

Consolidated Balance Sheets

Nippon Soda Co., Ltd. and its consolidated subsidiaries

	March 31	Millions of Yen	Thousands of U.S. Dollars (Note 3)
ASSETS	2001	2002	2002
Current Assets:			
Cash and bank deposits	¥ 11,336	¥ 9,922	\$ 74,604
Marketable securities (Notes 2(4) and 5)	220	0	0
Notes and accounts receivable(Note2(11)):			
Trade	51,061	46,759	351,568
Unconsolidated subsidiaries and affiliates	4,524	4,938	37,126
Others	394	624	4,688
	55,979	52,321	393,382
Less: Allowance for doubtful accounts	(139)	(528)	(3,967)
	55,840	51,793	389,415
Inventories (Note 2(6) and 6)	22,140	23,629	177,664
Deferred tax assets-current(Notes 2(10) and 10)	797	1,575	11,843
Other current assets	3,151	1,555	11,696
Total current assets	93,484	88,474	665,222
Investments and Advances:			
Investments in securities (Note 5)	11,443	10,097	75,915
Investments in and advances to unconsolidated subsidiaries and affiliates	11,823	9,354	70,332
Other investments	2,478	2,264	17,022
	25,744	21,715	163,269
Property, Plant and Equipment, at Cost: (Note 2(7))			
Buildings and structures	51,700	52,471	394,515
Machinery, equipment and tools	110,673	113,058	850,064
	162,373	165,529	1,244,579
Less: Accumulated depreciation	(110,478)	(114,305)	(859,438)
	51,895	51,224	385,141
Land	15,668	16,236	122,075
Construction in progress	367	2,517	18,924
	67,930	69,977	526,140
Deferred Charges and Intangibles	2,192	2,200	16,541
Deferred Tax Assets-Non-current(Notes 2(10) and 10)	2,246	2,164	16,271
	¥ 191,596	¥ 184,530	\$ 1,387,443

The accompanying notes are an integral part of the statements.

	March 31	Millions of Yen	Thousands of U.S. Dollars (Note 3)
LIABILITIES AND SHAREHOLDERS' EQUITY	2001	2002	2002
Current Liabilities:			
Short-term bank loans	¥ 39,742	¥ 49,755	\$ 374,098
Current portion of long-term debt	6,585	5,439	40,893
Notes and accounts payable(Note2(2)):			
Trade	35,086	30,459	229,012
Unconsolidated subsidiaries and affiliates	2,421	1,779	13,380
Other	1,426	1,145	8,610
	38,933	33,383	251,002
Income taxes payable	1,691	205	1,539
Accrued expenses	4,102	5,958	44,798
Other current liabilities	4,007	3,563	26,794
Total current liabilities	95,060	98,303	739,124
Long-term Debt	24,594	21,082	158,511
Deferred Tax Liabilities-Non-current (Notes 2(10) and 10)	845	81	606
Provision for Retirement Benefits (Notes 2(9))	2,276	3,200	24,057
Minority Interest in Consolidated Subsidiaries	3,110	3,442	25,882
Shareholders' Equity:			
Common stock, par value ¥50 per share			
Authorised: 240,000,000 shares			
Issued: 142,412,870 shares as at March 31, 2001 and 2002	26,667	26,667	200,501
Additional paid-in capital	23,594	23,594	177,400
Retained earnings	16,244	7,116	53,506
Net unrealised losses on available-for-sale			
Securities, net of tax	(115)	135	1,013
Foreign currency translation adjustment (Note2(12))	(679)	914	6,871
Less: Treasury stock	(0)	(4)	(28)
	65,711	58,422	439,263
	¥ 191,596	¥ 184,530	\$ 1,387,443

Consolidated Statements of Income and Retained Earnings

Nippon Soda Co., Ltd. and its consolidated subsidiaries

Thousands of
U.S. Dollars
(Note 3)

	For the years ended March 31		Millions of Yen		
	2000	2001	2002	2002	
Net Sales (Note 12)	¥159,563	¥147,757	¥138,267	\$ 1,039,598	
Cost of Sales (Note 12)	(131,140)	(117,759)	(111,204)	(836,118)	
Gross profit	28,423	29,998	27,063	203,480	
Selling, General and Administrative Expenses	(26,750)	(25,202)	(23,929)	(179,920)	
Income from operations	1,673	4,796	3,134	23,560	
Other Income (Expenses):					
Interest and dividend income	241	312	361	2,717	
Interest expense	(1,467)	(1,139)	(993)	(7,465)	
Rental income (expenses)	142	193	180	1,356	
Loss on sale or disposal of property, plant and equipment, net	(652)	(42)	(1,223)	(9,192)	
Loss on write-down of marketable securities	(760)	-	-	-	
Gain on sale of marketable securities	46	-	-	-	
Equity in earnings (loss) of affiliates	630	931	(1,411)	(10,611)	
Loss on write-down of investments in securities	-	(518)	(1,697)	(12,763)	
Gain on sale of investments in securities, net	-	129	84	634	
Gain on sale of goodwill	-	1,053	-	-	
Reversal of allowance for doubtful accounts	-	203	84	635	
Income from insurance premium	550	1	55	414	
Gain on sale of investment in a subsidiary and an affiliate	2,170	-	-	-	
Loss on liquidation of an affiliate	(260)	-	-	-	
Amortization of unrecognised transition amount arising from adopting the new standard for retirement benefits	-	(3,264)	(2,405)	(18,086)	
Loss on sale of golf club membership, net	-	(62)	(7)	(53)	
Loss on write-down of golf club membership, net	(331)	(393)	(70)	(523)	
Law suit related loss	-	-	(1,987)	(14,938)	
Loss on write-down of land	-	-	(321)	(2,412)	
Other net	(407)	142	(927)	(6,977)	
Income (Loss) before income taxes	1,575	2,342	(7,143)	(53,704)	
Income Taxes (Notes 2(10) and 10)					
Current	1,302	2,061	634	4,766	
Deferred	(420)	(1,201)	(1,650)	(12,406)	
	693	1,482	(6,127)	(46,064)	
Minority Interests in Net Income (Loss) of Consolidated Subsidiaries	275	(23)	163	1,220	
Net income (loss)	968	1,459	(5,964)	(44,844)	
Retained Earnings/(Deficit):					
Balance at beginning of year	13,990	15,670	16,244	122,137	
Increase due to exclusion of an affiliate and a subsidiary for consolidation	1,246	-	-	-	
Decrease due to change of fiscal year of an affiliate which is applied for by equity method	-	-	(2,274)	(17,100)	
Decrease due to consolidation of additional subsidiaries	(66)	-	-	-	
Appropriations:					
Cash dividends	(427)	(854)	(855)	(6,424)	
Directors' bonuses	(41)	(31)	(35)	(263)	
Balance at end of year	¥ 15,670	¥ 16,244	¥ 7,116	\$ 53,506	

Yen

U.S. Dollars

Per Share:				
Basic net income	¥ 6.80	¥ 10.25	¥ (41.88)	\$ (0.315)
Diluted net income	¥ 6.80	¥ 10.25	¥ (41.88)	\$ (0.315)

The accompanying notes are an integral part of the statements.

Consolidated Statements of Cash Flows

Nippon Soda Co., Ltd. and its consolidated subsidiaries

	For the years ended March 31	Millions of Yen	Thousands of U.S. Dollars (Note 3)
	2001	2002	2002
Cash flow from operating activities:			
Net income(Loss) before income taxes	¥ 2,342	¥ (7,143)	\$ (53,704)
Adjustments for:			
Depreciation and amortisation	7,240	7,213	54,234
Gain on sale of property, net	(175)	(4)	(31)
Loss on disposal of property	217	1,195	8,983
Loss on write-down of investments in securities	518	1,697	12,763
Gain on sale of investments in securities, net	(129)	(84)	(634)
Loss on write-down of golf club membership	393	70	523
Gain on sale of goodwill	(1,053)	-	-
Equity in earnings(loss) of affiliates	(931)	1,411	10,611
Provision for allowance for doubtful accounts	(209)	402	3,019
Provision for retirement benefits	1,538	923	6,943
Interest and dividend income	(312)	(361)	(2,717)
Interest expenses	1,139	993	7,465
Loss on write-down of land	-	321	2,412
Law suit related loss	-	1,987	14,938
Decrease(Increase) in notes and accounts receivable	(9,215)	3,658	27,507
Increase in inventories	(2,915)	(1,489)	(11,198)
Increase(Decrease) in notes and accounts payable	9,123	(5,550)	(41,734)
Increase (Decrease) in accrued bonuses	13	(120)	(903)
Payments for directors' bonuses	(31)	(35)	(274)
Other	1,137	2,607	19,610
Sub Total	8,690	7,689	57,813
Interest and dividend income received	1,052	361	2,716
Interest expenses paid	(1,102)	(975)	(7,332)
Income taxes paid	(1,479)	(2,120)	(15,942)
Net cash provided by operating activities	7,161	4,955	37,255
Cash flows from investing activities:			
Decrease in time deposits, net	218	468	3,520
Proceeds from sales of property, plant and equipment	337	37	281
Payments for purchase of property, plant and equipment	(5,190)	(10,124)	(76,117)
Proceeds from sales of intangibles	33	0	2
Payments for purchase of intangibles	(173)	(180)	(1,356)
Proceeds from sales of investments in securities	592	338	2,543
Payments for purchase of investments in securities	(328)	(293)	(2,205)
Proceeds from purchase of investments in a subsidiary	(382)	(225)	(1,692)
Proceeds from collections of loans receivable	703	192	1,444
Increase in loans receivable	(207)	(371)	(2,786)
Proceeds from sales of goodwill	1,064	-	-
Other	(6)	(410)	(3,093)
Net cash used for investing activities	(3,339)	(10,568)	(79,459)

Consolidated Statements of Cash Flows

Nippon Soda Co., Ltd. and its consolidated subsidiaries

	For the years ended March 31	Millions of Yen	Thousands of U.S. Dollars (Note 3)
	2001	2002	2002
Cash Flow from Financing Activities:			
Decrease (Increase) in short-term bank loans, net	¥ (1,656)	¥ 8,361	\$ 62,865
Borrowings of long-term debt	6,370	4,900	36,842
Repayment of long-term debt	(9,154)	(7,928)	(59,609)
Cash dividends paid	(854)	(852)	(6,406)
Cash dividends paid for minority interests of consolidated subsidiaries	(78)	(56)	(418)
Other	(135)	(3)	(24)
Net cash provided by financing activities	(5,507)	4,422	33,250
Effect of Exchange Rate Changes on Cash and Cash Equivalents	7	25	189
Net Increase in Cash and Cash Equivalents	(1,678)	(1,166)	(8,765)
Cash and Cash Equivalents at Beginning of Year	12,674	10,996	82,674
Cash and Cash Equivalents at End of Year	¥ 10,996	¥ 9,830	\$ 73,909

The accompanying notes are an integral part of the statements.

Notes to the Consolidated Financial Statements

Nippon Soda Co., Ltd. and its consolidated subsidiaries

1. Basis of Presenting the Consolidated Financial Statement

The accompanying consolidated financial statements have been prepared based on the accounts of Nippon Soda Co., Ltd. (the "Company") and its consolidated subsidiaries, in accordance with the provisions set forth in the Commercial Code of Japan and the Securities and exchange law, and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Accounting Standards.

Certain items presented in the consolidated financial statements submitted to the Director of Kanto Finance Bureau in Japan have been reclassified in these accounts for the convenience of readers outside Japan.

The consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

2. Summary of Significant Accounting Policies

(1) Scope of Consolidation

The consolidated financial statements include the accounts of the Company and 10 of its subsidiaries. The 10 major subsidiaries which have been consolidated with the Company are listed below:

	Equity ownership percentage	Paid-in capital (¥ millions)
Nisso Shoji Co., Ltd.	74.0%	401
Sanwa Soko Co., Ltd.	53.1%	1,831
Nisso Metallochemical Co., Ltd.	88.0%	1,000
Ibaraki Kasei Co., Ltd.	100.0%	150
Nisso Engineering Co., Ltd.	100.0%	1,450
Nisso Kensetsu Kogyo Co., Ltd.	100.0%	50
Nisso Construction Co., Ltd.	100.0%	45
Shin Fuji Kaseiyaku Co., Ltd.	98.7%	70
Koriyama Kasei Co., Ltd.	100.0%	180
Nisso Jushi Co., Ltd.	100.0%	97

All of the above-shown consolidated subsidiaries are domestic corporations and, use a fiscal year ending on 31st March of each year, which is the same as the fiscal year of the Company.

The Company and its consolidated subsidiaries above are hereinafter referred to as the "Companies".

The remaining subsidiaries whose combined total assets, net sales, net income and total retained earnings in the aggregate are not significant in relation to those of the consolidated financial statements of the Companies, have not been consolidated with the Company.

(2) Consolidation

For the purposes of preparing the consolidated financial statements, all significant inter-company transactions, account balances and unrealised profits among the Companies have been eliminated, and the portion thereof attributable to minority interests is charged to minority interests.

Adjustment is made to computation of depreciation in relation to the elimination of unrealised profits included in depreciable assets among the Companies.

Full portion of the assets and liabilities of the subsidiaries is marked to fair value as of the acquisition of the control.

Any difference between the cost of an investment in a subsidiary and the amount of underlying equity in net assets of the subsidiary, which may arise in connection with the elimination of investment, is treated as an asset or a liability, as the case may be, and amortised over a period of five years on a straight-line basis.

(3) Accounting for Investments in Unconsolidated Subsidiaries and Affiliates

The Company applied the equity method to the investment in Novus International Inc.,.

The investments in the remaining unconsolidated subsidiaries and affiliates are carried at cost or less since these investments would have had no material effect on consolidated net income had they been accounted for by the equity method.

(4) Financial Instruments

Until the year ended March 31, 2000, marketable securities (current portfolio) and investments in securities (non-current portfolio) are valued at cost. In both cases, cost is determined by the moving average method.

Appropriate write-downs are recorded for investments in certain securities, the value of which declined substantially and such decline of value is considered not to be temporary.

Effective from the year ended March 31, 2001, the Company and its subsidiaries adopted the new Japanese accounting standard for financial instruments, which is effective for periods beginning on or after April 1, 2000. As a result of adoption of the new standard, income before income taxes for the year ended March 31, 2001 has decreased by 291 million yen, as compared with the amount which would have been reported if the previous standard had been applied consistently.

(a) Derivatives

Under the new standard, all derivatives are stated at fair value, with changes in fair value included in net profit or loss for the period in which they arise, except for derivatives that are designated as "hedging instruments" (see (c) Hedge Accounting below).

(b) Securities

Securities held by the Company and its subsidiaries are, under the new standard, classified into two categories;

Investments of the Company in equity securities issued by unconsolidated subsidiaries and affiliates are accounted for by the equity method. Exceptionally, investments in certain unconsolidated subsidiaries and affiliates are stated at cost because the effect of application of the equity method would be immaterial.

Other securities for which market quotations are available are stated at fair value. Net unrealised gains or losses on these securities are reported as a separate item in the shareholders' equity at a net-of-tax amount.

Other securities for which market quotations are unavailable are stated at cost, except as stated in the paragraph below.

In cases where the fair value of held-to-maturity debt securities, equity securities issued by unconsolidated subsidiaries and affiliates, or other securities has declined significantly and such impairment of the value is not deemed temporary, those securities are written down to the fair value and the resulting losses are included in net profit or loss for the period.

(c) Hedge Accounting

Gains or losses arising from changes in fair value of the derivatives designated as "hedging instruments" are deferred as an asset or liability and included in net profit or loss in the same period during which the gains and losses on the hedged items or transactions are recognised.

The derivatives designated as hedging instruments by the Companies are principally interest swap and cap. The related hedged items are long-term bank loans.

The Companies have a policy to utilise the above hedging instruments in order to reduce the Companies' exposure to the risk of interest rate fluctuation. Thus, the Companies' purchase of the hedging instruments are limited to, at maximum, the amounts of the hedged items.

The Companies evaluate effectiveness of its hedging activities by reference to the accumulated gains or losses on the hedging instruments and the related hedged items from the commencement of the hedges.

(5) Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statements of cash flows are composed of cash on hand, bank deposits able to be withdrawn on demand and short-term investments with an original maturity of three months or less and which represent a minor risk of fluctuations in value.

(6) Inventories

Inventories are stated at cost. Cost is determined by the average method.

Appropriate write-downs are recorded for inventory items, the net realisable value of which declined substantially from the carrying (cost) and such decline of value is considered not to be temporary.

(7) Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation is computed generally by the straight line method for property, plant and equipment based on the estimated useful lives of assets.

Buildings and structures	2-60years
Machinery, equipment and tools	2-22years

(8) Software for internal use

Pursuant to the application of transition measure of "Guidance on Research and Development Costs" issued by the Accounting Standards Committee of the Japanese Institute of Certified Public Accountants on March 31, 1999, software costs

for internal use which had been capitalised as assets and before March 31, 1999 and amortised thereafter remain to be carried as assets and amortised.

And such costs are amortised over their estimated useful lives (5years) on a straight-line basis.

(9) Provision for Retirement Benefits

Until the year ended March 31, 2000, the Company and five consolidated subsidiaries have funded and qualified pension plans to cover the entire employees' retirement benefits. Three of the remaining consolidated subsidiaries provide 40%, and two of the remaining consolidated subsidiaries provide 100% of the amount that would be required to be paid if all eligible employees voluntarily severed their employment at the balance sheet date.

Effective from the year ended March 31, 2001, the Company and its subsidiaries adopted the new Japanese accounting standard for retirement benefits, which is effective for periods beginning on or after April 1, 2000. In accordance with the new standard, the reserve for retirement benefits as of March 31, 2001 represents the estimated present value of projected benefit obligations in excess of the fair value of the plan assets except that, as permitted under the new standard, the unrecognised transition amount arising from adopting the new standard of 12,885 million yen at April 1, 2000 (the beginning of year) is amortised on a straight-line basis 5 years. Unrecognised prior service cost is expensed as incurred. Unrecognised actuarial differences are amortised on a straight-line basis in the period of 9-12 years from the next year in which they arise. As a result of adopting the new standard, net pension expense for the year ended March 31, 2001 has increased by 1,643 million yen and income before income taxes has decreased by 1,822 million yen as compared with the amounts which would have been reported if the previous standard had been applied consistently.

(10) Allowance for doubtful accounts

The companies provide the allowance for doubtful accounts by the method which uses the percentage of its own actual loss against the balance of total receivables plus the amount of uncollectible receivables estimated on an individual basis.

(11) Foreign currency translation

All monetary assets and liabilities denominated in foreign currencies, whether long-term or short-term, are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Resulting gains and losses are included in net profit or loss for the period.

Assets and liabilities of the foreign subsidiaries and affiliates are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. The shareholders' equity at beginning of the year is translated into Japanese yen at the historical rates. Profit and loss accounts for the year are translated into Japanese yen using the average exchange rate during the year or, alternatively, using the exchange rates prevailing at the balance sheet date. Differences in yen amounts arising from the use of different rates are presented as "foreign currency translation adjustments" in the shareholders' equity.

(12) Accounting for leases

Finance leases other than those which are deemed to transfer the ownership of the leased assets to lessees are accounted for by the method similar to that applicable to ordinary operating leases.

3. United States Dollars Amounts

For the basis of translating the Japanese Yen amounts to the U.S. Dollar amounts at the exchange rate of ¥133=U.S.\$1 included in the accompanying consolidated financial statements. Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realised or settled in U.S. dollars at this or any other rate.

4. Reconciliation of Cash and Cash Equivalent of Consolidated Statements of Cash Flows and Account Balances of Consolidated Balances Sheets

	Millions of Yen		Thousands of U.S. Dollars
	2001	2002	2002
Cash and bank deposits	¥ 11,336	¥ 9,922	\$ 74,604
Time deposits with deposit term of over 3 months	(561)	(92)	(695)
Money management fund	221	-	-
Cash and cash equivalents	¥ 10,996	¥ 9,830	\$ 73,909

5. Securities

The acquisition cost, carrying amount, gross unrealised holding gains and gross unrealised holding losses for securities with fair value by security type at March 31, 2001 and 2002 are as follows:

	Millions of Yen			
	2001			
	Cost	Carrying amount	Gross unrealized gains	Gross unrealized losses
Equity securities	¥ 6,736	¥ 6,658	¥ 1,005	¥ 1,083
Others	111	85	-	26
	¥ 6,847	¥ 6,743	¥ 1,005	¥ 1,109

	Millions of Yen			
	2002			
	Cost	Carrying amount	Gross unrealized gains	Gross unrealized losses
Equity securities	¥ 4,968	¥ 5,341	¥ 708	¥ 335
Others	111	72	-	39
	¥ 5,079	¥ 5,413	¥ 708	¥ 374

Thousands of U.S. Dollars

	2002			
	Cost	Carrying amount	Gross unrealized gains	Gross unrealized losses
Equity securities	\$37,350	\$40,159	\$ 5,324	\$ 2,515
Others	838	539	-	299
	\$38,188	\$40,698	\$ 5,324	\$ 2,814

The carrying amount of securities, for which a fair value is not available, at March 31, 2002 are summarised as follows:

	Carrying amount		
	Millions of Yen	Thousands of U.S. Dollars	
	2001	2002	2002
Unlisted equity securities	¥ 4,672	¥ 4,660	\$ 35,034
Unlisted corporate debt securities	28	24	184
Money management fund	220	-	-
	¥ 4,920	¥ 4,684	\$ 35,218

Proceeds, gross realised other gains and gross realised losses from the sales of other securities in respect of the year ended March 31, 2002 were ¥331 million (\$2.5 million), ¥100 million (\$0.8 million) and ¥16 million (\$0.12 million), respectively.

6. Inventories

Inventories at March 31, 2001 and 2002 comprised the following:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2002	2002
Finished goods	¥ 16,972	¥ 17,226	\$ 129,516
Raw materials	3,700	4,833	36,336
Work in process	720	793	5,966
Supplies	748	777	5,846
	¥ 22,140	¥ 23,629	\$ 177,664

7. Contingent Liabilities

(1) As at March 31, 2002, the Company provides guarantees to bank loans drawn mainly by the companies other than consolidated subsidiaries as follows:

	Millions of Yen	Thousands of U.S. Dollars
	March 31, 2002	March 31, 2002
Loans borrowed by:		
Novus International, Inc.	¥ 7,595	\$ 57,107
Other	501	3,764
	¥ 8,096	\$ 60,871

8. Lease Transactions

All finance lease contracts other than those by which the ownership of the leased assets is to be transferred to lessees, are accounted for by the method similar to the operating lease method.

(Lessee side)

Lease rental expenses on finance lease contracts without ownership-transfer for the year ended March 31, 2002 was summarised as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2002	2002
Lease rental expenses	¥ 602	¥ 643	\$ 4,839

The amount of outstanding future lease payments due at March 31, 2002 was summarised as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2002	2002
Future lease payments			
Within one year	¥ 572	¥ 569	\$ 4,279
Over one year	936	986	7,418
Total	¥ 1,508	¥ 1,555	\$ 11,697

Assumed data as to acquisition cost, accumulated depreciation, net book value and depreciation expenses of the leased assets (machinery, equipment and tools, long-term prepaid expenses), which included the portion of interest thereon, were summarised as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2002	2002
Acquisition cost	¥ 2,823	¥ 2,815	\$ 21,168
Accumulated depreciation	1,315	1,260	9,471
Net book value	¥ 1,508	¥ 1,555	\$ 11,697
Depreciation	¥ 602	¥ 643	\$ 4,839

Depreciation is based on the straight-line method over the lease term of the leased assets.

(Lessor side)

Lease rental incomes and interest incomes on finance lease contracts without ownership-transfer for the year ended March 31, 2002 were summarised as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2002	2002
Lease rental incomes	¥ 31	¥ 29	\$ 219
Interest incomes	6	5	42

The amount of outstanding future lease receipts due at March 31, 2002 was summarised as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2002	2002
Future lease receipts			
Within one year	¥ 25	¥ 21	\$ 161
Over one year	44	47	356
Total	¥ 69	¥ 68	\$ 517

Interest is allocated based on the interest method over the lease term of the leased assets.

Assumed data as to acquisition cost, accumulated depreciation, net book value and depreciation expense of the leased assets (machinery, equipment and tools, long-term prepaid expenses), were summarised as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2002	2002
Acquisition cost	¥ 165	¥ 142	\$ 1,073
Accumulated depreciation	115	96	720
Net book value	¥ 50	¥ 46	\$ 353
Depreciation	¥ 21	¥ 21	\$ 164

9. Financial Derivative Transactions

(1) Transactions, Companies' Policy and Purpose of Derivative Transactions

The Companies enter into the interest swap and cap transactions in order to avoid the risk of increase in the financial cost due to the future interest changes for the long-term loans in order to avoid the exchange risk.

The Companies do not try to enter into the speculative derivative transactions in order to seek trading gains.

All of these derivatives are designated as hedging instruments.

· Hedge Accounting

Gains or losses arising from changes in fair value of the derivatives designated as "hedging instruments" are deferred as an asset or liability and included in net profit or loss in the same period during which the gains and losses on the hedged items or transactions are recognised.

The derivatives designated as hedging instruments by the Companies are principally interest swap and cap. The related hedged items are long-term bank loans.

The Companies have a policy to utilise the above hedging instruments in order to reduce the Companies' exposure to the risk of interest rate fluctuation. Thus, the Companies' purchase of the hedging instruments are limited to, at maximum, the amounts of the hedged items.

The Companies evaluate effectiveness of its hedging activities by reference to the accumulated gains or losses on the hedging instruments and the related hedged items from the commencement of the hedges.

(2) Risk of transactions

The derivative transactions have market risk associated with the market price volatility and credit risk related to the possibility of a counterpart's default.

It is considered that the interest swap and cap transactions, in which the Companies exchange the floating interest rate for the fixed interest rate, and forward exchange contracts do not have

credit risk, as the Companies deal only with major financial institutions.

The Companies are not engaged in the derivative transactions which is subject to high market price volatility, therefore deemed to give a significant impact on the Companies' result.

(3) Risk management

The Companies can enter into the derivative transactions, only after the transactions are approved by the management.

The interest swap transactions, objective of which is to avoid the increase of financial cost, are limited to the total interest-bearing liabilities.

All the derivative contracts should be approved by the director in charge of the accounting as well as by the corporate auditor, before the Company enters into the contracts. The recording on the book and the payment and receipt of money are carried out by the staff other than those in charge of the derivative transactions. In addition, the head of the accounting department checks, on a monthly basis, the report made by the accounting staff on the outstanding contract balance and unrealised profit and loss etc. to the confirmations received from the financial institutions.

10. Retirement Benefit Plan

The Companies have defined benefit retirement plans, and unfounded benefit plan on a lump-sum payment basis. The reserve for retirement benefits as of March 31, 2001 and 2002 is analyzed as follows

	Millions of Yen	Thousands of U.S. Dollars
	2001	2002
Project benefit obligations	¥(23,248)	¥(22,849)
Plan assets	8,490	8,465
	(14,758)	(14,384)
Unrecognized transition amount	9,622	7,216
Unrecognized actuarial differences	2,860	3,969
	¥ (2,276)	¥ (3,199)

Net pension expense related to the retirement benefits for the year ended March 31, 2001 and 2002 was as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2001	2002
Service cost	¥ 1,078	¥ 1,175
Interest cost	652	567
Expected return on plan assets	(365)	(390)
Prior service cost	24	242
Amortization of transition amount	3,264	2,405
Net pension expense	¥ 4,653	¥ 3,999

Assumptions used in calculation of the above information were as follows:

	March 31, 2001	March 31, 2002
Discount rate	2.8%	2.8%
Expected rate of return on plan assets	5.0%	5.0%
Method of attributing the projected benefits to periods of services	Straight-line basis	Straight-line basis
Amortization of unrecognized prior service cost	Expensed as incurred	Expensed as incurred
Amortization of transition amount	9~12years	9~12years
Amortization of unrecognized actuarial differences	5years	5years

11. Income Taxes

Details of deferred tax assets and liabilities are as follows:

	Millions of Yen	Thousands of U.S. Dollars
	March 31,2001	March 31,2002
Deferred tax assets:		
Adjustments for unrealized gains	¥ 1,514	¥ 1,484
Provision for retirement benefits	789	1,164
Accrued bonuses	528	672
Loss on write-down of investments	328	792
Others	546	1,522
Sub total	3,705	5,634
Less: Valuation allowance	-	(493)
Total deferred tax assets	3,705	5,141
Deferred tax liabilities		
Special tax-purpose reserves	(1,473)	(1,453)
Others	(34)	(30)
Total deferred tax liabilities	(1,507)	(1,483)
Total deferred tax assets, net	¥ 2,198	¥ 3,658

The reconciliation from the statutory tax rate to the income tax rate is as follows:

	2001
Statutory tax rate	41.0%
Increase (decrease) in taxes resulting from	
Permanent differences	2.9
Investment tax credits	(3.7)
Local taxes on per capita basis	2.4
Eduity in earnings of affiliate	(3.3)
Other	2.6
Effective tax rate	36.7%

There is no information to be disclosed about the reconciliation from the statutory tax rate to the effective tax rate, because the result of Companies' operation was loss for the year ended March 31, 2002.

12. Segment Information

The Company and its subsidiaries operate principally in two industrial segments: chemicals division and non-chemical division.

Industry Segment	Major Products/Services
Chemicals division	Basic chemicals Industrial products (caustic soda, caustic potash and sodium cyanide) Eco-business (Water treatment Chemicals: NISSO HI-CHLON)
	Specialty Products Feed Additives (DL-Methionine) Specialty Products (NISSO-PB, ITO Coated Glass and BISTRAITER) Dye Stuff Chemicals (Fluorescent Whitening Dyes and PSD)
	Agro Products herbicides, fungicides and insecticides
	Pharmaceuticals and Intermediates Pharmaceuticals and intermediates (AOSA, FAROPENEM-Sodium and NISSO-HPC)
Non-chemical division	Traffic and Warehouse Trucking business and warehousing business
	Construction Plant construction, civil engineering and others
	Non-ferrous metal zinc metal

(1) Sales of the Company and subsidiaries for the years ended March 31, 2000, 2001 and 2002 classified by industry segments are summarised as follows:

Millions of Yen						
Year ended March 31, 2000						
	Industry Segment			Elimination of Inter-segment sales/transfers	Consolidated Total	
	Chemicals	Other	Total			
I. Sales and Operating Income						
Sales:						
Sales to outside customers	¥ 123,585	¥ 35,978	¥ 159,563	¥ -		¥ 159,563
Inter-segment sales/transfers	32	7,583	7,615	(7,615)		-
Total sales	123,617	43,561	167,178	(7,615)		159,563
Operating expenses	122,001	43,622	165,623	(7,733)		157,890
Operating income	¥ 1,616	¥ (61)	¥ 1,555	¥ 118		¥ 1,673
II. Asset Depreciation and Capital Expenditure						
Asset	¥ 146,910	¥ 31,045	¥ 177,955	¥ 7,526*		¥ 185,481
Depreciation	¥ 6,625	¥ 899	¥ 7,524	¥ (296)*		¥ 7,228
Capital expenditure	¥ 8,634	¥ 1,292	¥ 9,926	¥ (606)*		¥ 9,320

Millions of Yen						
Year ended March 31, 2001						
	Industry Segment			Elimination of Inter-segment sales/transfers	Consolidated Total	Consolidated Total
	Chemicals	Other	Total			
I. Sales and Operating Income						
Sales:						
Sales to outside customers	¥ 111,091	¥ 36,665	¥ 147,757	¥ -	¥ 147,757	\$ 1,191,586
Inter-segment sales/transfers	3	4,548	4,550	(4,550)	-	-
Total sales	111,094	41,213	152,307	(4,550)	147,757	1,191,586
Operating expenses	106,653	40,883	147,536	(4,575)	142,961	1,152,902
Operating income(loss)	¥ 4,441	¥ 330	¥ 4,771	¥ 25	¥ 4,796	\$ 38,684
II. Asset Depreciation and Capital Expenditure						
Asset	¥ 147,811	¥ 36,808	¥ 184,619	¥ 6,977 *	¥ 191,596	\$ 1,545,128
Depreciation	¥ 6,619	¥ 900	¥ 7,519	¥ (279)*	¥ 7,240	\$ 58,388
Capital expenditure	¥ 5,355	¥ 764	¥ 6,119	¥ (491)	¥ 5,628	\$ 45,383

* The Companies' assets unallowable to segments are included in this column.

Thousands of
U.S. Dollars
(Note 3)

Millions of Yen

Year ended March 31, 2002						
	Industry Segment			Elimination of Inter-segment sales/transfers	Consolidated Total	Consolidated Total
	Chemicals	Other	Total			
I. Sales and Operating Income						
Sales:						
Sales to outside customers	¥ 106,843	¥ 31,423	¥ 138,266	¥ -	¥ 138,266	\$1,039,598
Inter-segment sales/transfers	1	9,055	9,056	(9,056)	-	-
Total sales	106,844	40,478	147,322	(9,056)	138,266	1,039,598
Operating expenses	104,097	39,594	143,690	(8,558)	135,132	1,016,038
Operating income	¥ 2,748	¥ 884	¥ 3,632	¥ (498)	¥ 3,134	\$ 23,560
II. Asset Depreciation and Capital Expenditure						
Asset	¥ 150,108	¥ 31,592	¥ 181,700	¥ 2,829 *	¥ 184,529	\$1,387,441
Depreciation	¥ 6,693	¥ 847	¥ 7,540	¥ (327)*	¥ 7,213	\$ 54,234
Capital expenditure	¥ 9,792	¥ 1,486	¥ 11,279	¥ (1,336)*	¥ 9,942	\$ 73,971

* The Companies' assets unallowable to segments are included in this column.

(2) Export sales of the company and subsidiaries are summarized as follows:

Thousands of
U.S. Dollars
(Note 3)

Millions of Yen

For the year ended March 31								
	2000	2001	2002				2002	
	Total	Total	Asia	Europe	North America	Other	Total	Total
Overseas Sales	¥ 34,844	¥ 33,605	¥ 14,718	¥ 6,001	¥ 7,008	¥ 5,017	¥ 32,744	\$ 246,201
Consolidate Sales:	159,563	147,757	-	-	-	-	138,266	1,039,598
Rate	21.8%	22.7%	10.7%	4.3%	5.1%	3.6%	23.7%	23.7%

Note. Asia China, Korea, Taiwan, Philippines, Indonesia, Thailand, and others
Europe Germany, France, Britain, Holland, Italy, and others
North America USA, Canada
Other Brazil, Australia, Mexico, Russia, Argentina, and others

13. Related Party Transactions

Material transactions of the Company with its unconsolidated subsidiary and related companies for the years ended March 31, 2000, 2001 and 2002 other than those indicated elsewhere in these statements were as follows:

Millions of Yen

Thousands of U.S. Dollars

Name of related company	Paid-in capital (million)	Principal business	Direct equity ownership percentage by the Company(%)	Description of transactions	Transactions for the years ended March 31,			Resulting account balances at March 31,			Transaction for the year ended March 31, 2002	Resulting account balances at March 31, 2002
					2000	2001	2002	Account	2001	2002		
Nisso BASF Agro Co.,Ltd	¥950	Development, manufacture and sale of chemicals	45.0	Buying-in finished products	-	¥2,691	-	Accounts payable trade	¥2,031	-	-	-
Novus International Inc.	US \$100	Manufacture and sale of chemicals	35.0	Guarantee of loans	¥6,050	¥6,690	¥7,595	Contingent liabilities	-	-	\$57,105	-

The terms and conditions applicable to the above-mentioned transactions have been determined on the basis of arm's length and by reference to normal market price levels.

14. Other Information

Some lawsuits seeking compensation for damages have been filed against the Company and Novus International, Inc ("Novus") before U.S. Federal District Court and several U.S. State Courts by methionine purchasers, who are claiming that there was a violation of the U.S. antitrust laws regarding methionine, an animal feed additive. With respect to the Class Action of these lawsuits, an agreement for settlement was reached with plaintiffs in May 2002 under which Novus would pay US\$35 Million. As a result of this agreement, the settlement amount has been accounted as "Equity in earnings(loss) of affiliates" in the Consolidated Statements of Income and

Retained Earnings of the current fiscal year according to equity method.

While the Company has been engaged in the sale of methionine in Europe, it has been subject of the investigation conducted by the European Commission for alleged anticompetitive activities in Europe. The Company did not receive a final decision from the European Commission at 27th June, 2002, yet. The Company accounted approximately Yen 1,987 million (US\$ 15mil) as "Lawsuit related loss" in the Consolidated Statements of Income and Retained Earnings of the current fiscal year.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
Nippon Soda Co., Ltd.

We have audited the accompanying consolidated balance sheets of Nippon Soda Co., Ltd. and its consolidated subsidiaries as of March 31, 2001 and 2002, and the related consolidated statements of income and retained earnings for each of the three years in the period ended March 31, 2002, and the statement of cash flows for the years ended March 31, 2001 and 2002, all expressed in Japanese yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the consolidated financial position of Nippon Soda Co., Ltd. and its subsidiaries as of March 31, 2001 and 2002, and the consolidated results of their operations for each of the three years in the period ended March 31, 2002, and their cash flows for the years ended March 31, 2001 and 2002, in conformity with accounting principles and practices generally accepted in Japan (see Note 1) applied on a consistent basis.

As described in Note 2, effective for the year ended March 31, 2000, Nippon Soda Co., Ltd. and its subsidiaries have adopted new Japanese accounting standards for preparation of consolidated financial statements, and research and development costs.

As described in Note 2, effective from the year ended March 31, 2001, Nippon Soda Co., Ltd. and its subsidiaries have adopted the new Japanese accounting standards for financial instruments and retirement benefits.

The amount expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 3 to the accompanying consolidated financial statements.

ChuoAoyama Audit Corporation

ChuoAoyama Audit Corporation

Tokyo, Japan
27th June, 2002