

Consolidated Balance Sheets

Nippon Kayaku Co., Ltd. and Consolidated Subsidiaries
As of May 31, 2004 and 2003

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2004	2003	2004
Assets			
Current assets:			
Cash and cash equivalents	¥ 17,402	¥ 25,631	\$ 158,085
Time deposits.....	10	1,191	90
Marketable securities (Note 4).....	988	1,000	8,975
Trade receivables (Note 6).....	47,966	44,666	435,737
Less allowance for doubtful receivables.....	(49)	(78)	(445)
Inventories (Note 3)	23,110	22,787	209,938
Deferred income taxes (Note 7)	2,013	1,605	18,286
Other current assets	2,210	2,420	20,076
Total current assets	93,651	99,223	850,753
Property, plant and equipment (Notes 5 and 6):	172,566	172,241	1,567,641
Less accumulated depreciation	(115,496)	(114,232)	(1,049,200)
Property, plant and equipment, net.....	57,069	58,009	518,432
Investments and other assets:			
Investment securities (Notes 4 and 6).....	16,461	13,446	149,536
Goodwill	3,322	1,521	30,178
Deferred income taxes (Note 7)	650	1,880	5,904
Other assets.....	8,668	5,036	78,742
Total investments and other assets.....	29,102	21,884	264,371
Total assets	¥179,823	¥179,117	\$1,633,566

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2004	2003	2004
Liabilities and shareholders' equity			
Current liabilities:			
Short-term bank loans (Note 6).....	¥ 3,775	¥ 3,595	\$ 34,293
Current portion of long-term debt (Note 6).....	4,041	2,565	36,709
Payables:			
Trade	17,259	19,909	156,785
Unconsolidated subsidiaries and affiliates	89	965	808
Construction	2,525	2,003	22,937
Other.....	4,001	4,864	36,346
Accrued expenses.....	4,690	4,307	42,605
Accrued income taxes (Note 7).....	2,279	3,328	20,703
Other current liabilities	726	524	6,595
Total current liabilities	39,389	42,065	357,821
Non-current liabilities:			
Long-term debt, less current portion (Note 6).....	8,509	7,814	77,298
Retirement benefits (Note 8).....	7,680	6,919	69,767
Other non-current liabilities.....	16,627	19,626	151,044
Deferred income taxes (Note 7).....	1,340	808	12,172
Total non-current liabilities	34,157	35,169	310,292
Minority interests	6,068	5,676	55,123
Contingent liabilities (Note 10)			
Shareholders' equity (Notes 11 and 15):			
Common stock:			
Authorized – 700,000,000 shares			
Issued – 182,503,570 shares in 2004 and 2003.....	14,932	14,932	135,646
Additional paid-in capital	17,257	17,257	156,767
Retained earnings.....	64,973	63,111	590,234
Translation adjustments.....	315	422	2,861
Unrealized holding gains on other securities	2,946	659	26,762
Less treasury stock, at cost	(218)	(178)	(1,980)
Total shareholders' equity	100,207	96,204	910,310
Total liabilities and shareholders' equity	¥179,823	¥179,117	\$1,633,566

See accompanying notes to consolidated financial statements.