



Financial results for FY2004 ending March (Consolidated)

May 20, 2004

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

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The Board of Directors' meeting for account settlement held on: May 20, 2004

Introduction of the US accounting standard: No

1. Consolidated business results in FY2004 ending March (April 1, 2003 to March 31, 2004)

(1) Consolidated operating results

	Sales		Operating income		Ordinary profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2004 ending March	132,784	(Δ 2.4)	10,958	(27.0)	9,964	(49.5)
FY2003 ending March	136,036	(Δ 8.3)	8,625	(18.5)	6,666	(27.5)

	Current net income (loss)		Current net income per share (loss)		Current net income per share after residual security adjustment	Return on equity	Return on asset	Sales/Recurring	
	Millions of yen	%	yen	sen	yen	sen	%	%	
FY2004 ending March	527	(-)	3	38	—	—	-	6.9	7.5
FY2003 ending March	Δ 1,883	(-)	Δ 12	05	—	—	-	4.2	4.9

(Note) 1. Equity in earnings of associated companies: 803 million yen in FY2004 ending March; 23 million yen in FY2003 ending March

2. Average number of shares in the term (consolidated): 156,177,327 shares in FY2004 ending March; 156,222,759 shares in FY2003 ending March

3. Changes in accounting procedure: Done

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
FY2004 ending March	144,691	Δ 129,704	Δ 89.6	Δ 830	54
FY2003 ending March	158,325	Δ 130,300	Δ 82.3	Δ 834	19

(Note) Number of outstanding shares at the term end (consolidated): 156,167,684 shares in FY2004 ending March; 156,199,656 shares in FY2003 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
FY2004 ending March	Millions of yen 13,976	Millions of yen Δ3,602	Millions of yen Δ5,042	Millions of yen Δ3,433	Millions of yen 13,025
FY2003 ending March	16,363	Δ5,436	Δ7,071	Δ2,941	11,125

(4) Range of consolidation and equity method

Number of consolidated subsidiaries: 19; 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): - ; (excluded): 1; Equity method (new): 1; (excluded): -

2. Forecast of consolidated business performance in FY2005 ending March (April 1, 2004 to March 31, 2005)

	Sales	Ordinary profit	Current net income
All terms	Millions of yen 127,000	Millions of yen 10,500	Millions of yen 2,700

(Reference) Expected current net income per share (all terms): 17 yen 28 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.

2 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)

In this area, liquid crystals and electronic parts are manufactured and sold.

·Main affiliated companies

Kumamoto Fine Co., Ltd., Sun Electronics 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, Chisso Hong Kong Ltd.

Other Business

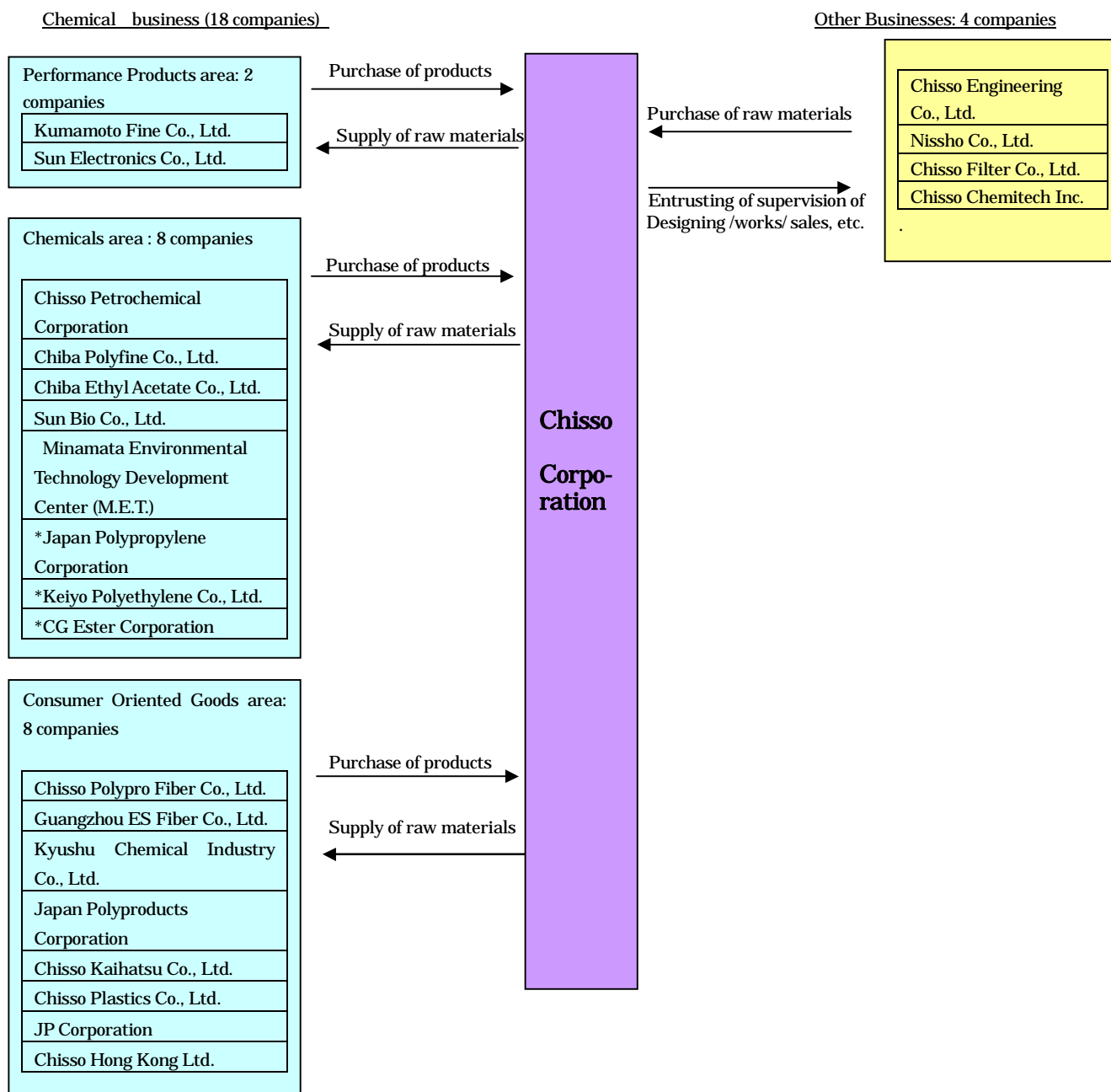
In this section, designing, procurement and works etc. of chemical plant of each kind are carried out.

·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) Chisso Petrochemical Corporation (a consolidated subsidiary of the Company) merged with Yokkaichi Polypro Ltd. on September 1, 2003.

Japan Polypropylene Corporation which took over the polypropylene business from Chisso Petrochemical Co., Ltd. due to corporate absorption and division on October 1, 2003 became a company to which equity method is applied.

Chisso Chemitech ,Limited changed its organization into Chisso Chemitech Inc. on February 23, 2004.

4 States of Affiliated Companies

Name	Address	Contents of main business	Percentage of holding (or held) voting rights (%)
(Consolidated subsidiary) Chisso Petrochemical Corporation	Chuo-ku, Tokyo	Production of petrochemical products	100
Chisso Polypro Fiber Co., Ltd.	Chuo-ku, Tokyo	Production of polypropylene fibers	100
Kyushu Chemical Industry Co., Ltd.	Chuo-ku, Tokyo	Production of fertilizer and chemical goods	70
Chisso Plastics Co., Ltd.	Minamata City, Kumamoto Pref.	Production of plastic products	100 (100)
Nissho Co., Ltd.	Chiyoda-ku, Tokyo	Sales of chemical products etc.	90
Chiba Ethyl Acetate Co., Ltd.	Chuo-ku, Tokyo	Production of chemical products	55
Chisso Engineering Co., Ltd.	Chuo-ku, Tokyo	Designing and works of chemical plants	99 (1)
Chisso Kaihatsu Co., Ltd.	Minamata City, Kumamoto Pref.	Production of plastic products etc.	95 (95)
Kumamoto Fine Co., Ltd.	Chuo-ku, Tokyo	Production of chemical products	100
Chiba Polyfine Co., Ltd.	Chuo-ku, Tokyo	Production of polyolefin based compound	100
Sun Electronics Co., Ltd.	Minamata City, Kumamoto Pref.	Manufacture and processing of electronic parts etc.	100
Chisso Filter Co., Ltd.	Osaka City, Osaka Pref.	Manufacture and sales of filtering materials	100
Chisso Chemitech Co., Ltd.	Chuo-ku, Tokyo	Sales of chemical products etc.	100
Japan Polyproducts Corporation	Chuo-ku, Tokyo	Sales of plastic products etc.	100
Minamata Environmental technology Development Center (M.E.T.)	Minamata City, Kumamoto Pref.	Development and entrusted R&D of advanced technologies with environments considered	80
JP Corporation	Osaka City, Osaka Pref.	Production of fiber products	100 (100)
Sun Bio Co., Ltd.	Chuo-ku, Tokyo	Production of biology-related products	60
Guangzhou ES Fiber Co., Ltd.	Guangzhou, China	Production of polypropylene fibers	71
Chisso Hong Kong Limited	Hong Kong, China	Sales of chemical products etc.	100
(equity method applicable affiliated company) Keiyo Polyethylene Co., Ltd.	Chuo-ku, Tokyo	Sales of petrochemical products	50 (50)
CG Ester Corporation	Chuo-ku, Tokyo	Sales of petrochemical products	50

(Notes)

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

In the current consolidated fiscal year, the following company became an affiliated company to which an equity method is applied.

Name	Address	Contents of main business	Percentage of holding (or held) voting rights (%)
(Affiliated company) Japan Polypropylene Corporation	Minato-ku, Tokyo	Production and sales of petrochemical products	35 (35)

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.

With a priority put on completing payment of the compensation for Mad Hatter's disease patients and sovereign debts, we will make efforts to improve our business performance.

(3) Basic policy regarding the corporate governance and implementation of the measures taken for the policy

The Board of Directors consists of seven directors as of March 31, 2004. They have held regular meetings once a month as well as extraordinary meetings to make managerial decisions after sufficient discussions. In addition, the operating officer system was introduced in June 2000 to improve the managerial transparency by clearly dividing decision-making, supervision of business operation and actual business activities. In June 2003, the system was developed into a system to facilitate the business activity more speedily by improving the management structure. In the new system, the chairman decides the basic policies of the company and supervises the business activities, and the president controls the entire business activities.

Our company introduced the system of auditors, and the board of auditors includes two in-house auditors and one external auditor. They have held regular meetings of the board of auditors every three months, and extraordinary meetings as needed. Each auditor is required to attend the board of directors' meetings and other important in-house conferences for strict supervision. In the general meeting of shareholders to be held next June, one in-house auditor and two external auditors are scheduled to be selected. Our company has no personal and financial relationships with the external auditors.

Our company requests Ernst & Young Shinnihon to perform regular auditing and check-ups of accounting as needed for appropriate accounting process.

(4) 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

With regard to the Japanese economy for the current period, the industrial production and investments in plant and machinery by the private sectors increased thanks to favorable exports supported by vigorous demands in China and other Asian countries. In addition, business showed signs of a recovery, as indicated by a remarkable rise in stock prices due to improvements in corporate incomes.

In the chemical industry, the price of naphtha, an important petrochemical material remains at a higher level, but in general its demand remained steady against the backdrop of a business recovery. Especially, shipments of products for information technology-related industries, such as digital electrical home appliances showed positive operating results, holding out hope for a brighter future.

In view of this, the Chisso Group made consistent efforts to reinforce its competitiveness by establishing tie-ups with other companies. Under the new management system, the group also went ahead with changes in its business structure to strengthen its income base, to expand its business in the remarkably fast growing electronics-related areas and to develop highly functional products.

Sales for this period amounted to over 132,780 million yen, down roughly 3,250 million yen (minus 2.4%) as compared with the preceding fiscal year, due to the influence of the transfer of the polypropylene business. Ordinary profits recorded over 9,960 million yen, increased roughly by 3,290 million yen (49.5%) over the previous consolidated business year.

In spite of the above, a loss of some 5,820 million yen in connection with the compensation liability for Minamata disease and a loss caused by scrapping of facilities /equipment is posted as an extraordinary loss. The current term net profit totaled roughly 520 million, up 2,410 million yen above the preceding consolidated fiscal year.

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

() Chemicals business

(Performance Products area)

For liquid crystals, sales efforts were actively made to meet expanded demands for liquid crystals of every kind, and resulted in a favorable shipments level. Sales of alignment film and protective films for color filters in the peripheral materials of liquid crystals also increased by providing products meeting new customer needs. In addition, organic EL materials highlighted as new display materials are expected to grow in the future as they are already employed in cellular phones.

Regarding electronic parts, the business environment has become extremely tough due

to fierce international competition, but the amount of orders received for gold bump processing has risen, and the Company's technology has attracted the highest acclaim.

(Chemicals area)

Polypropylene sale showed a favorable result both at home and abroad, supported by steady demand. This business was taken over by Japan Polypropylene Corporation set up as a joint venture with the Mitsubishi Chemical Group, on October 1 of last year. This company produces a synergic effect arising from the integration of business and has shown a satisfactory performance level in its business operation.

With regard to the long-fiber glass reinforced thermoplastic resin (Name of Article: FUNCSTER), its characteristics of lightness and high mechanical strength have received the highest acclaim, and its sales increased mainly for automobile structural members.

As for organic chemical products, ester based solvent such as ethyl acetate and oxo-alcohol registered satisfactory shipments, but the cost of the main materials remained higher, and this seriously affected profitability in general.

Shipments of silicone products were sluggish due to the influx of lower-price imported products into the market and poorer demand both at home and abroad.

Polylysine, a natural food preservative, was approved as a safe substance by the Food & Drug Administration (FDA) in the US, and the Company started its sales activities in earnest as a global-standard preservative for foods.

(Consumer Oriented Goods area)

As for the fiber section, sales did not increase as much as expected. Because the main products for our sanitary materials were affected by the inflow of lower-priced non-woven fabric imported products and other materials. In view of this, the Company is making all-out efforts to develop strong user areas for its non-sanitary materials. Meantime, the span bond non-woven fabrics have at last been established in the market, and sales are increasing at a steady pace.

For agriculture-related products, the business climate surrounding the agriculture has become severer than ever, but for the coated urea fertilizers (Name of Article: LP Coat), its unique function of adjusting the effects of these fertilizers is now being appreciated to an ever-increasing extent in the market, and shipments continue to expand. In addition, the Company's cultivation soil for paddy rice including phosphatic fertilizers "Naebako Rinta" (seedling box phosphorizer), made its market debut, as a labor-saving product that makes fertilizing work much easier. As for materials for agriculture, the insect-protection (Name of Article: LIGHT NET) showed a steady increase in the wake of the wider use agricultural methods involving a more sparing application of agrichemicals. As for our agricultural film business, the Company commenced a comprehensive business tie-up with C.I Kasei Company Limited, with efforts to improve its income structure.

Regarding resin processed products, shipments of the laver bamboo blind (Name of Article: Chemi Noris) declined due to a poor laver harvest that resulted in decreased sales.

As a result, sales in this segment amounted to a little over 107,980 million yen, a decrease by 3,930 million yen (minus 3.5%) as compared with the preceding consolidated fiscal year. However, operating income totaled 8,595 million yen, up 2,201 million yen over the year-ago on a consolidated basis.

() Other business

Sales of civil engineering materials decreased due to sluggish public investments in the commercial sector, but transactions of polyolefin resins were favorable both at home and abroad, and sales showed an increase. In the engineering area, orders received for large-scale projects dropped. This dull tone led to fiercer competition to win orders.

As a result, sales in this segment recorded approximately 24,790 million yen, up roughly 680 million yen (2.8%), and operating income also recorded 2,329 million yen, an increase of 137 million yen (6.3%) as compared with the preceding consolidated fiscal year.

□ Prospect for the next term

We have a prospect that full-scale economic recovery and growth of personal consumption can be expected in the near future. However, there are some negative factors, such as the elevated price of naphtha (a raw material for petrochemical industry), impact of appreciation of the yen on export business, and severe employment situation, and therefore we have a sense of uncertainty about the future.

Our group will further strengthen its competitiveness and increase revenues by expanding businesses in the fields where we can fully demonstrate our corporate potential.

Under these circumstances, we prospect the business performance in the next term as follows:

Consolidated sales	127 billion yen
Consolidated ordinary profit	10.5 billion yen
Consolidated current net income	2.7 billion yen

(2) Financial conditions

□ Cash flows in this term

Cash flows in this term are as follows:

Cash flows from operating activities	13,976 million yen
Cash flows from investing activities	Δ3,602 million yen
Cash flows from financing activities	Δ5,042 million yen
Cash flows from compensation for Mad Hatter's disease patients	Δ3,433 million yen
Adjustment of exchange in cash and cash equivalents	2 million yen
Net increase (decrease) in cash and cash equivalents	1,899 million yen
Initial balance of cash and cash equivalents	11,125 million yen
Term-end balance of cash and cash equivalents	13,025 million yen

□ Changes in cash flow markers

	FY2002 ending March	FY2003 ending March	FY2004 ending March
Capital adequacy ratio	Δ76.7%	Δ82.3%	Δ89.6%
Capital adequacy ratio on current basis	1.6%	1.5%	2.2%
Mortgage redemption	5.8 years	3.6 years	3.2 years

period			
Interest coverage ratio	6.5 times	9.0 times	9.6 times

(Note 1) Capital adequacy ratio: Shareholders' equity/Total assets

Capital adequacy ratio on current basis: Total amount of shares at market price/Total assets

Mortgage redemption period: Interest-bearing liabilities/Cash flows from operating activities

Interest coverage ratio: Cash flows from operating activities/Interest payment

(Note 2) Since cash flows from operating activities and those from the compensation for Mad Hatter's disease patients are shown independently, borrowed money etc. for such compensation are excluded from interest-bearing liabilities, which are used for calculation of the mortgage redemption period.

No.4 States of Accounting

1 Consolidated Financial Statements etc.

(1) Consolidated Financial Statements

() Consolidated Balance Sheet

Division	Notes No.	Previous consolidated fiscal year (Mar. 31, 2003)		Current consolidated fiscal year (Mar. 31, 2004)	
		Amount (in million yen)	Composition ratio (%)	Amount (in million yen)	Composition ratio (%)
(Assets)					
Current Assets					
1 Cash and deposit		11,125		13,025	
2 Notes receivable & accounts receivable-trade	3	28,626		29,029	
3 Inventories	3	18,388		11,965	
4 Deferred tax assets		232		255	
5 Others		4,068		5,018	
Reserve for bad debts		244		193	
Total current assets		62,197	39.3	59,100	40.8
Fixes assets					
(1) Tangible fixed assets					
1 Building & structures	3	52,703		44,144	
Accumulated depreciation		27,936	24,767	23,899	20,245
2 Machinery and auto/trucks	3	148,940		101,731	
Accumulated depreciation		124,465	24,475	86,065	15,666
3 Land	3.8		31,794		30,643
4 Construction in process			1,710		1,427
5 Others		5,606		4,574	
Accumulated depreciation		4,493	1,113	3,683	890
Total tangible fixed assets		83,861	52.9	68,872	47.6
(2) Intangible fixed assets					
1 Others		583		594	
Total intangible fixed assets		583	0.4	594	0.4
(3) Investments and other assets					
1 Investment securities	2.3	4,991		9,417	
2 Long-term loan receivable		1,613		1,272	
3 Deferred tax assets		772		932	
4 Others	3	4,372		4,566	
Reserve for bad debts		66		64	
Total investments and other assets		11,683	7.4	16,123	11.2
Total fixed assets		96,128	60.7	85,589	59.2
Total assets		158,325	100.0	144,691	100.0

Division	Notes No.	Previous consolidated fiscal year (Mar. 31, 2003)		Current consolidated fiscal year (Mar. 31, 2004)		
		Amount (in million yen)	Composition ratio (%)	Amount (in million yen)	Composition ratio (%)	
(Liabilities)						
Current Liabilities						
1 Notes payable & accounts payable-trade		29,640		28,957		
2 Short-term loans payable		28,983		21,472		
3 Unpaid corporate taxes	3	230		952		
4 Accrued expenses		2,184		2,479		
5 Account payable-other		11,920		9,654		
6 Reserve for repairs		-		654		
7 Others	3	10,592		9,811		
Total current liabilities		83,551	52.8	73,982		51.1
Fixed liabilities						
1 Corporate bond	3	200		100		
2 Long-term loans payable	8	149,537		146,289		
3 Deferred tax liabilities by revaluation		9,542		9,192		
4 Reserve for retirement allowances		12,121		12,206		
5 Long-term account payable		30,922		29,946		
6 Long-term deposits received		1,578		1,620		
7 Consolidated adjustment account		15		105		
Total fixed liabilities		203,918	128.8	199,460		137.9
Total liabilities		287,469	181.6	273,443		189.0
(Minority interest)						
Minority interest		1,156	0.7	951		0.7
(Shareholders' equity)						
Capital stock	6	7,813	4.9	7,813		5.4
Capital surplus		472	0.3	472		0.3
Earned surplus (Note-1)		153,029	96.6	151,985		105.0
Revaluation excess of land	8	14,054	8.9	13,539		9.3
Variance of estimate of other securities		164	0.1	408		0.3
Adjustment account of exchange conversion		224	0.1	49		0.0
Treasury stocks	7	1	0.0	1		0.0
Total shareholders' equity		130,300	82.3	129,704		89.7
Total liabilities, minority interest and shareholders' equity		158,325	100.0	144,691		100.0

Note 1 (earned surplus in 2004):

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 Δ151,985MY. 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	Notes No.	Previous consolidated fiscal year (from April 1, 2002 to Mar. 31, 2003)		Current consolidated fiscal year (from April 1, 2003 to Mar. 31, 2004)				
		Amount (in million yen)	Percentage (%)	Amount (in million yen)	Percentage (%)			
Sales			136,036	100.0		132,784	100.0	
Cost of sales			108,187	79.5		103,435	77.9	
Gross profit on sales			27,848	20.5		29,348	22.1	
Selling, general and administrative expenses	1.2		19,223	14.2		18,389	13.8	
Operating income			8,625	6.3		10,958	8.3	
Non-operating income								
1 Interest received		96				75		
2 Dividends received		163				166		
3 Return on invested capital by equity method		23				803		
4 Others		247	531	0.4		192	1,237	0.9
Non-operating expenses								
1 Interest paid		1,988				1,577		
2 Others		500	2,489	1.8		654	2,231	1.7
Ordinary profit			6,666	4.9			9,964	7.5
Extraordinary income								
1 Profit on sales of subsidiaries' stocks			286			-		
2 Profit on sales of investment securities			105			109		
3 Compensation for move of head office			142			-		
4 Profit on sales of land			-			27		
5 Others			27	0.4		22	158	0.1
Extraordinary loss			561					
1 Loss of compensation for Minamata disease			5,625			4,661		
2 Burden charge for public pollution preventive business	4		1,241			1,166		
3 Loss on disposal of fixed assets			445			2,386		
4 Provision of reserve for repairs			-			285		
5 Loss related to lawsuit	3		78			23		
6 Others			145	5.5		307	8,828	6.6
Current term net loss before tax adjustment			306	0.2		-	-	
Current term net profit before tax adjustment			-	-		1,294	1.0	
Corporate tax, residential tax, business tax			268			1,170		
Adjustment account of corporate tax			1,246	1.1		473	697	0.5
Minority interest			62	0.1		69	0.1	
Current term net loss			1,883	1.4		-	-	
Current term net profit			-	-		527	0.4	

() Consolidated Statement of Surplus

Division	Notes No.	Previous consolidated fiscal year (from April 1, 2002 to Mar. 31, 2003)		Current consolidated fiscal year (from April 1, 2003 to Mar. 31, 2004)	
		Amount (in million yen)	Amount (in million yen)	Amount (in million yen)	Amount (in million yen)
(Capital surplus)					
Beginning balance of capital surplus			472		472
Ending balance of capital surplus			472		472
(Earned surplus)					
Beginning balance of earned surplus			151,145		153,029
Increase in earned surplus					
1. Current term net profit			-		527
2. Disposition of revaluation excess of land			-		515
Decrease in earned surplus					
1 Current term net loss			1,883	1,883	-
Ending balance of earned surplus			153,029		151,985

() Consolidated Cash-flow Statement

		Previous consolidated fiscal year (from April 1, 2002 to Mar. 31, 2003)	Current consolidated fiscal year (from April 1, 2003 to Mar. 31, 2004)
Division	Notes No.	Amount (in milln yen)	Amount (in million yen)
Cash flow by sales activities			
Current term net profit or net loss before adjustment of tax		306	1,294
Depreciation expenses		7,886	7,396
Increase or decrease in reserve for retirement allowances		796	84
Increase in reserve for repairs		-	654
Interest received and dividends received		259	241
Interest paid		-	-
Profit on sales of subsidiaries' Stocks		1,988	1,577
Loss related to compensation for Minamata disease		286	-
Loss related to lawsuit		6,867	5,827
Decrease in trade receivables		78	23
Increase or decrease in inventories assets		2,681	2,926
Decrease in trade payable		1,933	43
Decrease in notes discounted		2,315	548
Return on invested capital by equity method		292	3,377
Others		-	496
Others		1,777	296
Sub-total		18,956	15,775
Interest and dividends received		259	241
Interest paid		1,814	1,450
Amount paid related to lawsuit		826	328
Corporate tax paid		211	261
Cash flow by operating activities		16,363	13,976
II Cash flow by investment activities		5,760	4,418
Expenditure by acquisition of tangible fixed assets		-	989
Income by sales of tangible fixed assets		43	380
Expenditure by acquisition of investment securities		114	231
Income by sales of investment securities		-	173
Expenditure by acquisition of subsidiaries' stocks		350	-
Income by sales of subsidiaries' stocks		97	148
Others		-	-
Cash flow by investment activities		5,436	3,602
Cash flow by financial activities			
Net increase/decrease in short-term loan payable		1,399	1,187
Income by long-term loan payable		1,090	1,347
Expenditure by repayment of long-term loan payable		6,945	5,102
Others		183	100
Cash flow by financial activities		7,071	5,042
Cash flow by compensation for Minamata disease		2,941	3,433
Conversion difference of cash and cash equivalent		13	2
Increase/decrease in cash and cash equivalent		901	1,899
Beginning balance of cash and cash equivalent		10,224	11,125
Ending balance of cash and cash equivalent		11,125	13,025

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

Previous consolidated account year (From April 1, 2002 to March 31, 2003)	Current consolidated account year (From April 1, 2003 to March 31, 2004)
<p>Due to a large amount of Mad Hatter's disease-related cumulative losses, the accumulated income was Δ153,029 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 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>

Segment Information

Segment information by kind of business

Previous consolidated fiscal year: (from April 1, 2002 to March 31, 2003)

	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	111,926	24,110	136,036	-	136,036
(2) Internal sales or transfer among segments	8,172	2,014	10,186	(10,186)	-
Total	120,098	26,124	146,222	(10,186)	136,036
Operating expenses	113,703	23,931	137,635	(10,224)	127,411
Operating income	6,394	2,192	8,587	38	8,625
Assets, depreciation and capital expenditure					
Assets	135,269	23,056	158,325	-	158,325
Depreciation expenses	7,186	700	7,886	-	7,886
Capital expenditure	3,253	811	4,065	-	4,065

Consolidated fiscal year: (from April 1, 2003 to March 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	6,448	948	7,396	-	7,396
Capital expenditure	2,291	300	2,592	-	2,592

(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

3 Change in accounting methods

Previous consolidated fiscal year (from April 1, 2002 to March 31, 2003)

No applicable matters.

Current term consolidated fiscal year (from April 1, 2003 to March 31, 2004)

As described in the “Important matters serving a base for preparation of consolidated financial statements”, the depreciating method of the Company’s tangible fixed assets was changed into the declining balance method from the straight line method (except buildings), while the reserve for repairs is determined to be newly provided with regard to the posting base of reserves for domestic consolidated subsidiaries, from the current consolidated fiscal year.

With this change, the operating expenses for the current consolidated fiscal year increased by 614 million yen in the chemicals business and increased by 204 million yen in other business, but the operating income decreased by the same amount, as compared with the traditional method.

[Segment information by location]

The previous consolidated fiscal year (from April 1, 2002 to March 31, 2003) and the current consolidated fiscal year (from April 1, 2003 to March 31, 2004)

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

[Sales Overseas]

Previous consolidated fiscal year (from April 1, 2002 to March 31, 2003)

	South East Asia	North America	Other areas	Total
Sales overseas (in million yen)	17,758	2,664	1,867	22,290
Consolidated sales (in million yen)				136,036
Percentage of sales overseas accounting for consolidated sales	13.0	2.0	1.4	16.4

Current consolidated fiscal year (from April 1, 2003 to March 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

(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.

(Important subsequent events)

Previous consolidated account year (From April 1, 2002 to March 31, 2003)	Current consolidated account year (From April 1, 2003 to March 31, 2004)
<p>(1) Our company was investigated by the Japan Fair Trade Commission due to a suspicion regarding a cartel agreement when a remedial action was taken on the price of polypropylene resin in April 2000. As a result, recommendation of measures to break the agreement was issued for seven polypropylene manufactures including our company on May 30, 2001, with the agreement considered to be a violation of the antitrust law.</p> <p>Our company accepted the recommendation on June 13, 2001.</p> <p>In April 2003, an order for payment of 435 million yen was issued by the Japan Fair Trade Commission. Our company demanded the appeal procedure to express our dissatisfaction on the order.</p> <p>(2) On May 21, 2003, our company and Japan Polychem Corporation made an agreement to establish a joint venture between Chisso Petrochemical Corporation, a consolidated subsidiary of our company, and Japan Polychem Corporation for manufacturing and sales of polypropylene resins on October 1 this year, and concluded the joint venture contract.</p> <p>At the Board of Directors' meeting held on the day, it was determined that the polypropylene resin-related business would be transferred to Chisso Petrochemical Corporation on September 30, 2003, and the contract for the transfer was concluded.</p>	<hr/>