



## 2. Status of Dividends

	Annual cash dividend per share				
	End of first quarter	End of second quarter	End of third quarter	End of fiscal year	Total
	Yen				
Fiscal year ended May 31, 2011	—	10.00	—	10.00	20.00
Fiscal year ending May 31, 2012	—	10.00			
Fiscal year ending May 31, 2012 (forecast)			—	10.00	20.00

Note: Changes to the latest forecast of dividends: None

## 3. Consolidated Business Results Forecast for Fiscal Year Ending May 2012 (June 1, 2011–May 31, 2012)

(Percentages indicate amount of change from 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	%	Yen
Full year	153,000	2.8	20,500	(1.6)	20,500	1.1	11,000	(15.4)	60.67

Note: Changes to the latest forecast of consolidated business results: Yes

## 4. Other

- (1) Significant changes in subsidiaries during the first half (changes in designated subsidiaries that result in changes in scope of consolidation): None
- (2) Adoption of special accounting methods for presenting the quarterly consolidated financial statements: None
- (3) Changes to accounting policies and estimates and retrospective restatement
  - [1] Changes to accounting policies associated with revision of accounting standards or similar items: Yes
  - [2] Changes other than [1]: None
  - [3] Changes to accounting estimates: None
  - [4] Retrospective restatement: None
- (4) Number of shares issued (common stock)
  - [1] Number of shares issued at end of the fiscal period (including treasury stock)
    - As of November 30, 2011: 182,503,570 shares
    - As of May 31, 2011: 182,503,570 shares
  - [2] Number of treasury stock shares at end of the fiscal period
    - As of November 30, 2011: 1,200,802 shares
    - As of May 31, 2011: 1,182,975 shares
  - [3] Average number of shares during the fiscal period
    - First half of fiscal year ending May 31, 2012: 181,311,071 shares
    - First half of fiscal year ended May 31, 2011: 181,404,511 shares

### \* Information about quarterly review procedure execution:

This report of quarterly financial results is outside the scope of the quarterly report review procedures under the Financial Instruments and Exchange Act in Japan. At the time of the disclosure of this report, the quarterly report review procedures under the Financial Instruments and Exchange Act had not been completed.

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

1. The forecast of business results for the fiscal year ending May 31, 2012 that was announced on June 30, 2011 has been revised.
2. The business results forecasts and other descriptions related to the future in this report are based on information that was obtainable as of the date this report was announced, and on assumptions pertaining to uncertain factors that can affect future business results. The actual business results may vary greatly due to a variety of future factors. For details on the business results forecast, refer to “Qualitative Information Concerning Forecasts for Consolidated Business Results” on page 3 of the Supplemental Information.

## Supplemental Information

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## 1. Qualitative Information Concerning the Second Quarter Results

### (1) Qualitative Information Concerning the Consolidated Business Results

The Japanese economy during the first half of this consolidated fiscal year (June 1, 2011–November 30, 2011) continued to recover from the harsh conditions caused by the effects of the Great East Japan Earthquake. However the future remains uncertain due to concerns including the European debt crisis and the continued high value of the yen.

Under these conditions, as prescribed in Phase I (three years) of the mid-term business plan, the Nippon Kayaku Group is working for optimal allocation of business resources into priority business operations and strengthening overseas operations, and has also taken steps to reinforce its profit structure by further reducing costs and restructuring the product lineup.

As a result, decreasing demand in areas related to semiconductors and electronic devices and materials led to a drop in sales for the functional chemicals business from the same period in the previous fiscal year. Consequently, sales for the first half of the fiscal year were 73.452 billion yen, a decrease of 454 million yen (0.6%) from the same period in the previous fiscal year.

Due to the decrease in sales in the functional chemicals business and an increase in R&D costs in the pharmaceuticals business, operating income was 10.005 billion yen, a decrease of 560 million yen (5.3%) from the same period in the previous fiscal year.

Due to a decrease in non-operating expenses compared with the same period in the previous fiscal year, ordinary income was 9.976 billion yen, an increase of 48 million yen (0.5%) from the same period in the previous fiscal year.

Net income for the first half of the fiscal year was 5.450 billion yen, an increase of 641 million yen (13.3%) from the same period in the previous fiscal year.

Performance by business segment is as described below.

#### [Functional chemicals business]

In the functional materials business, sales of epoxy resins for semiconductor encapsulation and UV-curing resins were affected by customer production adjustments and sales were below the level of the same period in the previous fiscal year. Sales for the functional materials business as a whole were also down.

In the electronic materials business, although sales of colors for inkjet printers were higher than the same period in the previous fiscal year, sales of resins for optical disks were lower. As a result of strong sales of temperature-compensated elliptical polarizing films for automobile LCD panels, sales in the Polatechno Group were up from the level of the same period in the previous fiscal year. Sales for the electronic materials business as a whole were down from the level of the same period in the previous fiscal year.

In the catalysts business, there were strong sales of catalysts used in the production of methacrylic acid, and sales were higher than the same period in the previous fiscal year.

In the color chemicals business, sales were on approximately the same level as the same period in the previous fiscal year.

As a result of the above, sales in the functional chemicals business were 34.627 billion yen (a decrease of 3.4% from the same period in the previous fiscal year), and segment profit was 5.865 billion yen (a decrease of 4.9% from the same period in the previous fiscal year).

#### [Pharmaceuticals business]

In the area of anti-cancer drugs for the Japanese domestic market, sales of “BICALUTAMIDE Tab. NK,” “PACLITAXEL Inj. NK,” and “CARBOPLATIN Intravenous Inj. NK” were strong and exceeded the levels of the same period in the previous fiscal year. Due to the effects of competitor products and other factors, sales of “RANDA Inj.” and other products were down from the same period in the previous fiscal year. Sales of pharmaceutical products for the Japanese domestic market as a whole were higher than the same period in the previous fiscal year.

In the area of exports, sales of “BLEO” (anti-cancer drug) were strong and sales for exports as a whole were higher than the same period of the previous fiscal year.

Sales at consolidated subsidiaries were also down from the same period in the previous fiscal year.

In the area of active pharmaceutical ingredients for the Japanese domestic market, sales of raw materials for drugs were down, and sales of active pharmaceutical ingredients for the Japanese domestic market as a whole were also below the level of the same period in the previous fiscal year.

Sales of diagnostic agents were up from the same period in the previous fiscal year.

As a result of the above, sales in the pharmaceuticals business were 24.764 billion yen (a decrease of 0.4% from the same period in the previous fiscal year). Segment profit was 4.976 billion yen (a decrease of 4.4% from the same period in the previous fiscal year).

[Safety systems business]

The effects of the Great East Japan Earthquake caused a drop in demand for our company's products not only in Japan but also in other markets including China and North America. However a production rebound by Japanese automobile manufacturers resulted in a recovery in demand beginning from the summer, increasing sales. Sales of both airbag inflators and micro gas generators for seatbelt pretensioners were higher than the same period in the previous fiscal year.

As a result, sales were 9.871 billion yen (an increase of 5.8% from the same period in the previous fiscal year) and segment profit was 1.050 billion yen (an increase of 43.3% from the same period in the previous fiscal year).

[Other]

In the agrochemicals business, although domestic sales were down from the same period in the previous fiscal year, export sales were up, and sales for the business as a whole were also higher.

Sales in real estate and other business were down from the same period in the previous fiscal year.

As a result, sales were 4.189 billion yen (an increase of 8.2% from the same period in the previous fiscal year) and segment profit was 898 million yen (a decrease of 8.4% from the same period in the previous fiscal year).

(2) Qualitative Information Concerning the Consolidated Financial Position

[1] Assets, liabilities, and net assets

Total assets were 202.496 billion yen, a decrease of 2.614 billion yen from the end of the previous consolidated fiscal year. The primary decreases include a decrease in notes and accounts receivable of 588 million yen and a decrease in marketable securities of 5.209 billion yen. The primary increases were an increase in cash and savings of 1.108 billion yen, an increase in inventory assets of 1.416 billion yen, and an increase in intangible fixed assets of 963 million yen.

Liabilities were 64.315 billion yen, a decrease of 4.997 billion yen from the end of the previous consolidated fiscal year. The primary decreases were a decrease in loans payable of 4.404 billion yen and a decrease in notes and accounts payable of 1.121 billion yen. The primary increase was an increase in corporation tax payable of 1.938 billion yen.

Net assets were 138.180 billion yen, an increase of 2.383 billion yen from the end of the previous consolidated fiscal year. The primary increase was due to the first-half net income of 5.450 billion yen, while the primary decrease was due to a dividend payment of 1.813 billion yen.

[2] Cash flow

Net cash provided by operating activities amounted to 9.711 billion yen. (Net cash provided during the same period in the previous year was 8.105 billion yen.) Despite corporate tax payments of 1.674 billion yen and an increase in inventory assets of 1.791 billion yen, this positive cash flow was due to first-half net income before income taxes and minority interests of 9.484 billion yen and to depreciation and amortization of 4.598 billion yen.

Net cash expended in investing activities totaled 7.312 billion yen. (Net cash expended during the same period in the previous year was 3.467 billion yen.) This result was primarily due to payments of 4.855 billion yen for the purchase of tangible fixed assets and payments of 1.551 billion yen for the purchase of intangible fixed assets.

Net cash expended in financing activities was 6.572 billion yen. (Net cash expended during the same period in the previous year was 5.494 billion yen.) This was primarily due to payments of 3.032 billion yen for repayment of long-term loans, a 1.805 billion yen payment of dividends, and a net decrease of 1.149 billion yen in short-term loans payable.

As a result of the above, the balance of cash and cash equivalents at the end of the second quarter decreased by 4.572 billion yen from the end of the previous consolidated fiscal year to reach 36.732 billion yen. (The balance at the end of the same period in the previous fiscal year was 34.530 billion yen.)

(3) Qualitative Information Concerning the Forecasts for the Consolidated Business Results

Despite the trend toward recovery from the harsh conditions resulting from the Great East Japan Earthquake, the business environment that will surround the Nippon Kayaku Group in the future is expected to remain uncertain due to adverse effects on domestic businesses resulting from the continued high value of the yen, and to concerns of a slowdown in the global economy caused by financial instability. The Group is working to construct a strong profit structure that is able to adapt to changes in the business environment, and in order to expand profits, we are accelerating our entry into new growth markets through means such as research and development related to materials for environmental and energy-saving purposes, and to biosimilar pharmaceuticals.

An exchange rate of 77 yen/USD is forecast for the period beginning from the third quarter.

**2. Items Related to Summary Information (Other)**

(1) Significant changes in subsidiaries during this consolidated fiscal quarter

None

(2) Adoption of special accounting methods for presenting the quarterly consolidated financial statements

None

(3) Changes to accounting policies and estimates and retrospective restatement

(Accounting policy changes)

The “Accounting Standards for Net Income Per Share” (ASBJ Statement No. 2, June 30, 2010) and “Guidance on Accounting Standards for Net Income Per Share” (ASBJ Guidance No. 4, June 30, 2010) have been applied beginning from the first quarter of this consolidated fiscal year.

When calculating diluted net income per share, we have changed the method for calculating the amount of income from payments received due to the exercise of rights for stock options that an employee can exercise after a certain period of service. With the new method, the portion of the fair value of stock options which is attributable to service yet to be provided to our company is included in this amount of income.

This change does not have any effect on the quarterly diluted net income per share.

(4) Additional information

The “Accounting Standards for Accounting Changes and Correction of Errors” (ASBJ Statement No. 24, December 4, 2009) and “Guidance on Accounting Standards for Accounting Changes and Correction of Errors” (ASBJ Guidance No. 24, December 4, 2009) have been applied to changes in accounting and correction of past errors that are carried out beginning from the start of the first quarter of this consolidated fiscal year.

**3. Events or Conditions That Indicate There Could Be Substantial Doubt About Going Concern Assumption**

No items to report

## 4. Quarterly Consolidated Financial Statements

### (1) Consolidated Balance Sheets

	As of May 31, 2011	As of November 30, 2011
	Millions of yen	
<b>Assets</b>		
Current assets		
Cash and savings	18,427	19,535
Notes and accounts receivable	46,945	46,357
Marketable securities	22,998	17,788
Merchandise and products	15,515	17,237
Work in process	2,088	2,354
Raw materials and stores	7,043	6,471
Other	10,150	10,262
Allowance for doubtful receivables	(36)	(28)
Total current assets	123,132	119,979
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	31,372	31,079
Machinery and transport equipment, net	14,632	14,383
Other, net	14,548	15,244
Total tangible fixed assets	60,553	60,707
Intangible fixed assets		
Goodwill	1,423	1,866
Other	2,248	2,769
Total intangible fixed assets	3,671	4,635
Investments and other assets		
Investment securities	13,323	12,917
Other	4,216	4,118
Allowance for doubtful receivables	(88)	(88)
Total investments and other assets	17,451	16,947
Total fixed assets	81,676	82,289
Deferred assets	301	226
Total assets	205,110	202,496

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Summary of Consolidated Financial Results [Japanese GAAP]  
for the Second Quarter of the Fiscal Year Ending May 31, 2012

	As of May 31, 2011	As of November 30, 2011
	Millions of yen	
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable	14,262	13,140
Short-term loans payables	10,917	9,040
Corporation tax payable	1,633	3,571
Other	14,080	13,962
Total current liabilities	40,893	39,714
Fixed liabilities		
Long-term loans payable	11,143	8,615
Allowance for employee retirement benefits	3,421	2,747
Negative goodwill	490	414
Other	13,364	12,822
Total fixed liabilities	28,419	24,600
Total liabilities	69,313	64,315
<b>Net assets</b>		
Shareholders' equity		
Common stock	14,932	14,932
Additional paid-in capital	17,265	17,265
Retained earnings	97,990	101,627
Treasury stock	(797)	(811)
Total shareholders' equity	129,391	133,014
Accumulated other comprehensive income		
Net unrealized gains on other securities	131	(8)
Translation adjustments	(1,769)	(3,186)
Total accumulated other comprehensive income	(1,638)	(3,194)
Minority interests	8,044	8,360
Total net assets	135,796	138,180
Total liabilities and net assets	205,110	202,496

This document is an English translation of parts of the Japanese-language original.  
All financial information has been prepared in accordance with generally accepted accounting principles in Japan.

(2) Consolidated Profit and Loss Statement and Consolidated Comprehensive Income Statement  
Consolidated Profit and Loss Statement

	First half of fiscal year ended May 31, 2011	First half of fiscal year ending May 31, 2012
	Millions of yen	
Net sales	73,907	73,452
Cost of sales	43,997	42,353
Gross profit on sales	29,910	31,099
Selling, general and administrative expenses	19,343	21,093
Operating income	10,566	10,005
Non-operating income		
Interest income	51	41
Dividend income	198	205
Amortization of negative goodwill	76	76
Equity in earnings of affiliates	101	100
Other miscellaneous income	716	505
Total non-operating income	1,144	929
Non-operating expenses		
Interest expense	185	160
Exchange loss	1,321	544
Other miscellaneous losses	276	253
Total non-operating expenses	1,783	958
Ordinary income	9,927	9,976
Extraordinary income		
Income on sale of fixed assets	8	8
Total extraordinary income	8	8
Extraordinary loss		
Fixed asset disposal loss	274	207
Loss on valuation of investment securities	676	293
Loss on adjustment for changes of accounting standard for asset retirement obligations	68	-
Total extraordinary loss	1,018	500
First-half net income before income taxes and minority interest	8,918	9,484
Corporation tax, inhabitant tax, and business tax	3,172	3,703
Income taxes deferred	525	(233)
Total income taxes	3,698	3,470
First-half net income before minority interests in income	5,219	6,014
Minority interests in income	410	563
First-half net income	4,809	5,450

Nippon Kayaku Co., Ltd.  
 Summary of Consolidated Financial Results [Japanese GAAP]  
 for the Second Quarter of the Fiscal Year Ending May 31, 2012

Consolidated Comprehensive Income Statement

	First half of fiscal year ended May 31, 2011	First half of fiscal year ending May 31, 2012
	Millions of yen	
First-half income before minority interests	5,219	6,014
Other comprehensive income		
Unrealized holding gains on other securities	103	(139)
Translation adjustments	(989)	(1,580)
Share of other comprehensive income of associates accounted for using equity method	(0)	0
Total other comprehensive income	(886)	(1,720)
First-half comprehensive income	4,333	4,293
First-half comprehensive income attributable to:		
Owners of the parent company	4,127	3,894
Minority interests	205	399

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(3) Consolidated Statement of Cash Flows

	First half of fiscal year ended May 31, 2011	First half of fiscal year ending May 31, 2012
	Millions of yen	
Cash flows from operating activities		
First-half net income before income taxes and minority interests	8,918	9,484
Depreciation and amortization	4,283	4,598
Increase (decrease) in reserve allowance	(1,007)	(790)
Interest and dividend income	(250)	(247)
Interest expense	185	160
Equity in (earnings) losses of affiliates	(101)	(100)
Loss (gain) on sale of tangible fixed assets	(8)	(8)
Loss (gain) on disposal of tangible fixed assets	274	207
Loss on adjustment for changes of accounting standard for asset retirement obligations	68	-
Loss (gain) on sale of investment securities	(2)	-
Loss (gain) on valuation of investment securities	676	293
(Increase) decrease in notes and accounts receivable	(995)	71
(Increase) decrease in inventory assets	(516)	(1,791)
(Increase) decrease in prepaid expenses	34	(47)
(Increase) decrease in accrued revenue	191	532
Decrease (increase) in advance payments	(2,509)	138
Increase (decrease) in notes and accounts payable	538	(782)
Increase (decrease) in accrued amount payable	(358)	(280)
Increase (decrease) in accrued expenses	(334)	(241)
Other	720	68
Subtotal	9,805	11,264
Interest and dividends received	281	247
Interest paid	(184)	(161)
Income taxes paid	(1,804)	(1,674)
Income taxes refund	7	35
Net cash provided by operating activities	8,105	9,711

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Summary of Consolidated Financial Results [Japanese GAAP]  
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	First half of fiscal year ended May 31, 2011	First half of fiscal year ending May 31, 2012
Millions of yen		
Cash flows from investing activities		
Purchase of time deposits	(0)	(11)
Proceeds from repayment of time deposits	0	36
Purchase of tangible fixed assets	(3,128)	(4,855)
Proceeds from sales of tangible fixed assets	18	5
Purchase of intangible fixed assets	(253)	(1,551)
Purchase of marketable securities	(1,998)	(503)
Proceeds from redemption of securities	1,998	–
Proceeds from sales of investment securities	12	–
Payments of long-term loans receivable	–	(2)
Payments for long-term prepaid expenses	(31)	(576)
Removal loss of fixed assets	(284)	(204)
Purchase of investments in subsidiaries	–	(19)
(Increase) decrease in short-term loans receivable	86	71
Other	112	297
Net cash used in investing activities	(3,467)	(7,312)
Cash flows from financing activities		
Increase (decrease) in short-term loans payable, net	(173)	(1,149)
Repayment of long-term loans	(2,881)	(3,032)
Repayment of construction cooperation fund	(492)	(473)
Dividends paid	(1,806)	(1,805)
Dividends paid to minority shareholders	(98)	(99)
Other	(41)	(12)
Net cash provided by financing activities	(5,494)	(6,572)
Effect of exchange rate changes on cash and cash equivalents	(425)	(398)
Increase (decrease) in cash and cash equivalents	(1,282)	(4,572)
Cash and cash equivalents at beginning of year	35,813	41,304
Cash and cash equivalents at end of year	34,530	36,732

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(3) Notes concerning going concern assumption

No items to report

(4) Segment information and other items

Segment information

First half of the previous consolidated fiscal year (June 1, 2010–November 30, 2010)

Information on sales and income (loss) by reportable segment

	Reportable segments				Others (Note 1)	Total	Adjust- ments (Note 2)	Consoli- dated (Note 3)
	Functional chemicals business	Pharma- ceuticals business	Safety systems business	Total				
Millions of yen								
Sales	35,846	24,861	9,326	70,035	3,872	73,907	–	73,907
Sales to third parties								
Intersegment sales and transfers	12	14	–	27	13	41	(41)	–
Total	35,859	24,876	9,326	70,063	3,885	73,949	(41)	73,907
Segment profit	6,165	5,206	733	12,105	981	13,087	(2,520)	10,566

Note 1: “Others” indicates business segments that are not included in the reportable segments, including the agrochemicals business and real estate business.

Note 2: The -2,520 million yen adjustment to segment profit includes a -7 million yen elimination of intersegment transactions and -2,513 million yen corporate expense not allocated to the reportable segments. The corporate expense is mainly a general and administrative expense that is not attributed to the reportable segments.

Note 3: Adjustments to segment income are made along with operating income from the quarterly consolidated profit and loss statement.

First half of the fiscal year ending May 31, 2012 (June 1, 2011–November 30, 2011)

Information on sales and income (loss) by reportable segment

	Reportable segments				Others (Note 1)	Total	Adjust- ments (Note 2)	Consoli- dated (Note 3)
	Functional chemicals business	Pharma- ceuticals business	Safety systems business	Total				
Millions of yen								
Sales	34,627	24,764	9,871	69,263	4,189	73,452	–	73,452
Sales to third parties								
Intersegment sales and transfers	8	0	–	8	14	22	(22)	–
Total	34,635	24,764	9,871	69,272	4,203	73,475	(22)	73,452
Segment income	5,865	4,976	1,050	11,892	898	12,790	(2,785)	10,005

Note 1: “Others” indicates business segments that are not included in the reportable segments, including the agrochemicals business and real estate business.

Note 2: The -2,785 million yen adjustment to segment income includes a -6 million yen elimination of intersegment transactions and -2,778 million yen corporate expense not allocated to the reportable segments. The corporate expense is mainly a general and administrative expense that is not attributed to the reportable segments.

Note 3: Adjustments to segment income are made along with operating income from the quarterly consolidated profit and loss statement.

(5) Notes in case of significant changes in the amount of shareholders' equity

No items to report