

# Consolidated Balance Sheets

Nippon Kayaku Co., Ltd. and Consolidated Subsidiaries  
As of May 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2007	2006	2007
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents	¥ 25,589	¥ 21,424	\$ 210,280
Time deposits	109	42	895
Marketable securities (Note 5)	—	5,497	—
Trade receivables	46,213	45,627	379,760
Less allowance for doubtful receivables	(69)	(69)	(567)
Inventories (Note 4)	26,180	26,649	215,136
Deferred income taxes (Note 8)	2,422	2,167	19,903
Other current assets	2,216	7,304	18,210
<b>Total current assets</b>	<b>102,661</b>	<b>108,644</b>	<b>843,627</b>
<b>Property, plant and equipment (Notes 3, 6 and 7):</b>	<b>188,640</b>	<b>177,224</b>	<b>1,550,168</b>
Less accumulated depreciation	(118,857)	(114,470)	(976,719)
<b>Property, plant and equipment, net</b>	<b>69,783</b>	<b>62,754</b>	<b>573,448</b>
<b>Investments and other assets:</b>			
Investment securities (Notes 5 and 7)	24,375	22,017	200,304
Goodwill	2,042	2,867	16,780
Deferred income taxes (Note 8)	294	252	2,415
Other assets	7,924	8,771	65,116
<b>Total investments and other assets</b>	<b>34,636</b>	<b>33,909</b>	<b>284,624</b>
<b>Total assets</b>	<b>¥207,081</b>	<b>¥205,308</b>	<b>\$1,701,709</b>

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2007	2006	2007
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities:</b>			
Short-term bank loans (Note 7)	¥ 2,112	¥ 1,923	\$ 17,355
Current portion of long-term debt (Note 7)	4,987	2,944	40,981
Payables:			
Trade	15,671	16,580	128,778
Unconsolidated subsidiaries and affiliates	165	301	1,355
Construction	3,529	5,895	28,999
Other	3,362	6,622	27,627
Accrued expenses	5,129	4,948	42,148
Accrued income taxes (Note 8)	4,548	1,276	37,373
Other current liabilities	808	1,125	6,639
<b>Total current liabilities</b>	<b>40,316</b>	<b>41,619</b>	<b>331,300</b>
<b>Non-current liabilities:</b>			
Long-term debt, less current portion (Note 7)	12,033	7,175	98,882
Retirement benefits (Note 10)	3,980	8,086	32,706
Other non-current liabilities	15,101	15,345	124,094
Deferred income taxes (Note 8)	5,414	6,050	44,490
<b>Total non-current liabilities</b>	<b>36,531</b>	<b>36,659</b>	<b>300,197</b>
<b>Total liabilities</b>	<b>76,847</b>	<b>78,278</b>	<b>631,498</b>
<b>Contingent liabilities (Note 12)</b>			
<b>Shareholders' equity (Notes 13 and 17):</b>			
Common stock:			
Authorized – 700,000,000 shares			
Issued – 182,503,570 shares	14,932	14,932	122,705
Additional paid-in capital	17,269	17,264	141,909
Retained earnings	79,481	77,201	653,143
Less treasury stock, at cost	(514)	(398)	(4,223)
<b>Total shareholders' equity</b>	<b>111,168</b>	<b>109,000</b>	<b>913,534</b>
<b>Valuation and translation adjustments:</b>			
Unrealized holding gains on other securities	5,068	5,216	41,646
Translation adjustments	1,276	1,158	10,485
<b>Total valuation and translation adjustments</b>	<b>6,345</b>	<b>6,375</b>	<b>52,140</b>
<b>Minority interests</b>	<b>12,719</b>	<b>11,653</b>	<b>104,519</b>
<b>Total net assets</b>	<b>130,233</b>	<b>127,030</b>	<b>1,070,202</b>
<b>Total liabilities and shareholders' equity</b>	<b>¥207,081</b>	<b>¥205,308</b>	<b>\$1,701,709</b>

See accompanying notes to consolidated financial statements.