

**Summary of Financial Statements (Consolidated)  
for the Interim Period of the Fiscal Year Ending May 31, 2007**

This document is an English translation of parts of the Japanese-language original. All financial information has been prepared in accordance with generally accepted accounting principles in Japan.

December 28, 2006

Listed company: Nippon Kayaku Co., Ltd.

Listed stock exchange: Tokyo

Code no.: 4272

Head office location: Tokyo

URL <http://www.nipponkayaku.co.jp>

Adoption of U.S. accounting standards: No

1. Consolidated Business Results for the Interim Period Ended November 2006 (June 1, 2006, to November 30, 2006)

(1) Consolidated Operating Results

Note: Figures shown are rounded down to the nearest million yen.

	Net sales		Operating income		Ordinary income	
	millions of yen	%	millions of yen	%	millions of yen	%
Interim period ended November 30, 2006	74,267	8.6	7,856	23.0	8,891	12.9
Interim period ended November 30, 2005	68,409	3.3	6,389	36.2	7,878	59.6
Fiscal year ended May 31, 2006	140,026		13,219		14,366	

	Net income for the interim period (for the full year)		Net income per share for the interim period (for the full year)	Diluted net income per share for the interim period
	millions of yen	%	yen	yen
Interim period ended November 30, 2006	4,540	(40.8)	24.98	24.71
Interim period ended November 30, 2005	7,671	305.7	42.18	—
Fiscal year ended May 31, 2006	9,641		52.92	—

Note: 1 Equity in earnings of affiliates

Interim period ended November 30, 2006: 109 million yen

Interim period ended November 30, 2005: 103 million yen

Fiscal year ended May 2006: 444 million yen

2 Average number of shares in current year (consolidated)

Interim period ended November 30, 2006: 181,781,493 shares

Interim period ended November 30, 2005: 181,888,764 shares

Fiscal year ended May 2006: 181,856,732 shares

3 There were no changes in the accounting method.

4 Percentages for net sales, operating income, ordinary income, and net income for the interim period indicate the percentage change from the interim period of the previous fiscal year.

(2) Consolidated Financial Position

Note: Figures shown are rounded down to the nearest million yen.

	Total assets	Net assets	Equity ratio	Net assets per share
	millions of yen	millions of yen	%	yen
As of November 30, 2006	200,087	128,901	58.4	642.91
As of November 30, 2005	196,992	112,082	56.9	616.31
As of May 31, 2006	205,308	127,030	56.2	634.51

Note: Numbers of issued shares at end of year (consolidated)

Interim period ended November 30, 2006: 181,753,437 shares

Interim period ended November 30, 2005: 181,859,469 shares

Fiscal year ended May 2006: 181,805,023 shares

(3) Status of Consolidated Cash Flow

Note: Figures shown are rounded down to the nearest million yen.

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents at end of year
	millions of yen	millions of yen	millions of yen	millions of yen
As of November 30, 2006	10,553	(6,753)	(5,209)	20,211
As of November 30, 2005	9,008	(4,473)	(2,130)	20,215
As of May 31, 2006	11,791	(7,102)	(1,182)	21,424

(4) Matters pertaining to consolidation range and equity method application

Consolidated subsidiaries: 21 companies; Non-consolidated subsidiaries (applied equity method): — companies; Affiliated companies (applied equity method): 2 companies

(5) Changes in consolidation range and equity method application

Consolidated (new): 2 companies, (excluded) 2 companies; Equity method (new): none, (excluded): none

2. Consolidated Business Results Forecast for Fiscal Year Ending May 2007 (June 1, 2006, to May 31, 2007)

	Net sales	Ordinary income	Net income
	millions of yen	millions of yen	millions of yen
Full year	150,000	16,000	8,000

(Reference) Forecasted net income per share (full year): 44.01 yen

\* The forecast above is based on information that was obtainable and on assumptions pertaining to uncertain factors that can affect future business results, as of the date this report was announced. The actual business results may vary greatly due to a variety of future factors. For details on assumptions and other matters relating to the business results forecast, see page 4 of the attached materials.

## Operating Results and Financial Position

### 1. Operating Results

#### (1) Summary of Current Interim Period

During the current interim period, Japan's economy was affected by the downturn in the U.S. economy and by the continued high prices of raw materials caused by the high price of oil. However, an improvement in corporate earnings resulted in positive factors such as growing capital investment and improvement in the employment situation. These factors enabled Japan's economy to experience a moderate recovery.

In the environment immediately surrounding our Group, in general the chemical products industry, centering on digital home electronics and other IT-related fields, continued to generate solid growth. However, conditions remained difficult as various factors affected the economy, including continued high raw materials costs and a drop in prices due to intensifying competition.

In the pharmaceutical industry, global competition in the research, development, and sale of new drugs intensified, and with the revision of drug prices and growing use of generic drugs, the trend toward controlling the cost of medicines became even stronger, forcing companies to fight for their survival.

In the midst of such conditions, Nippon Kayaku is focusing on rapidly carrying out our business strategies, utilizing a fusion of technologies from within and beyond the company as a tool that enables us to target niche markets while remaining focused on markets and customers. We have promoted structural reforms based on the following priority policies: (1) the strengthening of business strategy, (2) the strengthening of company-wide R&D, and (3) the strengthening of the Administration Group and support organization.

As a result, and as business involved in the information/communications field, health care field, and safety systems field performed strongly, consolidated sales for the current interim period reached 74.267 billion yen, an increase of 5.858 billion yen (8.6%) from the previous interim period. Thanks to factors such as higher sales and efforts to cut costs, consolidated ordinary income reached 8.891 billion yen, an increase of 1.013 billion yen (12.9%) from the previous interim period. Due to a decrease in profits from the sale of fixed assets, consolidated net income for the interim period was 4.54 billion yen, a reduction of 3.131 billion yen (40.8%) from the previous interim period.

Compared to our company's business results, consolidated sales for the current interim period were 1.44 times those of the company alone, while consolidated net income for the interim period was 1.36 times that of the company.

#### (2) Summary by Business Segment

This section provides a summary of the current year's performance for each business segment.

##### Segment information by business type

###### [Functional chemicals business]

Sales reached 39.921 billion yen, an increase of 3.897 billion yen (10.8%) from the previous interim period.

In the functional materials business, sales of special epoxy resins for semiconductor encapsulation and UV-curing resins were strong, surpassing their sales from the previous interim period. However, due to the transfer of

the Kayafloc polymer flocculant operations in June of 2006, sales for the functional materials business as a whole were lower than in the previous interim period.

In the electronic materials business, sales of colors for inkjet printers were strong, reaching a higher level than the previous interim period. For our composite materials, sales of LCD sealants were up from the previous interim period, however sales of functional dyes, resins for lenses, and resins for optical disks were down. In the area of optical films, sales of plasma display films and Polatechno polarizing films went smoothly, exceeding the levels of the previous interim period. Overall, sales in the electronic materials business were up from the previous interim period.

In the catalysts business, sales of catalysts for the manufacture of acrylic acid and methacrylic acid were strong, surpassing sales from the previous interim period.

In the safety systems business, sales of airbag inflators and micro gas generators for seatbelt pretensioners went smoothly, exceeding sales from the previous interim period. The overseas business (Europe and North America) was also strong, with sales reaching higher levels than the previous interim period.

Overall operating income for the functional chemicals business was 5.445 billion yen, an increase of 367 million yen (7.2%) from the previous interim period.

[Pharmaceuticals business]

Sales amounted to 20.729 billion yen, an increase of 1.213 billion yen (6.2%) from the previous interim period.

Pharmaceutical products for the Japanese domestic market included new products “PACLITAXEL Inj. NK” (anti-cancer drug) and “GELPART” (material for transcatheter arterial embolization), both released during the past interim period, and both making contributions to sales. Sales were also strong of other new products “EPIRUBICIN Inj. Merck” (anti-cancer drug), “CARBOMERCK” (anti-cancer drug), “IA CALL” (arterial-injection anti-cancer drug), “IMMUCYST” (anti-cancer drug), and introduced-product “CALSED” (anti-cancer drug), all of which increased in sales over the previous interim period. On the other hand, due to factors such as drug price revisions and competitor products, sales of “FARESTON Tab.” (anti-cancer drug), “RANDA Inj.” (anti-cancer drug), “PINORUBIN Inj.” (anti-cancer drug), and “MILLISROL Inj.” (vasodilator) were down from the previous interim period. On the whole, sales of pharmaceutical products for the domestic market were higher than the previous interim period.

In the area of exports, sales of “BLEO” (anti-cancer drug) and “ETOPOSIDE” (anti-cancer drug) went smoothly. Overall, exports were up from the previous interim period.

As for active pharmaceutical ingredients, sales centering on contract manufacturing from API to pharmaceuticals went smoothly and were up from the previous interim period.

In the area of diagnostic agents, sales of “LANAZYME ST-439 plates” (breast cancer diagnostic agent) were down from the previous interim period.

Overall operating income for the pharmaceuticals business was 3.479 billion yen, an increase of 1.063 billion yen (44.0%) from the previous interim period.

[Fine chemicals business]

Sales amounted to 12.144 billion yen, an increase of 832 million yen (7.4%) from the previous interim period.

In the agrochemicals business, both domestic sales and exports were strong, exceeding the levels of the previous interim period.

In the color chemicals business, textile dyes and special non-textile dyes for paper pulp both delivered good sales, showing increases from the previous interim period.

In the explosives business, sales were down from the previous interim period, due to a decline in demand for explosives used in public works and stone crushing.

Overall operating income for the fine chemicals business was 1.005 billion yen, an increase of 110 million yen (12.4%) from the previous interim period.

[Other businesses]

Sales amounted to 1.471 billion yen, a decrease of 84 million yen (5.4%) from the previous interim period.

Operating income from all other businesses was 798 million yen, an increase of 42 million yen (5.7%) from the previous interim period.

Segment information by location

[Japan]

Sales amounted to 64.556 billion yen, an increase of 2.387 billion yen (3.8%) from the previous interim period.

Operating income was 8.94 billion yen, an increase of 465 million yen (5.5%) from the previous interim period.

[Other regions]

Sales amounted to 9.711 billion yen, an increase of 3.47 billion yen (55.6%) from the previous interim period. Indet Safety Systems a.s. (Czech Republic), LifeSparc, Inc. (U.S.), and Polatechno Hong Kong Co., Ltd. (Hong Kong) all delivered higher sales. Operating income was 2.006 billion yen, an increase of 1.305 billion yen (186.0%) from the previous interim period.

(3) Forecast for the Full Fiscal Year

Japan's economy is expected to continue its recovery, thanks to continued improvement in corporate profits, and to an expected increase in personal spending caused by an improved employment situation. However, the effects that the U.S. and China economies, changes in oil prices, and other factors may have on our economy remain unknown.

In this economic situation, conditions in the business environment that envelops the Nippon Kayaku Group continue to defy prediction. On the other hand, as a result of further development of growth-promoting businesses, sales for the full fiscal year are expected to reach 150 billion yen (a year-on-year increase of 7.1%), and ordinary income is expected to reach 16 billion yen (a year-on-year increase of 11.4%). Thus, both revenue and profit are expected to rise. Due to a reduction in profits from sales of fixed assets, net income is expected to be 8 billion yen (a year-on-year decrease of 17.0%).

## 2. Financial Position

### (1) Status of Cash Flow

(Millions of yen)

	Previous interim period	Current interim period	Change from the interim period of the previous fiscal year
Cash flow from operating activities	9,008	10,553	1,544
Cash flow from investing activities	(4,473)	(6,753)	(2,279)
Cash flow from financing activities	(2,130)	(5,209)	(3,078)
Cash and cash equivalents at end of year	20,215	20,211	(3)

Cash flow from operating activities increased by 1.544 billion yen from the previous interim period to 10.553 billion yen. This increase was primarily due to an increase in purchase debt.

Cash flow from investing activities indicated expenditures of 6.753 billion yen, an increase in expenditures of 2.279 billion yen from the previous interim period. This increase was primarily caused by a decrease in revenue from the sale of tangible fixed assets, and by the acquisition of additional tangible fixed assets.

Cash flow from financing activities indicated an increase in expenditures of 3.078 billion yen from the previous interim period, for total expenditures reaching 5.209 billion yen. This increase was primarily due to an increase in the amount of dividends paid by the parent company, and to a decrease in revenue from long-term loans.

As a result, the balance of cash and cash equivalents at the end of the current interim period decreased by 3 million yen from the previous interim period, reaching 20.211 billion yen.

### (2) Trends in cash flow indicators

	Interim period ended November 2004	Interim period ended November 2005	Interim period ended November 2006	Fiscal year ended May 2006
Equity ratio (%)	55.7	56.9	58.4	56.2
Market-value-based equity ratio (%)	56.3	87.0	81.7	84.7
Debt redemption period (years)	1.4	0.9	0.6	1.2
Interest coverage ratio	30.8	41.9	54.6	33.3

Market-value-based equity ratio: Total market value of shares/Total assets

Debt redemption period: Interest-bearing debt/Operating cash flow (Operating cash flow was doubled for the interim period calculation.)

Interest coverage ratio: Operating cash flow/Interest payment

Note: 1 Each indicator is calculated using consolidation-based financial figures.

2 The total market value of shares is calculated as follows: Stock closing price at end of year × Number of issued shares at end of year (after deduction of treasury stock).

3 Operating cash flow makes use of the cash flow from operating activities on the Consolidated Statements of Cash Flow (for the Interim Period). Interest-bearing debt includes all liabilities declared on the Consolidated Balance Sheets (for the Interim Period) in which interest is paid. Also, interest payments indicate the amount of paid interest in the Consolidated Statements of Cash Flow (for the Interim Period).

### 3. Business Risk

The Nippon Kayaku Group strives to reduce risk by preventing and spreading the various risks that accompany its business operations. However, when situations that exceed Group forecasts occur in the external environment, such as fluctuations in the business environment or exchange rates, or in the internal environment, such as product quality issues or the suspension of research and development projects, such situations can seriously affect the operating results and financial position of the Nippon Kayaku Group.

## Consolidated Financial Statements for the Interim Period

### (1) Consolidated Balance Sheets for the Interim Period

	As of November 30, 2005	As of November 30, 2006	As of May 31, 2006	Comparative change from the current fiscal year end
	millions of yen	millions of yen	millions of yen	millions of yen
Assets				
Current assets				
Cash and savings	17,211	20,024	17,979	2,044
Notes receivable and accounts receivable	44,395	47,446	45,627	1,819
Marketable securities	11,567	256	8,985	(8,729)
Inventory assets	25,495	28,642	26,649	1,992
Deferred tax assets	2,192	2,452	2,167	284
Other	4,699	2,185	7,304	(5,118)
Allowance for doubtful receivables	(69)	(62)	(69)	7
Total current assets	105,491	100,944	108,644	(7,699)
Fixed assets				
Tangible fixed assets				
Buildings and structures	28,150	33,224	32,089	1,135
Machinery and transport equipment	14,839	17,036	15,169	1,867
Land	7,711	7,988	7,891	97
Construction in progress	4,962	4,972	4,814	158
Other	2,847	3,254	2,789	465
Total tangible fixed assets	58,512	66,478	62,754	
Intangible fixed assets				
Consolidated adjustment account	460	—	397	(397)
Goodwill	—	2,925	—	2,925
Other	7,501	4,288	7,211	(2,922)
Total intangible fixed assets	7,962	7,213	7,608	
Investments and other assets				
Investments in securities	20,605	20,778	22,017	(1,238)
Long-term loans receivable	218	173	200	(27)
Deferred tax assets	232	273	252	20
Other	4,030	4,333	3,884	449
Allowance for doubtful receivables	(60)	(109)	(54)	(54)
Total investments and other assets	25,026	25,450	26,300	
Total fixed assets	91,501	99,142	96,663	2,478
Total assets	196,992	200,087	205,308	(5,221)

	As of November 30, 2005	As of November 30, 2006	As of May 31, 2006	Comparative change from the current fiscal year end
	millions of yen	millions of yen	millions of yen	millions of yen
<b>Liabilities</b>				
<b>Current liabilities</b>				
Notes payable and accounts payable	17,079	19,497	16,881	2,615
Short-term loans payables	5,183	4,716	4,868	(151)
Accrued amount payable	7,850	6,923	12,446	(5,523)
Corporation tax payable	2,662	3,674	1,276	2,397
Accrued expenses	4,363	4,709	4,391	317
Deferred tax liabilities	—	0	0	(0)
Allowance for sales returns	51	54	62	(8)
Allowance for rebates	444	364	348	16
Allowance for directors' bonuses	67	93	145	(52)
Equipment-related notes payable	116	441	71	369
Other	1,100	1,239	1,124	114
<b>Total current liabilities</b>	<b>38,919</b>	<b>41,714</b>	<b>41,619</b>	<b>94</b>
<b>Fixed liabilities</b>				
Long-term loans payable	9,118	5,611	7,175	(1,564)
Deferred tax liabilities	5,307	5,258	6,050	(792)
Allowance for employee retirement benefits	8,005	3,320	8,025	(4,704)
Allowance for directors' retirement benefits	92	63	61	2
Allowance for repairs	574	623	578	45
Long-term deposits payable	14,777	14,056	14,168	(111)
Other	409	536	598	(62)
<b>Total fixed liabilities</b>	<b>38,286</b>	<b>29,471</b>	<b>36,659</b>	<b>(7,188)</b>
<b>Total liabilities</b>	<b>77,205</b>	<b>71,185</b>	<b>78,278</b>	<b>(7,093)</b>
<b>Minority interests</b>				
Minority interests	7,704	—	—	—
<b>Shareholders' equity</b>				
Capital stock	14,932	—	—	—
Additional paid-in capital	17,262	—	—	—
Retained earnings	74,668	—	—	—
Net unrealized gains on other securities	4,986	—	—	—
Foreign currency translation adjustments	575	—	—	—
Treasury stock	(343)	—	—	—
<b>Total capital</b>	<b>112,082</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total liabilities, minority interests, and capital</b>	<b>196,992</b>	<b>—</b>	<b>—</b>	<b>—</b>

	As of November 30, 2005	As of November 30, 2006	As of May 31, 2006	Comparative change from the current fiscal year end
	millions of yen	millions of yen	millions of yen	millions of yen
Net assets				
Shareholders' equity				
Capital stock	—	14,932	14,932	—
Additional paid-in capital	—	17,267	17,264	3
Retained earnings	—	79,228	77,201	2,026
Treasury stock	—	(450)	(398)	(52)
Total shareholders' equity	—	110,978	109,000	1,977
Unrealized gains and currency translation adjustments				
Net unrealized gains on other securities	—	4,601	5,216	(615)
Foreign currency translation adjustments	—	1,272	1,158	113
Total unrealized gains and currency translation adjustments	—	5,873	6,375	(502)
Minority interests	—	12,050	11,653	396
Total net assets	—	128,901	127,030	1,871
Total liabilities and net assets	—	200,087	205,308	(5,221)

(2) Consolidated Profit and Loss Statement for the Interim Period

	Interim period ended November 30, 2005		Interim period ended November 30, 2006		Fiscal year ended May 31, 2006		Comparative change from the interim period of the previous fiscal year
	millions of yen		millions of yen		millions of yen		millions of yen
Net sales		68,409		74,267		140,026	5,858
Cost of sales		42,495		46,191		87,074	3,696
Gross profit on sales		25,914		28,076		52,951	2,162
Provision of allowance for sales returns		(5)		8		(15)	13
Total gross profit on sales		25,909		28,084		52,935	2,175
Selling, general, and administrative expenses							
Selling expenses	10,632		10,559		21,207		
General and administrative expenses	8,887	19,519	9,668	20,228	18,508	39,715	708
Operating income		6,389		7,856		13,219	1,467
Nonoperating income							
Interest received	30		53		70		
Dividends received	276		163		360		
Equity in earnings of affiliates	103		109		444		
Exchange margin	524		294		296		
Insurance dividends received	90		206		98		
Technical assistance fees	689		—		671		
Other miscellaneous income	288	2,003	837	1,664	488	2,430	(339)
Nonoperating expenses							
Interest paid	232		182		430		
Inventory asset disposal loss	—		97		181		
Expenses from underutilized real estate	55		44		120		
Other miscellaneous losses	227	514	304	629	552	1,284	114
Ordinary income		7,878		8,891		14,366	1,013
Extraordinary income							
Income on sale of fixed assets	8,384		71		8,469		
Income on sale of securities investments	7		191		7		
Reversal of allowance for doubtful receivables	7	8,398	6	269	20	8,497	(8,129)
Extraordinary loss							
Fixed asset disposal loss	1,273		658		3,529		
Soil investigation expenses	—		19		—		
Provision of allowance for doubtful receivables	—		4		5		
Amortization of consolidation difference	315		—		315		
Impairment loss	192		—		192		
Environmental protection expenses	—		—		129		
Loss on sale of stock of affiliated companies	47		—		47		
Loss on appraisal of stock of affiliated companies	—		—		11		
Bad debt loss	—		—		3		
Loss on devaluation of investment securities	5	1,833	—	682	—	4,234	(1,150)
Income before income taxes and minority interests		14,443		8,477		18,629	(5,965)
Corporation tax, inhabitant tax, and business tax	2,743		3,705		3,622		
Income taxes deferred	3,159	5,902	(673)	3,031	3,748	7,370	(2,871)
Minority interests		869		905		1,616	36
Net income		7,671		4,540		9,641	(3,131)

(3) Consolidated Retained Earnings Statement for the Interim Period

	Interim period ended November 30, 2005	
	millions of yen	
(Additional paid-in capital)		
Additional paid-in capital at beginning of year		17,260
Increase in additional paid-in capital		
Gain on disposal of treasury stock	2	2
Additional paid-in capital at end of period		17,262
(Retained earnings)		
Retained earnings at beginning of year		68,109
Increase in retained earnings		
Increase in retained earnings resulting from newly consolidated subsidiaries	80	
Net income for the interim period	7,671	7,752
Decrease in retained earnings		
Dividends	1,127	
Directors' bonuses	65	
(of which: auditors' bonuses)	0	1,193
Retained earnings at end of period		74,668

## (4) Consolidated Statement of Changes in Shareholders' Equity for the Interim Period

Interim period ended November 30, 2006

	Shareholders' Equity				
	Capital Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Total Shareholders' Equity
Balance as of May 31, 2006 (millions of yen)	14,932	17,264	77,201	(398)	109,000
Amount of changes during consolidated interim period					
Dividend on surplus			(2,636)		(2,636)
Directors' bonuses via profit appropriation			(18)		(18)
Net income for interim period			4,540		4,540
Acquisition of treasury stock				(57)	(57)
Disposal of treasury stock		3		4	8
Increase resulting from newly consolidated subsidiaries			140		140
Total amount of changes during consolidated interim period (millions of yen)	—	3	2,026	(52)	1,977
Balance as of November 30, 2006 (millions of yen)	14,932	17,267	79,228	(450)	110,978

	Unrealized gains and currency translation adjustments			Minority interests	Total net assets
	Net unrealized gains on other securities	Foreign currency translation adjustments	Total unrealized gains and currency translation adjustments		
Balance as of May 31, 2005 (millions of yen)	5,216	1,158	6,375	11,653	127,030
Amount of changes during consolidated interim period					
Dividend on surplus					(2,636)
Directors' bonuses via profit appropriation					(18)
Net income for interim period					4,540
Acquisition of treasury stock					(57)
Disposal of treasury stock					8
Increase resulting from newly consolidated subsidiaries					140
Amount of changes for items other than shareholders' equity during consolidated interim period (net)	(615)	113	(502)	396	(105)
Total amount of changes during consolidated interim period (millions of yen)	(615)	113	(502)	396	1,871
Balance as of November 30, 2006 (millions of yen)	4,601	1,272	5,873	12,050	128,901

Fiscal year ended May 31, 2005

	Shareholders' Equity				
	Capital Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Total Shareholders' Equity
Balance as of May 31, 2005 (millions of yen)	14,932	17,260	68,109	(294)	100,007
Amount of changes during consolidated fiscal year					
Dividend on surplus			(1,128)		(1,128)
Dividend on surplus (midterm dividend)			(1,000)		(1,000)
Directors' bonuses via profit appropriation			(65)		(65)
Net income			9,641		9,641
Acquisition of treasury stock				(111)	(111)
Disposal of treasury stock		4		7	11
Reduction from merger of consolidated subsidiaries			(60)		(60)
Increase from increase in consolidated subsidiaries			80		80
Gain on changes in equity from capital increase of consolidated subsidiaries			1,624		1,624
Total amount of changes during consolidated fiscal year (millions of yen)	—	4	9,092	(103)	8,993
Balance as of May 31, 2006 (millions of yen)	14,932	17,264	77,201	(398)	109,000

	Unrealized gains and currency translation adjustments			Minority interests	Total net assets
	Net unrealized gains on other securities	Foreign currency translation adjustments	Total unrealized gains and currency translation adjustments		
Balance as of May 31, 2005 (millions of yen)	3,231	571	3,803	6,805	110,616
Amount of changes during consolidated fiscal year					
Dividend on surplus					(1,128)
Dividend on surplus (midterm dividend)					(1,000)
Directors' bonuses via profit appropriation					(65)
Net income					9,641
Acquisition of treasury stock					(111)
Disposal of treasury stock					11
Reduction from merger of consolidated subsidiaries					(60)
Increase from increase in consolidated subsidiaries					80
Gain on changes in equity from capital increase of consolidated subsidiaries					1,624
Amount of changes for items other than shareholders' equity during consolidated fiscal year (net)	1,985	586	2,572	4,847	7,420
Total amount of changes during consolidated fiscal year (millions of yen)	1,985	586	2,572	4,847	16,413
Balance as of May 31, 2006 (millions of yen)	5,216	1,158	6,375	11,653	127,030

(5) Consolidated Cash Flow Statement for the Interim Period

	Interim period ended November 30, 2005	Interim period ended November 30, 2006	Fiscal year ended May 31, 2006	Comparative change from the interim period of the previous fiscal year
	millions of yen	millions of yen	millions of yen	millions of yen
Cash flow from operating activities				
Income (for interim period) before income taxes and minority interests	14,443	8,477	18,629	(5,965)
Depreciation	3,618	4,039	7,708	420
Impairment loss	192	—	192	(192)
Change in reserve allowance	(28)	466	(53)	495
Interest and dividends received	(307)	(217)	(430)	90
Interest paid	232	182	430	(50)
Equity in earnings of affiliates	(103)	(109)	(444)	(6)
Loss on retirement of tangible fixed assets	1,273	658	3,529	(614)
Income on sale of tangible fixed assets	(8,384)	(71)	(8,469)	8,313
Income on sale of securities investments	(7)	(191)	(7)	(183)
Loss on appraisal of investment securities	5	—	—	(5)
Change in notes and accounts receivable	2,732	(1,677)	1,613	(4,409)
Change in inventory assets	(1,276)	(1,846)	(2,349)	(569)
Change in prepaid expenses	(2,085)	(51)	(4,199)	2,034
Change in accrued revenue	454	104	(242)	(350)
Change in purchase debt	(474)	2,472	(758)	2,947
Change in accrued amount payable	825	(917)	(138)	(1,742)
Change in accrued consumption tax	24	21	(0)	(2)
Change in accrued expenses	(138)	278	(185)	417
Other	193	(18)	1,025	(211)
Subtotal	11,188	11,603	15,848	414
Interest and dividends received	305	216	832	(89)
Interest paid	(214)	(193)	(354)	21
Corporation tax paid	(2,271)	(1,073)	(4,535)	1,197
Cash flow from operating activities	9,008	10,553	11,791	1,544

	Interim period ended November 30, 2005	Interim period ended November 30, 2006	Fiscal year ended May 31, 2006	Comparative change from the interim period of the previous fiscal year
	millions of yen	millions of yen	millions of yen	millions of yen
Cash flow from investing activities				
Revenue from repayment of time deposits	1,513	2	5,146	(1,510)
Expenditure from deposit of time deposits	(5,030)	(9)	(5,149)	5,021
Expenditure from acquisition of marketable securities	(12,012)	(999)	(18,510)	11,013
Revenue from sale of marketable securities	7,005	6,496	13,012	(508)
Expenditure from acquisition of tangible fixed assets	(3,197)	(9,093)	(8,782)	(5,895)
Revenue from sale of tangible fixed assets	7,913	81	8,099	(7,832)
Expenditure from acquisition of intangible fixed assets	(786)	(74)	(848)	711
Expenditure from acquisition of investments in securities	(3)	(1,052)	(229)	(1,049)
Revenue from investments in securities	390	539	400	148
Expenditure from acquisition of shares of subsidiaries	—	—	(9)	—
Expenditure from long-term loans receivable	—	(2)	(0)	(2)
Expenditure from increase in long-term prepaid expenses	(61)	(473)	(246)	(411)
Expenditures for removal of fixed assets	—	(1,941)	—	(1,941)
Other	(205)	(227)	16	(22)
Cash flow from investing activities	(4,473)	(6,753)	(7,102)	(2,279)
Cash flow from financing activities				
Change in short-term loans payable	(219)	(292)	(538)	(73)
Revenue from long-term loans	962	—	945	(962)
Expenditure from repayment of long-term loans payable	(1,259)	(1,608)	(3,392)	(349)
Expenditure from repayment of construction cooperation fund	(117)	(135)	(234)	(18)
Dividends paid	(1,121)	(2,622)	(2,119)	(1,500)
Revenue from increase in consolidated subsidiaries' third-party allocation of shares	—	—	4,524	—
Dividends paid to minority shareholders	—	(518)	(326)	(518)
Other	(375)	(31)	(41)	344
Cash flow from financing activities	(2,130)	(5,209)	(1,182)	(3,078)
Effect of exchange rate changes on cash and cash equivalents	115	76	211	(39)
Change in cash and cash equivalents	2,520	(1,332)	3,718	(3,853)
Cash and cash equivalents at beginning of year	17,191	21,424	17,191	4,233
Change in cash and cash equivalents accompanying new consolidation	504	119	504	(384)
Change in cash and cash equivalents accompanying mergers	—	—	11	—
Cash and cash equivalents at end of period (year)	20,215	20,211	21,424	(3)