

Consolidated Balance Sheets

Nippon Kayaku Co., Ltd. and Consolidated Subsidiaries
As of May 31, 2006 and 2005

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2006	2005	2006
Assets			
Current assets:			
Cash and cash equivalents	¥ 21,424	¥ 17,191	\$ 190,842
Time deposits	42	26	374
Marketable securities (Note 5)	5,497	—	48,966
Trade receivables	45,627	46,523	406,440
Less allowance for doubtful receivables	(69)	(47)	(614)
Inventories (Note 4)	26,649	24,144	237,386
Deferred income taxes (Note 8)	2,167	2,010	19,303
Other current assets	7,304	2,866	65,063
Total current assets	108,644	92,716	967,789
Property, plant and equipment (Notes 6 and 7):	177,224	174,468	1,578,692
Less accumulated depreciation	(114,470)	(116,935)	(1,019,686)
Property, plant and equipment, net	62,754	57,533	559,005
Investments and other assets:			
Investment securities (Notes 5 and 7)	22,017	17,938	196,125
Goodwill	2,867	2,913	25,538
Deferred income taxes (Note 8)	252	894	2,244
Other assets	8,771	9,369	78,131
Total investments and other assets	33,909	31,115	302,057
Total assets	¥205,308	¥181,364	\$1,828,861

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2006	2005	2006
Liabilities and shareholders' equity			
Current liabilities:			
Short-term bank loans (Note 7).....	¥ 1,923	¥ 2,203	\$ 17,129
Current portion of long-term debt (Note 7).....	2,944	2,547	26,224
Payables:			
Trade.....	16,580	16,460	147,692
Unconsolidated subsidiaries and affiliates.....	301	288	2,681
Construction.....	5,895	1,724	52,512
Other.....	6,622	3,467	58,988
Accrued expenses.....	4,948	4,759	44,076
Accrued income taxes (Note 8).....	1,276	2,189	11,366
Other current liabilities.....	1,125	1,868	10,021
Total current liabilities.....	41,619	35,509	370,737
Non-current liabilities:			
Long-term debt, less current portion (Note 7).....	7,175	9,785	63,914
Retirement benefits (Note 9).....	8,086	8,419	72,029
Other non-current liabilities.....	15,345	15,635	136,691
Deferred income taxes (Note 8).....	6,050	1,397	53,892
Total non-current liabilities.....	36,659	35,237	326,554
Total liabilities.....	78,278	70,746	697,292
Contingent liabilities (Note 11)			
Shareholders' equity (Notes 12 and 16):			
Common stock:			
Authorized – 700,000,000 shares			
Issued – 182,503,570 shares in 2006 and 2005.....	14,932	14,932	133,012
Additional paid-in capital.....	17,264	17,260	153,785
Retained earnings.....	77,201	68,109	687,698
Less treasury stock, at cost.....	(398)	(294)	(3,545)
Translation adjustments.....	1,158	571	10,315
Unrealized holding gains on other securities.....	5,216	3,231	46,463
Minority interests.....	11,653	6,805	103,803
Total shareholders' equity.....	127,030	110,615	1,131,569
Total liabilities and shareholders' equity.....	¥205,308	¥181,364	\$1,828,861

See accompanying notes to consolidated financial statements.