

Summary of Financial Statements (Consolidated)
Third Quarter Update for the Fiscal Year Ending May 31, 2009

March 27, 2009

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

1. Consolidated Business Results for First Three Quarters of Fiscal Year Ending May 31, 2009 (June 1, 2008 – February 28, 2009)

(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	%
First three quarters of fiscal year ending May 2009	102,114		8,100		6,579	
First three quarters of fiscal year ended May 2008	108,686	(2.0)	9,777	(11.7)	8,086	(33.7)

	First-three-quarter net income		First-three-quarter net income per share		Diluted first-three-quarter net income per share	
	Millions of yen	%	Yen		Yen	
First three quarters of fiscal year ending May 2009	1,769		9.74		9.68	
First three quarters of fiscal year ended May 2008	3,312	(37.7)	18.23		18.11	

(2) Consolidated Financial Position

	Total assets		Net assets		Equity ratio		Net assets per share	
	Millions of yen		Millions of yen		%		Yen	
As of February 28, 2009	198,256		123,095		56.2		614.12	
As of May 31, 2008	207,269		131,074		57.2		652.54	

Reference: Shareholders' equity As of February 28, 2009: 111,493 million yen
 As of May 31, 2008: 118,516 million yen

2. Status of Dividends

(Date)	Dividend amount per share				
	End of first quarter	End of second quarter	End of third quarter	End of year	Year
	Yen				
Fiscal year ended May 31, 2008		10.00		10.00	20.00
Fiscal year ending May 31, 2009		10.00			
Fiscal year ending May 31, 2009 (forecast)				10.00	20.00

Note: Corrections in this quarter to the expected dividend: None

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

(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	133,000	(8.2)	8,400	(32.5)	6,700	(41.3)	2,600	(60.8)	14.32

Note: Corrections in this quarter to the forecast consolidated business results: None

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4. Other

- (1) Major changes in subsidiaries occurring during the fiscal period (changes in designated subsidiaries that involve changes in scope of consolidation): None
Added: 0 companies
Removed: 0 companies
- (2) Adoption of simplified accounting processes or special accounting processes for creation of the quarterly consolidated financial statements: None
- (3) 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 quarterly consolidated financial statements)
[1] Changes involving revision of accounting standards or similar items: Yes
[2] Changes other than [1]: Yes
Note: For details, refer to “4. Others” under [Qualitative Information, Financial Statements and Other Information] on Page 5.
- (4) Number of shares issued (common stock)
[1] Number of shares issued at end of the fiscal period (including treasury stock)
End of third quarter of fiscal year ending May 31, 2009: 182,503,570 shares
End of fiscal year ended May 31, 2008: 182,503,570 shares
[2] Number of treasury stock shares at end of the fiscal period
End of third quarter of fiscal year ending May 31, 2009: 952,427 shares
End of fiscal year ended May 31, 2008: 881,081 shares
[3] Average number of shares during the fiscal period
Third quarter of fiscal year ending May 31, 2009: 181,580,084 shares
Third quarter of fiscal year ended May 31, 2008: 181,653,485 shares

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

1. 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.
2. Beginning from this fiscal year, Nippon Kayaku is utilizing the *Accounting Standards for Quarterly Financial Reporting* (ASBJ Statement No. 12) and *Implementation Guidance for Accounting Standards for Quarterly Financial Statements* (ASBJ Guidance No. 14). In addition, the quarterly consolidated financial statements are created in accordance with the *Quarterly Consolidated Financial Statement Rules*.

[Qualitative Information, Financial Statements and Other Information]

1. Qualitative Information Concerning the Consolidated Business Results

During the first three quarters of this fiscal year (June 1, 2008 – February 28, 2009), the deepening financial crisis in Europe and the United States led to a stalling of the global economy. This had a great effect on the economy of Japan, including a stock market plunge and changes in the exchange rate. In addition, factors such as slumping demand, reduced capital investment, and contracting production accelerated the economic recession and have created circumstances that are most severe.

Under these conditions, sales for the Nippon Kayaku Group during the first three quarters of this fiscal year were 102.114 billion yen, a decrease of 6.571 billion yen (6.0%) from the same period in the previous fiscal year. Although sales in the pharmaceuticals business were strong, this decrease resulted from the large effect of sluggish demand in the functional chemicals business for the epoxy resins used in semiconductor encapsulation and also in the safety systems business, as well as from the resulting inventory adjustments.

As a result of the drop in sales, operating income was 8.100 billion yen, a decrease of 1.677 billion yen (17.2%) from the same period in the previous fiscal year.

Due to the large effects of the strong yen, operating income was 6.579 billion yen, a decrease of 1.507 billion yen (18.6%) from the same period in the previous fiscal year.

Net income during the first three quarters was 1.769 billion yen, a decrease of 1.543 billion yen (46.6%) from the same period in the previous fiscal year. This was due to a extraordinary loss incurred from a loss on valuation of investment in the Taiwan company Skypola Optronics Corp., and from loss on valuation of investment securities.

Performance by business segment for the first three quarters is as described below. The segments by business type were changed beginning from this fiscal year. In order to allow comparisons with the same period in the previous fiscal year, the results from the first three quarters of the fiscal year ended May 2008 have been reorganized to match the segments after the change.

[Functional chemicals business]

As a result of a drop in the functional materials business, sales were 48.397 billion yen, a decrease of 3.806 billion yen (7.3%) from the same period in the previous fiscal year.

Sales in the functional materials business showed a large decrease from the same period of the previous fiscal year due to the effects of sluggish demand and inventory adjustments on sales of the epoxy resins used in semiconductor encapsulation. Sales of UV-curing resins were also lower, and sales for the functional materials business as a whole were down from the level of the same period in the previous fiscal year.

In the electronic materials business, although sales of colors for inkjet printers and Moxtec, Inc. (USA) materials for X-ray analysis systems were higher than the same period in the previous fiscal year, sales of resins for optical discs, LCD sealants, films for plasma displays, and Polatechno polarizing films were all lower. Sales for the electronic materials business as a whole were down from the level of the same period in the previous fiscal year.

Sales for the catalyst business were higher than the same period in the previous fiscal year due to strong sales of the catalysts for the production of methacrylic acid.

In the color chemicals business, sales were down from the same period in the previous fiscal year due to a drop in sales of textile dyes.

Operating income for the functional chemicals business as a whole was 3.963 billion yen, a decrease of 2.123 billion yen (34.9%) from the same period in the previous fiscal year. This was due to contracting profits in the functional materials business and at Polatechno Co., Ltd.

[Pharmaceuticals business]

Sales were 33.624 billion yen, an increase of 2.684 billion yen (8.7%) from the same period in the previous fiscal year.

Among pharmaceutical products for the Japanese domestic market, there were strong sales of “PACLITAXEL Inj. NK” (anti-cancer drug), “CARBOPLATIN Intravenous Inj. NK” (anti-cancer drug), “EPIRUBICIN Inj. NK” (anti-cancer drug), “IA CALL” (arterial-injection anti-cancer drug), “GRANISETRON Intravenous Inj. NK” (anti-emetic drug), “LEVOFOLINATE Intravenous Inj. NK” (anti-cancer drug effect potentiator), and “GELPART” (material for transcatheter arterial embolization), with sales of these products exceeding the levels of the same period in the previous fiscal year. Sales of “ODYNE Tab.” (anti-cancer drug) were on approximately the same level as the same period in the previous fiscal year. On the other hand, the effects of factors such as drug price revisions and competitor products resulted in lower sales of “RANDA Inj.”

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(anti-cancer drug), “FARESTON Tab.” (anti-cancer drug), and “MILLISROL Inj.” (vasodilator). Overall sales of pharmaceutical products for the Japanese domestic market were higher than the same period in the previous fiscal year.

In the area of exports, sales of “BLEO” (anti-cancer drug) fell below the level of the same period in the previous fiscal year, and sales of exports as a whole were lower.

In the area of active pharmaceutical ingredients for the Japanese domestic market, sales of generic active pharmaceutical ingredients were strong, and sales of active pharmaceutical ingredients to the Japanese domestic market as a whole were on approximately the same level as the same period in the previous fiscal year.

In the area of diagnostic agents, sales of “LANAZYME ST-439 Plates” (breast cancer diagnostic agent) were strong, and sales for diagnostic agents as a whole were on approximately the same level as the same period in the previous fiscal year.

Operating income for the pharmaceutical business as a whole was 6.822 billion yen, an increase of 1.300 billion yen (23.5%) from the same period in the previous fiscal year.

[Safety systems business]

The safety systems business was greatly affected by the significant drop in worldwide automobile sales and inventory adjustments which became pronounced in the autumn of 2008, and as a result sales were 11.879 billion yen, a decrease of 3.416 billion yen (22.3%) from the same period in the previous fiscal year.

From the start of the third quarter, sales of airbag inflators were slow due to the effects of sluggish demand. However because of strong sales up to the end of the first half of the fiscal year, the total for the first three quarters of the year was higher than the same period in the previous fiscal year. Due to the drop in automobile sales, sales of micro gas generators for seatbelt pretensioners were down from the same period in the previous fiscal year.

Operating loss for the safety systems business as a whole was 682 million yen, a decrease in income of 889 million yen from the same period in the previous fiscal year.

[Other business]

Sales were 8.212 billion yen. Although sales for the agrochemicals business grew, total sales were down 2.033 billion yen (19.8%) from the same period in the previous fiscal year. This was due to the integration of our explosives business with Kayaku Japan Co., Ltd., a company accounted for by the equity method, during the previous fiscal year.

In the agrochemicals business, both domestic sales and exports were higher than the same period in the previous fiscal year.

Results from real estate and other business were below the levels of the same period in the previous fiscal year.

Operating income for the other business as a whole was 1.639 billion yen, a decrease of 78 million yen (4.6%) from the same period in the previous fiscal year.

Following is a summary of the results by geographical segment for the first three quarters of the current fiscal year.

[Japan]

Sales amounted to 88.641 billion yen, a decrease of 3.689 billion yen (4.0%) from the same period in the previous fiscal year.

Operating income was 10.676 billion yen, a decrease of 1.996 billion yen (15.8%) from the same period in the previous fiscal year.

[Other regions]

Sales amounted to 13.472 billion yen, a decrease of 2.882 billion yen (17.6%) from the same period in the previous fiscal year. This was due to factors including a drop in sales at Indet Safety Systems a.s. (Czech Republic) and at Lifesparc Inc. (USA).

Operating income was 1.074 billion yen, an increase of 249 million yen (30.3%) from the same period in the previous fiscal year. This was the result of factors including improved operating income at Moxtech Inc. (USA) and at Lifesparc Inc. (USA).

2. Qualitative Information Concerning the Consolidated Financial Position

Total assets were 198.256 billion yen, a decrease of 9.012 billion yen from the end of the previous consolidated fiscal year. Current assets increased by 908 million yen, primarily due to an increase in inventory assets. Fixed assets decreased by 10.192 billion yen due to decreased valuation of investment securities, a loss on valuation of investment in an affiliated company, and other reasons associated with the downturn in the stock market.

Liabilities decreased by 1.033 billion yen from the end of the previous consolidated fiscal year to reach 75.161 billion yen. This was primarily due to a decrease in liabilities for bonus payments and a decrease in long-term loans payable.

Net assets were 123.095 billion yen, a decrease of 7.979 billion yen from the end of the previous consolidated fiscal year. This was primarily due to a decrease in unrealized gains on other securities and a decrease in translation adjustments.

The balance of cash and cash equivalents at the end of third quarter increased by 3.125 billion yen to 24.787 billion yen from the end of the previous consolidated fiscal year. The status of each cash flow is as described below.

Net cash provided by operating activities amounted to 9.869 billion yen. Despite the fact that net income before income taxes and minority interests during the first three quarters was 3.464 billion yen, depreciation costs were 7.857 billion yen, and the decrease in notes and accounts receivable was 2.256 billion yen, this result was primarily due to an increase in inventory assets of 3.213 billion yen.

Net cash used in investing activities totaled 6.596 billion yen. This result was primarily due to payment of 7.294 billion yen for the purchase of tangible fixed assets.

Net cash used in financing activities was 126 million yen. Despite a net increase in short-term loans payable of 6.603 billion yen, this result was primarily due to 2.888 billion yen used for repayment of long-term loans payable and 3.520 billion yen paid in dividends.

3. Qualitative Information Concerning the Consolidated Results Forecast

Despite expectations for continued strong performance in the pharmaceuticals industry, the business environment surrounding our Group is expected to continue to be difficult, with continued cuts in production due to inventory adjustments in the semiconductor, flat panel display, and automobile industries.

Under these conditions, the results forecast for the full year were revised on March 26, 2009.

The Nippon Kayaku Group will devote its concerted efforts to increasing the proportion of high value-added products, improving productivity, cutting costs, and taking other steps aimed at securing profits. We will also carry out optimized research and development and capital investment, and make the most efficient use of our business resources, in order to create the main businesses areas, such as micelle anti-cancer drugs, that will support our company in the future.

4. Others

- (1) Major changes in subsidiaries occurring during this year (changes in designated subsidiaries that involve changes to scope of consolidation)

No items to report

- (2) Adoption of simplified accounting processes or special accounting processes for creation of the quarterly consolidated financial statements

No items to report

- (3) Changes to accounting principles, procedures, methods of notation, or other items related to creation of the quarterly consolidated financial statements

- [1] Use of the *Accounting Standards for Quarterly Financial Reporting*

Beginning from this fiscal year, Nippon Kayaku is utilizing the *Accounting Standards for Quarterly Financial Reporting* (ASBJ Statement No. 12) and *Implementation Guidance for Accounting Standards for Quarterly Financial Statements* (ASBJ Guidance No. 14). In addition, the quarterly consolidated financial statements are created in accordance with the *Quarterly Consolidated Financial Statement Rules*.

- [2] Use of the *Accounting Standards for Measurement of Inventories*

Beginning from the first quarter of the current consolidated fiscal year, Nippon Kayaku is utilizing the *Accounting Standards for Measurement of Inventories* (ASBJ Statement No. 9, July 5, 2006, Accounting Standards Board of Japan), and has changed the valuation standards from a cost basis to a cost basis (with write-down of book value due to decrease in profitability).

As a result, gross profit on sales, operating income, and ordinary income for the first three quarters of the current consolidated fiscal year were each 309 million yen lower than the value when calculated with the previous method, and first-three-quarter net income before income tax and minority interests is 814 million yen lower.

The effect of this change on the segment data is described in the corresponding sections.

[3] Use of the *Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements*

Beginning from the first quarter of the current consolidated fiscal year, Nippon Kayaku is utilizing the *Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements* (Practical Issues Task Force No. 18, May 17, 2006, Accounting Standards Board of Japan), and has made the necessary corrections to its consolidated calculations.

As a result, retained earnings at the start of the fiscal year were 190 million yen lower than the value when calculated with the previous method, and operating income, ordinary income, and first-three-quarters net income before income tax and minority interests were each 101 million yen lower.

The effect of this change on the segment data is described in the corresponding sections.

[4] Use of the *Accounting Standards for Lease Transactions*

Nippon Kayaku previously used accounting practices for rental transactions in order to account for finance lease transactions where there is no transfer of ownership. However for quarterly consolidated financial statements for consolidated fiscal years beginning on or after April 1, 2008, Nippon Kayaku permits the utilization of the *Accounting Standards for Lease Transactions* (ASBJ Statement No. 13 (June 17, 1993 (First Section of the Business Accounting Deliberation Council), revised March 30, 2007)) and *Guidance on Accounting Standards for Lease Transactions* (ASBJ Guideline No. 16 (January 18, 1994 (Japan Institute of Certified Public Accountants, Laws and Regulations Committee), revised March 30, 2007)). As a result of this change, these accounting standards have been utilized beginning from the first quarter of the current fiscal year, in keeping with the accounting processes used for ordinary purchase or sales transactions. However the accounting practices for rental transactions will continue to be used to account for finance lease transactions where there is no transfer of ownership in cases when the lease transaction start date precedes the start of the fiscal year in which the new accounting standards were applied. In addition, for the amortization method for lease assets involved in finance lease transactions where there is no transfer of ownership, the service lifetime is considered to be the lease period, and a straight-line method with a residual value of zero is used.

This change does not have any effect on profits or losses.

Additional information

Taking the opportunity of the FY 2008 revision of the Corporation Tax Law of Japan, Nippon Kayaku and its domestic consolidated subsidiaries have reviewed the service lifetimes of mechanical equipment, and have enacted changes to the service lifetimes based on the revised Corporation Tax Law beginning from the first quarter of the current consolidated fiscal year.

As a result, operating income, ordinary income, and net income before income tax and minority interests for the first three quarters of the current consolidated fiscal year are each 228 million yen higher than the values when calculated using the previous method.

The effect of this change on the segment data is described in the corresponding sections.

5. Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheets

	As of February 28, 2009	As of May 31, 2008
	Millions of yen	Millions of yen
Assets		
Current assets		
Cash and savings	18,878	18,299
Notes and accounts receivable	45,715	48,731
Marketable securities	6,220	3,825
Merchandise and products	17,743	15,814
Work in process	1,502	2,173
Raw materials and stores	7,825	6,515
Other	6,278	7,891
Allowance for doubtful receivables	(137)	(133)
Total current assets	104,026	103,117
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	32,716	33,558
Machinery and transport equipment, net	20,074	21,519
Other, net	15,191	15,091
Total tangible fixed assets	67,982	70,170
Intangible fixed assets		
Goodwill	2,205	3,311
Other	2,684	2,919
Total intangible fixed assets	4,889	6,230
Investments and other assets		
Investment securities	14,054	23,520
Other	7,205	4,338
Allowance for doubtful receivables	(173)	(107)
Total investments and other assets	21,086	27,750
Total fixed assets	93,959	104,151
Deferred assets	271	
Total assets	198,256	207,269

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	As of February 28, 2009	As of May 31, 2008
	Millions of yen	Millions of yen
Liabilities		
Current liabilities		
Notes and accounts payable	16,874	17,986
Short-term loans payables	13,782	8,175
Accrued income taxes	1,630	1,514
Other	11,330	12,951
Total current liabilities	43,618	40,627
Fixed liabilities		
Long-term loans payable	9,825	11,727
Allowance for retirement benefits	5,328	4,674
Other	16,390	19,165
Total fixed liabilities	31,543	35,567
Total liabilities	75,161	76,195
Net assets		
Shareholders' equity		
Common stock	14,932	14,932
Additional paid-in capital	17,264	17,270
Retained earnings	80,424	82,477
Treasury stock	(616)	(578)
Total shareholders' equity	112,005	114,102
Valuation and translation adjustments		
Net unrealized gains on other securities	556	2,821
Translation adjustments	(1,068)	1,592
Total valuation and translation adjustments	(511)	4,413
Minority interests	11,601	12,557
Total net assets	123,095	131,074
Total liabilities and net assets	198,256	207,269

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(2) Consolidated Profit and Loss Statement

	First three quarters of fiscal year ending May 2009
	Millions of yen
Net sales	102,114
Cost of sales	65,970
Gross profit on sales	36,144
Selling, general, and administrative expenses	28,043
Operating income	8,100
Non-operating income	
Interest income	175
Dividend income	328
Equity in earnings of affiliates	380
Other miscellaneous income	804
Total non-operating income	1,688
Non-operating expenses	
Interest expense	342
Exchange loss	2,329
Other miscellaneous losses	538
Total non-operating expenses	3,210
Ordinary income	6,579
Extraordinary income	
Income on sale of fixed assets	617
Gain on sale of investment in an affiliated company	1,679
Total extraordinary income	2,296
Extraordinary loss	
Fixed asset disposal loss	802
Loss on valuation of investment securities	2,057
Loss on valuation of investment in an affiliated company	2,028
Loss on inventory valuation	505
Provision of allowance for doubtful receivables	18
Total extraordinary loss	5,411
First-three-quarter net income before income taxes and minority interest	3,464
Corporation tax, inhabitant tax, and business tax	3,026
Income taxes deferred	(1,137)
Total income taxes	1,888
Minority losses	(193)
First-three-quarter net income	1,769

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(3) Consolidated Statement of Cash Flows

	First three quarters of fiscal year ending May 2009
	Millions of yen
Cash flows from operating activities	
First-three-quarter net income before income taxes	3,464
Depreciation and amortization	7,857
Increase (decrease) in reserve allowance	784
Interest and dividend income	(503)
Interest expense	342
Exchange loss (gain)	1,980
Equity in (earnings) losses of affiliates	(380)
Loss (gain) on sale of tangible fixed assets	(617)
Loss (gain) on disposal of tangible fixed assets	802
Loss (gain) on valuation of investment securities	2,057
Loss (gain) on sale of investment in an affiliated company	(1,679)
Loss on valuation of investment in an affiliated company	2,028
(Increase) decrease in notes and accounts receivable	2,256
(Increase) decrease in inventory assets	(3,213)
(Increase) decrease in prepaid expenses	(4)
(Increase) decrease in accrued revenue	1,188
Increase (decrease) in notes and accounts payable	(662)
Increase (decrease) in accrued amount payable	(608)
Increase (decrease) in accrued expenses	(1,871)
Other	(645)
Subtotal	12,576
Interest and dividends received	521
Interest paid	(296)
Income taxes paid	(2,932)
Net cash provided by operating activities	9,869

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	First three quarters of fiscal year ending May 2009
	Millions of yen
Cash flows from investing activities	
Purchase of time deposits	(52)
Proceeds from repayment of time deposits	373
Purchase of tangible fixed assets	(7,294)
Proceeds from sales of tangible fixed assets	680
Purchase of intangible fixed assets	(162)
Purchase of securities	(199)
Purchase of investment securities	(984)
Proceeds from sales of investment securities	508
Proceeds from sale of investment in an affiliated company	837
Payments for long-term loans receivable	(30)
Payments for long-term prepaid expenses	(86)
Removal loss of fixed assets	(274)
(Increase) decrease in short-term loans receivable	(80)
Other	166
Net cash used in investing activities	(6,596)
Cash flows from financing activities	
Increase (decrease) in short-term loans payable, net	6,603
Proceeds from long-term loans payable	233
Repayment of long-term loans	(2,888)
Repayment of construction cooperation fund	(175)
Dividends paid	(3,520)
Dividends paid to minority shareholders	(341)
Other	(36)
Net cash provided by financing activities	(126)
Effect of exchange rate changes on cash and cash equivalents	(784)
Increase (decrease) in cash and cash equivalents	2,362
Cash and cash equivalents at beginning of year	21,662
Increase (decrease) in cash and cash equivalents due to change in scope of consolidation	762
Cash and cash equivalents at the end of first three quarters of year	24,787

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(4) Incidents or situations that cause significant doubt with regards to the certain continuation of our business
No items to report

(5) Segment information

a. Segment information by type of business

First three quarters of the current consolidated fiscal year (June 1, 2008 – February 28, 2008)

	Functional chemicals business	Pharmaceuticals business	Safety systems business	Other business	Total	Eliminations and corporate	Consolidated
Millions of yen							
Sales							
(1) Sales to third parties	48,397	33,624	11,879	8,212	102,114	-	102,114
(2) Intersegment sales and transfers	65	22	-	17	105	(105)	-
Total	48,463	33,647	11,879	8,229	102,219	(105)	102,114
Operating income (loss)	3,963	6,822	(682)	1,639	11,742	(3,642)	8,100

Note 1: The business segments are based on the sales summary classification.

2: Primary products in each segment

Business segment	Sales segment	Primary products
Functional chemicals business	Functional materials	Epoxy resins, Epoxy resin curers, Combustion retardants for synthetic resins, UV-curing type resins, Polyimide/polyamide resins, Advanced chemicals
	Electronic materials	Optical functional films, Optical disk resins, Optical materials, Functional colors, Colors for inkjet printers, LCD projector components
	Catalysts	Catalysts for the production of acrylic acid and methacrylic acid, Plant licensing business
	Color chemicals	Disperse dyes, Cationic dyes, Acidic dyes, Reactive dyes, Direct dyes, Sulfur dyes, Fluorescent dyes, Functional chemicals for textiles and paper, Special dyes for non-textile applications
Pharmaceuticals business	Pharmaceuticals	Anti-cancer agents, Neurological agents, Circulatory system agents, Digestive system agents, Metabolic agents, Antibiotics, Anti-inflammatory analgesic agents, Radiopharmaceuticals, Medical devices, Pharmaceutical API and intermediates, Food and food additives, Preservatives for food quality, Veterinary pharmaceuticals, Animal feedstuffs and feedstuff additives, Diagnostics
Safety systems business	Safety systems	Airbag inflators, Micro gas generators for seatbelt pretensioners, Squibs
Other business	Others	Insecticides, Herbicides, Fungicides, Acaricide, Public hygiene insecticides, Soil disinfectant, Animal repellents, Biological pesticides, Real estate business

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3: Changes in business segments

Our previous five business segments were *functional chemicals business*, *pharmaceuticals business*, *safety systems business*, *fine chemicals business* and *other business*. However beginning from the first quarter of the current fiscal year, the *fine chemicals business* has been abolished, and there are now four business segments: *functional chemicals business*, *pharmaceuticals business*, *safety systems business* and *other business*.

In June 2008, an organizational change was carried out in which the color chemicals business (previously a part of the *fine chemicals business*) was transferred to the Functional Chemicals Group in order to promote collaboration and a fusion of technologies for new product development in the functional chemicals business. For this reason, the color chemicals business has been included in the *functional chemicals business* in order to correctly reflect the true state of our business. In addition, because the scale of its business is small, the agrochemicals business (previously a part of the *fine chemicals business*) is now included in *other business*.

4: Use of the *Accounting Standards for Measurement of Inventories*

Beginning from the first quarter of the current consolidated fiscal year, Nippon Kayaku is utilizing the *Accounting Standards for Measurement of Inventories* (ASBJ Statement No. 9, July 5, 2006, Accounting Standards Board of Japan), and has changed the valuation standard from a cost basis to a cost basis (with write-down of the book value due to decrease in profitability).

As a result, operating income for the *functional chemicals business* and *safety systems business* in the first three quarters of the current consolidated fiscal year were 301 million yen and 48 million yen lower than the value when calculated by the previous method, respectively and operating income for *other business* was 41 million yen higher. The effect on the *pharmaceuticals business* was not material.

5: Use of the *Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements*

Beginning from the first quarter of the current consolidated fiscal year, Nippon Kayaku is utilizing the *Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements* (Practical Issues Task Force No. 18, May 17, 2006, Accounting Standards Board of Japan), and has made the necessary corrections to its consolidated calculations.

As a result, operating income for the *functional chemicals business* in the first three quarters of the current consolidated fiscal year was 101 million yen lower than the value when calculated by the previous method.

6. Change in the service lifetime for tangible fixed assets

Taking the opportunity of the FY 2008 revision of the Corporation Tax Law of Japan, Nippon Kayaku and its domestic consolidated subsidiaries have reviewed the service lifetimes of mechanical equipment, and have enacted changes to the service lifetimes based on the revised Corporation Tax Law beginning from the first quarter of the current consolidated fiscal year.

As a result, operating income for the *functional chemicals business* in the first three quarters of the current consolidated fiscal year was 48 million yen lower than the value when calculated by the previous method. The operating income for the *pharmaceuticals business* in the first three quarters of the current consolidated fiscal year was 79 million yen lower, and that for the *safety systems business* was 182 million yen lower. The “eliminations and corporate” in the first three quarters of the current consolidated fiscal year increased by 15 million yen from the value when calculated by the previous method. The effect on *other business* was not material.

b. Information by geographic segment

First three quarters of the current fiscal year (June 1, 2008 – February 28, 2008)

	Japan	Other regions	Total	Eliminations and corporate	Consolidated
Millions of yen					
Sales					
(1) Sales to third parties	88,641	13,472	102,114	-	102,114
(2) Intersegment sales and transfers	4,201	5,014	9,216	(9,216)	-
Total	92,843	18,487	111,330	(9,216)	102,114
Operating income	10,676	1,074	11,750	(3,650)	8,100

Note 1: The country and region segments are based on geographic proximity.

2: Primary countries and regions in segments other than “Japan”

Other regions: USA, China, Czech Republic

3: Use of the *Accounting Standards for Measurement of Inventories*

Beginning from the first quarter of the current consolidated fiscal year, Nippon Kayaku is utilizing the *Accounting Standards for Measurement of Inventories* (ASBJ Statement No. 9, July 5, 2006, Accounting Standards Board of Japan), and has changed the valuation standard from a cost basis to a cost basis (with write-down of the book value due to decrease in profitability).

As a result, operating income for Japan in the first three quarters of the current consolidated fiscal year was 309 million yen lower than the value when calculated by the previous method.

4: Use of the *Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements*

Beginning from the first quarter of the current consolidated fiscal year, Nippon Kayaku is utilizing the *Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements* (Practical Issues Task Force No. 18, May 17, 2006, Accounting Standards Board of Japan), and has made the necessary corrections to its consolidated calculations.

As a result, operating income for “Other regions” in the first three quarters of the current consolidated fiscal year was 101 million yen lower than the value when calculated by the previous method.

5: Change in the service lifetime for tangible fixed assets

Taking the opportunity of the FY 2008 revision of the Corporation Tax Law of Japan, Nippon Kayaku and its domestic consolidated subsidiaries have reviewed the service lifetimes of mechanical equipment, and have enacted changes to the service lifetimes based on the revised Corporation Tax Law beginning from the first quarter of the current consolidated fiscal year.

As a result, operating income for “Japan” in the first quarters of the current consolidated fiscal year was 228 million yen higher than the value when calculated by the previous method.

c. Overseas sales

First three quarters of the current consolidated fiscal year (June 1, 2008 – February 28, 2008)

	Asia	Other regions	Total
I. Overseas sales (millions of yen)	20,521	13,887	34,408
II. Consolidated sales (millions of yen)	-	-	102,114
III. Percentage of consolidated sales occupied by overseas sales	20.1	13.6	33.7

Note 1: The country and region segments are based on geographic proximity.

2: Primary countries and regions in each segment

(1) Asia: China, Hong Kong, Taiwan

(2) Other regions: USA, Germany

3: Overseas sales are the sales by Nippon Kayaku and its consolidated subsidiaries in countries and regions outside of Japan.

(6) Descriptions in case of significant changes in the amount of shareholders' equity

No items to report