

Summary of Financial Statements (Consolidated)
for the Fiscal Year Ended May 31, 2007

June 29, 2007

Listed company: Nippon Kayaku Co., Ltd. (URL <http://www.nipponkayaku.co.jp/>)

Code No.: 4272

Listed stock exchange: Tokyo Stock Exchange, First Section

Representative: (Position) President, (Name) Koichiro Shimada

Person in charge of inquiries:

(Position) Executive Officer, General Manager of Finance & Accounting Division, Administration Group (Name) Ryoichi Araki

Scheduled date of ordinary general meeting of shareholders: August 30, 2007

Scheduled date of securities report submission: August 30, 2007

Scheduled date for start of dividend payments: August 31, 2007

1. Consolidated Business Results for Fiscal Year Ended May 2007 (June 1, 2006 – May 31, 2007)

(Figures shown are rounded down to the nearest million yen.)

(1) Consolidated Operating Results

(Percentages indicate amount of change from the previous year.)

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended May 31, 2007	148,124	5.8	13,536	2.4	15,138	5.4
Fiscal year ended May 31, 2006	140,026	4.3	13,219	30.0	14,366	38.2

	Net income		Net income per share	Diluted net income per share	Return on equity	Ordinary income to total assets ratio	Operating income to net sales ratio
	Millions of yen	%	Yen	Yen	%	%	%
Fiscal year ended May 31, 2007	6,610	(31.4)	36.37	36.11	5.7	7.3	9.1
Fiscal year ended May 31, 2006	9,641	81.4	52.92		8.8	7.4	9.4

Note: Equity in earnings of non-consolidated subsidiaries and affiliated companies Fiscal year ended May 31, 2007: 142 million yen
Fiscal year ended May 31, 2006: 444 million yen

(2) Consolidated Financial Position

	Total assets		Net assets	Equity ratio	Net assets per share
	Millions of yen		Millions of yen	%	Yen
As of May 31, 2007	207,081		130,233	56.7	646.78
As of May 31, 2006	205,308		127,030	56.2	634.51

Note: Shareholders' equity Fiscal year ended May 31, 2007: 117,514 million yen
Fiscal year ended May 31, 2006: 115,376 million yen

(3) Status of Consolidated Cash Flow

	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
Fiscal year ended May 31, 2007	20,201	(17,882)	1,559	25,589
Fiscal year ended May 31, 2006	11,791	(7,102)	(1,182)	21,424

2. Status of Dividends

(Date)	Dividend amount per share			Total dividend payment (year)	Dividend payout ratio (consolidated)	Dividend on equity ratio (consolidated)
	End of interim	End of year	Year			
	Yen			Millions of yen	%	%
Fiscal year ended May 31, 2006	5.50	14.50	20.00	3,636	37.8	3.3
Fiscal year ended May 31, 2007	10.00	10.00	20.00	3,634	55.0	3.1
Fiscal year ended May 31, 2008 (forecast)	10.00	10.00	20.00		38.2	

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3. Consolidated Business Results Forecast for Fiscal Year Ending May 2008 (June 1, 2007 – May 31, 2008)

(For the full year, percentages indicate amount of change from the previous year.
For the interim, percentages indicate the change from the interim in the previous year.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen
Interim	76,600	3.1	7,000	(10.9)	7,700	(13.4)	4,700	3.5	25.87
Full year	160,000	8.0	15,500	14.5	16,000	5.7	9,500	43.7	52.29

4. Other

(1) Major changes in subsidiaries occurring during this year (changes in designated subsidiaries which involve changes to the consolidation range)

Added: Two companies (Taiwan Nippon Kayaku Co., Ltd., Euro Nippon Kayaku GmbH)

Removed: Two companies (N.S. Color Techno Co., Ltd., Kayafloc Co., Ltd.)

(2) Changes to accounting principles, procedures, methods of notation, or other items related to creation of the consolidated financial statements (listed as changes to major items that form the basis for creation of the consolidated financial statements)

[1] Changes involving revision of accounting standards or similar items: No

[2] Changes other than [1]: Yes

(3) Number of shares issued (common stock)

[1] Number of shares issued at end of year (including treasury stock)

Fiscal year ended May 31, 2007: 182,503,570 shares

Fiscal year ended May 31, 2006: 182,503,570 shares

[2] Number of treasury stock shares at end of year

Fiscal year ended May 31, 2007: 812,449 shares

Fiscal year ended May 31, 2006: 698,547 shares

Reference: Overview of Non-consolidated Business Results

1. Non-consolidated Business Results for the Year Ended May 2007 (June 1, 2006 – May 31, 2007)

(1) Non-consolidated operating results (Percentages indicate amount of change from the previous year.)

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended May 31, 2007	103,624	4.0	8,573	19.8	11,218	35.9
Fiscal year ended May 31, 2006	99,685	2.0	7,157	9.6	8,256	13.0

	Net income		Net income per share	Diluted net income per share
	Millions of yen	%	Yen	Yen
Fiscal year ended May 31, 2007	4,347	47.7	23.92	
Fiscal year ended May 31, 2006	2,942	(38.2)	16.18	

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of May 31, 2007	156,430	99,446	63.6	547.32
As of May 31, 2006	156,211	99,720	63.8	548.48

Note: Shareholders' equity Fiscal year ended May 31, 2007: 99,446 million yen
Fiscal year ended May 31, 2006: 99,720 million yen

2. Non-consolidated Business Results Forecast for Fiscal Year Ending May 2008 (June 1, 2007 – May 31, 2008)

(For the full year, percentages indicate amount of change from the previous year.
For the interim, percentages indicate the change from the interim in the previous year.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen
Interim	52,500	1.9	4,100	(6.1)	4,800	(22.7)	3,900	16.4	21.46
Full year	110,000	6.2	9,000	5	10,000	(10.9)	7,000	61.0	38.53

* Explanation related to appropriate use of the business results forecast and other notes

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, refer to "Forecast for the Next Fiscal Year" on page 4.

Operating Results

(1) Analysis Related to Operating Results

[1] Business Results for the Current Year

Despite high raw material costs due to the soaring price of oil, Japan's economy during the current year on the whole remained on a recovery course, as evidenced by an active increase in capital investment backed by strong corporate performance, and by improvements in the hiring and personal income environments.

The chemical products industry, centering on digital home electronics and other IT-related fields, was generally headed toward expansion. But conditions remained difficult due to the effects of rising raw material costs caused by continuing high oil prices, and also due to falling product prices and inventory adjustments.

In the pharmaceuticals industry, in addition to the lowering of drug prices in April of last year, trends toward increased use of generic drugs and other steps aimed at controlling the cost of medicines became even stronger. At the same time, global competition in the research, development, and sale of new drugs intensified as a fight for survival among companies unfolded.

In the midst of such conditions, the Nippon Kayaku Group is aiming to raise its corporate value and become a company capable of sustained growth. For this purpose, we have invested business resources in key fields, worked to strengthen overseas operations and cut costs, and taken steps to improve profits.

As a result, and also due to growth in our functional chemicals business and pharmaceutical business, consolidated net sales for the current year reached 148.124 billion yen, an increase of 8.097 billion yen (5.8%) over the previous fiscal year. Thanks to factors such as increased sales in the pharmaceutical business, consolidated ordinary income reached 13.536 billion yen, an increase of 316 million yen (2.4%) over the previous fiscal year, and consolidated operating income rose to 15.138 billion yen, an increase of 771 million yen (5.4%) over the previous fiscal year. Because last year's profits from the sale of a former company housing site were absent this year, consolidated net income was 6.61 billion yen, a decrease of 3.03 billion yen (31.4%) from the previous fiscal year.

Compared to our company's business results, consolidated net sales for the current year were 1.43 times that of the company, while consolidated net income was 1.52 times that of the company.

[2] Summary by Business Segment

(Segment information by type of business)

This section provides a summary of the current year's performance by type of business segment.

[Functional chemicals business]

Sales reached 78.925 billion yen, an increase of 5.792 billion yen (7.9%) from the previous fiscal year.

In the functional materials business, sales of special epoxy resins for semiconductor encapsulation were higher than the previous fiscal year, however sales of UV-curing resins were lower. Due in part to the transfer of our polymer flocculent business, performance for the functional chemicals business as a whole was below the level of the previous fiscal year.

In the electronic materials business, sales of colors for inkjet printers were up from the previous fiscal year, while sales of resins for optical discs were down. In the area of optical films, sales of films for plasma displays were lower than the previous fiscal year, however Polatechno's polarizing film business was strong and exceeded the level of the previous fiscal year. Overall, sales in the electronic materials business were up from the previous fiscal year.

In the catalysts business, sales of catalysts for acrylic acid and methacrylic acid manufacturing went smoothly, surpassing sales from the previous fiscal year.

In the safety systems business, sales of airbag inflators and micro gas generators for seatbelt pretensioners were both strong, and were up from the previous fiscal year.

Due to factors such as falling product prices and rising costs, overall operating income for the functional chemicals business was 8.307 billion yen, a decrease of 1.869 billion yen (18.4%) from the previous fiscal year.

[Pharmaceuticals business]

Sales amounted to 41.7 billion yen, an increase of 1.925 billion yen (4.8%) over the previous fiscal year.

Among pharmaceutical products for the Japanese domestic market, our new product "PACLITAXEL Inj. NK" (anti-cancer drug) made a large contribution to sales. In addition, sales of "EPIRUBICIN Inj. Merck" (anti-cancer drug), "CARBOMERCK" (anti-cancer drug), "IA-CALL" (arterial injection anti-cancer drug), "IMMUCYST" (anti-cancer drug), as well as introduced-product "CALSED" (anti-cancer drug) all were strong, and exceeded the levels of the previous fiscal year. On the other hand, due to the effects of competitor products and other issues, sales of "FARESTON Tab." (anti-cancer drug), "RANDA Inj." (anti-cancer drug) and "MILLISROL Inj." (vasodilator) were down from the previous fiscal year.

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Overall, sales of pharmaceuticals for the Japanese domestic market were up from the previous fiscal year.

In the area of exports, sales of BLEO (anti-cancer drug) and ETOPOSIDE (anti-cancer drug) were higher than the previous fiscal year, while sales of active pharmaceutical ingredients were lower. Overall, exports were down from the previous fiscal year.

Sales of active pharmaceutical ingredients to the Japanese domestic market were higher than the previous fiscal year, thanks to strong sales of active pharmaceutical ingredients for generic pharmaceuticals.

In the area of diagnostic agents, sales of “LANAZYME ST-439 Plates” (breast cancer diagnostic agent) and “LANA 1,5AG” (diabetes diagnostic agent) were down from the previous fiscal year.

Overall operating income for the pharmaceuticals business was 7.475 billion yen, an increase of 1.975 billion yen (35.9%) from the previous fiscal year.

[Fine chemicals business]

Sales amounted to 24.538 billion yen, an increase of 509 million yen (2.1%) from the previous fiscal year.

In the agrochemicals business, both domestic sales and exports were strong, and exceeded the levels of the previous fiscal year.

In the color chemicals business, sales from our overseas subsidiaries were strong, and were up from the previous fiscal year.

In the explosives business, sales were down from the previous fiscal year, due to the effects of declining demand from civil engineering and stonecrushing applications.

Overall operating income for the fine chemicals business was 1.84 billion yen, a decrease of 44 million yen (2.3%) from the previous fiscal year.

[Other businesses]

Sales amounted to 2.96 billion yen, a decrease of 128 million yen (4.2%) from the previous fiscal year.

Operating income was 1.592 billion yen, an increase of 66 million yen (4.3%) from the previous fiscal year.

(Segment information by location)

This section provides a summary of the current year's performance by location segment.

[Japan]

Sales amounted to 128.45 billion yen, an increase of 2.639 billion yen (2.1%) over the previous fiscal year. Operating income was 17.443 billion yen, an increase of 564 million yen (3.3%) from the previous fiscal year.

[Other regions]

Sales amounted to 19.674 billion yen, an increase of 5.46 billion yen (38.4%) over the previous fiscal year. This was the result of the addition of Taiwan Nippon Kayaku Co., Ltd. (Taiwan) and Euro Nippon Kayaku GmbH (Germany) as consolidated companies, and also to the growth in sales from Indet Safety Systems a.s. (Czech Republic) and other companies. On the other hand, operating income was 1.703 billion yen, a decrease of 683 million yen (28.6%) from the previous fiscal year. This was due to factors such as the sluggish performance of LifeSparc Inc. (U.S.).

[3] Forecast for Next Fiscal Year

Thanks to an increase in capital investment and personal consumption backed by continued strong corporate performance, Japan's economy is expected to continue to grow at a moderate pace. However, factors such as a slowdown in the U.S. economy and a rise in raw material prices due to increasing crude oil costs may affect corporate business performance and personal consumption. Thus, current conditions make the future difficult to forecast.

In this economic situation, conditions in the business environment that envelops the Nippon Kayaku Group are also expected to remain difficult. On the other hand, as a result of further development of growth-promoting businesses, sales in the next fiscal year are expected to reach 160.0 billion yen (a year-on-year increase of 8.0%), operating income is expected to reach 15.5 billion yen (a year-on-year increase of 14.5%), and ordinary income is expected to reach 16.0 billion yen (a year-on-year increase of 5.7%). Thus, both revenue and profit are expected to rise. Net income is expected to reach 9.5 billion yen (a year-on-year decrease of 43.7%).

(2) Analysis in Respect to the Financial Position

[1] Status of Assets, Liabilities, and Net Assets

Assets increased by 1.772 billion yen over the previous fiscal year to reach 207.081 billion yen. The primary cause of increase was a rise in fixed assets resulting from capital investment. The primary cause of decrease was a decrease in other current assets that occurred as part of changes to the company's retirement benefits system.

Liabilities decreased by 1.43 billion from the previous fiscal year to reach 76.847 billion yen. The primary causes of decrease were a reduction in accrued amounts payable resulting from payments for capital investment and construction for the removal of fixed assets, and also reductions in the allowance for employee retirement benefits as part of changes to the company's retirement benefits system. The primary causes of increase were an increase in loans and an increase in corporate taxes payable.

Net assets increased by 3.203 billion yen over the previous year to reach 130.233 billion yen. The primary cause of increase was the net income for the current year, while the primary cause of decrease was payments for dividends.

[2] Cash Flow Status

	Previous fiscal year	Current fiscal year	Change from previous fiscal year
	Millions of yen	Millions of yen	Millions of yen
Cash flow from operating activities	11,791	20,201	8,409
Cash flow from investing activities	(7,102)	(17,882)	(10,780)
Cash flow from financing activities	(1,182)	1,559	2,742
Cash and cash equivalents at end of year	21,424	25,589	4,164

Cash flow from operating activities increased by 8.409 billion yen from the previous fiscal year to 20.201 billion yen. This increase was primarily due to a reduction in inventory assets.

Cash flow from investing activities showed an expenditure of 17.882 billion yen, an increase in expenditures of 10.78 billion yen from the previous fiscal year. This decrease in cash flow was primarily due to a decrease in revenue from the sale of tangible fixed assets and to an increase in expenditures for the acquisition of tangible fixed assets.

Cash flow from financing activities increased by 2.742 billion yen over the previous year, to record an income of 1.559 billion yen. This increase was primarily due to an increase in income from long-term loans.

As a result, the balance of cash and cash equivalents at the end of the year increased by 4.164 billion yen from the previous fiscal year, reaching 25.589 billion yen.

(Trends in cash flow indicators)

	Fiscal year ended May 2003	Fiscal year ended May 2004	Fiscal year ended May 2005	Fiscal year ended May 2006	Fiscal year ended May 2007
Equity ratio (%)	53.7	55.7	57.2	56.2	56.7
Market-value-based equity ratio (%)	51.3	55.8	59.0	84.7	82.0
Debt redemption period (years)	1.0	3.6	1.4	1.2	1.1
Interest coverage ratio	29.9	11.4	29.1	33.3	37.2

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

Debt redemption period: Interest-bearing debt/Operating cash flow

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. Interest-bearing debt includes all liabilities declared on the Consolidated Balance Sheets in which interest is paid. Also, interest payments indicate the amount of paid interest in the Consolidated Statements of Cash Flow.

(3) Basic Policy Concerning Profit Dividends and Dividends for the Current and Next Fiscal Year

At Nippon Kayaku, we have long concentrated on returning profits to all our shareholders. In order to further clarify this policy, the payment of dividends has been linked to the consolidated performance results for each year. With consideration for stable and continuing profit returns and for the level of internal profit retention, we have established a mid-range target of 40% of consolidated net income as the dividend payout ratio.

However this figure will be adjusted as necessary if any special variable factors occur. Profits retained by the company will be allocated to capital investment, research and development, and other needs for growth fields, in order to raise the value of the company.

The year-end dividend for the current year is expected to be 10 yen per share. Together with the interim dividend, this results in an annual dividend of 20 yen per share.

The expected dividends for next fiscal year are 10 yen per share for the interim dividend and 10 yen per share for the year-end dividend. The result is expected to be a continued annual dividend of 20 yen per share.

Consolidated Financial Statements
(1) Consolidated Balance Sheets

	As of May 31, 2006	As of May 31, 2007	Comparative change
	Millions of yen	Millions of yen	Millions of yen
Assets			
Current assets			
Cash and savings	17,979	18,320	340
Notes receivable and accounts receivable	45,627	46,213	585
Marketable securities	8,985	7,377	(1,607)
Inventory assets	26,649	26,180	(469)
Deferred tax assets	2,167	2,422	254
Other	7,304	2,216	(5,087)
Allowance for doubtful receivables	(69)	(69)	0
Total current assets	108,644	102,661	(5,983)
Fixed assets			
Tangible fixed assets			
Buildings and structures	32,089	34,329	2,239
Machinery and transport equipment	15,169	19,757	4,588
Land	7,891	8,055	163
Construction in progress	4,814	4,586	(227)
Other	2,789	3,054	265
Total tangible fixed assets	62,754	69,783	7,028
Intangible fixed assets			
Goodwill		2,042	2,042
Trade rights	2,867		(2,867)
Consolidated adjustment account	397		(397)
Other	4,343	3,714	(628)
Total intangible fixed assets	7,608	5,757	(1,851)
Investments and other assets			
Investments in securities	22,017	24,375	2,358
Long-term loans receivable	200	90	(110)
Long-term prepaid expenses	2,528	2,576	48
Deferred tax assets	252	294	41
Other	1,356	1,665	308
Allowance for doubtful receivables	(54)	(122)	(67)
Total investments and other assets	26,300	28,879	2,578
Total fixed assets	96,663	104,419	7,755
Total assets	205,308	207,081	1,772

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	As of May 31, 2006	As of May 31, 2007	Comparative change
	Millions of yen	Millions of yen	Millions of yen
Liabilities			
Current liabilities			
Notes payable and accounts payable	16,881	15,836	(1,045)
Short-term loans payables	4,868	7,099	2,231
Accrued amount payable	12,446	6,754	(5,692)
Corporation tax payable	1,276	4,548	3,271
Accrued expenses	4,391	4,490	98
Deferred tax liabilities	0	0	0
Allowance for sales returns	62	57	(5)
Allowance for rebates	348	410	62
Allowance for directors' bonuses	145	171	26
Equipment-related notes payable	71	138	66
Other	1,124	808	(316)
Total current liabilities	41,619	40,316	(1,302)
Fixed liabilities			
Long-term loans payable	7,175	12,033	4,857
Deferred tax liabilities	6,050	5,414	(635)
Allowance for employee retirement benefits	8,025	3,904	(4,120)
Allowance for directors' retirement benefits	61	76	14
Allowance for repairs	578	668	90
Long-term deposits payable	14,168	13,846	(321)
Other	598	586	(12)
Total fixed liabilities	36,659	36,531	(128)
Total liabilities	78,278	76,847	(1,430)
Net assets			
Shareholders' equity			
Capital stock	14,932	14,932	
Additional paid-in capital	17,264	17,269	4
Retained earnings	77,201	79,481	2,279
Treasury stock	(398)	(514)	(116)
Total shareholders' equity	109,000	111,168	2,167
Unrealized gains and currency translation adjustments			
Net unrealized gains on other securities	5,216	5,068	(148)
Foreign currency translation adjustments	1,158	1,276	118
Total unrealized gains and currency translation adjustments	6,375	6,345	(29)
Minority interests	11,653	12,719	1,065
Total net assets	127,030	130,233	3,203
Total liabilities and net assets	205,308	207,081	1,772

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(2) Consolidated Profit and Loss Statement

	Fiscal year ended May 31, 2006		Fiscal year ended May 31, 2007		Comparative change
	Millions of yen		Millions of yen		Millions of yen
Net sales		140,026		148,124	8,097
Cost of sales		87,074		93,537	6,462
Gross profit on sales		52,951		54,587	1,635
Provision of allowance for sales returns		(15)		5	
Total gross profit on sales		52,935		54,592	1,656
Selling, general, and administrative expenses					
Selling expenses	21,207		21,781		
General and administrative expenses	18,508	39,715	19,275	41,056	1,340
Operating income		13,219		13,536	316
Nonoperating income					
Interest received	70		128		
Dividends received	360		233		
Equity in earnings of affiliates	444		142		
Exchange margin	296		858		
Insurance dividends received	98		222		
Technical assistance fees	671				
Other miscellaneous income	488	2,430	1,128	2,712	281
Nonoperating expenses					
Interest paid	430		450		
Inventory asset disposal loss	181		116		
Expenses from underutilized real estate	120		105		
Other miscellaneous losses	552	1,284	436	1,110	(174)
Ordinary income		14,366		15,138	771
Extraordinary income					
Income on sale of fixed assets	8,469		235		
Income on sale of securities investments	7		191		
Reversal of allowance for doubtful receivables	20	8,497	10	437	(8,060)
Extraordinary loss					
Fixed asset disposal loss	3,529		1,047		
Impairment loss	192		819		
Provision of allowance for doubtful receivables	5		73		
Soil investigation expenses			26		
Amortization of consolidation difference	315				
Environmental protection expenses	129				
Loss on sale of stock of affiliated companies	47				
Loss on appraisal of stock of affiliated companies	11				
Bad debt expense	3	4,234		1,966	(2,267)
Income before income taxes and minority interests		18,629		13,608	(5,020)
Corporation tax, inhabitant tax, and business tax	3,622		6,330		
Income taxes deferred	3,748	7,370	(826)	5,503	(1,866)
Minority interests		1,616		1,494	(122)
Net income		9,641		6,610	(3,030)

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(3) Consolidated Statement of Changes in Shareholders' Equity

Fiscal year ended May 31, 2006

	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

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All financial information has been prepared in accordance with generally accepted accounting principles in Japan.

Fiscal year ended May 31, 2007

	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 fiscal year					
Dividend on surplus			(2,636)		(2,636)
Dividend on surplus (midterm dividend)			(1,817)		(1,817)
Directors' bonuses via profit appropriation			(18)		(18)
Net income			6,610		6,610
Acquisition of treasury stock				(123)	(123)
Disposal of treasury stock		4		7	12
Increase from increase in consolidated subsidiaries			140		140
Total amount of changes during consolidated fiscal year (millions of yen)		4	2,279	(116)	2,167
Balance as of May 31, 2007 (millions of yen)	14,932	17,269	79,481	(514)	111,168

	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, 2006 (millions of yen)	5,216	1,158	6,375	11,653	127,030
Amount of changes during consolidated fiscal year					
Dividend on surplus					(2,636)
Dividend on surplus (midterm dividend)					(1,817)
Directors' bonuses via profit appropriation					(18)
Net income					6,610
Acquisition of treasury stock					(123)
Disposal of treasury stock					12
Increase from increase in consolidated subsidiaries					140
Amount of changes for items other than shareholders' equity during consolidated fiscal year (net)	(148)	118	(29)	1,065	1,035
Total amount of changes during consolidated fiscal year (millions of yen)	(148)	118	(29)	1,065	3,203
Balance as of May 31, 2007 (millions of yen)	5,068	1,276	6,345	12,719	130,233

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(4) Consolidated Cash Flow Statement

	Fiscal year ended May 31, 2006	Fiscal year ended May 31, 2007	Comparative change
	Millions of yen	Millions of yen	Millions of yen
Cash flow from operating activities			
Income before income taxes and minority interests	18,629	13,608	(5,020)
Depreciation	7,708	8,730	1,021
Impairment loss	192	819	626
Change in reserve allowance	(53)	1,255	1,308
Interest and dividends received	(430)	(361)	69
Interest paid	430	450	20
Equity in earnings of affiliates	(444)	(142)	302
Loss on disposals of tangible fixed assets	3,529	1,047	(2,482)
Income on sale of tangible fixed assets	(8,469)	(216)	8,253
Income on sale of securities investments	(7)	(191)	(183)
Change in notes and accounts receivable	1,613	(355)	(1,969)
Change in inventory assets	(2,349)	681	3,031
Change in prepaid expenses	(4,199)	(164)	4,035
Change in accrued revenue	(242)	5	247
Change in purchase debt	(758)	(1,244)	(485)
Change in accrued amount payable	(138)	(757)	(618)
Change in accrued consumption tax	(0)	24	25
Change in accrued expenses	(185)	136	321
Other	1,025	(381)	(1,406)
Subtotal	15,848	22,944	7,095
Interest and dividends received	832	638	(193)
Interest paid	(354)	(542)	(188)
Corporation tax paid	(4,535)	(2,839)	1,695
Cash flow from operating activities	11,791	20,201	8,409

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	Fiscal year ended May 31, 2005	Fiscal year ended May 31, 2006	Comparative change
	Millions of yen	Millions of yen	Millions of yen
Cash flow from investing activities			
Expenditure from deposit of time deposits	(5,149)	(59)	5,089
Revenue from repayment of time deposits	5,146	12	(5,133)
Expenditure from acquisition of marketable securities	(18,510)	(2,996)	15,513
Revenue from sale of marketable securities	13,012	8,494	(4,518)
Expenditure from acquisition of tangible fixed assets	(8,782)	(17,219)	(8,436)
Revenue from sale of tangible fixed assets	8,099	307	(7,791)
Expenditure from acquisition of intangible fixed assets	(848)	(185)	663
Expenditure from acquisition of investments in securities	(229)	(3,946)	(3,716)
Revenue from investments in securities	400	539	139
Expenditure from acquisition of shares of subsidiaries	(9)		9
Expenditure from long-term loans receivable	(0)	(2)	(1)
Expenditure from increase in long-term prepaid expenses	(246)	(813)	(567)
Expenditure for removal of fixed assets		(2,223)	(2,223)
Other	16	208	192
Cash flow from investing activities	(7,102)	(17,882)	(10,780)
Cash flow from financing activities			
Change in short-term loans payable	(538)	61	599
Revenue from long-term loans	945	10,000	9,054
Expenditure from repayment of long-term loans payable	(3,392)	(3,232)	159
Expenditure from repayment of construction cooperation fund	(234)	(234)	
Dividends paid	(2,119)	(4,434)	(2,314)
Revenue from increase in consolidated subsidiaries' third-party allocation of shares	4,524		(4,524)
Dividends paid to minority shareholders	(326)	(537)	(210)
Other	(41)	(62)	(20)
Cash flow from financing activities	(1,182)	1,559	2,742
Effect of exchange rate changes on cash and cash equivalents	211	166	(44)
Change in cash and cash equivalents	3,718	4,044	326
Cash and cash equivalents at beginning of year	17,191	21,424	4,233
Change in cash and cash equivalents accompanying new consolidation	504	119	(384)
Change in cash and cash equivalents accompanying exclusion of consolidation			
Change in cash and cash equivalents accompanying mergers	11		(11)
Cash and cash equivalents at end of year	21,424	25,589	4,164

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