (April 1, 2005 to March31, 2006)

	Sales	Ordinary profit	Current net income
	Millions of yen	Millions of yen	Millions of yen
Interim	76,000	6,600	2,900
All terms	155,000	13,000	5,000

(Reference) Expected current net income per share (all terms): 32 yen 02 sen

- \* The above-mentioned forecast was made based on the information available as of the date of this announcement, and actual business performance may be largely different from the forecast due to various possible factors.

### 3. Contents of Business

The Company's Group (the Company and its affiliated companies) consists of the Company, the Company's 42 subsidiaries and 14 affiliated companies. The main businesses and the positions in the business of the Company and the major affiliated companies are as follows.

#### Chemicals business

##### (Performance Products area)

The Company manufactures and sells liquid crystal-related materials, and processes, manufactures and sells electronic parts.

##### ·Main affiliated companies

Kumamoto Fine Co., Ltd., Sun Electronics Co., Ltd., Chisso China Co., Ltd. and CHISSO FINE TECHNO Co., Ltd.

##### (Chemicals area)

In this area, polypropylene, polyethylene, polypropylene special compound, high quality alcohol, plasticizers, solvent, organic acid, and silicone derivatives etc. are

produced and sold.

·Main affiliated companies

Chisso Petrochemical Corporation, Chiba Polyfine Co., Ltd., Chiba Ethyl Acetate Co., Ltd., Sun Bio Co., Ltd., Minamata Environmental Technology Development Center (M.E.T.), Japan Polypropylene Corporation, Keiyo Polyethylene Co., Ltd., CG Ester Corporation

**(Consumer Oriented Goods area)**

In this area, polypropylene fibers, high-titer compound fertilizers, slow-release fertilizers and polyvinyl chloride consumer goods etc. are produced and sold.

·Main affiliated companies

Chisso Polypro Fiber Co., Ltd., Guangzhou ES Fiber Co., Ltd., Kyushu Chemical Industry Co., Ltd., Japan Polyproducts Corporation, Chisso Kaihatsu Co., Ltd., Chisso Plastics Co., Ltd., JP Corporation

**Other Business**

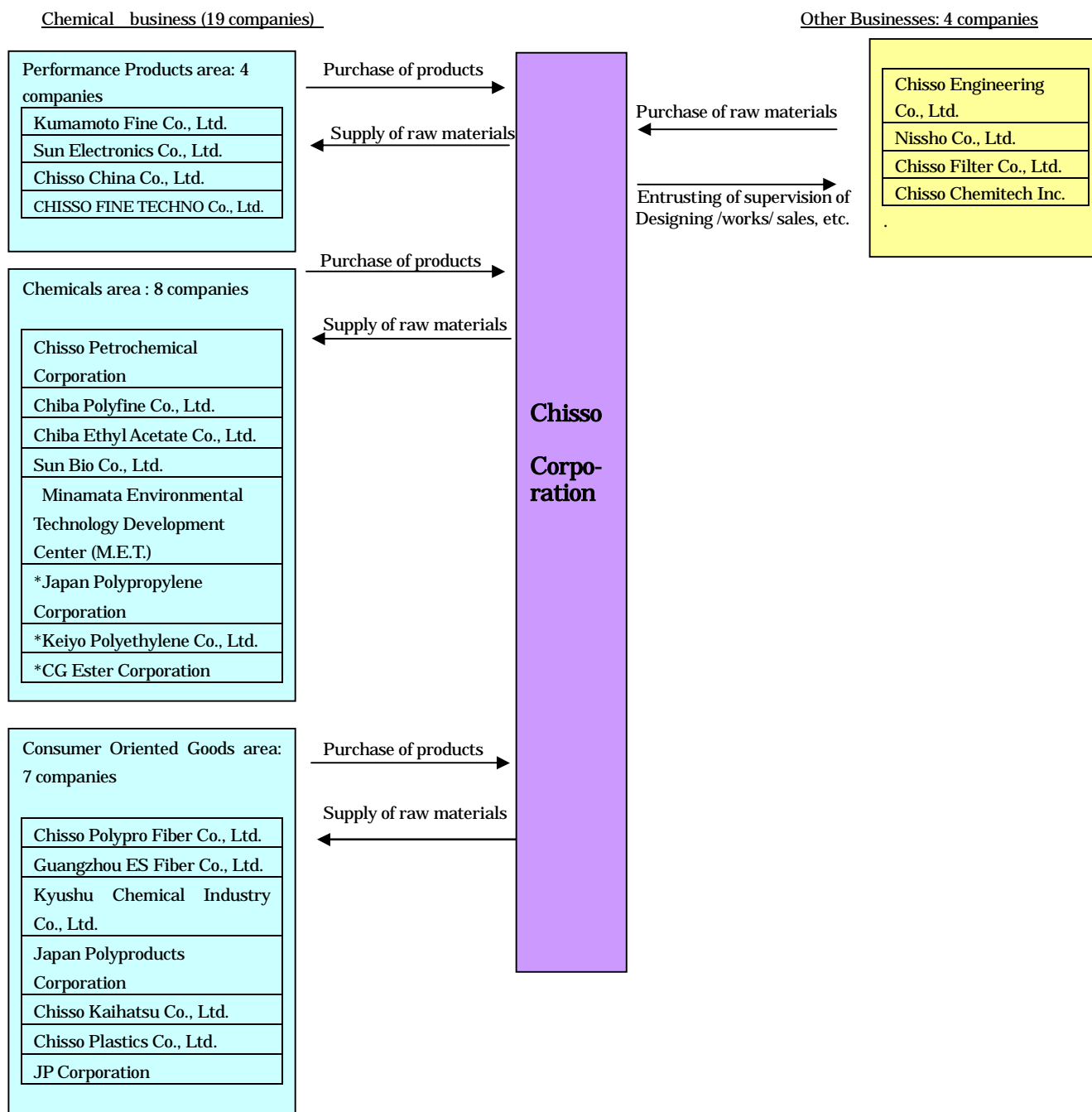
The Company carries out the designing, procurement and works of chemical plant of each kind, and sells related products.

·Main affiliated companies

Chisso Engineering Co., Ltd., Nissho Co., Ltd., Chisso Filter Co., Ltd., Chisso Chemitech Inc.

## [System Diagram of Business]

The above descriptions are shown in the following system diagram.  
 (Marks of company's names : Non mark: consolidated subsidiaries, \* mark: equity method applicable companies)



(Notes) In November 2004, the Company made CHISSO FINE TECHNO Co., Ltd. a consolidated subsidiary. CHISSO FINE TECHNO Co., Ltd. took over liquid crystal-related business of Kyushu Chemical Industry Co., Ltd. (Then consolidated subsidiary). In January 2005 following the dissolution of Chisso Hong Kong Limited which was no longer a consolidated subsidiary, the Company newly made Chisso China Co., Ltd. (Shanghai), which was established in May 2004, a consolidated company. On April 1, 2005, Japan Polyproducts Corporation (A consolidated subsidiary of the Company) absorbed Chisso Plastics Co., Ltd. (A consolidated subsidiary of the Company) and JP Corporation (A consolidated subsidiary of the Company). On April 1, 2005, Chisso Chemitech Limited changed its trade name to "CCT Corporation."

#### 4. States of Affiliated Companies

Name	Address	Contents of main business	Percentage of holding (or held) voting rights (%)
(Consolidated subsidiary) <b>Chisso Petrochemical Corporation</b>	Chuo-ku, Tokyo	Production of petrochemical products	100
<b>Chisso Polypro Fiber Co., Ltd.</b>	Chuo-ku, Tokyo	Production of polypropylene fibers	100
<b>Kyushu Chemical Industry Co., Ltd.</b>	Chuo-ku, Tokyo	Production of fertilizer and chemical goods	90
<b>Chisso Plastics Co., Ltd.</b>	Minamata City, Kumamoto Pref.	Production of plastic products	100 (100)
<b>Nissho Co., Ltd.</b>	Chiyoda-ku, Tokyo	Sales of chemical products etc.	90
<b>Chiba Ethyl Acetate Co., Ltd.</b>	Chuo-ku, Tokyo	Production of chemical products	55
<b>Chisso Engineering Co., Ltd.</b>	Chuo-ku, Tokyo	Designing and works of chemical plants	99 (1)
<b>Chisso Kaihatsu Co., Ltd.</b>	Minamata City, Kumamoto Pref.	Production of plastic products etc.	95 (95)
<b>Kumamoto Fine Co., Ltd.</b>	Chuo-ku, Tokyo	Production of chemical products	100
<b>Chiba Polyfine Co., Ltd.</b>	Chuo-ku, Tokyo	Production of polyolefin based compound	100
<b>Sun Electronics Co., Ltd.</b>	Minamata City, Kumamoto Pref.	Manufacture and processing of electronic parts etc.	100
<b>Chisso Filter Co., Ltd.</b>	Kita-ku, Osaka City, Osaka Pref.	Manufacture and sales of filtering materials	100
<b>Chisso Chemitech Co., Ltd.</b>	Chuo-ku, Tokyo	Sales of chemical products etc.	100
<b>Japan Polyproducts Corporation</b>	Chuo-ku, Tokyo	Sales of plastic products etc.	100
<b>Minamata Environmental technology Development Center (M.E.T.)</b>	Minamata City, Kumamoto Pref.	Development and entrusted R&D of advanced technologies with environmental consideration	80
<b>JP Corporation</b>	Osaka City, Osaka Pref.	Production of fiber products	100 (100)
<b>Sun Bio Co., Ltd.</b>	Chuo-ku, Tokyo	Production of biology-related products	60
<b>Guangzhou ES Fiber Co., Ltd.</b>	Guangzhou, China	Production of polypropylene fibers	85
(equity method applicable affiliated company) <b>Keiyo Polyethylene Co., Ltd.</b>	Chuo-ku, Tokyo	Sales of petrochemical products	50 (50)
<b>CG Ester Corporation</b>	Chuo-ku, Tokyo	Sales of petrochemical products	50
<b>Japan Polypropylene Corporation</b>	Minato-ku, Tokyo	Production and sales of petrochemical products	35 (35)

#### Notes)

Holding percentage of voting rights in the parentheses indicates an indirect holding percentage.

In the current consolidated fiscal year, the following companies newly became consolidated subsidiaries.

Name	Address	Capital stock (in million yen)	Contents of main business	Percentage of holding (or held) voting rights (%)
<b>CHISSO FINE TECHNO Co., Ltd.</b>	Chuo-ku, Tokyo	10	Production of electronic materials	100
<b>Chisso China Co., Ltd.</b>	Shanghai, China	US\$ 1 million	Sale of chemical products	100

## 2. Management Policy

### (1) Basic management policy

Chisso Group has been producing various cutting-edge products as the pioneer of Japanese chemical industry since its foundation. At present, the business fields of the company include liquid crystal materials necessary for the information age, synthetic resins, a thermo-bondable bi-component fiber, a coated urea fertilizer, etc. The company aims to become an advanced chemical manufacturer to provide customer-oriented products and services with special techniques and high cost performance.

### (2) Basic policy regarding dividends

Although Chisso has been making full-scale efforts to improve its business performance, we regret that the company has to continue nonpayment of dividends due to a large amount of extraordinary loss for the compensation of Mad Hatter's disease patients and sovereign debts.

With a priority put on the compensation for Mad Hatter's disease patients, we will make efforts to complete the payment of the compensation as early as possible by improving our business performance.

## 3. States of Corporate Governance

### (1) Basic concept of corporate governance

The Company regards the contribution to interests of our stakeholders, including our stockholders, by increasing corporate value as one of the most important corporate management.

The Company adopts an auditor system. The Company regards this system as the optimum system for our corporate governance, taking into account current business conditions of the Company.

The Company has adopted an executive officer system to speed up task execution as well as to clarify management responsibilities by dividing decision-making from task execution.

### (2) Contents of corporate organization, states of arrangement of internal management system, and states of risk management system

#### 1. Board of Directors

The Board of Directors is hosted by the Chief Executive Officer & Chairman, and makes decisions on the Company's management policies and other important matters at regular meetings held once a month and at extraordinary meetings held as appropriate. The Board of Directors also supervises the execution of duties. The Board of Directors consists of seven directors as of June 29, 2005.

#### 2. Management Conference

Management Conference is hosted by the Chief Operating Officer & President, and makes decisions on important matters other than those decided by Board of Directors. Management Conference mainly consists of executive officers and those who have higher positions.

### **3. Executive Officers**

The executive officers are selected by the Board of Directors, and bear responsibilities to execute particular business affairs. The number of executive officers is 18 (of which six members concurrently hold the position of Directors) as of June 29, 2005.

### **4. Auditors and Board of Auditors**

The Board of Auditors consists of two in-house auditors and two outside auditors as of June 29, 2005. The regular meetings of Board of Auditors are held once in every three months, and extraordinary meetings take place as appropriate.

Each of the auditors attends the Board of Directors meetings and other meetings as required.

### **5. Auditing Room**

Auditing Room has been appointed for conducting self-audit of directors, and regularly implements audits of each department and/or division in accordance with the Company's yearly plan

### **6. Responsible Care Conference**

The Company has set up Responsible Care Conference for conducting responsible care, activities to ensure "environment-friendliness, safety, and quality" in every process of chemical substances, including development, production, distribution, application, final consumption and disposition of chemicals. President serves as a chairman of Responsible Care Conference. Responsible Care Conference has been held almost biannually for assessing situations of each office concerning environment-friendliness, safety and quality.

### **7. Compliance Committee**

The Company has established compliance rules and has set up Compliance Committee to ensure compliance with laws in force and prevent any breach of legal regulations. The chairman of the Committee is the officer in charge of General Affairs and Human Resources Department, and its members include officers in charge of each business division/department as well as the head of General Affairs and Human Resources Department, auditors, and the General Manager of the Legal Affairs Department. Committee meetings are held twice annually, where status of compliance is discussed and discussion results are reported to the Board of Directors. The Company has also set up "Compliance Hot Line" with which any employee can directly consult with and report to the Compliance Committee Head Office (Legal Affairs Department) and corporate lawyers when he or she detects any noncompliance.

#### **b. Internal audit, audit for auditors and accounting audit**

##### **Internal audit and audit for auditors**

The Audit Office performs regular auditing in cooperation with personnel of departments concerned as needed.

The Board of Auditors receives audit reports on accounting regularly and as needed from the audit corporation for opinion exchange. In addition, the Board regularly performs auditing at individual departments and group companies.

##### **Accounting audit**

\* Name of certified public accountant, duration of involvement and name of audit corporation

Appointed employee/managing partner: Mitsuhiro Makino (Ernst & Young ShinNihon), duration of involvement: 11 years

Appointed employee/managing partner: Masao Shimizu (Ernst & Young ShinNihon), duration of involvement: 11 years

\* Off-siders for auditing

Certified public accountant: 2

Assistant certified public accountant: 3

c. Details of directors' remuneration

Total annual remuneration of directors: 103 million yen

Total annual remuneration of auditors: 27 million yen

d. Details of audit fee

Total annual fee for auditing defined in Article 2, Paragraph 1 of the certified public accountant law

Consolidated: 44 million yen

Non-consolidated: 27 million yen

There are no fees for those other than the above-mentioned tasks.

3) Outline of the interests between the company and external auditors including personal, financial and trade-related relationships

Our company has concluded a contract with Hiroshi Saito, an attorney of Kashima Law Office, where Akio Kashima, an external auditor of our company, works as an attorney.

There are no other interests between our company and external auditors.

4) Countermeasures taken for improvement of the corporate governance within the last year

At the fixed general meeting held on June 29, 2004, one external auditor was added.

On June 29, 2004, two operating officers were added to improve the operating officer system.

(4) Development/operation of the internal management system

1) Development of the internal management system

Our company has established administrative functions for the corporate governance system (Audit Office, Responsible Care Committee and Compliance Committee) as described in the above section (3) to improve our internal management system.

In addition, administrative departments such as General Affairs & Human Resources Dept., Administration Dept., and Environment, Safety and Quality Dept., have established various regulations including those concerning operation assignment, administrative authority, accounting, and responsible care basis, and supervise individual departments to ensure appropriate and rational business activities.

2) Countermeasures taken for improvement of the internal management system within the last year

To meet the Act for Protection of Computer Processed Personal Data held by Administrative Organs, the regulation for personal data management was established and thoroughly publicized throughout our company.

(5) Tasks and medium-term management strategies

Chisso Group will attain the results of its business structure reform project, and achieve profit growth and independent re-growth, with the followings set as the goals for further development:

1. Promotion of selection and concentration
2. Creation of new businesses
3. Strengthening of research and development



## No. 2 States of Business

### 1 Outline of Business and Others Activities

#### (1) Operating results

Japanese economy, in the current period, has steady recovered thanks to favorable exports supported by vigorous demands overseas, and corporate profits have improved dramatically with increasing private capital investment and gradual recovery in consumer spending.

In the chemical industry, the price of naphtha, an important petrochemical material, has soared, but the shipments of chemical products have increased, and in general, have remained steady.

In view of this, the Chisso Group has been actively engaged in the development of performance products businesses in response to expanding markets and has also focused on the development of highly functional products. Further, in its chemical business and processed product business, the Group has sharpened its competitive edge and improved the prices of products to strengthen its income base.

Accordingly, the sales for the current consolidated accounting year amounted to over 150,690 million yen, up 13.5 % from the preceding fiscal year, the operating income amounted to over 12,060 million yen, up 10.1 % from the preceding fiscal year, and ordinary profits recorded over 12,420 million yen, increased roughly by 24.7% over the previous consolidated business year. In addition, a loss of some 6,030 million yen in connection with the compensation liability for Minamata disease is posted as an extraordinary loss.

As a result, the current term net profit totaled roughly 4,210 million, up 699.8% above the preceding consolidated fiscal year.

The operating results by business segment for each product category are as follows.

#### ( ) Chemicals business

##### (Performance Products)

In liquid crystals material businesses, with market expansion, the Company has made efforts to achieve new concepts and new customers. Our efforts in the development of products in response to demand side needs following the advent of larger and more sophisticated liquid displays have resulted in a large increase in the sales volume. The shipping volume of alignment film, which is one of the peripheral materials of liquid crystals and of which performance has been highly appreciated, has been in a favorable level. The research and development of next-generation display materials, including liquid crystal-related materials and organic EL materials, have been consolidated to Goi Research Center, and the Company has expanded and improved its research facilities. By doing so, the Company will speed up development time and will offer “total solutions” related to display products. The Company will also establish production bases of liquid crystals and related materials in Korea and Taiwan, which are major producers of liquid crystal display like Japan, to develop business activities at locations closer to markets.

In the business of electronic parts, the Company has started the full-scale self manufacturing of electrical property inspection services in this fiscal year. The amount of orders received has risen, since the Company has established self-consistent systems for receiving orders of IC chip assembly for liquid crystal displays.

### **(Chemicals)**

The sales of industrial chemicals and solvents, including ethyl acetate and oxo-alcohol, increased following the price revision due to skyrocketing prices of naphtha, which is main raw material. However, the cost of the main material remained high, and this seriously affected profitability.

The sales of silicone products exceeded the level in the previous term due to increase of the shipment of products for the use in semiconductors and polycrystalline silicon solar batteries. Furthermore, the shipping volume of silane coupling agents for the use as semiconductor sealants and as paints as well as the shipping volume of reactive silicone for the use in contact lenses and artificial leather have increased.

The sales volume of long-fiber glass reinforced thermoplastic resin (Product name: FUNCSTER) has increased mainly for the use in automobile structural members. The Company has been constructing the framework for the manufacturing and selling of the long-fiber glass reinforced thermoplastic resin in the United States so as to start full-scale development of the business related to this resin in North America.

The business related to polypropylene has been taken over by Japan Polypropylene Corporation, an affiliated company, and it has shown a satisfactory performance level in its business operation due to brisk domestic and overseas demand.

The Company launched in this fiscal term the marketing of collagen peptide (Product name: "Marine Collagen Oligo") which is extracted from scales of fish and enzymatic degraded, as a start-up venture. In this way, the Company again started selling collagen peptide for the use in food and cosmetics in response to increasingly health-conscious consumers.

### **(Consumer Oriented Goods)**

In the fiber business, the sales of compound fibers remained flat due to severe competition against lower-priced non-woven fabric imported products and other materials. The sales volume of composite spunbond non-woven fabrics increased following the high appreciation of the products' functions as unwoven fabrics for the use in sanitary materials.

In the agricultural related product business, the sales volume of coated urea fertilizers (Product name: LP Coat), which have unique function of adjusting the effect of fertilizers, is continuously expanding. On the other hand, the sales volumes of state-of-the-art chemical fertilizers and materials for agriculture decreased under continuing unfavorable business environment for agriculture. To deal with such business environment, the section responsible for marketing materials for agriculture will be integrated into related businesses of the Group, to achieve better efficiency and improved cost accounting.

In the business of resin processed products, the sales volume of hard vinyl chloride sheets substantially increased, and the sales of the laver bamboo blinds (Product name: Chemi

Noris), leading products in this sector, remained strong.

As a result, the sales in this segment amounted to a little over 114,580 million yen, up 6.1 % from the preceding consolidated fiscal year, and the operating income totaled 9,310 million yen, up 8.4% from the year-ago on a consolidated basis.

#### ( ) Other businesses

In the commercial sector, the sales volume of polyolefin resins and cleaning agent for plastics molding machine (Product name: Z Clean) increased both due to strong demand at home and abroad. In the engineering area, orders received for large-scale projects increased due to increasing private-sector capital investment, and the sales remained stable.

As a result, the sales in this segment recorded approximately 36,100 million yen, up 45.6%, and the operating income recorded 2,760 million yen, up 18.8% as compared with the preceding consolidated fiscal year.

## No. 4 States of Accounting

### 1. Consolidated Financial Statements etc.

#### (1) Consolidated Financial Statements

##### ( ) Consolidated Balance Sheet

Division	Previous consolidated fiscal year (Mar. 31, 2004)		Current consolidated fiscal year (Mar. 31, 2005)		
	Amount (in million yen)		Composition ratio (%)	Amount (in million yen)	Composition ratio (%)
(Assets)					
Current Assets					
1 Cash and deposit		13,025		11,074	
2 Notes receivable & accounts receivable-trade		29,029		34,326	
3 Inventories		11,965		14,761	
4 Deferred tax assets		255		223	
5 Others		5,018		6,883	
Reserve for bad debts		193		69	
Total current assets		59,100	40.8	67,200	44.0
Fixed assets					
(1) Tangible fixed assets					
1 Building & structures	44,144			44,330	
Accumulated depreciation	23,899	20,245		23,921	20,409
2 Machinery and auto/trucks	101,731			96,119	
Accumulated depreciation	86,065	15,666		82,796	13,323
3 Land		30,643			30,529
4 Construction in process		1,427			1,819
5 Others	4,574			4,468	
Accumulated depreciation	3,683	890		3,533	935
Total tangible fixed assets		68,872	47.6	67,016	43.9
(2) Intangible fixed assets					
1 Others		594		583	
Total intangible fixed assets		594	0.4	583	0.4
(3) Investments and other assets					
1 Investment securities		9,417		10,992	
2 Long-term loan receivable		1,272		1,032	
3 Deferred tax assets		932		983	
4 Others		4,566		4,908	
Reserve for bad debts		64		134	
Total investments and other assets		16,123	11.2	17,782	11.7
Total fixed assets		85,589	59.2	85,383	56.0
Total assets		144,691	100.0	152,583	100.0

Division	Previous consolidated fiscal year (Mar. 31, 2004)		Current consolidated fiscal year (Mar. 31, 2005)	
	Amount (in million yen)	Composition ratio (%)	Amount (in million yen)	Composition ratio (%)
(Liabilities)				
I Current Liabilities				
1 Notes payable & accounts payable-trade	28,957		34,385	
2 Short-term loans payable	21,472		25,300	
3 Unpaid corporate taxes	952		1,428	
4 Accrued expenses	2,479		2,435	
5 Account payable-other	9,654		10,879	
6 Reserve for repairs	654		-	
7 Others	9,811		4,918	
Total current liabilities	73,982	51.1	79,347	52.0
II Fixed liabilities				
1 Corporate bond	100		300	
2 Long-term loans payable	146,289		145,023	
3 Deferred tax liabilities by revaluation	9,192		9,192	
4 Reserve for retirement allowances	12,206		12,308	
5 Long-term account payable	29,946		29,667	
6 Long-term deposits received	1,620		1,132	
7 Reserve for repair	-		301	
8 Consolidated adjustment account	105		162	
Total fixed liabilities	199,460	137.9	198,089	129.8
Total liabilities	273,443	189.0	277,437	181.8
(Minority interest)				
Minority interest	951	0.7	578	0.4
(Shareholders' equity)				
I Capital stock	7,813	5.4	7,813	5.1
II Capital surplus	472	0.3	472	0.3
III Earned surplus (Note-1)	151,985	105.0	147,776	96.8
IV Revaluation excess of land	13,539	9.3	13,538	8.9
V Variance of estimate of other securities	408	0.3	493	0.3
VI Adjustment account of exchange conversion	49	0.0	27	0.0
VII Treasury stocks	1	0.0	3	0.0
Total shareholders' equity	129,704	89.7	125,432	82.2
Total liabilities, minority interest and shareholders' equity	144,691	100.0	152,583	100.0

### Note 1 (Earned surplus in 2005):

In view of the large cumulative losses that have built up until the present in connection with Minamata Disease, the Corporation's earned surplus amounts to Δ147,776 MY. In order that this situation may not have an adverse effect on the company's ability to continue in business, the Corporation has sought the support of all concerned, encouraged by the understanding it has received from all quarters. As a result, a package of support measures related to the Minamata Disease liabilities from the past has been strung together by national government, the prefecture of Kumamoto and the relevant financial institutions in pursuance to the "Support Measures for Chisso Corporation Effective From FY2000" sanctioned by Cabinet Decision on February 8, 2000.

( ) Consolidated Income Statement

Division	Previous consolidated fiscal year (from Apr. 1, 2003 to Mar. 31, 2004)		Current consolidated fiscal year (from Apr.1, 2004 to Mar. 31, 2005)			
	Amount (in million yen)	Percentage (%)	Amount (in million yen)	Percentage (%)		
I Sales		132,784	100.0	150,694	100.0	
II Cost of sales		103,435	77.9	121,703	80.8	
Gross profit on sales		29,348	22.1	28,991	19.2	
III Selling, general and administrative expenses		18,389	13.8	16,928	11.2	
Operating income		10,958	8.3	12,063	8.0	
IV Non-operating income						
1 Interest received	75			82		
2 Dividends received	166			297		
3 Return on invested capital by equity method	803			1,513		
4 Others	192	1,237	0.9	301	2,195	1.4
V Non-operating expenses						
1 Interest paid	1,577			1,297		
2 Others	654	2,231	1.7	539	1,836	1.2
Ordinary profit		9,964	7.5		12,421	8.2
IV Extraordinary income						
1 Profit on sales of investment securities	109			270		
2 Profit on sales of land	27			-		
3 Profit on sales of fixed assets	-			100		
4 Others	22	158	0.1	-	370	0.2
VII Extraordinary loss						
1 Loss of compensation for Minamata disease	4,661			4,493		
2 Burden charge for public pollution preventive business	1,166			1,151		
3 Loss on disposal of fixed assets	2,386			756		
4 Provision of reserve for repairs	285			-		
5 Loss related to lawsuit	23			-		
6 Others	307	8,828	6.6	-	6,402	4.2
Current term net profit before tax adjustment		1,294	1.0		6,389	4.2
Corporate tax, residential tax, business tax	1,170			2,211		
Adjustment account of corporate tax	473	697	0.5	52	2,158	1.4
Minority interest		69	0.1		15	0.0
Current term net profit		527	0.4		4,215	2.8

( ) Consolidated Statement of Surplus

Division	Previous consolidated fiscal year (from Apr.1, 2003 to Mar. 31, 2004)		Current consolidated fiscal year (from Apr. 1, 2004 to Mar. 31, 2005)	
	Amount (in million yen)		Amount (in million yen)	
(Capital surplus)				
I Beginning balance of capital surplus		472		472
II Ending balance of capital surplus		472		472
(Earned surplus)				
I Beginning balance of earned surplus		153,029		151,985
II Increase in earned surplus				
1 Current term net profit	527		4,215	
2 Disposition of revaluation excess of land	515	1,042	0	4,215
III Decrease in earned surplus				
1 Decrease due to reduction of subsidiaries	-	-	6	6
IV Ending balance of earned surplus		151,985		147,776

( ) Consolidated Cash-flow Statement

Division	Previous consolidated fiscal year (from Apr. 1, 2003 to Mar. 31, 2004)	Current consolidated fiscal year (from Apr. 1, 2004 to Mar. 31, 2005)
	Amount (in million yen)	Amount (in million yen)
I Cash flow by sales activities		
Current term net profit before adjustment of tax	1,294	6,389
Depreciation expenses	7,396	6,699
Increase in reserve for retirement allowances	84	102
Increase or decrease in reserve for repairs	654	352
Interest received and dividends received	241	379
Return on invested capital by equity method	496	1,513
Interest paid	1,577	1,297
Loss related to compensation for Minamata disease	5,827	5,644
Loss related to lawsuit	23	-
Increase/decrease in trade receivables	2,926	4,581
Increase in inventories assets	43	2,796
Increase/decrease in trade payable	548	5,428
Decrease in notes discounted	3,377	607
Others	696	408
Sub-total	15,775	15,739
Interest and dividends received	241	379
Interest paid	1,450	1,229
Amount paid related to lawsuit	328	211
Corporate tax paid	261	2,182
Cash flow by operating activities	13,976	12,495
II Cash flow by investment activities		
Expenditure by acquisition of tangible fixed assets	4,418	5,682
Income by sales of tangible fixed assets	989	128
Expenditure by acquisition of investment securities	380	103
Income by sales of investment securities	231	273
Expenditure by acquisition of subsidiaries' stocks	173	684
Others	148	501
Cash flow by investment activities	3,602	6,569
III Cash flow by financial activities		
Net increase/decrease in short-term loan payable	1,187	1,489
Income by long-term loan payable	1,347	1,070
Expenditure by repayment of long-term loan payable	5,102	3,955
Income from bonds issued	-	200
Delivery of dependents to minority stockholders	-	12
Others	100	2
Cash flow by financial activities	5,042	4,188
IV Cash flow by compensation for Minamata disease	3,433	3,678
V Conversion difference of cash and cash equivalent	2	8
IV Increase/decrease in cash and cash equivalent	1,899	1,951
VII Beginning balance of cash and cash equivalent	11,125	13,025
VIII Ending balance of cash and cash equivalent	13,025	11,074



Events or situations that arouse mistrust in the premise of a going concern

Previous consolidated account year (From April 1, 2003 to March 31, 2004)	Current consolidated account year (From April 1, 2004 to March 31, 2005)
<p>Due to a large amount of Mad Hatter's disease-related cumulative losses, the accumulated income was Δ151,985 million yen, showing serious asset deficiency, and therefore an important mistrust arose regarding the premise of a going concern.</p> <p>Our company has requested all parties concerned for their understanding and various supports so that these conditions would not affect our future businesses. As a result, various measures were taken by the national government, Kumamoto Prefectural Government, and financial institutions to provide our company with support for the existing Mad Hatter's disease-related liabilities, based on the cabinet decision made on February 8, 2000, "Support for Chisso Corporation in 2000 or later."</p> <p>The details of the support are as follows: The national government and Kumamoto Prefectural Government have taken measures such as the moratorium on payment of the existing Mad Hatter's disease-related sovereign debts in each fiscal year to enable our company to make repayment to the extent possible after paying the compensation to the patients of the disease from ordinary profit.</p> <p>Financial institutions have continued the moratorium of principal of the loan and compensating credits, as well as exemption of interest for such loans and money loans necessary for our company and its affiliates to continue their business activities.</p> <p>Consolidated financial sheets were prepared on the premise of a going concern, and therefore the serious impact of this mistrust was not included in the sheets.</p>	<p>Due to a large amount of Mad Hatter's disease-related cumulative losses, the accumulated income was Δ147,776 million yen, showing serious asset deficiency, and therefore an important mistrust arose regarding the premise of a going concern.</p> <p>Our company has requested all parties concerned for their understanding and various supports so that these conditions would not affect our future businesses. As a result, various measures were taken by the national government, Kumamoto Prefectural Government, and financial institutions to provide our company with support for the existing Mad Hatter's disease-related liabilities, based on the cabinet decision made on February 8, 2000, "Support for Chisso Corporation in 2000 or later."</p> <p>The details of the support are as follows: The national government and Kumamoto Prefectural Government have taken measures such as the moratorium on payment of the existing Mad Hatter's disease-related sovereign debts in each fiscal year to enable our company to make repayment to the extent possible after paying the compensation to the patients of the disease from ordinary profit.</p> <p>Financial institutions have continued the moratorium of principal of the loan and compensating credits, as well as exemption of interest for such loans and money loans necessary for our company and its affiliates to continue their business activities.</p> <p>Consolidated financial sheets were prepared on the premise of a going concern, and therefore the serious impact of this mistrust was not included in the sheets.</p>

## Segment Information

### Segment information by kind of business

Previous consolidated fiscal year: (from Apr. 1, 2003 to Mar. 31, 2004)

	Chemicals business (in million yen)	Other business (in million yen)	Total (in million yen)	Cancellation or whole company (in million yen)	Consolidation (in million yen)
Sales and operating profit/loss					
Sales					
(1) Sales to outside customers	107,988	24,795	132,784	-	132,784
(2) Internal sales or transfer among segments	6,577	2,427	9,004	(9,004)	-
Total	114,565	27,223	141,789	(9,004)	132,784
Operating expenses	105,970	24,893	130,864	(9,038)	121,825
Operating income	8,595	2,329	10,925	33	10,958
Assets, depreciation and capital expenditure					
Assets	121,846	22,844	144,691	-	144,691
Depreciation expenses	6,488	948	7,396	-	7,396
Capital expenditure	2,291	300	2,592	-	2,592

Consolidated fiscal year: (from Apr. 1, 2004 to Mar. 31, 2005)

	Chemicals business (in million yen)	Other business (in million yen)	Total (in million yen)	Cancellation or whole company (in million yen)	Consolidation (in million yen)
I Sales and operating profit/loss					
Sales					
(1) Sales to outside customers	114,587	36,107	150,694	-	150,694
(2) Internal sales or transfer among segments	4,529	1,589	6,118	(6,118)	-
Total	119,116	37,696	156,813	(6,118)	150,694
Operating expenses	109,799	34,930	144,730	(6,098)	138,631
Operating income	9,316	2,766	12,083	(19)	12,063
Assets, depreciation and capital expenditure					
Assets	128,331	24,252	152,583	-	152,583
Depreciation expenses	5,807	892	6,699	-	6,699
Capital expenditure	5,035	961	5,996	-	5,996

(Notes)

1 In the business division, production and sales of materials for chemicals and the consumer oriented goods are divided into “chemicals business”, while designing/works etc. of chemical plants of each kind other than the above are done into “other business”.

2 Main products of each business division

Business division	Main products
Chemicals business	Polypropylene, Polyethylene, Polypropylene fibers, Polyvinyl chloride resin, High quality alcohol, Plasticizers, Organic acid, Silicone derivatives, Liquid crystals, Advanced compound fertilizers, Slow-release fertilizers etc.
Other business	Designing/works etc. of chemical equipment of each kind

[Segment information by location]

The previous consolidated fiscal year (from April 1, 2003 to March 31, 2004) and the current consolidated fiscal year (from April 1, 2004 to March 31, 2005)

As the percentages of Japan accounting for the total sales of the whole of segments and the total amount of assets of the whole of segments both exceed 90%, descriptions of the segment information by location are omitted.

**[Sales Overseas]**

**Previous consolidated fiscal year (from Apr. 1, 2003 to Mar. 31, 2004)**

	South East Asia	North America	Other areas	Total
Sales overseas (in million yen )	21,023	1,937	1,287	24,249
Consolidated sales (in million yen)				132,784
Percentage of sales overseas accounting for consolidated sales	15.8	1.5	1.0	18.3

**Current consolidated fiscal year (from Apr. 1, 2004 to Mar. 31, 2005)**

	South East Asia	North America	Other areas	Total
Sales overseas (in million yen )	24,761	1,588	1,351	27,701
Consolidated sales (in million yen)				150,694
Percentage of sales overseas accounting for consolidated sales	16.4	1.1	0.9	18.4

(Notes)

- 1 Divisions of countries and areas are based on geographical proximity.
- 2 Main countries and areas belonging to each division
  - (1) South East Asia ..... China, Taiwan
  - (2) North America ..... USA, Canada
  - (3) Other areas..... Germany, Holland
- 3 The sales overseas are those of the Company and the consolidated Subsidiaries, in countries and areas other than Japan.