Consolidated Balance Sheets

Nippon Soda Co., Ltd. and subsidiaries

As of March 31	Millions of Yen		Thousands of U.S. Dollars (Note 3)
ASSETS	2005	2006	2006
Current Assets:			
Cash and bank deposits (Notes 2 (5), 4)	¥ 6,862	¥ 13,377	$ 113,876
Notes and accounts receivable	53,408	45,244	385,151
Less: Allowance for doubtful accounts (Note 2 (9))	(39)	(49)	(418)
	53,369	45,195	384,733
Inventories (Notes 2 (6), 6)	23,754	23,580	200,736
Deferred tax assets-current (Note 12)	1,464	3,052	25,984
Others	5,032	4,202	35,769
Total current assets	90,481	89,406	761,098
Investments and Advances:			
Investments in securities (Notes 2 (4), 5)	11,530	15,467	131,664
Investments in and advances to unconsolidated subsidiaries and affiliates	10,038	10,634	90,527
Others	2,542	2,611	22,230
Total Investments and Advances	24,110	28,712	244,421
Property, Plant and Equipment, at Cost: (Notes 2 (7), (15), 7)			
Buildings and structures	54,273	51,239	436,185
Machinery and equipment	108,791	102,078	868,973
Tool, furniture and fixtures	9,313	9,268	78,894
Less: Accumulated depreciation	(125,907)	(127,854)	(1,088,397)
	46,470	34,731	295,655
Land	16,092	15,087	128,432
Construction in progress	1,097	1,050	8,946
Total Property, Plant and Equipment, at Cost	63,659	50,868	433,033
Deferred Charges and Intangibles (Note 2 (8))			
Goodwill	5,215	3,911	33,297
Others	1,518	1,604	13,651
Total Deferred Charges and Intangibles	6,733	5,515	46,948
Difference between Investment Costs and Equity in Net Assets Acquired (Note 2 (2))	158	—	—
Deferred tax assets-non-current (Note 12)	2,097	2,952	25,122
Total Fixed Assets	96,757	88,047	749,524
	¥ 187,238	¥ 177,453	$ 1,510,622

The accompanying notes are an integral part of the statements.

As of March 31	Millions of Yen		Thousands of U.S. Dollars (Note 3)
LIABILITIES	2005	2006	2006
Current Liabilities:			
Short-term debt (Note 7)	¥ 44,330	¥ 39,550	$ 336,682
Current portion of long-term debt (Note 7)	10,795	10,839	92,273
Notes and accounts payable	25,487	23,322	198,537
Income taxes payable (Note 12)	987	774	6,589
Provision for restructuring charges (Note 2 (11) and 11)	—	2,329	19,826
Deferred tax liabilities-current (Note 12)	—	4	37
Others	9,686	6,742	57,385
Total Current Liabilities	91,285	83,560	711,329
Long-Term liabilities			
Long-term Debt (Note 7)	23,163	24,749	210,683
Deferred tax liabilities-non-current (Note 12)	871	439	3,735
Provision for retirement benefits (Notes 2 (10), 8)	5,956	3,970	33,795
Others	757	2,415	20,566
Total Long-term liabilities	30,747	31,573	268,779
Total Liabilities	122,032	115,133	980,108
Commitments and Contingent Liabilities (Note 9)			
Minority Interest in Consolidated Subsidiaries	3,965	4,412	37,550
SHAREHOLDERS' EQUITY			
Common stock;			
Authorised: 240,000,000 shares			
Issued: 142,412,870 shares as at March 31, 2005 and 2006	26,667	26,667	227,009
Additional paid-in capital	23,594	23,594	200,853
Retained earnings	10,205	3,391	28,868
Net unrealised gains on available-for-sale securities, net of tax	1,895	4,245	36,138
Foreign currency translation adjustment (Note 2 (12))	(585)	554	4,716
Less: Treasury stock	(535)	(543)	(4,620)
Total Shareholders' Equity	61,241	57,908	492,964
	¥ 187,238	¥ 177,453	$ 1,510,622

The accompanying notes are an integral part of the statements.

Consolidated Statements of Income

Nippon Soda Co., Ltd. and subsidiaries

For the years ended March 31	Millions of Yen			Thousands of U.S. Dollars (Note 3)
	2004	2005	**2006**	**2006**
Net Sales (Note 15)	¥ 135,265	¥ 144,372	**¥ 143,935**	**$ 1,225,289**
Cost of Sales (Note 15)	(107,425)	(114,018)	**(112,599)**	**(958,534)**
Gross profit	27,840	30,354	**31,336**	**266,755**
Selling, General and Administrative Expenses	(23,228)	(25,286)	**(25,684)**	**(218,642)**
Income from operations	4,612	5,068	**5,652**	**48,113**
Other Income (Expenses):				
Interest and dividend income	294	263	**419**	**3,564**
Interest expense	(905)	(935)	**(868)**	**(7,392)**
Rental income and expenses, net	177	147	**162**	**1,379**
Equity in earnings (loss) of affiliates	759	1,093	**(384)**	**(3,271)**
Gain on sale of property, plant and equipment, net	423	0	**(153)**	**(1,306)**
Gain on sale of investments in securities, net	361	259	**2**	**21**
Amortization of unrecognised transition amount arising from adopting the new standard for retirement benefits	(2,405)	(2,405)	**—**	**—**
Loss on disposal of inventories, net	(376)	(330)	**(423)**	**(3,602)**
Loss on disposal of property, plant and equipment, net	(618)	(536)	**(543)**	**(4,620)**
Loss on write-down of investments in securities	—	(0)	**(3)**	**(26)**
Impairment Loss (Note 10)	—	—	**(10,021)**	**(85,310)**
Provision for restructuring charges (Notes 2 (11) and 11)	—	—	**(2,661)**	**(22,650)**
Others, net	(279)	331	**(358)**	**(3,042)**
Total Other Expenses	(2,569)	(2,113)	**(14,831)**	**(126,255)**
Income (Loss) before income taxes	2,043	2,955	**(9,179)**	**(78,142)**
Income Taxes (Note 12)				
Current income taxes	1,227	1,142	**1,257**	**10,703**
Deferred income taxes	(550)	(323)	**(4,532)**	**(38,579)**
Total Income Taxes	677	819	**(3,275)**	**(27,876)**
Minority Interests in Net Income of Consolidated Subsidiaries	216	204	**359**	**3,050**
Net Income (Loss)	1,150	1,932	**(6,263)**	**(53,316)**

For the years ended March 31	Yen			U.S. Dollars (Note 3)
	2004	2005	**2006**	**2006**
Per share: (Note 2 (14))				
Net income (loss) - primary	¥ 8.09	¥ 13.77	**¥ (44.63)**	**$ (0.380)**
Net income - fully diluted	¥ —	¥ —	**¥ —**	**$ —**

The accompanying notes are an integral part of the statements.

Consolidated Statements of Shareholders' Equity

For the years ended March 31	Millions of Yen						
	Number of shares of common stock (thousands)	Common stock	Additional paid-in capital	Retained earnings	Unrealized gains (losses) on available-for-sale securities, net of tax	Foreign currency translation adjustments	Treasury stock, at cost
Balance as of March 31, 2003	142,413	¥ 26,667	¥ 23,594	¥ 8,542	¥ (213)	¥ 129	¥ (12)
Net income for the year ended March 31, 2004	—	—	—	1,150	—	—	—
Cash dividends	—	—	—	(712)	—	—	—
Directors' and corporate auditors' bonuses	—	—	—	(5)	—	—	—
Net change in unrealized gains on available-for-sale securities	—	—	—	—	1,744	—	—
Net change in foreign currency translation adjustments	—	—	—	—	—	(901)	—
Net change in treasury stock	—	—	—	—	—	—	(514)
Balance as of March 31, 2004	142,413	¥ 26,667	¥ 23,594	¥ 8,975	¥ 1,531	¥ (772)	¥ (526)
Net income for the year ended March 31, 2005	—	—	—	1,932	—	—	—
Cash dividends	—	—	—	(702)	—	—	—
Net change in unrealized gains on available-for-sale securities	—	—	—	—	364	—	—
Net change in foreign currency translation adjustments	—	—	—	—	—	187	—
Net change in treasury stock	—	—	—	—	—	—	(9)
Balance as of March 31, 2005	142,413	¥ 26,667	¥ 23,594	¥ 10,205	¥ 1,895	¥ (585)	¥ (535)
Net income (loss) for the year ended March 31, 2006	—	—	—	(6,263)	—	—	—
Increase due to addition of subsidiaries for consolidation	—	—	—	150	—	—	—
Cash dividends	—	—	—	(701)	—	—	—
Net change in unrealized gains on available-for-sale securities	—	—	—	—	2,350	—	—
Net change in foreign currency translation adjustments	—	—	—	—	—	1,139	—
Net change in treasury stock	—	—	—	—	—	—	(8)
Balance as of March 31, 2006	142,413	¥ 26,667	¥ 23,594	¥ 3,391	¥ 4,245	¥ 554	¥ (543)

	Thousands of U.S. Dollars (Note 3)					
	Common stock	Additional paid-in capital	Retained earnings	Unrealized gains (losses) on available-for-sale securities, net of tax	Foreign currency translation adjustments	Treasury stock, at cost
Balance as of March 31, 2005	$ 227,009	$ 200,853	$ 86,877	$ 16,134	$ (4,983)	$ (4,556)
Net income (loss) for the year ended March 31, 2006	—	—	(53,316)	—	—	—
Increase due to addition of subsidiaries for consolidation	—	—	1,280	—	—	—
Cash dividends	—	—	(5,973)	—	—	—
Net change in unrealized gains on available-for-sale securities	—	—	—	20,004	—	—
Net change in foreign currency translation adjustments	—	—	—	—	9,699	—
Net change in treasury stock	—	—	—	—	—	(64)
Balance as of March 31, 2006	$ 227,009	$ 200,853	$ 28,868	$ 36,138	$ 4,716	$ (4,620)

Consolidated Statements of Cash Flows

For the years ended March 31

	Millions of Yen			Thousands of U.S. Dollars (Note 3)
	2004	2005	2006	2006
Cash flows from operating activities:				
Net income (loss) before income taxes and minority interest	¥ 2,043	¥ 2,955	¥ **(9,179)**	$ **(78,142)**
Adjustments for:				
Depreciation and amortization	7,066	8,600	**7,469**	**63,584**
Impairment Loss	—	—	**10,021**	**85,310**
Amortization of difference between investment cost and equity in net assets acquired	152	151	**159**	**1,357**
Equity in earnings of affiliates	(759)	(1,093)	**384**	**3,271**
Exchange Loss	30	34	**60**	**509**
Provision for (Reversal of) retirement benefits	1,062	672	**(1,986)**	**(16,908)**
Increase (Decrease) in accrued bonuses	133	14	**(62)**	**(529)**
Reversal of allowance for doubtful accounts	(30)	(3)	**(13)**	**(113)**
Provision for restructuring charges (Note 2 (11) and 11)	—	—	**2,329**	**19,826**
Interest and dividend income	(294)	(263)	**(419)**	**(3,564)**
Interest expenses	905	935	**868**	**7,392**
Gain on sale of investments in securities, net	(333)	(259)	**(2)**	**(21)**
Loss (Gain) on sale of property, net	(421)	77	**153**	**1,306**
Loss on disposal of property	636	569	**543**	**4,620**
Decrease (Increase) in notes and accounts receivable	(371)	(4,105)	**8,837**	**75,226**
Decrease (Increase) in inventories	727	(14)	**350**	**2,977**
Increase (Decrease) in notes and accounts payable	108	1,389	**(2,862)**	**(24,366)**
Directors' bonuses paid	(5)	—	**—**	**—**
Directors' bonuses charged to minority interests	(1)	—	**—**	**—**
Others	456	983	**(706)**	**(6,008)**
Sub Total	11,104	10,642	**15,944**	**135,727**
Interest and dividend income received	292	1,015	**554**	**4,713**
Interest expenses paid	(882)	(924)	**(868)**	**(7,390)**
Income taxes paid	(748)	(933)	**(1,473)**	**(12,532)**
Net cash provided by operating activities	9,766	9,800	**14,157**	**120,518**
Cash flows from investing activities:				
Decrease in time deposits	(26)	(0)	**(0)**	**(0)**
Increase in time deposits	24	153	**0**	**0**
Payments for purchase of property, plant and equipment	(6,712)	(4,392)	**(4,304)**	**(36,641)**
Proceeds from sales of property, plant and equipment	1,072	87	**569**	**4,840**
Payments for purchase of intangibles	(187)	(215)	**(412)**	**(3,508)**
Payments for purchase of investments in securities	(357)	(1,291)	**(167)**	**(1,424)**
Proceeds from sales of investments in securities	2,435	537	**349**	**2,968**
Payments for purchase a business	—	(8,853)	**—**	**—**
Increase in loans receivable	(1,147)	(78)	**(225)**	**(1,911)**
Proceeds from collections of loans receivable	557	512	**529**	**4,501**
Others	(114)	(225)	**(131)**	**(1,106)**
Net cash used in investing activities	(4,455)	(13,765)	**(3,792)**	**(32,281)**
Cash flows from financing activities				
Decrease in short-term bank loans, net	(8,584)	(5,020)	**(4,780)**	**(40,691)**
Borrowings of long-term debt	14,500	17,400	**12,991**	**110,587**
Repayment of long-term debt	(10,246)	(14,522)	**(11,370)**	**(96,792)**
Cash dividends paid	(713)	(703)	**(699)**	**(5,950)**
Cash dividends paid for minority interests of consolidated subsidiaries	(63)	(62)	**(68)**	**(578)**
Others	(514)	(10)	**(8)**	**(64)**
Net cash used in financing activities	(5,620)	(2,917)	**(3,934)**	**(33,488)**
Effect of exchange rate changes on cash and cash equivalents	(56)	45	**(22)**	**(195)**
Net increase (decrease) in cash and cash equivalents	(365)	(6,837)	**6,409**	**54,554**
Cash and cash equivalents at beginning of year	14,041	13,676	**6,839**	**58,222**
Increase in cash and cash equivalents due to consolidation of additional subsidiaries	—	—	**107**	**911**
Cash and cash equivalents at end of year	¥ 13,676	¥ 6,839	¥ **13,355**	$ **113,687**

The accompanying notes are an integral part of the statements.

Notes to the Consolidated Financial statements

1. Basis of Presenting the Consolidated Financial Statements

Nippon Soda Co., Ltd. (the "Company") and its subsidiaries in Japan maintain their records and prepare their financial statements in accordance with accounting principles generally accepted in Japan while its foreign subsidiaries maintain their records and prepare their financial statements in conformity with accounting principles generally accepted in their respective country of domicile.

The accompanying consolidated financial statements of the Company and its consolidated subsidiaries and affiliates are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of Japan.

The accompanying consolidated financial statements incorporate certain reclassifications and rearrangements in order to present them in a form that is more familiar to readers outside Japan. In addition, the notes to the consolidated financial statements include information that is not required under generally accepted accounting principles in Japan, but which is provided herein as additional information.

2. Summary of Significant Accounting Policies

(1) Scope of Consolidation

The consolidated financial statements include the accounts of the Company and 12 of its subsidiaries. The 12 major subsidiaries which have been consolidated with the Company are listed below:

	Equity ownership percentage	Paid-in capital ¥ millions
Nisso Shoji Co., Ltd.	74.3%	401
Sanwa Soko Co., Ltd.	53.9%	1,831
Nisso Metallochemical Co., Ltd.	88.0%	1,000
Ibaraki Kasei Co., Ltd.	100.0%	150
Nisso Engineering Co., Ltd.	100.0%	1,000
Nisso Construction Co., Ltd.	100.0%	45
Shinfuji Kaseiyaku Co., Ltd.	99.3%	70
Koriyama Kasei Co., Ltd.	100.0%	180
Nisso Jyushi Co., Ltd.	100.0%	97
Nisso Green Co., Ltd.	100.0%	50
NISSO AMERICA INC.	100.0%	127 (1 millions US$)
NISSO CHEMICAL EUROPE GmbH	100.0%	32 (255 thousands EUR)

The Company and its consolidated subsidiaries above are hereinafter referred to as the "Companies".

The remaining subsidiaries whose combined total assets, net sales, net income and total retained earnings in the aggregate are not significant in relation to those of the consolidated financial statements of the Companies, have not been consolidated with the Company.

The foreign consolidated subsidiaries, NISSO AMERICA INC. and NISSO CHEMICAL EUROPE GmbH, have a December 31 year end which does not accord with that of the company. As a result, adjustments have been made for any significant intercompany transactions which took place during the period between the year ends of the foreign subsidiaries and the year end of the Company.

(2) Consolidation

For the purposes of preparing the consolidated financial statements, all significant inter-company transactions, account balances and unrealised profits among the Companies have been eliminated, and the portion thereof attributable to minority interests is charged to minority interests.

Adjustment is made to computation of depreciation in relation to the elimination of unrealised profits included in depreciable assets among the Companies.

Full portion of the assets and liabilities of the subsidiaries is marked to fair value as of the acquisition of the control.

Any difference between the cost of an investment in a subsidiary and the amount of underlying equity in net assets of the subsidiary, which may arise in connection with the elimination of investment, is treated as an asset or a liability, as the case may be, and amortised over a period of five years on a straight-line basis.

(3) Accounting for Investments in Unconsolidated Subsidiaries and Affiliates

The Company applied the equity method to the investment in Novus International Inc., and IHARABRAS S/A. INDUSTRIAS QUIMICAS.

The investments in the remaining unconsolidated subsidiaries and affiliates are carried at cost or less since these investments would have had no material effect on the consolidated financial statements.

(4) Financial Instruments

(a) Securities

Securities held by the Company and its subsidiaries are, classified into two categories. Investments of the Company in equity securities issued by unconsolidated subsidiaries and affiliates are accounted for by the equity method. Exceptionally, investments in certain unconsolidated subsidiaries and affiliates are stated at cost because the effect of application of the equity method would be immaterial.

Other securities for which market quotations are available are stated at fair value. Net unrealised gains or losses on these securities are reported as a separate item in the shareholders' equity at a net-of-tax amount.

Other securities for which market quotations are unavailable are stated at cost, except as stated in the paragraph below.

In cases where the fair value of held-to-maturity debt securities, equity securities issued by unconsolidated subsidiaries and affiliates, or other securities has declined significantly and such impairment of the value is not deemed temporary, those securities are written down to the fair value and the resulting losses are included in net profit or loss for the period.

(b) Derivatives

All derivatives are stated at fair value, with changes in fair value included in net profit or loss for the period in which they arise, except for derivatives that are designated as "hedging instruments" (see (c) Hedge Accounting below).

(c) Hedge Accounting

Gains or losses arising from changes in fair value of the derivatives designated as "hedging instruments" are deferred as an asset or liability and included in net profit or loss in the same period during which the gains and losses on the hedged items or transactions are recognized.

In accordance with the special measure under the Accounting Standard for Financial Instruments, the Company does not record certain interest swap arrangements at market value but net proceeds or payments resulting from the hedging instruments, which is equal to the difference between the receiving floating rate and the paying fixed rate, is accounted for as an adjustment to the interest expense for the underlying loan.

The derivatives designated as hedging instruments by the Companies are principally interest swap, cap, coupon swap and exchange contracts. The related hedged items are long-term bank loans, receivables and payables denominated in foreign currencies.

The Companies have a policy to utilise the above hedging instruments in order to reduce the Companies' exposure to the risk of interest rate fluctuation. Thus, the Companies' purchase of the hedging instruments are limited to, at maximum, the amounts of the hedged items.

The Companies evaluate effectiveness of its hedging activities by reference to the accumulated gains or losses on the hedging instruments and the related hedged items from the commencement of the hedges.

(5) Cash and Cash Equivalents
Cash and cash equivalents in the consolidated statements of cash flows are composed of cash on hand, bank deposits able to be with drawn on demand and short-term investments with an original maturity of three months or less and which represent a minor risk of fluctuations in value.

(6) Inventories
Inventories are stated at cost. Cost is determined by the average method.
Appropriate write-downs are recorded for inventory items, the net realisable value of which declined substantially from the carrying (cost) and such decline of value is considered not to be temporary.

(7) Property, Plant and Equipment
Property, plant and equipment are stated at cost. Depreciation is computed generally by the straight line method for property, plant and equipment based on the estimated useful lives of assets.

Buildings and structures	··········2-60 years
Machinery, equipment	··········2-22 years

(8) Deferred Charges and Intangibles
Goodwill is being amortised over a period of 5 years on a straight-line basis.
Software for internal use is being amortised over their estimated useful lives (5 years) on a straight- line basis.

(9) Allowance for Doubtful Accounts
The companies provide the allowance for doubtful accounts by the method which uses the percentage of its own actual loss against the balance of total receivables plus the amount of uncollectible receivables estimated on an individual basis.

(10) Provision for Retirement Benefits
Effective from the year ended March 31, 2001, the Company and its subsidiaries adopted the new Japanese accounting standard for retirement benefits, which is effective for periods beginning on or after April 1, 2000.
In accordance with the new standard, the reserve for retirement benefits as of March 31, 2001 represents the estimated present value of projected benefit obligations in excess of the fair value of the plan assets except that, as permitted under the new standard, the unrecognised transition amount arising from adopting the new standard of 12,885 million yen at April 1, 2000 (the beginning of year) is amortised on a straight-line basis 5 years, Unrecognised prior service cost is expensed as incurred.
Unrecognised actuarial differences are amortised on a straight-line basis in the period of 9-12 years from the next year in which they arise.

(11) Provision for Restructuring Charges
Provision for restructuring charges for the chemicals business is accrued in the amount reasonably estimated.

(12) Foreign Currency Translation
All monetary assets and liabilities denominated in foreign currencies, whether long-term or short-term, are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Resulting gains and losses are included in net profit or loss for the period.

Assets, liabilities, and profit and loss of the foreign subsidiaries and affiliates are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. The shareholders' equity at beginning of the year is translated into Japanese yen at the historical rates. Differences in yen amounts arising from the use of different rates are presented as "foreign currency translation adjustments" in the shareholders' equity.

(13) Accounting for leases
Finance leases other than those which are deemed to transfer the ownership of the leased assets to lessees are accounted for by the method similar to that applicable to ordinary operating leases.

(14) Net Income (Loss) per share
Net income (loss) per share is based upon the weighted average number of shares of common stock outstanding during each year.

(15) Accounting Standard for Impairment of Fixed Assets
Since the Accounting Standards for impairment of Fixed Assets (issued by the Accounting Standards Board of Japan on August 9, 2002) and the Financial Accounting Standards Implementation Guidance No.6, "Implementation Guidance for Accounting Standards for impairment of Fixed Assets" (issued by the Accounting Standards Board of Japan on October 31, 2003) was applied beginning with the consolidated financial statements for the fiscal year ended March 31, 2006, these standards and implementation guidance have been applied effective April 1, 2005.The effect of application of these standards on net income before taxes was ¥10,021 million ($83,628 thousand) for the year ended March 31, 2006.

3. United States Dollars Amounts

For the basis of translating the Japanese Yen amounts to the U.S. Dollar amounts at the exchange rate of ¥117=U.S.$1 included in the accompanying consolidated financial statements. Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realised or settled in U.S. dollars at this or any other rate.

4. Cash and Cash Equivalents

Reconciliation of cash and cash equivalent of consolidated statements of cash flows and account balances of consolidated balances sheets

	Millions of Yen		Thousands of U.S. Dollars
	2005	**2006**	**2006**
Cash and bank deposits	¥ 6,862	**¥ 13,377**	**$113,876**
Time deposits with deposit term of over 3 months	(23)	**(22)**	**(189)**
Cash and cash equivalents	¥ 6,839	**¥ 13,355**	**$113,687**

5. Securities

(1) The acquisition cost, carrying amount, gross unrealised holding gains and gross unrealised holding losses for securities with fair value by security type at March 31, 2005 and 2006 are as follows:

	Millions of Yen			
	2005			
	Cost	Carrying Amount	Gross unrealised gains	Gross unrealised losses
Equity securities	¥ 4,070	¥ 7,470	¥ 3,446	¥ (46)
Others	50	50	0	—
	¥ 4,120	¥ 7,520	¥ 3,446	¥ (46)

	Millions of Yen			
	2006			
	Cost	Carrying Amount	Gross unrealised gains	Gross unrealised losses
Equity securities	**¥ 4,135**	**¥11,713**	**¥ 7,596**	**¥ (18)**
Others	**30**	**30**	**0**	**—**
	¥ 4,165	**¥11,743**	**¥ 7,596**	**¥ (18)**

(2) The realized gains and losses on sale of other securities for the year ended March 31, 2005 and 2006 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	**2006**	**2006**
Selling amount	¥ 278	**¥ 30**	**$ 259**
Gains on sale of securities	259	**2**	**21**
Losses on sale of securities	—	**—**	**—**

(3) The carrying amount of securities, for which a fair value is not available, at March 31, 2005 and 2006 are summarised as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	**2006**	**2006**
Equity investment in funds	¥ 31	**¥ 20**	**$ 171**
Unlisted equity securities	1,661	**1,690**	**14,386**
Unlisted corporate debt securities	16	**14**	**115**
Other investments	2,300	**2,000**	**17,026**

(4) Maturities of investment securities classified as available-for-sale at March 31, 2005 and 2006 by contractual maturity are shown below.

	Millions of Yen		Thousands of U.S. Dollars
	2005	**2006**	**2006**
Due within one year	¥ 2	**¥ 2**	**$ 191**
Due after one year through five years	7	**7**	**64**
Due after five years through ten years	5	**3**	**32**
Total	¥ 14	**¥ 12**	**$ 287**

6. Inventories

Inventories at March 31, 2005 and 2006 comprised the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	**2006**	**2006**
Finished goods	¥ 18,825	**¥ 17,854**	**$151,991**
Raw materials	3,957	**4,477**	**38,108**
Work in process	432	**689**	**5,865**
Supplies	540	**560**	**4,772**
	¥ 23,754	**¥ 23,580**	**$200,736**

7. Short-term Debt and Long-term Debt

Short-term debt and long-term debt consists principally of banks and insurance companies. The weighted average interest rates on the short-term debt was 0.6% in 2005 and 2006, and long-term debt was 1.1% in 2005 and 1.0% in 2006.

Long-term debts as at March 31, 2005 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	**2006**	**2006**
Long-term borrowings from banks and insurance companies	¥ 33,958	**¥ 30,588**	**$260,392**
Unsecured convertible bonds due 2008	—	**5,000**	**42,564**
	33,958	**35,588**	**302,956**
Less: Portion due within one year	10,795	**10,839**	**92,273**
	¥ 23,163	**¥ 24,749**	**$210,683**

Annual maturities of long-term debt are as follows:

Year ending on 31st March,	Millions of Yen	Thousands of U.S. Dollars
	2006	**2006**
2007	**¥ 10,839**	**$ 92,273**
2008	**13,344**	**113,595**
2009	**6,845**	**58,270**
2010	**3,345**	**28,475**
2011	**1,095**	**9,322**
2012	**120**	**1,021**
	¥ 35,588	**$ 302,956**

As described in Note 17, all of the unsecured convertible bonds due 2008 were converted into common stock from April 1, 2006 to April 7, 2006.

Assets pledged as collateral for short-term debt, long-term debt at March 31, 2005 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	**2006**	**2006**
Buildings and structures	¥ 14,652	**¥ 10,879**	**$ 92,611**
Machinery and equipment	20,164	**11,559**	**98,406**
Tool, furniture and fixtures	758	**643**	**5,475**
Land	9,864	**9,864**	**83,966**
Investment in securities	26	**173**	**1,475**
	¥ 45,464	**¥ 33,118**	**$281,933**

8. Retirement Benefit Plan

The Companies have funded plans administered by independent trustees and unfunded benefit plan on a lump-sum payment basis, as a defined benefit retirement plans.
And the Companies may pay additional benefits at the time of termination.
The reserve for retirement benefits as of March 31, 2005 and 2006 is analyzed as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	**2006**	**2006**
Projected benefit obligations	¥ (23,412)	**¥(24,765)**	**$(210,821)**
Plan assets	13,461	**18,715**	**159,314**
	(9,951)	**(6,050)**	**(51,507)**
Unrecognised actuarial differences	3,995	**2,080**	**17,712**
Net liability recognized	¥ (5,956)	**¥ (3,970)**	**$ (33,795)**

Net pension expense related to the retirement benefits for the year ended March 31, 2005 and 2006 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	**2006**	**2006**
Service cost	¥ 1,030	**¥ 1,053**	**$ 8,960**
Interest cost	425	**417**	**3,547**
Expected return on plan assets	(479)	**(629)**	**(5,352)**
Amortization of transition amount	2,405	**—**	**—**
Actuarial losses	579	**487**	**4,150**
Net pension expense	¥ 3,960	**¥ 1,328**	**$ 11,305**

In addition to the above costs, additional benefits amounting to¥90 million and ¥89 million (US$759 thousand) were charged to income for the year ended March 31, 2006 and 2005.

For the year ended March 31, 2006, premium severance pay for early retirement was included in "Restructuring Charges", in the amount of ¥770 million (US$6,555 thousand).

Assumptions used in calculation of the above information were as follows:

	March 31,	
	2005	**2006**
Discount rate	2.0%	**2.0%**
Expected rate of return on plan assets	2.0%–5.0%	**2.0–5.0%**
Method of attributing the projected benefits to periods of Services	Straight-line basis	**Straight-line basis**
Amortization of unrecognised prior service cost	Expensed as incurred	**Expensed as incurred**
Amortization of transition amount	9–12 years	**9–12 years**
Amortization of unrecognised actuarial differences	5 years	**—**

9. Contingent Liabilities

As at March 31, 2005 and 2006, the Company provides guarantees to bank loans drawn mainly by the companies other than consolidated subsidiaries as follows:

	Millions of Yen		Thousands of U.S. Dollars
	March 31, 2005	March 31, 2006	March 31, 2006
Loans borrowed by:			
Novus International, Inc.	¥ 6,972	**¥ 10,865**	**$ 92,500**
Others	172	**144**	**1,226**
Total	¥ 7,144	**¥ 11,009**	**$ 93,726**

10. Impairment Loss on Fixed Assets

Nippon Soda Co., Ltd. and its subsidiaries (the "Companies") have has recognized impairment loss of ¥10,021 million ($85,310 thousand), for the following group of assets as of March 31, 2006.

Location	Use	Type	Impairment loss
Nihongi Plant (Joetsu, Niigata Prefecture)	Production facility for industrial chemicals	Machinery, etc.	¥ 5,988 ($50,983)
Nihongi Plant (Joetsu, Niigata Prefecture)	Production facility for the feed additive Methionine	Machinery, etc.	¥ 3,664 ($31,183)
Takasaki, Gunma Prefecture	Rented land	Land	¥ 333 ($ 2,835)
Hamamatsu, Shizuoka Prefecture and other locations	Idle land	Land	¥ 36 ($ 309)
Total			¥10,021($85,310)

At Nihongi Plant, profitability of production facility for the industrial chemicals deteriorated rapidly due to tough competition with imported goods, rapid demand structural changes, and cost hike in raw materials including fuels. The profitability of the production facility for feed additive Methionine also worsened because of decline in price and fierce competition as a result of large-scale reinforcement of their production facilities by major manufacturers across the board during the consolidated fiscal term under review.

The Companies assessed impairment of each group of assets, which are grouped on the basis of managerial accounting and investment decision-making purposes.

Due to the decline in real estate value and poor performance of assets, operating profitability has worsened substantially. Therefore, the Companies has decided to mark the assets down to the recoverable value, and accrued impairment loss of ¥10,021 million ($85,310 thousand), which comprises of buildings and structures ¥3,197 million ($27,223 thousand), machinery and equipment ¥6,164 million ($52,478 thousand), land ¥369 million ($3,145 thousand) and others ¥291 million ($2,464 thousand).

The recoverable value is determined as the higher of the net selling value and the value in use. The net selling value is based on appraisal provided by professional real estate assessors, and the value in use is calculated as future cash flow discounted mostly by 5%.

11. Provision for Restructuring Charges

For the year ended March 31, 2006, restructuring charges included the following components.

	Millions of Yen	Thousands of U.S. Dollars
	2006	2006
Loss on disposal of property, plant and equipment, net	**¥ 1,403**	**$ 11,943**
Premium severance pay for early retirement	**770**	**6,555**
Loss on write-down of inventories	**223**	**1,898**
Other	**265**	**2,254**
Total	**¥ 2,661**	**$ 22,650**

12. Income Taxes

The Company and its subsidiaries are subject to several taxes based on income, which in the aggregate resulted in the statutory tax rate of approximately 40.0% and 40.0% for the years ended 31st March, 2005 and 2006, respectively.

Details of deferred tax assets and liabilities are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	March 31, 2005	March 31, 2006	March 31, 2006
Deferred tax assets:			
Impairment Loss	¥ —	**¥ 3,846**	**$ 32,736**
Provision for restructuring charges	—	**1,036**	**8,818**
Adjustments for unrealised gains	1,484	**1,446**	**12,312**
Provision for retirement benefits	2,206	**1,499**	**12,763**
Accrued bonuses	962	**944**	**8,035**
Loss on write-down	537	**228**	**1,937**
Others	905	**1,498**	**12,756**
Sub total	6,094	**10,497**	**89,357**
Less: Valuation allowance	(506)	**(882)**	**(7,507)**
Total deferred tax assets	5,588	**9,615**	**81,850**
Deferred tax liabilities:			
Special tax-purpose reserves	(1,537)	**(1,017)**	**(8,661)**
Net unrealised gain on available-for-sale securities	(1,359)	**(3,030)**	**(25,796)**
Others	(3)	**(7)**	**(59)**
Total deferred tax liabilities	(2,899)	**(4,054)**	**(34,516)**
Total deferred tax assets, net	¥ 2,689	**¥ 5,561**	**$ 47,334**

The reconciliation from the statutory tax rate to the income tax rate is as follows:

	2005
Statutory tax rate	40.0%
Increase (decrease) in taxes resulting from Permanent differences	2.5
Equity in earnings of affiliates	(9.1)
Local taxes on per capita basis	1.9
Foreign tax credit	(4.4)
Valuation allowance	(1.3)
Amortization of difference between cost of investment and equity in net assets acquired	2.1
Adjustment for unrealised gains	(1.9)
Others	(2.1)
Effective tax rate	27.7%

There is no information to be disclosed about the reconciliation from the statutory tax rate to the effective tax rate, because the result of Companies' operation was loss for the year ended March 31, 2006.

13. Lease Transaction

All finance lease contracts other than those by which the ownership of the leased assets is to be transferred to lessees, are accounted for by the method similar to the operating lease method.

(Lessee side)

Lease rental expenses on finance lease contracts without ownership-transfer for the year ended March 31, 2005 and 2006 were summarised as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2006	2006
Lease rental expenses	¥ 527	**¥ 484**	**$ 4,123**

The amount of outstanding future lease payments due at March 31, 2005 and 2006 was summarised as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2006	2006
Future lease payments			
Within one year	¥ 447	**¥ 444**	**$ 3,785**
Over one year	926	**867**	**7,379**
Total	¥ 1,373	**¥ 1,311**	**$ 11,164**

Allowance for impairment loss on leased property of ¥172 million (US$1,468 thousand) as of March 31, 2006 is not included in obligations under finance lease.

Assumed data as to acquisition cost, accumulated depreciation, net book value and depreciation expenses of the leased assets (machinery, equipment and tools, deferred charges), which included the portion of interest thereon, were summarised as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2006	2006
Acquisition cost	¥ 2,356	**¥ 2,518**	**$ 21,436**
Accumulated depreciation	983	**1,189**	**10,119**
Accumulated impairment loss	—	**190**	**1,621**
Net book value	¥ 1,373	**¥ 1,139**	**$ 9,696**
Depreciation	¥ 527	**¥ 466**	**$ 3,970**
Reversal of allowance for impairment loss on leased property	—	**17**	**153**
Impairment loss	—	**190**	**1,621**

Depreciation is based on the straight-line method over the lease term of the leased assets.

(Lessor side)

Lease rental incomes and interest incomes on finance lease contracts without ownership-transfer for the year ended March 31, 2005 and 2006 were summarised as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2006	2006
Lease rental incomes	¥ 41	**¥ 46**	**$ 395**
Interest incomes	6	**6**	**51**

The amount of outstanding future lease receipts due at March 31, 2005 and 2006 was summarised as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2006	2006
Future lease receipts			
Within one year	¥ 41	**¥ 37**	**$ 318**
Over one year	99	**60**	**511**
Total	¥ 140	**¥ 97**	**$ 829**

Interest is allocated based on the interest method over the lease term of the leased assets.

Assumed data as to acquisition cost, accumulated depreciation, net book value and depreciation expense of the leased assets (machinery, equipment and tools, deferred charges), were summarised as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2006	2006
Acquisition cost	¥ 233	**¥ 214**	**$ 1,826**
Accumulated depreciation	127	**150**	**1,281**
Net book value	¥ 106	**¥ 64**	**$ 545**
Depreciation	¥ 34	**¥ 36**	**$ 309**

14. Financial Derivative Transactions

(1) Transactions, Companies' Policy and Purpose of Derivative Transactions

The Companies enter into the interest swap, cap, coupon swap and exchange contracts in order to avoid the risk of increase in the financial cost due to the future interest changes for the long-term loans in order to avoid the exchange risk.

The Companies do not try to enter into the speculative derivative transactions in order to seek trading gains.
All of these derivatives are designated as hedging instruments.

· Hedge Accounting

Gains or losses arising from changes in fair value of the derivatives designated as "hedging instruments" are deferred as an asset or liability and included in net profit or loss in the same period during which the gains and losses on the hedged items or transactions are recognised.

The derivatives designated as hedging instruments by the Companies are principally interest swap, cap, coupon swap and exchange contracts. The related hedged items are long-term bank loans and receivables and payables denominated in foreign currencies.

The Companies have a policy to utilise the above hedging instruments in order to reduce the Companies' exposure to the risk of interest rate fluctuation. Thus, the Companies' purchase of the hedging instruments are limited to, at maximum, the amounts of the hedged items.

The Companies evaluate effectiveness of its hedging activities by reference to the accumulated gains or losses on the hedging instruments and the related hedged items from the commencement of the hedges.

(2) Risk of Transactions

The derivative transactions have market risk associated with the market price volatility and credit risk related to the possibility of a counterpart's default.

It is considered that the interest swap and cap transactions, in which the Companies exchange the floating interest rate for the fixed interest rate, coupon swap and exchange contracts do not have credit risk, as the Companies deal only with major financial institutions.

The Companies are not engaged in the derivative transactions which is subject to high market price volatility, therefore deemed to give a significant impact on the Companies' result.

(3) Risk Management

The Companies can enter into the derivative transactions, only after the transactions are approved by the management.

The interest swap transactions, objective of which is to avoid the increase of financial cost, are limited to the total interest-bearing liabilities.

All the derivative contracts should be approved by the director in charge of the accounting as well as by the corporate auditor, before the Company enters into the contracts. The recording on the book and the payment and receipt of money are carried out by the staff other than those in charge of the derivative transactions. In addition, the head of the accounting department checks, on a monthly basis, the report made by the accounting staff on the outstanding contract balance and unrealised profit and loss etc. to the confirmations received from the financial institutions.

15. Segment Information

(1) Sales of the Company and subsidiaries for the years ended March 31, 2004, 2005 and 2006 classified by industry segments are summarised as follows:

Millions of Yen — Year ended March 31, 2004

	Industry Segment: Chemicals	Industry Segment: Others	Total	Elimination of Inter-segment sales/transfers	Consolidated Total
I. Sales and Operating income					
Sales:					
Sales to outside customers	¥ 99,899	¥ 35,366	¥ 135,265	¥ —	¥ 135,265
Inter-segment sales/transfers	24	8,417	8,441	(8,441)	—
Total sales	99,923	43,783	143,706	(8,441)	135,265
Operating expenses	96,739	42,370	139,109	(8,456)	130,653
Operating income	¥ 3,184	¥ 1,413	¥ 4,597	¥ 15	¥ 4,612
II. Asset Depreciation and Capital Expenditure					
Asset	¥ 148,396	¥ 32,518	¥ 180,914	¥ 3,708*	¥ 184,622
Depreciation	¥ 6,604	¥ 901	¥ 7,505	¥ (439)*	¥ 7,066
Capital expenditure	¥ 7,395	¥ 630	¥ 8,025	¥ (636)*	¥ 7,389

Millions of Yen — Year ended March 31, 2005

	Industry Segment: Chemicals	Industry Segment: Others	Total	Elimination of Inter-segment sales/transfers	Consolidated Total
I. Sales and Operating income					
Sales:					
Sales to outside customers	¥ 103,998	¥ 40,375	¥ 144,373	¥ —	¥ 144,373
Inter-segment sales/transfers	16	5,327	5,343	(5,343)	—
Total sales	104,014	45,702	149,716	(5,343)	144,373
Operating expenses	100,509	44,345	144,854	(5,550)	139,304
Operating income	¥ 3,505	¥ 1,357	¥ 4,862	¥ 207	¥ 5,069
II. Asset Depreciation and Capital Expenditure					
Asset	¥ 157,452	¥ 32,639	¥ 190,091	¥ (2,852)*	¥ 187,238
Depreciation	¥ 8,111	¥ 874	¥ 8,985	¥ (385)*	¥ 8,600
Capital expenditure	¥ 4,311	¥ 730	¥ 5,041	¥ (416)*	¥ 4,625

Millions of Yen — **Year ended March 31, 2006**; Thousands of U.S. Dollars

	Industry Segment: Chemicals	Industry Segment: Others	Total	Elimination of Inter-segment sales/transfers	Consolidated Total	Consolidated Total (Thousands of U.S. Dollars)
I. Sales and Operating income						
Sales:						
Sales to outside customers	**¥ 103,688**	**¥ 40,247**	**¥ 143,935**	**¥ —**	**¥ 143,935**	**$1,225,289**
Inter-segment sales/transfers	**13**	**5,385**	**5,398**	**(5,398)**	**—**	**—**
Total sales	**103,701**	**45,632**	**149,333**	**(5,398)**	**143,935**	**1,225,289**
Operating expenses	**100,443**	**43,709**	**144,152**	**(5,869)**	**138,283**	**1,177,176**
Operating income	**¥ 3,258**	**¥ 1,923**	**¥ 5,181**	**¥ 471**	**¥ 5,652**	**$ 48,113**
II. Asset Depreciation, Impairment Loss and Capital Expenditure						
Asset	**¥ 139,005**	**¥ 29,758**	**¥ 168,763**	**¥ 8,690***	**¥ 177,453**	**$1,510,622**
Depreciation	**¥ 6,961**	**¥ 957**	**¥ 7,918**	**¥ (448)***	**¥ 7,470**	**$ 63,584**
Impairment Loss	**10,009**	**13**	**10,021**	**—**	**10,021**	**$ 85,310**
Capital expenditure	**¥ 4,506**	**¥ 529**	**¥ 5,035**	**¥ (478)***	**¥ 4,557**	**$ 38,792**

Notes: * The Companies' assets unallowable to segments are included in this column.
1. The Company and its subsidiaries operate principally in two industrial segments: chemicals division and non-chemical division.
2. The main products of each Industry Segment

Industry Segment	Operating Section	Major Products/ Services	
Chemicals division	Chemicals	Industrial products	Caustic Soda, Caustic Potash and Sodium Cyanide
		Dye Stuff Chemicals	Fluorescent Whitening Dyes and PSD
		Feed additives	DL-Methionine
		Speciality Products	NISSO-PB, ITO Coated Glass and BISTRATER
		Eco-Business	Water Treatment Chemicals:NISSO HI-CHLON
		Pharmaceuticals and Intermediates	AOSA, FAROPENEM-Sodium and NISSO-HPC
	Agro Products	Fungicides	TOPSIN-M · TRIFMINE · BEFRAN · BELLKUTE
		Insecticides/Acaricides	MOSPILAN · NISSORUN
		Herbicides	HOENEST · NABU
		Biocides	BIOCUT · MILLCUT
		Other	Fumigants
Non-chemical division	Traffic and Warehouse	Trucking business and warehousing business	
	Construction	Plant construction, civil engineering and others	
	Non-ferrous metals and others	Zinc metal, resin product	

(2) Export sales of the company and subsidiaries are summarised as follows:

Millions of Yen — For the years ended March 31; Thousands of U.S. Dollars

	2004 Total	2005 Total	2006 Asia	2006 Europe	2006 North America	2006 Other	2006 Total	2006 Total (Thousands of U.S. Dollars)
Overseas Sales	¥ 31,953	¥ 35,509	**¥ 16,483**	**¥ 7,711**	**¥ 8,266**	**¥ 4,075**	**¥ 36,535**	**$ 311,013**
Consolidate Sales:	135,265	144,372	**—**	**—**	**—**	**—**	**143,935**	**1,225,289**
Rate	23.6%	24.6%	**11.5%**	**5.4%**	**5.7%**	**2.8%**	**25.4%**	**25.4%**

Note. Asia — China, Korea, Taiwan, Philippine, Indonesia, Thailand, and others
Europe — Germany, France, England, Russia, Holland, Italy, and others
North America — USA, Canada
Other — Brazil, Australia, Mexico, Argentina, and others

16. Related Party Transactions

Material transactions of the Company with its unconsolidated subsidiary and related companies for the years ended March 31st, 2004, 2005 and 2006 other than those indicated elsewhere in these statements were as follows:

Millions of Yen; Thousands of U.S. Dollars

Name of related company	Paid-in capital (million)	Principal business	Direct Equity ownership percentage by the Company (%)	Description of transactions	Transactions for the years ended March 31, 2004	2005	**2006**	Account	Resulting account balances at March 31, 2004	2005	**2006**	Transaction for the year ended March 31, **2006**	Resulting account balances at March 31, **2006**
Novus International, Inc.	US$100	Manufacture and sale of chemicals	35.0	Guarantee of loans	¥ 7,125	¥ 6,971	**¥ 10,865**	Contingent liabilities	¥ —	¥ —	**¥ —**	**$ 92,500**	**$ —**

The terms and conditions applicable to the above-mentioned transactions have been determined on the basis of arm's length and by reference to normal market price levels.

17. Subsequent Event

All of the unsecured convertible bonds due 2008 were converted into common stock from April 1, 2006 to April 7, 2006.
The company issued new common stock (11,904,760 shares), the company's common stock increased by ¥2,499 million ($21,282 thousands), the company's additional paid-in capital increased by ¥2,499 million ($21,282 thousands) and the unsecured convertible bonds due 2008 decrease by ¥5,000 million ($42,564 thousands).

18. Other Information

Lawsuits

Some lawsuits seeking compensation for damages have been filed against the Company and Novus International, Inc ("Novus") before U.S. Federal District Court and several U.S. State Courts by methionine purchasers, who are claiming that there was a violation of the U.S. antitrust laws regarding methionine, an animal feed additive. Following the agreement for settlement with Class Action plaintiffs reached in May 2002 under which Novus paid US$37 Million, Novus reached agreement for settlement in November 2002 with the plaintiffs who opted out of that Class Action under which Novus paid US$58 Million.
Novus paid these settlement amounts in the fiscal year ended March 31, 2003, which is based on accrual for antitrust litigation as of March 31, 2002. Other lawsuits which were filed before several U.S. State Courts by methionine purchasers are still pending.

A lawsuit for damages has been filed against the Company before the Commercial Court of the United Kingdom. The Claimant is Trouw (UK) Limited, a subsidiary of Nutreco Holding N.V., a Dutch company and purchaser of methionine produced by the Company, which is claiming that it suffered damages due to the Company's past infringement of the EU Competition Law.

Report of Independent Auditors

To the Board of Directors and Shareholders
of Nippon Soda Co., Ltd.

We have audited the accompanying consolidated balance sheets of Nippon Soda Co., Ltd. and its subsidiaries as of March 31, 2006 and 2005, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended March 31, 2006, all expressed in Japanese Yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nippon Soda Co., Ltd. and its subsidiaries as of March 31, 2006 and 2005, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2006, in conformity with accounting principles generally accepted in Japan.

As described in Note 2, effective for the year ended March 31, 2006, Nippon Soda Co., Ltd. and its subsidiaries have adopted the Japanese accounting standards for impairment of fixed assets.

As described in Note 17, all of the unsecured convertible bonds due 2008 were converted into common stock from April 1, 2006 to April 7, 2006.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 3 to the accompanying consolidated financial statements.

ChuoAoyama PricewaterhouseCoopers

ChuoAoyama PricewaterhouseCoopers
Tokyo, Japan
June 29, 2006