

Summary of Financial Statements (Consolidated)
for the Interim Period of the Fiscal Year Ending May 31, 2008

December 27, 2007

Listed company: Nippon Kayaku Co., Ltd. (URL <http://www.nipponkayaku.co.jp/>)

Listed stock exchange: Tokyo Stock Exchange, First Section

Code No.: 4272

Representative: (Position) President, (Name) Koichiro Shimada

Person in charge of inquiries:

(Position) Executive Officer, General Manager of Finance & Accounting Division, Administration Group,

(Name) Ryoichi Araki

Dividend Distribution Date: February 1, 2008

(Figures shown are rounded down to the nearest million yen.)

1. Consolidated Business Results for the Interim Period Ended November 2007 (June 1, 2007, to November 30, 2007)

(1) Consolidated Operating Results (Percentages indicate amount of change from the previous year.)

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Interim period ended November 30, 2007	72,118	(2.9)	6,594	(16.1)	5,724	(35.6)
Interim period ended November 30, 2006	74,267	8.6	7,856	23.0	8,891	12.9
Fiscal year ended May 31, 2007	148,124		13,536		15,138	

	Net income for the interim period (for the full year)		Net income per share for the interim period (for the full year)	Diluted net income per share for the interim period
	Millions of yen	%	Yen	Yen
Interim period ended November 30, 2007	2,414	(46.8)	13.29	13.16
Interim period ended November 30, 2006	4,540	(40.8)	24.98	24.71
Fiscal year ended May 31, 2007	6,610		36.37	36.11

(Reference) Equity in earnings of affiliates Interim period ended November 30, 2007: 146 million yen
 Interim period ended November 30, 2006: 109 million yen
 Fiscal year ended May 2007: 142 million yen

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of November 30, 2007	205,388	130,605	57.4	649.08
As of November 30, 2006	200,087	128,901	58.4	642.91
As of May 31, 2007	207,081	130,233	56.7	646.78

(Reference) Shareholders' Equity Interim period ended November 30, 2007: 117,901 million yen
 Interim period ended November 30, 2006: 116,851 million yen
 Fiscal year ended May 2007: 117,514 million yen

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All financial information has been prepared in accordance with generally accepted accounting principles in Japan.

(3) Status of Consolidated Cash Flow

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents at end of year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Interim period ended November 30, 2007	6,059	(8,955)	(4,740)	18,019
Interim period ended November 30, 2006	10,553	(6,753)	(5,209)	20,211
Fiscal year ended May 31, 2007	20,201	(17,882)	1,559	25,589

2. Status of Dividends

(Date)	Dividend amount per share		
	End of interim	End of year	Year
Yen			
Fiscal year ended May 31, 2007	10.00	10.00	20.00
Fiscal year ending May 31, 2008	10.00		20.00
Fiscal year ending May 31, 2008 (forecast)		10.00	

3. Consolidated Business Results Forecast for Fiscal Year Ending May 2008 (June 1, 2007 – May 31, 2008)

(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	%	Millions of yen
Full year	148,500	0.3	13,600	0.5	12,200	(19.4)	6,700	1.3	36.88

4. Other

(1) There is no major change in subsidiaries occurring during this year (changes in designated subsidiaries which involve changes to the consolidation range)

(2) Changes to accounting principles, procedures, methods of notation, or other items related to creation of the consolidated financial statements for the interim period (listed as changes to major items that form the basis for creation of the consolidated financial statements)

[1] Changes involving revision of accounting standards or similar items: No

[2] Changes other than [1]: Yes

(3) Number of shares issued (common stock)

[1] Number of shares issued at end of year (including treasury stock)

Interim period ended November 30, 2007: 182,503,570 shares

Interim period ended November 30, 2006: 182,503,570 shares

Fiscal year ended May 31, 2007: 182,503,570 shares

[2] Number of treasury stock shares at end of year

Interim period ended November 30, 2007: 860,914 shares

Interim period ended November 30, 2006: 750,133 shares

Fiscal year ended May 31, 2007: 812,449 shares

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Reference: Overview of Non-consolidated Business Results

1. Non-consolidated Business Results for the Interim Period Ended November 2007 (June 1, 2007, to November 30, 2007)

(1) Non-consolidated operating results (Percentages indicate amount of change from the previous year.)

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Interim period ended November 30, 2007	50,302	(2.3)	4,256	(2.5)	4,340	(30.1)
Interim period ended November 30, 2006	51,509	5.1	4,366	16.1	6,208	28.8
Fiscal year ended May 31, 2007	103,624		8,573		11,218	

	Net income for the interim period (for the full year)		Net income per share for the interim period (for the full year)
	Millions of yen	%	Yen
Interim period ended November 30, 2007	1,602	(52.2)	8.82
Interim period ended November 30, 2006	3,351	44.6	18.43
Fiscal year ended May 31, 2007	4,347		23.92

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of November 30, 2007	153,139	97,941	64.0	539.18
As of November 30, 2006	148,046	99,835	67.4	549.27
As of May 31, 2007	156,430	99,446	63.6	547.32

(Reference) Shareholders' Equity Interim period ended November 30, 2007: 97,941 million yen
Interim period ended November 30, 2006: 99,835 million yen
Fiscal year ended May 2007: 99,446 million yen

3. Non-consolidated Business Results Forecast for Fiscal Year Ending May 2008 (June 1, 2007 – May 31, 2008)

(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	%	Millions of yen
Full year	105,700	(2.0)	9,000	(5.0)	9,500	(15.3)	6,000	(38.0)	33.03

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

The forecast above is based on information that was obtainable and on assumptions pertaining to uncertain factors that can affect future business results, as of the date this report was announced. The actual business results may vary greatly due to a variety of future factors.

For details on assumptions and other matters relating to the business results forecast, refer to "Forecast for the Full Fiscal Year" on page 6.

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Operating Results

[1] Analysis of Operating Results

(1) Operating Results for Current Interim Period

In Japan's economy during the current interim period, corporate capital investment was strong and the employment situation recovered moderately. However, there is concern about the effects caused by the slowdown of the U.S. economy, which originated with the subprime loan problem. Also, due to soaring prices of crude oil and other raw materials, corporate earnings have been constricted.

The chemical products industry, centering on digital home electronics and other IT-related fields, tended to expand overall. However, the trend toward higher raw materials prices due to soaring crude oil prices continued as before, and due to effects such as the drop in product prices, conditions continued to be difficult from an earnings standpoint.

In the pharmaceuticals industry, generic drug use was being promoted and drug price revisions are expected next spring. Global competition in new drug research, development and sales intensified, and the fight for survival between companies became more severe.

Under such conditions, our Group is aiming for a company that can heighten our corporate value and achieve sustainable growth. We have also poured business resources into priority fields and have strived to reduce costs, in addition to shoring up the development of overseas operations.

As a result, consolidated sales for the current interim period were strong in the pharmaceuticals business, but because of a slump in the functional chemicals business and fine chemicals business, they reached 72.118 billion yen, a reduction of 2.148 billion yen (2.9%) from the previous interim period. Due to a slump in optical films in the electronic information materials business, consolidated operating income was 6.594 billion yen, a reduction of 1.262 billion yen (16.1%) from the previous interim period. Due to the effects of exchange rates, consolidated ordinary income was 5.724 billion yen, a reduction of 3.167 billion yen (35.6%) from the previous interim period. Consolidated net income for the interim period was 2.414 billion yen, a reduction of 2.126 billion yen (46.8%) from the previous interim period.

Compared to our company's business results, consolidated sales for the current interim period were 1.43 times those of the company alone, while consolidated net income for the interim period was 1.51 times that of the company.

(2) Summary by Business Segment

(Segment information by business type)

This section provides a summary of each business segment by type for the current interim period. Since the business segments have changed since the current interim period, portions from the previous interim period have been reclassified to the after-change segments in comparisons made with the previous interim period.

[Functional chemicals business]

Sales reached 29.104 billion yen, a reduction of 2.616 billion yen (8.2%) from the previous interim period.

In the functional materials business, sales of special epoxy resins for semiconductor encapsulation surpassed their sales from the previous interim period, thanks to strong sales of environment-responsive epoxy resins. Also, sales of UV-curing resins surpassed those of the previous interim period. Overall sales in the functional materials business were also up from the previous interim period.

In the electronic materials business, sales of dyes for inkjet printers and resins for optical disks were up from the previous interim period. In the area of optical films, sales of plasma display films and Polatechno polarizing films were much lower than those of the previous interim period. Overall sales in the electronic materials business were down from the previous interim period.

In the catalysts business, sales of catalysts for the manufacture of methacrylic acid were down from the previous interim period. But since sales of catalysts for the manufacture of acrylic acid went smoothly, overall sales in the catalysts business were up from the previous interim period.

Overall operating income in the functional chemicals business was 3.363 billion yen, a reduction of 1.632 billion yen (32.7%) from the previous interim period, which was due to factors such as a slump in the sale of optical films in the electronic materials business.

[Pharmaceuticals business]

Sales amounted to 21.172 billion yen, an increase of 442 million yen (2.1%) from the previous interim period.

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Pharmaceutical products for the Japanese domestic market included “ODYNE Tab.” (anti-cancer drug), “IA CALL” (arterial-injection anti-cancer drug), “PACLITAXEL Inj. NK” (anti-cancer drug), “CARBOMERCK” (anti-cancer drug), “EPIRUBICIN Inj. Merck” (anti-cancer drug), “CALSED” (anti-cancer drug), “SALIGREN capsules” (drug for treatment of dry mouth syndrome), “GELPART” (material for transcatheter arterial embolization), and their sales went smoothly, up from the previous interim period. On the other hand, due to factors such as competitor products, sales of “FARESTON Tab.” (anti-cancer drug), “RANDA Inj.” (anti-cancer drug), and “MILLISROL Inj.” (vasodilator) were down from the previous interim period. On the whole, sales of pharmaceutical products for the Japanese domestic market were higher than the previous interim period. Also, during the current interim period, “GRANISETRON Intravenous Injection NK” (antiemetic drug) and “LEVOFOLINATE intravenous injection drip NK” (effect-enhancing drug for anti-cancer drugs) were placed on the market.

In the area of exports, sales of “BLEO” (anti-cancer drug) were up from the previous interim period, but sales of “ETOPOSIDE” (anti-cancer drug) were down from the previous interim period. Overall, exports were down from the previous interim period.

As for active pharmaceutical ingredients for the Japanese domestic market, sales of generic drug materials were down from the previous interim period, and overall sales of active pharmaceutical ingredients for the domestic market were down from previous interim period.

In the area of diagnostic agents, sales of “LANAZYME ST-439 plates” (breast cancer diagnostic agent) and “LANA 1,5-AG” (diabetes diagnostic agents) were strong, surpassing those of the previous interim period.

Overall operating income for the pharmaceuticals business was 3.877 billion yen, an increase of 398 million yen (11.4%) from the previous interim period.

[Safety systems business]

Sales were 9.932 billion yen, an increase of 1.731 billion yen (21.1%) from the previous interim period.

Sales of airbag inflators and micro gas generators for seatbelt pretensioners went smoothly, exceeding sales from the previous interim period.

Overall operating income for the safety systems business was 284 million yen, a reduction of 164 million yen (36.7%) from the previous interim period, caused by factors such as higher raw material prices and an increase in depreciation due to aggressive capital investment.

[Fine chemicals business]

Sales were 10.427 billion yen, a reduction of 1.716 billion yen (14.1%) from the previous interim period.

In the agrochemicals business, both domestic sales and exports declined, and were down greatly compared to the previous interim period.

In the color chemicals business, domestic sales of dyes declined and were down compared to the previous interim period.

In the explosives business, sales were down from the previous interim period, due to a decline in demand for public works and stone crushing.

Overall operating income for the fine chemicals business was 776 million yen, a decrease of 229 million yen (22.8%) from the previous interim period, due to the effects that the drop in China’s value added tax refund rate had on the agrochemicals business and color chemicals business, in addition to the decline in the explosives business.

[Other businesses]

Sales were 1.481 billion yen, an increase of 10 million yen (0.7%) from the previous interim period.

Operating income was 798 million yen, on par with that from the previous interim period.

(Segment information by location)

This section provides a summary of each business segment by location for the current interim period.

[Japan]

Sales amounted to 61.408 billion yen, a reduction of 3.148 billion yen (4.9%) from the previous interim period.

Operating income was 8.333 billion yen, a reduction of 607 million yen (6.8%) from the previous interim period.

[Other regions]

Sales amounted to 10.71 billion yen, an increase of 999 million yen (10.3%) from the previous interim period. This was due to an expansion of sales such as those of Indet Safety Systems a.s. (Czech Republic). On the other hand, operating income was 622 million yen, a reduction of 1.384 billion yen (69.0%) from the previous interim period.

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This was caused by factors such as declining business results for LifeSparc Inc. and MOXTEK, Inc. (U.S.).

(3) Forecast for the Full Fiscal Year

The future of Japan's economy is difficult to predict. Although IT-related markets are recovering, the slowdown in the U.S. economy, rising prices of raw materials accompanying rising crude oil prices, and similar events are beginning to affect corporate business results and personal consumption.

Conditions in the business environment that envelops the Nippon Kayaku Group will also likely continue to be challenging. However, we are moving business operations forward by clarifying the business portfolios of growth-promoting businesses and businesses with stable earnings, and by improving the efficiency of business resources. As part of this, in the explosives business, the integration of industrial explosives business with the Asahi Kasei Chemicals Corporation is expected to occur in January 2008.

In a situation such as this, sales for the full fiscal year are expected to reach 148.5 billion yen (a year-on-year increase of 0.3%); operating income is expected to reach 13.6 billion yen (a year-on-year increase of 0.5%); ordinary income, 12.2 billion yen (a year-on-year reduction of 19.4%); and current net income, 6.7 billion yen (a year-on-year increase of 1.3%). Due to an increase in revenue, operating income is expected to increase; but as a result of the exchange rates, for instance, ordinary income is expected to drop. Incidentally, factors such as real estate sales are expected to cause current net income to increase.

[2] Analysis in Respect to the Financial Position

(1) Status of assets, liabilities and net assets

Assets were 205.388 billion yen, a reduction of 1.692 billion yen compared to the end of the preceding period. Primary increases occurred in inventory assets and tangible fixed assets from capital investment, while primary reductions occurred in marketable securities, and in cash and savings.

Liabilities were 74.783 billion yen, a reduction of 2.064 billion yen compared to the end of the preceding period. Primary increases occurred in notes payable and accounts payable, while primary reductions occurred in corporation tax payable and loans payable.

Net assets were 130.605 billion yen, an increase of 371 million yen compared to the end of the preceding period. The primary increase occurred in net income for the interim period, while the primary reduction was caused by the dividend payment.

(2) Status of Cash Flow

(Millions of yen)

	Previous interim period	Current interim period	Change from the interim period of the previous fiscal year
Cash flow from operating activities	10,553	6,059	(4,493)
Cash flow from investing activities	(6,753)	(8,955)	(2,202)
Cash flow from financing activities	(5,209)	(4,740)	469
Cash and cash equivalents at end of year	20,211	18,019	(2,192)

Cash flow from operating activities was 6.059 billion yen, a reduction of 4.493 billion yen from the previous interim period. This reduction was primarily due to a reduction in income (for the interim period) before income taxes and minority interests, and an increase in corporation tax paid.

Cash flow from investing activities indicated expenditures of 8.955 billion yen, an increase of 2.202 billion yen from the previous interim period. This increase was primarily caused by a reduction in revenue from the sale of marketable securities.

Cash flow from financing activities indicated a reduction of 469 million yen from the previous interim period, for total expenditures of 4.74 billion yen.

As a result, the balance of cash and cash equivalents at the end of the current interim period decreased by 7.569 billion yen from the end of the preceding period, reaching 18.019 billion yen.

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(Trends in cash flow indicators)

	Interim period ended November 2005	Interim period ended November 2006	Interim period ended November 2007	Fiscal year ended May 2007
Equity ratio (%)	56.9	58.4	57.4	56.7
Market-value-based equity ratio (%)	87.0	81.7	79.8	82.0
Debt redemption period (years)	0.9	0.6	1.6	1.1
Interest coverage ratio	41.9	54.6	23.1	37.2

Market-value-based equity ratio: Total market value of shares/Total assets

Debt redemption period: Interest-bearing debt/Operating cash flow (Operating cash flow was doubled for the interim period calculation.)

Interest coverage ratio: Operating cash flow/Interest payment

- Note:
- 1 Each indicator is calculated using consolidation-based financial figures.
 - 2 The total market value of shares is calculated as follows: Stock closing price at end of year × Number of issued shares at end of year (after deduction of treasury stock).
 - 3 Operating cash flow makes use of the cash flow from operating activities on the Consolidated Statements of Cash Flow (for the Interim Period). Interest-bearing debt includes all liabilities declared on the Consolidated Balance Sheets (for the Interim Period) in which interest is paid. Also, interest payments indicate the amount of paid interest in the Consolidated Statements of Cash Flow (for the Interim Period).

A dividend of 10 yen per share is expected to be implemented for the period's interim dividend, based on the aforementioned policy. A dividend of 10 yen per share is expected for the year-end dividend. Thus, the annual dividend will be 20 yen per share.

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Consolidated Financial Statements for the Interim Period

(1) Consolidated Balance Sheets for the Interim Period

	As of November 30, 2006	As of November 30, 2007	As of May 31, 2007	Comparative change from the current fiscal year end
	millions of yen	millions of yen	millions of yen	millions of yen
Assets				
Current assets				
Cash and savings	20,024	15,962	18,320	(2,358)
Notes receivable and accounts receivable	47,446	47,239	46,213	1,026
Marketable securities	256	2,534	7,377	(4,843)
Inventory assets	28,642	28,892	26,180	2,711
Deferred tax assets	2,452	2,076	2,422	(345)
Other	2,185	2,937	2,216	721
Allowance for doubtful receivables	(62)	(81)	(69)	(12)
Total current assets	100,944	99,561	102,661	(3,099)
Fixed assets				
Tangible fixed assets				
Buildings and structures	33,224	34,374	34,329	44
Machinery and transport equipment	17,036	21,007	19,757	1,249
Land	7,988	8,054	8,055	(0)
Construction in progress	4,972	6,376	4,586	1,789
Other	3,254	3,199	3,054	144
Total tangible fixed assets	66,478	73,011	69,783	
Intangible fixed assets				
Goodwill	2,925	1,984	2,042	(58)
Other	4,288	3,490	3,714	(224)
Total intangible fixed assets	7,213	5,475	5,757	
Investments and other assets				
Investments in securities	20,778	22,646	24,375	(1,729)
Long-term loans receivable	173	1,022	90	932
Deferred tax assets	273	300	294	6
Other	4,333	3,493	4,242	(748)
Allowance for doubtful receivables	(109)	(123)	(122)	(1)
Total investments and other assets	25,450	27,339	28,879	
Total fixed assets	99,142	105,826	104,419	1,406
Total assets	200,087	205,388	207,081	(1,692)

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	As of November 30, 2006	As of November 30, 2007	As of May 31, 2007	Comparative change from the current fiscal year end
	millions of yen	millions of yen	millions of yen	millions of yen
Liabilities				
Current liabilities				
Notes payable and accounts payable	19,497	17,805	15,836	1,968
Short-term loans payables	4,716	6,704	7,099	(395)
Accrued amount payable	6,923	8,251	6,754	1,496
Accrued expenses	4,709	4,217	4,490	(273)
Corporation tax payable	3,674	2,214	4,548	(2,334)
Deferred tax liabilities	0	0	0	(0)
Allowance for sales returns	54	32	57	(24)
Allowance for rebates	364	466	410	55
Allowance for directors' bonuses	93	65	171	(105)
Equipment-related notes payable	441	277	138	139
Other	1,239	908	808	100
Total current liabilities	41,714	40,944	40,316	627
Fixed liabilities				
Long-term loans payable	5,611	10,096	12,033	(1,937)
Deferred tax liabilities	5,258	4,336	5,414	(1,078)
Allowance for employee retirement benefits	3,320	4,330	3,904	426
Allowance for directors' retirement benefits	63	48	76	(28)
Allowance for repairs	623	712	668	43
Long-term deposits payable	14,056	13,698	13,846	(148)
Other	536	616	586	30
Total fixed liabilities	29,471	33,838	36,531	(2,692)
Total liabilities	71,185	74,783	76,847	(2,064)
Net assets				
Shareholders' equity				
Capital stock	14,932	14,932	14,932	
Additional paid-in capital	17,267	17,270	17,269	1
Retained earnings	79,228	80,078	79,481	597
Treasury stock	(450)	(563)	(514)	(48)
Total shareholders' equity	110,978	111,718	111,168	549
Unrealized gains and currency translation adjustments				
Net unrealized gains on other securities	4,601	3,792	5,068	(1,276)
Foreign currency translation adjustments	1,272	2,390	1,276	1,114
Total unrealized gains and currency translation adjustments	5,873	6,182	6,345	(162)
Minority interests	12,050	12,703	12,719	(15)
Total net assets	128,901	130,605	130,233	371
Total liabilities and net assets	200,087	205,388	207,081	(1,692)

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(2) Consolidated Profit and Loss Statement for the Interim Period

	Interim period ended November 30, 2006		Interim period ended November 30, 2007		Fiscal year ended May 31, 2007		Comparative change from the interim period of the previous fiscal year
	millions of yen		millions of yen		millions of yen		millions of yen
Net sales		74,267		72,118		148,124	(2,148)
Cost of sales		46,191		45,499		93,537	(692)
Gross profit on sales		28,076		26,619		54,587	(1,456)
Provision of allowance for sales returns		8		24		5	15
Total gross profit on sales		28,084		26,643		54,592	(1,440)
Selling, general, and administrative expenses							
Selling expenses	10,559		10,619		21,781		
General and administrative expenses	9,668	20,228	9,430	20,049	19,275	41,056	(178)
Operating income		7,856		6,594		13,536	(1,262)
Nonoperating income							
Interest received	53		87		128		
Dividends received	163		210		233		
Equity in earnings of affiliates	109		146		142		
Exchange gain	294				858		
Insurance dividends received	206		224		222		
Other miscellaneous income	837	1,664	290	958	1,128	2,712	(705)
Nonoperating expenses							
Interest paid	182		257		450		
Inventory asset disposal loss	97		57		116		
Expenses from underutilized real estate	44		47		105		
Exchange loss			1,272				
Other miscellaneous losses	304	629	194	1,828	436	1,110	1,199
Ordinary income		8,891		5,724		15,138	(3,167)
Extraordinary income							
Income on sale of fixed assets	71		8		235		
Income on sale of securities investments	191				191		
Reversal of allowance for doubtful receivables	6	269		8	10	437	(260)
Extraordinary loss							
Fixed asset disposal loss	658		822		1,047		
Soil investigation expenses	19				26		
Provision of allowance for doubtful receivables	4				73		
Impairment loss		682		822	819	1,966	139
Income before income taxes and minority interests		8,477		4,910		13,608	(3,567)
Corporation tax, inhabitant tax, and business tax	3,705		1,925		6,330		
Income taxes deferred	(673)	3,031	145	2,070	(826)	5,503	(960)
Minority interests		905		425		1,494	(480)
Net income		4,540		2,414		6,610	(2,126)

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(3) Consolidated Statement of Changes in Shareholders' Equity for the Interim Period

Interim period ended November 30, 2006

	Shareholders' equity				
	Capital stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of May 31, 2006 (millions of yen)	14,932	17,264	77,201	(398)	109,000
Amount of changes during consolidated interim period					
Dividend on surplus			(2,636)		(2,636)
Directors' bonuses via profit appropriation			(18)		(18)
Net income for interim period			4,540		4,540
Acquisition of treasury stock				(57)	(57)
Disposal of treasury stock		3		4	8
Increase resulting from newly consolidated subsidiaries			140		140
Total amount of changes during consolidated interim period (millions of yen)		3	2,026	(52)	1,977
Balance as of November 30, 2006 (millions of yen)	14,932	17,267	79,228	(450)	110,978

	Unrealized gains and currency translation adjustments			Minority interests	Total net assets
	Net unrealized gains on other securities	Foreign currency translation adjustments	Total unrealized gains and currency translation adjustments		
Balance as of May 31, 2006 (millions of yen)	5,216	1,158	6,375	11,653	127,030
Amount of changes during consolidated interim period					
Dividend on surplus					(2,636)
Directors' bonuses via profit appropriation					(18)
Net income for interim period					4,540
Acquisition of treasury stock					(57)
Disposal of treasury stock					8
Increase resulting from newly consolidated subsidiaries					140
Amount of changes for items other than shareholders' equity during consolidated interim period (net)	(615)	113	(502)	396	(105)
Total amount of changes during consolidated interim period (millions of yen)	(615)	113	(502)	396	1,871
Balance as of November 30, 2006 (millions of yen)	4,601	1,272	5,873	12,050	128,901

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Interim period ended November 30, 2007

	Shareholders' equity				
	Capital stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of May 31, 2007 (millions of yen)	14,932	17,269	79,481	(514)	111,168
Amount of changes during consolidated interim period					
Dividend on surplus			(1,816)		(1,816)
Net income for interim period			2,414		2,414
Acquisition of treasury stock				(51)	(51)
Disposal of treasury stock		1		2	4
Total amount of changes during consolidated interim period (millions of yen)		1	597	(48)	549
Balance as of November 30, 2007 (millions of yen)	14,932	17,270	80,078	(563)	111,718

	Unrealized gains and currency translation adjustments			Minority interests	Total net assets
	Net unrealized gains on other securities	Foreign currency translation adjustments	Total unrealized gains and currency translation adjustments		
Balance as of May 31, 2007 (millions of yen)	5,068	1,276	6,345	12,719	130,233
Amount of changes during consolidated interim period					
Dividend on surplus					(1,816)
Net income for interim period					2,414
Acquisition of treasury stock					(51)
Disposal of treasury stock					4
Amount of changes for items other than shareholders' equity during consolidated interim period (net)	(1,276)	1,114	(162)	(15)	(178)
Total amount of changes during consolidated interim period (millions of yen)	(1,276)	1,114	(162)	(15)	371
Balance as of November 30, 2007 (millions of yen)	3,792	2,390	6,182	12,703	130,605

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Fiscal year ended May 31, 2007

	Shareholders' equity				
	Capital stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of May 31, 2006 (millions of yen)	14,932	17,264	77,201	(398)	109,000
Amount of changes during consolidated fiscal year					
Dividend on surplus			(2,636)		(2,636)
Dividend on surplus (interim dividend)			(1,817)		(1,817)
Directors' bonuses via profit appropriation			(18)		(18)
Net income			6,610		6,610
Acquisition of treasury stock				(123)	(123)
Disposal of treasury stock		4		7	12
Increase from increase in consolidated subsidiaries			140		140
Total amount of changes during consolidated fiscal year (millions of yen)		4	2,279	(116)	2,167
Balance as of May 31, 2007 (millions of yen)	14,932	17,269	79,481	(514)	111,168

	Unrealized gains and currency translation adjustments			Minority interests	Total net assets
	Net unrealized gains on other securities	Foreign currency translation adjustments	Total unrealized gains and currency translation adjustments		
Balance as of May 31, 2006 (millions of yen)	5,216	1,158	6,375	11,653	127,030
Amount of changes during consolidated fiscal year					
Dividend on surplus					(2,636)
Dividend on surplus (interim dividend)					(1,817)
Directors' bonuses via profit appropriation					(18)
Net income					6,610
Acquisition of treasury stock					(123)
Disposal of treasury stock					12
Increase from increase in consolidated subsidiaries					140
Amount of changes for items other than shareholders' equity during consolidated fiscal year (net)	(148)	118	(29)	1,065	1,035
Total amount of changes during consolidated fiscal year (millions of yen)	(148)	118	(29)	1,065	3,203
Balance as of May 31, 2007 (millions of yen)	5,068	1,276	6,345	12,719	130,233

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(4) Consolidated Cash Flow Statement for the Interim Period

	Interim period ended November 30, 2006	Interim period ended November 30, 2007	Fiscal year ended May 31, 2007	Comparative change from the interim period of the previous fiscal year
	millions of yen	millions of yen	millions of yen	millions of yen
Cash flow from operating activities				
Income (for interim period) before income taxes and minority interests	8,477	4,910	13,608	(3,567)
Depreciation	4,039	5,090	8,730	1,050
Impairment loss			819	
Change in reserve allowance	466	380	1,255	(85)
Interest and dividends received	(217)	(298)	(361)	(81)
Interest paid	182	257	450	75
Equity in earnings of affiliates	(109)	(146)	(142)	(36)
Loss on retirement of tangible fixed assets	658	821	1,047	163
Income on sale of tangible fixed assets	(71)	(8)	(216)	62
Income on sale of securities investments	(191)	3	(191)	195
Change in notes and accounts receivable	(1,677)	(992)	(355)	685
Change in inventory assets	(1,846)	(2,696)	681	(850)
Change in prepaid expenses	(51)	39	(164)	91
Change in accrued revenue	104	341	5	237
Change in purchase debt	2,472	1,985	(1,244)	(487)
Change in accrued amount payable	(917)	455	(757)	1,372
Change in accrued consumption tax	21		24	(21)
Change in accrued expenses	278	(264)	136	(543)
Other	(18)	390	(381)	408
Subtotal	11,603	10,270	22,944	(1,332)
Interest and dividends received	216	298	638	82
Interest paid	(193)	(262)	(542)	(68)
Corporation tax paid	(1,073)	(4,248)	(2,839)	(3,174)
Cash flow from operating activities	10,553	6,059	20,201	(4,493)

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	Interim period ended November 30, 2006	Interim period ended November 30, 2007	Fiscal year ended May 31, 2007	Comparative change from the interim period of the previous fiscal year
	millions of yen	millions of yen	millions of yen	millions of yen
Cash flow from investing activities				
Revenue from repayment of time deposits	2	25	12	22
Expenditure from deposit of time deposits	(9)	(83)	(59)	(73)
Expenditure from acquisition of marketable securities	(999)		(2,996)	999
Revenue from sale of marketable securities	6,496		8,494	(6,496)
Expenditure from acquisition of tangible fixed assets	(9,093)	(6,766)	(17,219)	2,326
Revenue from sale of tangible fixed assets	81	40	307	(41)
Expenditure from acquisition of intangible fixed assets	(74)	(231)	(185)	(156)
Expenditure from acquisition of investments in securities	(1,052)	(2,473)	(3,946)	(1,421)
Revenue from investments in securities	539	2,196	539	1,656
Expenditure from long-term loans receivable	(2)	(1,005)	(2)	(1,003)
Expenditure from increase in long-term prepaid expenses	(473)	(106)	(813)	367
Expenditures for removal of fixed assets	(1,941)	(627)	(2,223)	1,314
Other	(227)	77	208	304
Cash flow from investing activities	(6,753)	(8,955)	(17,882)	(2,202)
Cash flow from financing activities				
Change in short-term loans payable	(292)	219	61	512
Revenue from long-term loans			10,000	
Expenditure from repayment of long-term loans payable	(1,608)	(2,538)	(3,232)	(930)
Expenditure from repayment of construction cooperation fund	(135)	(117)	(234)	18
Dividends paid	(2,622)	(1,811)	(4,434)	811
Dividends paid to minority shareholders	(518)	(376)	(537)	141
Other	(31)	(115)	(62)	(84)
Cash flow from financing activities	(5,209)	(4,740)	1,559	469
Effect of exchange rate changes on cash and cash equivalents	76	66	166	(10)
Change in cash and cash equivalents	(1,332)	(7,569)	4,044	(6,236)
Cash and cash equivalents at beginning of year	21,424	25,589	21,424	4,164
Change in cash and cash equivalents accompanying new consolidation	119		119	(119)
Cash and cash equivalents at end of period (year)	20,211	18,019	25,589	(2,192)

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