

**Summary of Financial Statements (Consolidated)
for the Fiscal Year Ended May 31, 2008**

June 27, 2008

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

Code No.: 4272

Listed stock exchange: Tokyo Stock Exchange, First Section

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

Scheduled date of ordinary general meeting of shareholders: August 28, 2008

Scheduled date of securities report submission: August 28, 2008

Scheduled date for start of dividend payments: August 29, 2008

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

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

(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	%
Fiscal year ended May 31, 2008	144,901	(2.2)	12,451	(8.0)	11,405	(24.7)
Fiscal year ended May 31, 2007	148,124	5.8	13,536	2.4	15,138	5.4

	Net income		Net income per share	Diluted net income per share	Return on equity	Ordinary income to total assets ratio	Operating income to net sales ratio
	Millions of yen	%	Yen	Yen	%	%	%
Fiscal year ended May 31, 2008	6,630	0.3	36.50	36.32	5.6	5.5	8.6
Fiscal year ended May 31, 2007	6,610	(31.4)	36.37	36.11	5.7	7.3	9.1

Note: Equity in earnings of non-consolidated subsidiaries and affiliated companies Fiscal year ended May 31, 2008: 259 million yen
Fiscal year ended May 31, 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 May 31, 2008	207,269		131,074	57.2	652.54
As of May 31, 2007	207,081		130,233	56.7	646.78

Note: Shareholders' equity Fiscal year ended May 31, 2008: 118,516 million yen
Fiscal year ended May 31, 2006: 117,514 million yen

(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
Fiscal year ended May 31, 2008	15,975	(17,929)	(1,880)	21,662
Fiscal year ended May 31, 2007	20,201	(17,882)	1,559	25,589

2. Status of Dividends

(Date)	Dividend amount per share			Total dividend payment (year)	Dividend payout ratio (consolidated)	Dividend on equity ratio (consolidated)
	End of interim	End of year	Year			
	Yen			Millions of yen	%	%
Fiscal year ended May 31, 2007	10.00	10.00	20.00	3,634	55.0	3.1
Fiscal year ended May 31, 2008	10.00	10.00	20.00	3,632	54.8	3.1
Fiscal year ended May 31, 2009 (forecast)	10.00	10.00	20.00		51.9	

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.

3. Consolidated Business Results Forecast for Fiscal Year Ending May 2009 (June 1, 2008 – May 31, 2009)

(For the full year, percentages indicate amount of change from the previous year.
For the interim, percentages indicate the change from the interim in 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
Interim	74,000	2.6	6,500	(1.4)	6,900	20.5	3,300	36.7	18.17
Full year	151,000	4.2	14,000	12.4	14,500	27.1	7,000	5.6	38.54

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 (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)

Fiscal year ended May 31, 2008: 182,503,570 shares

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

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

Fiscal year ended May 31, 2008: 881,081 shares

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

Reference: Overview of Non-consolidated Business Results

1. Non-consolidated Business Results for the Year Ended May 2008 (June 1, 2007 – May 31, 2008)

(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	%
Fiscal year ended May 31, 2008	103,673	0.0	8,901	3.8	10,084	(10.1)
Fiscal year ended May 31, 2007	103,624	4.0	8,573	19.8	11,218	35.9

	Net income		Net income per share	Diluted net income per share
	Millions of yen	%	Yen	Yen
Fiscal year ended May 31, 2008	6,372	46.6	35.08	
Fiscal year ended May 31, 2007	4,347	47.7	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 May 31, 2008	156,688	99,964	63.8	550.38
As of May 31, 2007	156,430	99,446	63.6	547.32

Note: Shareholders' equity Fiscal year ended May 31, 2008: 99,446 million yen
Fiscal year ended May 31, 2007: 99,446 million yen

2. Non-consolidated Business Results Forecast for Fiscal Year Ending May 2009 (June 1, 2008 – May 31, 2009)

(For the full year, percentages indicate amount of change from the previous year.
For the interim, percentages indicate the change from the interim in 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
Interim	51,000	1.4	4,400	3.4	5,500	26.7	3,500	118.4	19.27
Full year	104,500	0.8	9,800	10.1	11,000	9.1	6,500	2.0	35.79

* 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 Next Fiscal Year" on page 5.

1. Operating Results

(1) Analysis Related to Operating Results

[1] Business Results for the Current Year

The Japanese economy during this period saw corporate profits compressed not only by high raw material prices caused by factors such as the soaring price of oil, but also by the slowdown in the U.S. economy at the start of the year that affected the exchange rates and resulted in a drastic devaluing of the dollar.

In the chemical products industry, despite generally strong growth in digital home electronics and other IT-related fields, the increasing price of raw materials caused by high oil prices, and compounded by the decline in product prices, resulted in continuing difficult conditions.

In the pharmaceuticals industry, drug price standards were revised downward in April of this year. In addition, the trend toward reducing drug costs by means such as promoting the use of generic pharmaceuticals continues to grow stronger, and global competition in the development and sales of new drugs has become more active than ever. As a result, the struggle among companies to survive is becoming increasingly fierce.

In the automobile industry, although sales in Japan were sluggish, the market continued to expand as a result of growth in emergent nations such as China. Under these conditions, automobile airbags for collision safety systems are being increasingly installed in the driver and passenger seats, and side airbags are also being increasingly installed for protection against side collisions.

Under these conditions, in order to be a business that is able to deliver greater corporate value and continual growth, the Nippon Kayaku Group has worked to improve profits by cutting costs, further clarifying our portfolio, investing management resources in key fields, and strengthening our overseas operations.

However, while sales increased in the safety systems business and pharmaceuticals business, the incorporation of the explosives business into the equity method subsidiary Kayaku Japan Co., Ltd. resulted in a decrease in income for the months of January through May, and sales were slow in the electronic materials business. As a result of these and other factors, consolidated sales for this fiscal year were 144.901 billion yen, a decrease of 3.222 billion yen (2.2%) from the same period in the previous fiscal year. In terms of income, factors such as slow sales of optical functional films in the electronic materials business resulted in consolidated operating income of 12.451 billion yen, a decrease of 1.084 billion yen (8.0%) from the previous fiscal year. Consolidated ordinary income was largely affected by the exchange rate and totaled 11.405 billion yen, a decrease of 3.732 billion yen (24.7%) from the previous fiscal year. Due to income from sources such as the sale of real estate, consolidated net income was 6.630 billion yen, an increase of 190 million yen (0.3%) over the previous fiscal year.

Compared to our company's business results, consolidated net sales in the Nippon Kayaku Group for the current year were 1.40 times that of the company on its own, while consolidated net income was 1.04 times that of the company on its own.

[2] Summary by Business Segment

(Segment information by type of business)

This section provides a summary of the current year's performance by the type of business segment. Because the business segments were changed beginning from this consolidated fiscal year, the information from the preceding fiscal year has been changed to the new segments for the purpose of comparison.

[Functional chemicals business]

Sales were 59.593 billion yen, a decrease of 2.348 billion yen (3.8%) from the previous fiscal year.

In the functional materials business, sales of special epoxy resins for semiconductor encapsulation exceeded the level of the previous fiscal year thanks to strong sales of our environmentally friendly epoxy resins. Sales of UV-curing resins were also up from the previous fiscal year. Performance for the functional materials business as a whole exceeded the level of the previous fiscal year.

In the electronic materials business, sales of colors for inkjet printers were up from the previous fiscal year. In the combined materials field, sales of resins for optical disks were also higher, however sales of resins for lenses were below the level of the previous fiscal year. Among our optical functional films, sales of films for plasma displays were down from the previous fiscal year. While Polatechno experienced higher sales of dye-type polarizing films for on-board use in automobiles, the polarizing films used in rear projection televisions were affected by a contraction of the market for these televisions, and sales of these products were down from the level of the previous fiscal year. Overall, sales in the electronic materials business were below the level of the previous fiscal year.

In the catalysts business, sales of catalysts for methacrylic acid manufacturing were strong, surpassing sales from the previous fiscal year.

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.

Overall operating income for the functional chemicals business was 7.019 billion yen. While the functional materials business and catalyst business delivered strong performance, the large effects of soaring raw materials prices and the slow sales of Polatechno inorganic polarizing films resulted in operating income that was 1.404 billion yen (16.7%) below the level of the previous fiscal year.

[Pharmaceuticals business]

Sales amounted to 42.325 billion yen, an increase of 625 million yen (1.5%) over the previous fiscal year.

Among pharmaceutical products for the Japanese domestic market, the new products “GRANISETRON Intravenous Injection NK” (anti-emetic drug) and “LEVOFOLINATE intravenous injection drip NK” (effect-enhancing drug for anti-cancer drugs) made a large contribution to sales. Sales of “ODYNE Tab.” (anti-cancer drug), “PACLITAXEL Inj. NK” (anti-cancer drug), “IA CALL” (arterial-injection anti-cancer drug), “CARBOMERCK” (anti-cancer drug), “EPIRUBICIN Inj. Merck” (anti-cancer drug), “CALSED” (anti-cancer drug), and “GELPART” (material for transcatheter arterial embolization) were also strong, and exceeded the levels of the previous fiscal year. On the other hand, due to the effects of competitor products and other factors, sales of “FARESTON Tab.” (anti-cancer drug) and “MILLISROL Inj.” (vasodilator) fell below the level of the previous fiscal year. Overall, sales of pharmaceuticals for the Japanese domestic market were up from the previous fiscal year.

In the area of exports, sales of BLEO (anti-cancer drug) were up from the previous fiscal year, but sales of ETOPOSIDE (anti-cancer drug) were down from the previous fiscal year. Overall, exports were down from the previous fiscal year.

As for active pharmaceutical ingredients for the Japanese domestic market, because sales of generic drug materials were down from the previous fiscal year, overall sales of active pharmaceutical ingredients for the domestic market were also down.

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

Overall operating income for the pharmaceuticals business was 7.837 billion yen, an increase of 362 million yen (4.8%) over the previous fiscal year.

[Safety systems business]

Sales were 20.274 billion yen, an increase of 3.291 billion yen (19.4%) over the previous fiscal year.

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

Overall operating income for the safety systems business was 180 million yen, an increase of 296 million yen over the previous fiscal year.

[Fine chemicals business]

On January 2, 2008, the Nippon Kayaku explosives business was integrated to form Kayaku Japan Co., Ltd., a new company created by joint investment between Nippon Kayaku and the Asahi Kasei Chemicals Corporation. Because Kayaku Japan is accounted for by the equity method, the results from the Nippon Kayaku explosives business are consolidated only for the period from June through December of 2007.

Sales were 19.719 billion yen, a decrease of 4.819 billion yen (19.6%) from the previous fiscal year.

In the agrochemicals business, results were significantly below the level of the previous fiscal year due to slumping domestic sales.

In the color chemicals business, results were down from the previous fiscal year due to slow sales of textile dyes.

In the explosives business, results were significantly below the level of the previous fiscal year as a result of the business integration that formed Kayaku Japan Co. Ltd.

Overall operating income for the fine chemicals business was 1.123 billion yen, a decrease of 717 million yen (39.0%) from the previous fiscal year. This was due to the effects of integrating our explosives business, as well as to the large effects that elimination of China's value-added tax refund and the rising price of raw materials had on the color chemicals business.

[Other business]

Sales amounted to 2.989 billion yen, up 28 million yen (1.0%) over the previous fiscal year.

Operating income was 1.592 billion yen, approximately the same as the previous fiscal year.

(Segment information by location)

This section provides a summary of the current year's performance by location segment.

[Japan]

Sales amounted to 125.169 billion yen, a decrease of 3.280 billion yen (2.6%) from the previous fiscal year.

Operating income was 16.531 billion yen, a decrease of 911 million yen (5.2%) from the previous fiscal year.

[Other regions]

Sales amounted to 19.732 billion yen, an increase of 57 million yen (0.3%) over the previous fiscal year.

Sales of Indet Safety Systems a.s. in the Czech Republic increased, while sales of Moxtek Inc. in the U.S. fell. In China, sales of Polatechno (Hong Kong) Co., Ltd. decreased.

Operating income was 1.442 billion yen, a decrease of 261 million yen (15.4%) from the previous fiscal year.

[3] Forecast for the Next Fiscal Year

In the future, the Japanese economy will continue to suffer large effects from the slowdown in the U.S. economy and high raw material prices caused by the soaring price of oil. In addition, sluggish personal consumption and other factors have resulted in the concern that the economy may be entering a recession.

Under these economic conditions, it is expected that the environment surrounding the Nippon Kayaku Group will continue to be harsh. We will work to improve profits through means such as further cutting costs and revising product prices in accordance with the recent high costs of raw materials. We will also take steps such as accelerating our research and development so that the results from the investment of management resources can be more quickly applied to our business results.

Sales for the next fiscal year are expected to be 151.0 billion yen (up 4.2% over the current fiscal year). Operating income is expected to be 14.0 billion yen (up 12.4%). Ordinary income is expected to be 14.5 billion yen (up 27.1%), and net income is expected to be 7.0 billion yen (up 5.6%).

The exchange rate is forecast to be 106 yen/dollar.

(2) Analysis in Respect to the Financial Position

[1] Status of Assets, Liabilities, and Net Assets

Assets increased by 188 million yen over the previous fiscal year to reach 207.269 billion yen. The primary increase was due to an increase in loans to affiliated companies, while the primary decrease was due to a reduction in marketable securities and inventory assets.

Liabilities decreased by 652 million yen from the previous fiscal year to reach 76.195 billion yen. The primary reduction was from a decrease in corporate taxes payable.

Net assets increased by 840 million yen over the previous fiscal year to reach 131.074 billion yen. The primary increase was from a rise in net income, while the primary decrease was from reduced payment of dividends.

[2] Cash Flow Status

	Previous fiscal year	Current fiscal year	Change from previous fiscal year
	Millions of yen	Millions of yen	Millions of yen
Cash flow from operating activities	20,201	15,975	(4,226)
Cash flow from investing activities	(17,882)	(17,929)	(46)
Cash flow from financing activities	1,559	(1,880)	(3,440)
Cash and cash equivalents at end of year	25,589	21,662	(3,926)

Cash flow from operating activities decreased by 4.226 billion yen from the previous fiscal year to reach 15.975 billion yen. This decrease was primarily due to an increase in corporate and other taxes that were paid.

Cash flow from investing activities showed an increase in expenditures of 46 million yen, for a total expenditure of 17.929 billion yen.

Cash flow from financing activities showed a decrease in income of 3.440 billion yen from the previous fiscal year, resulting in a total expenditure of 1.880 billion yen. This decrease was primarily due to a decrease in income from long-term loans receivable.

As a result of the above, the balance of cash and cash equivalents at the end of the year decreased by 3.926 billion yen from the end of the previous fiscal year to reach 21.662 billion yen.

(Trends in cash flow indicators)

	Fiscal year ended May 2004	Fiscal year ended May 2005	Fiscal year ended May 2006	Fiscal year ended May 2007	Fiscal year ended May 2008
Equity ratio (%)	55.7	57.2	56.2	56.7	57.2
Market-value-based equity ratio (%)	55.8	59.0	84.7	82.0	61.6
Debt redemption period (years)	3.6	1.4	1.2	1.1	1.4
Interest coverage ratio	11.4	29.1	33.3	37.2	31.7

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

Debt redemption period: Interest-bearing debt/Operating cash flow

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 × No. 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. Interest-bearing debt includes all liabilities declared on the Consolidated Balance Sheets in which interest is paid. Also, interest payments indicate the amount of paid interest in the Consolidated Statements of Cash Flow.

(3) Basic Policy Concerning Profit Dividends and Dividends for the Current and Next Fiscal Year

At Nippon Kayaku, we have long concentrated on returning profits to all our shareholders. In order to further clarify this policy, the payment of dividends has been linked to the consolidated performance results for each year. With consideration for stable and continuing profit returns and for the level of internal profit retention, we have established a mid-range target of 40% of consolidated net income as the dividend payout ratio. However, this figure will be adjusted as necessary if any special variable factors occur. Profits retained by the company will be allocated to capital investment, research and development, and other needs for growth fields, in order to raise the value of the company.

The year-end dividend for the current year is expected to be 10 yen per share. Together with the interim dividend, this results in an annual dividend of 20 yen per share.

The expected dividends for next fiscal year are 10 yen per share for the interim dividend and 10 yen per share for the year-end dividend. The result is expected to be a continued annual dividend of 20 yen per share.

4. Consolidated Financial Statements
(1) Consolidated Balance Sheets

	As of May 31, 2007	As of May 31, 2008	Comparative change
	Millions of yen	Millions of yen	Millions of yen
Assets			
Current assets			
Cash and savings	18,320	18,299	(21)
Notes and accounts receivable	46,213	48,731	2,517
Marketable securities	7,377	3,825	(3,551)
Inventory assets	26,180	24,503	(1,677)
Deferred tax assets	2,422	2,144	(277)
Other	2,216	5,746	3,530
Allowance for doubtful receivables	(69)	(133)	(64)
Total current assets	102,661	103,117	456
Fixed assets			
Tangible fixed assets			
Buildings and structures	34,329	33,558	(770)
Machinery and transport equipment	19,757	21,519	1,762
Land	8,055	7,880	(175)
Construction in progress	4,586	4,436	(149)
Other	3,054	2,774	(279)
Total tangible fixed assets	69,783	70,170	387
Intangible fixed assets			
Goodwill	2,042	3,311	1,268
Other	3,714	2,919	(795)
Total intangible fixed assets	5,757	6,230	473
Investments and other assets			
Investment securities	24,375	23,520	(854)
Long-term loans receivable	90	869	779
Long-term prepaid expenses	2,576	1,919	(657)
Deferred tax assets	294	277	(17)
Other	1,665	1,271	(393)
Allowance for doubtful receivables	(122)	(107)	14
Total investments and other assets	28,879	27,750	(1,128)
Total fixed assets	104,419	104,151	(268)
Total assets	207,081	207,269	188

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.

	As of May 31, 2007	As of May 31, 2008	Comparative change
	Millions of yen	Millions of yen	Millions of yen
Liabilities			
Current liabilities			
Notes payable and accounts payable	15,836	17,986	2,149
Short-term loans payables	7,099	8,175	1,075
Accrued amount payable	6,754	6,743	(11)
Accrued expenses	4,490	4,706	215
Corporation tax payable	4,548	1,514	(3,034)
Deferred tax liabilities	0	0	(0)
Allowance for sales returns	57	32	(24)
Allowance for rebates	410	373	(37)
Allowance for directors' bonuses	171	134	(36)
Equipment-related notes payable	138	42	(95)
Other	808	918	109
Total current liabilities	40,316	40,627	310
Fixed liabilities			
Long-term loans payable	12,033	11,727	(306)
Deferred tax liabilities	5,414	4,659	(754)
Allowance for employee retirement benefits	3,904	4,674	770
Allowance for directors' retirement benefits	76	55	(21)
Allowance for repairs	668	741	73
Long-term deposits payable	13,846	13,053	(793)
Other	586	655	69
Total fixed liabilities	36,531	35,567	(963)
Total liabilities	76,847	76,195	(652)
Net assets			
Shareholders' equity			
Common stock	14,932	14,932	
Additional paid-in capital	17,269	17,270	1
Retained earnings	79,481	82,477	2,996
Treasury stock	(514)	(578)	(63)
Total shareholders' equity	111,168	114,102	2,934
Valuation and translation adjustments			
Net unrealized gains on other securities	5,068	2,821	(2,247)
Translation adjustments	1,276	1,592	315
Total valuation and translation adjustments	6,345	4,413	(1,931)
Minority interests	12,719	12,557	(161)
Total net assets	130,233	131,074	840
Total liabilities and net assets	207,081	207,269	188

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

	Fiscal year ended May 31, 2007		Fiscal year ended May 31, 2008		Comparative change
	Millions of yen		Millions of yen		Millions of yen
Net sales		148,124		144,901	(3,222)
Cost of sales		93,537		93,204	(332)
Gross profit on sales		54,587		51,697	(2,889)
Provision of allowance for sales returns		5		24	19
Total gross profit on sales		54,592		51,722	(2,870)
Selling, general, and administrative expenses					
Selling expenses	21,781		20,732		
General and administrative expenses	19,275	41,056	18,538	39,270	(1,785)
Operating income		13,536		12,451	(1,084)
Non-operating income					
Interest received	128		191		
Dividends received	233		312		
Equity in earnings of affiliates	142		259		
Exchange gain	858				
Insurance dividends received	222		224		
Development costs received			650		
Other miscellaneous income	1,128	2,712	763	2,401	(310)
Non-operating expenses					
Interest paid	450		527		
Inventory asset disposal loss	116		129		
Expenses from under-utilized real estate	105		105		
Exchange loss			2,132		
Other miscellaneous losses	436	1,110	552	3,447	2,337
Ordinary income		15,138		11,405	(3,732)
Extraordinary income					
Income on sale of fixed assets	235		3,842		
Income on sale of securities investments	191		439		
Reversal of allowance for doubtful receivables	10	437		4,282	3,845
Extraordinary loss					
Fixed asset disposal loss	1,047		1,221		
Inventory asset disposal loss			1,684		
Loss on valuation of investment securities			82		
Provision of allowance for doubtful receivables	73		10		
Impairment loss	819				
Soil investigation expenses	26	1,966		2,999	1,032
Income before income taxes		13,608		12,688	(919)
Corporation tax, inhabitant tax, and business tax	6,330		4,185		
Income taxes deferred	(826)	5,503	1,175	5,361	(142)
Minority interests		1,494		697	(797)
Net income		6,610		6,630	19

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.

(3) Consolidated Statement of Changes in Shareholders' Equity

Fiscal year ended May 31, 2007

	Shareholders' equity				
	Common 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 (midterm 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

	Valuation and translation adjustments			Minority interests	Total net assets
	Net unrealized gains on other securities	Translation adjustments	Total valuation and 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 (midterm 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

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.

Fiscal year ended May 31, 2008

	Shareholders' equity				
	Common 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 fiscal year					
Dividend on surplus			(1,816)		(1,816)
Dividend on surplus (midterm dividend)			(1,816)		(1,816)
Net income			6,630		6,630
Acquisition of treasury stock				(74)	(74)
Disposal of treasury stock		1		10	12
Total amount of changes during consolidated fiscal year (millions of yen)		1	2,996	(63)	2,934
Balance as of May 31, 2008 (millions of yen)	14,932	17,270	82,477	(578)	114,102

	Valuation and translation adjustments			Minority interests	Total net assets
	Net unrealized gains on other securities	Translation adjustments	Total valuation and 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 fiscal year					
Dividend on surplus					(1,816)
Dividend on surplus (midterm dividend)					(1,816)
Net income					6,630
Acquisition of treasury stock					(74)
Disposal of treasury stock					12
Amount of changes for items other than shareholders' equity during consolidated fiscal year (net)	(2,247)	315	(1,931)	(161)	(2,093)
Total amount of changes during consolidated fiscal year (millions of yen)	(2,247)	315	(1,931)	(161)	840
Balance as of May 31, 2008 (millions of yen)	2,821	1,592	4,413	12,557	131,074

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.

(4) Consolidated Cash Flow Statement

	Fiscal year ended May 31, 2007	Fiscal year ended May 31, 2008	Comparative change
	Millions of yen	Millions of yen	Millions of yen
Cash flow from operating activities			
Income before income taxes	13,608	12,688	(919)
Depreciation	8,730	10,867	2,136
Impairment loss	819		(819)
Change in reserve allowance	1,255	795	(459)
Interest and dividends received	(361)	(503)	(142)
Interest paid	450	527	76
Equity in earnings of affiliates	(142)	(259)	(117)
Loss on disposal of tangible fixed assets	1,047	1,219	172
Gain on sale of tangible fixed assets	(216)	(3,842)	(3,626)
Gain on sale of investment securities	(191)	(435)	(243)
Loss on valuation of investment securities		82	82
Change in notes and accounts receivable	(355)	(2,435)	(2,079)
Change in inventory assets	681	578	(103)
Change in prepaid expenses	(164)	185	350
Change in accrued revenue	5	(838)	(844)
Change in notes and accounts payable	(1,244)	2,521	3,765
Change in accrued amount payable	(757)	979	1,737
Change in accrued consumption tax	24	-	(24)
Change in accrued expenses	136	101	(35)
Other	(381)	783	1,165
Subtotal	22,944	23,015	70
Interest and dividends received	638	789	150
Interest paid	(542)	(503)	39
Income taxes paid	(2,839)	(7,327)	(4,487)
Cash flow from operating activities	20,201	15,975	(4,226)

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.

	Fiscal year ended May 31, 2007	Fiscal year ended May 31, 2008	Comparative change
	Millions of yen	Millions of yen	Millions of yen
Cash flow from investing activities			
Expenditure from deposit of time deposits	(59)	(284)	(225)
Revenue from repayment of time deposits	12	209	197
Expenditure from acquisition of marketable securities	(2,996)		2,996
Revenue from sale of marketable securities	8,494		(8,494)
Amount of change in short-term loans receivable		(2,615)	(2,615)
Expenditure from acquisition of tangible fixed assets	(17,219)	(14,222)	2,996
Revenue from sale of tangible fixed assets	307	4,230	3,923
Expenditure from acquisition of intangible fixed assets	(185)	(275)	(90)
Expenditure from acquisition of investments in securities	(3,946)	(4,033)	(87)
Revenue from sale of investment securities	539	3,023	2,483
Expenditure for acquisition of subsidiary stock accompanying change in consolidation range		(2,037)	(2,037)
Expenditure from long-term loans receivable	(2)	(1,006)	(1,004)
Expenditure from increase in long-term prepaid expenses	(813)	(178)	635
Expenditure for removal of fixed assets	(2,223)	(885)	1,338
Other	208	145	(62)
Cash flow from investing activities	(17,882)	(17,929)	(46)
Cash flow from financing activities			
Change in short-term loans payable	61	2,280	2,219
Revenue from long-term loans	10,000	5,000	(5,000)
Expenditure from repayment of long-term loans payable	(3,232)	(4,853)	(1,620)
Expenditure from repayment of construction cooperation fund	(234)	(234)	
Dividends paid	(4,434)	(3,621)	812
Dividends paid to minority shareholders	(537)	(383)	154
Other	(62)	(67)	(5)
Cash flow from financing activities	1,559	(1,880)	(3,440)
Effect of exchange rate changes on cash and cash equivalents	166	9	(157)
Change in cash and cash equivalents	4,044	(3,826)	(7,870)
Cash and cash equivalents at beginning of year	21,424	25,589	4,164
Change in cash and cash equivalents accompanying new consolidation	119		(119)
Change in cash and cash equivalents accompanying exclusion of consolidation		(100)	(100)
Cash and cash equivalents at end of year	25,589	21,662	(3,926)

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.