

Business Results for the 1st Half of FY3/08

November 6, 2007

Company name: Nippon Shokubai Co., Ltd. Listing: TSE, OSE (First Section)
 Code number: 4114 URL: <http://www.shokubai.co.jp/>
 Representative: Tadao Kondo, President and Representative Director
 Inquiry to: Katsunori Utsumi, General Manager of General Affair Dept. Tel: +81-6-6223-9111
 Scheduled date of filing of Semiannual Report: December 10, 2007
 Scheduled date of dividends payment: December 5, 2007

(Figures are rounded off to the nearest million yen)

1. Consolidated Business Results for the 1st Half of FY3/08 (April 1, 2007 – September 30, 2007)

(1) Consolidated operating results (% indicate rate of changes year-over-year)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
1st half FY3/08	148,455	18.9	10,657	6.1	12,099	2.7	7,827	0.4
1st half FY3/07	124,813	12.8	10,049	(27.9)	11,786	(21.0)	7,792	(23.0)
Full FY3/07	266,513	14.7	19,429	(16.4)	22,754	(13.0)	13,988	(14.0)

	Net income per share	Fully diluted net income per share
	Yen	Yen
1st half FY3/08	42.64	-
1st half FY3/07	41.58	-
Full FY3/07	74.92	-

Reference: Equity in earnings (losses) of unconsolidated subsidiaries and affiliates (millions of yen):

1st half FY3/08: 874 1st half FY3/07: 861 Full FY 3/07: 1,358

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
1st half FY3/08	344,581	183,307	51.9	977.16
1st half FY3/07	305,590	173,622	55.5	908.37
Full FY3/07	323,675	179,368	54.1	948.34

Reference: Shareholders' equity (millions of yen):

1st half FY3/08: 178,887 1st half FY3/07: 169,518 Full FY 3/07: 175,053

(3) Consolidated statement of cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
1st half FY3/08	13,083	(13,824)	15,420	31,826
1st half FY3/07	7,454	(10,890)	5,196	21,532
Full FY3/07	16,087	(23,109)	4,037	16,991

2. Dividend

	Dividend per share		
	Interim	Year-end	Annual
	Yen	Yen	Yen
Full FY3/07	8.00	8.00	16.00
Full FY3/08	8.00	-	16.00
Full FY3/08 (forecast)	-	8.00	

3. Consolidated Forecast for FY3/08 (April 1, 2007 – March 31, 2008)

(% indicate rate of changes year-over-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 FY3/08	303,000	13.7	20,400	5.0	22,400	(1.6)	13,300	(4.9)	72.55

4. Others

(1) Changes in consolidated subsidiaries (changes in scope of consolidation): None

Newly added: 0 Excluded: 0

(2) Changes in accounting principles, procedures and presentation methods for preparation of interim consolidated financial statements

1) Changes caused by revision of accounting standards: Yes

2) Other changes: None

(3) Number of outstanding shares (common stock)

1) Number of outstanding shares at the end of period (including treasury stock)

1st half FY3/08: 194,881,287 shares 1st half FY3/07: 194,881,287 shares Full FY3/07: 194,881,287 shares

2) Number of treasury stock at the end of period

1st half FY3/08: 11,814,111 shares 1st half FY3/07: 8,262,329 shares Full FY3/07: 10,291,302 shares

(Reference) Non-consolidated Business Overview**1. Non-consolidated Business Results for the 1st Half of FY3/08 (April 1, 2007 – September 30, 2007)**

(1) Non-consolidated operating results

(% indicate rate of changes year-over-year)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
1st half FY3/08	113,043	24.1	8,986	13.9	11,568	10.9	7,579	7.0
1st half FY3/07	91,116	11.4	7,891	(29.4)	10,429	(18.4)	7,086	(20.3)
Full FY3/07	192,177	12.7	16,008	(15.4)	20,378	(11.4)	12,378	(14.6)

	Net income per share	
	Yen	
1st half FY3/08	41.29	
1st half FY3/07	37.82	
Full FY3/07	66.30	

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
1st half FY3/08	281,379	153,407	54.5	837.98
1st half FY3/07	247,288	148,512	60.1	795.80
Full FY3/07	262,059	151,266	57.7	819.47

Reference: Shareholders' equity (millions of yen):

1st half FY3/08: 153,407 1st half FY3/07: 148,512 Full FY3/07: 151,266

2. Non-consolidated Forecast for FY3/08 (April 1, 2007 – March 31, 2008)

(% indicate rate of changes year-over-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 FY3/08	230,000	19.7	17,500	9.3	21,500	5.5	13,000	5.0	70.91

*** Cautionary statement with respect to forward-looking statements**

These materials contain forward-looking statements and statements of this nature based on reasonable judgments in accordance with information currently available. Readers should be aware that actual results and events might differ substantially from these projections. For discussion of the assumptions and other factors considered by the Company in preparing the above projections, please refer to pages 3 to 6 in the section "1. Business Results, I. Analysis of Business Results." The estimated net income per share is calculated based on average outstanding shares during the period and takes into account scheduled share buybacks.

1. Business Results

I. Analysis of Business Results

(1) Outline of First Half of FY3/08 (April 1, 2007 – September 30, 2007)

The Japanese economy remained on a steady expansionary path in the interim period under review, despite concerns over surging prices for crude oil and other natural resources, and a deceleration of the US economy, as corporate profits improved and capital spending remained firm.

The chemicals industry faced uncertainty, despite firm demand in domestic and overseas markets, due to surging crude oil prices and global commodity pricing trends.

1) Overall results summary

(Unit: Millions of yen)

	1st half FY3/07	1st half FY3/08	Change		Full FY3/07
Net sales	124,813	148,455	23,642	18.9%	266,513
Operating income	10,049	10,657	608	6.1%	19,429
Ordinary income	11,786	12,099	312	2.7%	22,754
Net income	7,792	7,827	34	0.4%	13,988
EPS (net income per share)	41.58 yen	42.64 yen	1.06 yen	2.5%	74.92 yen
ROA (ordinary income/total assets)	7.9%	7.2%	-	(0.7) points	7.4%
ROE (net income/shareholders' equity)	9.3%	8.8%	-	(0.5) points	8.2%
Foreign exchange rate (\$, EUR)	\$=115.38 yen	\$=119.40 yen	4.02 yen		\$=117.00 yen
	EUR=146.01 yen	EUR=162.33 yen	16.32 yen		EUR=150.08 yen
Naphtha price	51,500 yen/kl	58,900 yen/kl	7,400 yen/kl		50,000 yen/kl

Note: The ROA and ROE figures for the interim period are annualized.

In this business environment, group net sales increased 18.9% year-over-year to 148,455 million yen (+23,642 million yen) in the current interim period under review due to an increase in sales volumes, particularly of functional chemicals, and the factoring of higher raw materials prices into end-product pricing.

Operating income increased 6.1% year-over-year to 10,657 million yen (+608 million yen) in the interim period, as expanding sales volumes and upward price revisions more than offset the negative impact of surging raw materials prices, a rise in fixed costs from production facility expansions carried out since last year, and an increase in depreciation following tax law revisions.

Ordinary income increased 2.7% year-over-year to 12,099 million yen (+312 million yen), due to the large increase in operating income, even though non-operating income declined 296 million yen year-over-year due to a deterioration in the balance of finances.

Net income was roughly flat year-over-year at 7,827 million yen because we booked extraordinary losses from withdrawal from the unsaturated polyester business.

Operating income increased approximately 1.4 billion yen, and ordinary income 1.1 billion yen, excluding the impact of rising depreciation (0.8 billion yen) due to tax law revisions.

2) Segment summary

Business summary

(Unit: Millions of yen)

Basic chemicals

	1st half FY3/07	1st half FY3/08	Change	Full FY3/07
Net sales	47,040	52,347	5,307	97,665
Operating income	2,670	2,019	(651)	5,399

Functional chemicals

	1st half FY3/07	1st half FY3/08	Change	Full FY3/07
Net sales	64,965	77,825	12,860	141,321
Operating income	5,161	6,438	1,277	10,838

Environment & catalysts

	1st half FY3/07	1st half FY3/08	Change	Full FY3/07
Net sales	12,807	18,283	5,475	27,526
Operating income	2,208	2,120	(88)	2,982

Basic chemicals business

- Acrylic acids and ester sales increased as we were able to revise pricing upward in an environment of firm domestic demand.
- Sales of ethylene oxides and the higher-alcohol product SOFTANOL increased on firm demand, and because we revised prices upward to reflect surging raw materials prices.
- Ethylene glycols sales increased due to firm market pricing.
- Ethanolamine sales decreased due to a decline in export volumes.

In summary, sales in the basic chemicals business increased 11.3% year-over-year to 52,347 million yen.

Operating income in the basic chemicals business declined 24.4% year-over-year to 2,019 million yen, as expanding sales volumes and upward price revisions failed to fully offset the negative impact of surging raw materials prices, and an increase in fixed costs from major production facility expansions last year.

Functional chemicals business

- Superabsorbent polymer sales increased as expanding global demand drove higher sales volumes mainly in the Near and Middle East, Europe, and South America, and because we revised prices upward.
- Maleic anhydride sales increased as we revised prices upward to reflect surging raw materials prices.
- Sales of resin performance hardeners increased on steady domestic demand.
- Sales of polymer for concrete admixture increased on steady overseas demand.
- Sales of special ester increased on steady domestic and overseas demand, and because we revised prices upward to reflect surging raw materials prices.
- Electronic and information material sales increased due to the launch of new products and greater sales volume.
- Sales of detergents materials, adhesives/paints resins, adhesive products, iodine compounds, pharmaceutical intermediates and unsaturated polyester resins were roughly flat year-over-year.

In summary, sales in the functional chemicals business increased 19.8% year-over-year to 77,825 million yen.

Operating income in the functional chemicals business increased 24.7% year-over-year to 6,438 million yen as an increase in sales volumes, and revised sales prices due to higher raw materials prices, more than offset the negative impact of higher fixed costs from production facility expansions since last year.

Environment & catalysts business

- Sales of automotive catalysts increased as surging precious metal pricing increased sales prices.
- Sales of process catalysts increased on firm overseas replacement demand.
- Sales of De-NOx catalysts, waste gas treatment equipment and catalysts were roughly flat year-over-year.
- Sales of waste water treatment plant equipment and catalysts decreased due to the absence of large-scale equipment sales booked in the year-ago period.

In summary, sales in the environment & catalysts business increased 42.8% year-over-year to 18,283 million yen.

Operating income in the environment & catalysts business was roughly flat at 2,120 million yen due to higher raw materials costs and because of the sales mix.

Regional summary

(Unit: Millions of yen)

Japan

	1st half FY3/07	1st half FY3/08	Change	Full FY3/07
Net sales	87,616	103,499	15,883	186,288
Operating income	8,498	9,436	939	17,301

Europe

	1st half FY3/07	1st half FY3/08	Change	Full FY3/07
Net sales	14,639	21,084	6,445	32,521
Operating income	31	(25)	(56)	70

Asia

	1st half FY3/07	1st half FY3/08	Change	Full FY3/07
Net sales	14,424	15,117	693	30,194
Operating income	481	248	(233)	864

Other regions

	1st half FY3/07	1st half FY3/08	Change	Full FY3/07
Net sales	8,134	8,755	622	17,510
Operating income	122	130	8	(285)

Japan

- Sales in Japan increased 18.1% year-over-year to 103,499 million yen due to firm demand for superabsorbent polymers and acrylic acids and esters, and an increase in sales volumes of functional chemicals for electronic and information applications, and of process catalysts.
- Operating income in Japan increased 11.0% year-over-year to 9,436 million yen as greater sales volumes centered on functional chemicals, and upward price revisions to reflect surging raw materials prices, more than offset the increase in fixed costs from production facility expansions since last year.

Europe

- Sales in Europe increased 44.0% year-over-year to 21,084 million yen on steady sales volumes of superabsorbent polymers.
- Operating income in Europe declined 56 million yen year-over-year to a 25 million yen loss as greater sales volumes and progress in revising prices upward failed to fully offset the negative impact of surging raw materials prices and higher fixed costs from production facility expansions last year.

Asia

- Sales in Asia increased 4.8% year-over-year to 15,117 million yen as higher sales volumes of superabsorbent polymers more than offset a decline in sales volumes of acrylic acid and esters.
- Operating income in Asia declined 48.4% year-over-year to 248 million yen as deterioration in acrylic acid and ester profitability due to surging raw materials prices and lower sales volumes offset greater sales volumes of superabsorbent polymers.

Other regions

- Sales in other regions increased 7.6% year-over-year to 8,755 million yen, due to an increase in sales volumes of polymer for concrete admixture otherwise sales of superabsorbent polymers trended generally flat year-over-year.
- Operating income in other regions was roughly unchanged at 130 million yen as benefits from greater sales volumes and upwardly revised prices more than offset the negative impact of surging raw materials pricing.

(2) FY3/08 Forecast (April 1, 2007 - March 31, 2008)

We expect the Japanese economy to trend firm on solid capital spending and improvements in the labor market, but it is difficult to become overly optimistic given US economic deceleration and surging crude oil prices.

The future outlook for the chemicals sector is unclear as raw materials prices remain high.

In this environment, our group forecasts full-year sales of 303.0 billion yen (154.5 billion yen in the second half) due to the launch of new products, particularly for electronic and information applications, and greater sales of existing products.

We maintain our full-year operating income forecast of 20.4 billion yen (9.7 billion yen in the second half), and our ordinary income forecast of 22.4 billion yen (10.3 billion yen in the second half), announced along with 1Q results. We expect to increase sales volumes of functional chemicals, particularly for electronic and information applications, but we anticipate an increase in fixed costs from new and expanded facilities since last year, a further rise in raw material prices, and depreciation to increase 1.7 billion yen (0.9 billion yen in the second half) due to tax law revisions. We forecast net income of 13.3 billion yen (5.5 billion yen in the second half) after taking into account extraordinary losses due to expenses from the closing of the Ehime plant and other factors.

We assume a foreign exchange rate of 115 yen/\$ and 160 yen/Euro, and naphtha pricing of 61,000 yen/kl in the second half.

II. Financial Condition

(1) Assets, Liabilities and Net Assets

Assets increased 38,991 million yen year-over-year to 344,581 million yen, mainly due to increases in cash and cash deposits, and trade notes and accounts receivable.

Liabilities increased 29,306 million yen year-over-year to 161,274 million yen, mainly due to increases in trade notes and accounts payable and corporate bonds.

Net assets increased 9,685 million yen year-over-year to 183,307 million yen, mainly due to an increase in retained earnings.

Shareholders' equity ratio declined 3.6 points, from 55.5% at the end of the previous interim period, to 51.9% at the end of the current interim period under review. Net assets per share rose 68.79 yen over the same period to 977.16 yen.

(2) Cash Flows

Cash and cash equivalents at the end of the interim period under review increased 14,835 million yen to 31,826 million yen over the end of FY3/07, as cash flows from operating activities and corporate bond issuance on financing activities exceeded cash flow outlays for capital investment and other investing activities.

(Cash flow from operating activities)

Cash from operating activities totaled 13,083 million yen (7,454 million yen in the same period of the previous year). This was the result of greater depreciation, progress in collection trade notes and accounts receivable, and decreases income tax payment.

(Cash flow from investing activities)

Cash used in investing activities totaled 13,824 million yen (10,890 million yen used in the same period of the previous year). Outlays for the purchase of tangible fixed assets was the same as the previous interim period, but outlays for the purchase of investment securities increased.

(Cash flow from financing activities)

Cash from financing activities totaled 15,420 million yen (5,196 million yen in the same period of the previous year). Despite an increase in debt repayment, we procured funds through corporate bond issuance to prepare for future capital investment spending.

Cash flow indices

	Full FY3/05	Full FY3/06	1st half FY3/07	Full FY3/07	1st half FY3/08
Shareholders' equity ratio	58.0%	56.5%	55.5%	54.1%	51.9%
Shareholders' equity ratio at market base	74.2%	90.3%	87.3%	72.5%	59.4%
Years debt amortization	1.8 years	2.6 years	3.6 years	3.6 years	2.9 years
Interest coverage ratio	47.1	24.6	18.8	17.0	21.4

Shareholders' equity ratio = shareholders' equity/ total assets

Shareholders' equity ratio at market base = market cap/ total assets

Interest-bearing debt to cash flow ratio = interest-bearing debt/ operating cash flow

Interest coverage ratio = operating cash flow/ interest payments

Notes: 1. All indices are calculated based on consolidated figures.

2. Market cap = closing share price at interim period (fiscal year) end × outstanding shares at interim period (fiscal year) end (after deducting treasury stock)

3. We used operating cash flow from the consolidated cash flow statement for "operating cash flow." In calculating interest-bearing debt to cash flow ratio for the interim period, we doubled operating cash flow in order to obtain a yearly figure.

4. We have included all interest-bearing debts in the consolidated balance sheet for "interest-bearing debt."

5. We used interest payments from the consolidated cash flow statement for "interest paid."

III. Basic Policy on the Distribution of Profits, and Dividends for FY3/08

Returning profits to shareholders is an important management theme, and our basic policy is to improve medium to long-term dividend levels in line with consolidated earnings, while at the same time ensuring sufficient retained earnings to expand the business and strengthen the corporate structure. In addition to dividend distributions, we intend to continue stock buybacks to raise the value of each share.

We believe profit distribution must be based on a careful balance of dividend payments and retained earnings because it is necessary that we continue to aggressively invest in capital equipment and R&D to maintain our competitiveness and growth into the future.

The Company Law went into effect starting May 1, 2006, but we maintain our dividend policy of paying dividends twice a year, once at the end of the interim period and at the end of the fiscal year.

Based on the above basic policy, we plan to pay a dividend of 8 yen per share in the interim period under review taking into consideration the business environment, earnings in the fiscal year, and plans for business expansion. We also plan a year-end dividend of 8 yen per share. This would give an annual dividend of 16 yen per share.

We bought back 1,500,000 shares on the market for 1,663 million yen in the current fiscal year under review (excludes shares less than the standard minimum investment unit).

2. Management Policy

(1) Basic Management Philosophy

NIPPON SHOKUBAI CO., LTD. has been undertaking numerous efforts to build a more solid business structure and gain a sharper competitive edge to keep pace with rapid changes in the world, under its corporate philosophy of “TechnoAmenity: Seeking to create a society where people can enjoy an affluent and comfortable life through technological innovation” and the following slogans:

1. Respect for humanity
2. Coexisting with society, and working in harmony with the environment
3. Pursuing futuristic technology
4. Acting from an international perspective

(2) Challenges and Medium to Long-term Business Strategies

The Company seeks further growth under the long-term business plan “TechnoAmenity V3” (for fiscal 2006 to 2010), which sets out a long-term management vision, coupled with the Medium-term Business Plan (for fiscal 2006 to 2008), which provides a concrete action plan to realize the long-term business plan.

1) Outline of the Long-term Business Plan “TechnoAmenity V3”

a) Vision for the future:

“A global company creating new values through unique technologies”

b) Slogan:

“Pursuit” to our strength such as key technologies and key materials

“Innovation” of way of marketing and research

“Ascent” to be realized through “Pursuit” and “Innovation”

c) Target for FY 2010:

Net Sales: ¥350 billion

Ordinary Income: ¥ 35 billion

ROA: above 7.5%

2) Outline of the Medium-term Business Plan

The Company seeks to enter into growth areas (fields; overseas) outside the domain of its existing business, and at the same time, continues to pursue innovative production technologies in order to enhance its cost competitiveness. As for new lines of business, the Company will concentrate its management resources on the electronic and information materials business as the top priority for the “TechnoAmenity V3” plan, while searching for more sharply focused next-generation business themes.

Through the execution of these measures, the Company aims to attain the fiscal 2008 target for net sales of ¥300 billion (including ¥40 billion of new products), ordinary income of ¥30 billion, and ROA of 7.5% or higher.

3) Progress in the medium-term business plan

a. Existing businesses

In the superabsorbent polymer business, 30,000 tons of annual capacity was added to the Nippon Shokubai Europe N.V. plant in Belgium, and to the Himeji Plant, both of which began commercial operations in spring 2006, and another 60,000 tons of annual capacity was added to the Himeji Plant from summer 2007. These capacity additions raised annual production capacity of superabsorbent polymers to 410,000 tons, allowing the Group to maintain its top position in the global market.

In the acrylic acid business, commercial operations were launched at an acrylic acid factory with annual production capacity of 160,000 tons at the Himeji Plant in December 2006. However, the Company plans to close its aging acrylic acid factory (80,000 tons per annum) at the Ehime Plant by the end of 2007, and build an 80,000-ton factory at the Himeji Plant by the end of 2009 instead.

In the ethylene oxide business, the Company seeks to establish a solid business foundation less susceptible to market fluctuations by boosting sales of ethylene oxide and its derivative products to achieve a non-EG (ethylene glycol) product ratio above 80%. The Company also acquired a new site in Kawasaki in order to consolidate its manufacturing facilities for ethylene oxide and derivative products in the area.

In other businesses, the Company seeks to further expand the global reach of its internationally competitive functional chemicals. To this end, a new manufacturing plant for concrete admixture polymers, with annual capacity of 10,000 tons, was completed at NISSHOKU CHEMICAL INDUSTRY (ZHANGJIAGANG) CO., LTD. in autumn 2007, and test operations have already begun.

b. New businesses

Regarding the electronic and information materials business, the Company newly established the E&I Materials Business Division in April 2006, and has made steady progress in the development and commercialization of new products. For example, annual production capacity of acrylic resins for optical applications reached 6,000 tons in autumn 2007 due to the launch of commercial operations at a new factory at the Himeji Plant from the end of 2006, and additional capacity increases thereafter. Also, the Company has made solid progress in business development of fine spherical particles and functional pigments. It also opened a new office in South Korea, a promising overseas market, in January 2007 to further expand the electronic and information materials business.

Meanwhile, the Company is committed to development and commercialization activities in new growth fields of healthcare and new energy, to achieve commercialization by around 2010.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Unit: Millions of yen)

	As of Sep. 30, 2006		As of Sep. 30, 2007		Change	As of Mar. 31, 2007	
Assets							
Current assets	134,805	44.1	165,481	48.0	30,677	145,444	44.9
Cash and deposits	21,697		32,001		10,304	17,156	
Trade notes and accounts receivable	63,664		75,604		11,939	71,002	
Inventories	39,862		47,619		7,758	45,941	
Others	9,665		10,838		1,173	11,914	
Allowance for doubtful accounts	(83)		(580)		(497)	(568)	
Fixed assets	170,786	55.9	179,100	52.0	8,314	178,230	55.1
Tangible fixed assets	111,173	36.4	118,345	34.4	7,172	117,647	36.4
Building and structures	23,869		25,234		1,365	24,373	
Machinery and vehicle	43,626		57,841		14,215	57,379	
Equipment and tools	2,488		2,535		47	2,470	
Land	26,146		27,958		1,812	27,609	
Construction in progress	16,006		5,942		(10,064)	6,778	
Accumulated impairment of value	(962)		(1,165)		(204)	(962)	
Intangible fixed assets	2,318	0.8	1,803	0.5	(515)	2,065	0.6
Investments and other assets	57,295	18.7	58,952	17.1	1,657	58,518	18.1
Investments in securities	42,553		43,423		870	43,206	
Others	15,254		15,981		727	15,766	
Allowance for doubtful accounts	(512)		(452)		60	(454)	
Total assets	305,590	100.0	344,581	100.0	38,991	323,675	100.0

(Unit: Millions of yen)

	As of Sep. 30, 2006		As of Sep. 30, 2007		Change	As of Mar. 31, 2007	
Liabilities							
Current liabilities	88,966	29.1	100,964	29.3	11,999	99,785	30.8
Trade notes and accounts payable	46,212		55,410		9,198	54,459	
Short-term bank loans	17,305		20,027		2,721	18,177	
Current portion of long-term bank loans	5,332		6,753		1,422	5,887	
Accrued expense for bonuses to employees	2,187		2,093		(95)	2,061	
Accrued expense for bonuses to directors and corporate auditors	60		55		(5)	130	
Accrued expense for periodical maintenance	2,488		3,063		575	2,742	
Others	15,380		13,563		(1,817)	16,329	
Long-term liabilities	43,003	14.1	60,310	17.5	17,308	44,522	13.8
Bonds	5,000		20,000		15,000	5,000	
Long-term bank loans	26,460		30,273		3,813	28,668	
Accrued retirement benefits for employees	6,702		6,798		96	6,791	
Others	4,840		3,239		(1,601)	4,063	
Total liabilities	131,968	43.2	161,274	46.8	29,306	144,307	44.6
Net assets							
Shareholders' equity	158,255	51.8	164,700	47.8	6,445	160,367	49.6
Common stock	16,529		16,529		-	16,529	
Additional paid-in capital	13,566		13,567		1	13,567	
Retained earnings	135,647		146,372		10,724	140,350	
Less treasury stock, at cost	(7,488)		(11,768)		(4,280)	(10,080)	
Valuation and translation adjustments	11,263	3.7	14,187	4.1	2,923	14,687	4.5
Net unrealized holding gain on securities	9,136		8,405		(730)	10,686	
Translation adjustments	2,127		5,781		3,654	4,000	
Minority interests	4,103	1.3	4,420	1.3	317	4,314	1.3
Total net assets	173,622	56.8	183,307	53.2	9,685	179,368	55.4
Total liabilities and net assets	305,590	100.0	344,581	100.0	38,991	323,675	100.0

(2) Consolidated Statements of Income

(Unit: Millions of yen)

	Apr. 1, 2006 – Sep. 30, 2006		Apr. 1, 2007 – Sep. 30 2007		Change	Apr. 1, 2006 – Mar. 31, 2007	
Net sales	124,813	100.0	148,455	100.0	23,642	266,513	100.0
Cost of sales	98,233	78.7	119,742	80.7	21,509	212,468	79.7
Gross profit	26,580	21.3	28,713	19.3	2,133	54,045	20.3
Selling, general and administrative expense	16,531	13.2	18,056	12.1	1,525	34,616	13.0
Operating income	10,049	8.1	10,657	7.2	608	19,429	7.3
Non-operating income	2,645	2.0	2,968	2.0	323	5,719	2.1
Interest and dividend income	483		552		68	1,021	
Amortization of goodwill	176		108		(68)	350	
Equity in earnings of unconsolidated subsidiaries and affiliates	861		874		12	1,358	
Others	1,125		1,435		310	2,991	
Non-operating expenses	908	0.7	1,526	1.1	619	2,394	0.9
Interest expense	428		627		199	1,014	
Others	479		899		420	1,380	
Ordinary income	11,786	9.4	12,099	8.1	312	22,754	8.5
Extraordinary losses	-	-	296	0.1	296	452	0.1
Loss on liquidation of an affiliate	-		-		-	452	
Loss on liquidation of business	-		296		296	-	
Income before income taxes and minority interests	11,786	9.4	11,802	8.0	16	22,302	8.4
Corporate income taxes, residents' taxes, business taxes	3,132	2.5	3,685	2.5	552	6,857	2.6
Income taxes deferred	782	0.6	245	0.2	(537)	1,279	0.5
Minority interests in earnings of consolidated subsidiaries	79	0.1	46	0.0	(33)	178	0.1
Net income	7,792	6.2	7,827	5.3	34	13,988	5.2

(3) Consolidated Statements of Changes in Shareholders' Equity

1st half FY3/07 (Apr. 1, 2006 – Sep. 30, 2006)

(Unit: Millions of yen)

	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Less treasury stock, at cost	Total shareholders' equity
Balance as of Mar. 31, 2006	16,529	13,565	125,684	(5,346)	150,432
Change during this period					
Dividend paid	-	-	(1,599)	-	(1,599)
Net income	-	-	7,792	-	7,792
Purchase of treasury stock	-	-	-	(2,142)	(2,142)
Disposal of treasury stock	-	1	-	1	2
Increase of an affiliate with equity method	-	-	3,771	-	3,771
Net increase/decrease except shareholders' equity	-	-	-	-	-
Total change during this period	-	1	9,964	(2,141)	7,823
Balance as of Sep. 30, 2006	16,529	13,566	135,647	(7,488)	158,255

	Valuation and translation adjustments			Minority interests	Total net assets
	Net unrealized holding gain on securities	Translation adjustments	Total valuation and translation adjustments		
Balance as of Mar. 31, 2006	12,259	1,939	14,199	4,073	168,704
Change during this period					
Dividend paid	-	-	-	-	(1,599)
Net income	-	-	-	-	7,792
Purchase of treasury stock	-	-	-	-	(2,142)
Disposal of treasury stock	-	-	-	-	2
Increase of an affiliate with equity method	-	-	-	-	3,771
Net increase/decrease except shareholders' equity	(3,123)	188	(2,935)	30	(2,905)
Total change during this period	(3,123)	188	(2,935)	30	4,918
Balance as of Sep. 30, 2006	9,136	2,127	11,263	4,103	173,622

1st half FY3/08 (Apr. 1, 2007 – Sep. 30, 2007)

(Unit: Millions of yen)

	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Less treasury stock, at cost	Total shareholders' equity
Balance as of Mar. 31, 2007	16,529	13,567	140,350	(10,080)	160,367
Change during this period					
Dividend paid	-	-	(1,477)	-	(1,477)
Net income	-	-	7,827	-	7,827
Purchase of treasury stock	-	-	-	(1,690)	(1,690)
Disposal of treasury stock	-	0	-	2	2
Decrease of an affiliate with equity method	-	-	(329)	-	(329)
Net increase/decrease except shareholders' equity	-	-	-	-	-
Total change during this period	-	0	6,021	(1,688)	4,333
Balance as of Sep. 30, 2007	16,529	13,567	146,372	(11,768)	164,700

	Valuation and translation adjustments			Minority interests	Total net assets
	Net unrealized holding gain on securities	Translation adjustments	Total valuation and translation adjustments		
Balance as of Mar. 31, 2007	10,686	4,000	14,687	4,314	179,368
Change during this period					
Dividend paid	-	-	-	-	(1,477)
Net income	-	-	-	-	7,827
Purchase of treasury stock	-	-	-	-	(1,690)
Disposal of treasury stock	-	-	-	-	2
Decrease of an affiliate with equity method	-	-	-	-	(329)
Net increase/decrease except shareholders' equity	(2,281)	1,781	(500)	106	(394)
Total change during this period	(2,281)	1,781	(500)	106	3,939
Balance as of Sep. 30, 2007	8,405	5,781	14,187	4,420	183,307

Full FY3/07 (Apr. 1, 2006 – Mar. 31, 2007)

(Unit: Millions of yen)

	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Less treasury stock, at cost	Total shareholders' equity
Balance as of Mar. 31, 2006	16,529	13,565	125,684	(5,346)	150,432
Change during this period					
Dividend paid	-	-	(3,092)	-	(3,092)
Net income	-	-	13,988	-	13,988
Purchase of treasury stock	-	-	-	(4,737)	(4,737)
Disposal of treasury stock	-	1	-	4	5
Increase of an affiliate with equity method	-	-	3,771	-	3,771
Net increase/decrease except shareholders' equity	-	-	-	-	-
Total change during this period	-	1	14,667	(4,733)	9,935
Balance as of Mar. 31, 2007	16,529	13,567	140,350	(10,080)	160,367

	Valuation and translation adjustments			Minority interests	Total net assets
	Net unrealized holding gain on securities	Translation adjustments	Total valuation and translation adjustments		
Balance as of Mar. 31, 2006	12,259	1,939	14,199	4,073	168,704
Change during this period					
Dividend paid	-	-	-	-	(3,092)
Net income	-	-	-	-	13,988
Purchase of treasury stock	-	-	-	-	(4,737)
Disposal of treasury stock	-	-	-	-	5
Increase of an affiliate with equity method	-	-	-	-	3,771
Net increase/decrease except shareholders' equity	(1,573)	2,061	488	241	729
Total change during this period	(1,573)	2,061	488	241	10,664
Balance as of Mar. 31, 2007	10,686	4,000	14,687	4,314	179,368

(4) Consolidated Statements of Cash Flow

(Unit: Millions of yen)

	Apr. 1, 2006 – Sep. 30, 2006	Apr. 1, 2007 – Sep. 30 2007	Change	Apr. 1, 2006 – Mar. 31, 2007
I. Operating activities				
Income before income taxes and minority interests	11,786	11,802	16	22,302
Depreciation and amortization	5,143	8,477	3,333	12,951
Loss on liquidation of an affiliate	-	-	-	452
Loss on liquidation of business	-	296	296	-
Increase (decrease) in accrued retirement benefits for employees	(50)	5	56	37
Interest and dividend income	(483)	(552)	(68)	(1,021)
Interest expense	428	627	199	1,014
Equity in earnings of unconsolidated subsidiaries and affiliates	(861)	(874)	(12)	(1,358)
Decrease (increase) in trade notes and accounts receivable	(6,234)	(4,131)	2,102	(13,146)
Decrease (increase) in inventories	(1,101)	(1,066)	35	(6,666)
Increase (decrease) in trade notes and accounts payable	5,899	407	(5,491)	13,492
Increase (decrease) in accrued consumption taxes	(13)	(7)	6	(14)
Other, net	(2,558)	1,238	3,796	(4,571)
Subtotal	11,956	16,223	4,267	23,473
Interest and dividends received	1,423	1,293	(131)	1,959
Interest paid	(396)	(610)	(214)	(949)
Amount paid on liquidation of business	-	(10)	(10)	-
Income taxes paid	(5,528)	(3,813)	1,716	(8,396)
Net cash provided by operating activities	7,454	13,083	5,629	16,087
II. Investing activities				
Purchases of tangible fixed assets	(10,016)	(10,676)	(660)	(22,527)
Proceeds from sales of tangible fixed assets	2	69	67	4
Purchases of investment in securities	(1,246)	(3,556)	(2,310)	(1,437)
Proceeds from sales of investment in securities	0	78	78	121
Increase in investments receivable	(205)	(323)	(118)	(413)
Collection of investments receivable	207	123	(84)	334
Increase in loans receivable	(50)	-	50	(110)
Collection of loans receivable	569	564	(5)	1,191
Other, net	(151)	(103)	48	(272)
Net cash used in investing activities	(10,890)	(13,824)	(2,934)	(23,109)
III. Financing activities				
Increase (decrease) in short-term bank loans, net	5,889	1,507	(4,381)	6,546
Proceeds from bond issuance	-	15,000	15,000	-
Proceeds from long-term debt	5,700	5,059	(641)	10,700
Repayment of long-term debt	(2,638)	(2,965)	(327)	(5,370)
Cash dividends paid	(1,599)	(1,477)	123	(3,092)
Cash dividends paid to minority interests	(15)	(17)	(2)	(15)
Purchase of treasury stock	(2,142)	(1,690)	452	(4,737)
Other, net	2	2	0	5
Net cash provided by financing activities	5,196	15,420	10,224	4,037
IV. Effect of exchange rate changes on cash and cash equivalents	(84)	156	240	119
V. Increase (decrease) in cash and cash equivalents	1,677	14,835	13,158	(2,865)
VI. Cash and cash equivalents at beginning of term	19,856	16,991	(2,865)	19,856
VII. Cash and cash equivalents at term end	21,532	31,826	10,294	16,991

4. Segment Information

(1) Business Segment Information

1st half FY3/07 (Apr. 1, 2006 – Sep. 30, 2006)

(Unit: Millions of yen)

	Basic chemicals	Functional chemicals	Environment & catalysts	Total	Elimination or corporate	Consolidated
Net sales and operating income						
Net sales						
(1) Sales to third parties	47,040	64,965	12,807	124,813	-	124,813
(2) Intergroup sales and transfers	9,936	374	1,423	11,733	(11,733)	-
Total	56,976	65,339	14,231	136,546	(11,733)	124,813
Operating expenses	54,307	60,178	12,023	126,508	(11,744)	114,764
Operating income	2,670	5,161	2,208	10,038	11	10,049

1st half FY3/08 (Apr. 1, 2007 – Sep. 30, 2007)

(Unit: Millions of yen)

	Basic chemicals	Functional chemicals	Environment & catalysts	Total	Elimination or corporate	Consolidated
Net sales and operating income						
Net sales						
(1) Sales to third parties	52,347	77,825	18,283	148,455	-	148,455
(2) Intergroup sales and transfers	16,401	607	392	17,400	(17,400)	-
Total	68,748	78,432	18,675	165,855	(17,400)	148,455
Operating expenses	66,729	71,995	16,554	155,278	(17,480)	137,798
Operating income	2,019	6,438	2,120	10,577	80	10,657

Full FY3/07 (Apr. 1, 2006 – Mar. 31, 2007)

(Unit: Millions of yen)

	Basic chemicals	Functional chemicals	Environment & catalysts	Total	Elimination or corporate	Consolidated
Net sales and operating income						
Net sales						
(1) Sales to third parties	97,665	141,321	27,526	266,513	-	266,513
(2) Intergroup sales and transfers	21,672	854	1,800	24,326	(24,326)	-
Total	119,337	142,175	29,326	290,839	(24,326)	266,513
Operating expenses	113,938	131,337	26,344	271,620	(24,536)	247,084
Operating income	5,399	10,838	2,982	19,219	210	19,429

Notes:

- Business segments are classified according to similarity sorts and characters of the products.
- Major products by business segment
 - Basic chemicals
Acrylic acids, acrylic ester, ethylene oxides, ethylene glycols, ethanalamine, higher-alcohol
 - Functional chemicals
Superabsorbent polymers, pharmaceutical intermediates, polymer for concrete admixture, electronic and information materials, iodine, maleic anhydride, unsaturated polyester resins, resins for adhesives & paints, plastic molded products, process adhesive products
 - Environment & catalysts
Automotive catalysts, De-NOx catalysts, dioxin decomposition catalysts, industrial catalysts, exhaust gas treatment equipment
- The Company and its domestic consolidated subsidiaries, following tax law revisions, depreciate tangible fixed assets purchased after April 1, 2007 in line with methods prescribed in the revised Corporate Tax Law.
As a result, effect of this change was to decrease operating income (29 million yen in basic chemicals, 76 million yen in functional chemicals, and 7 million yen in environment & catalysts), compare to the previous method.
- The Company and its domestic consolidated subsidiaries, following tax law revisions, depreciate equally over five years, and book as a depreciation expense, the difference between the memorandum value, and 5% of the acquisition value, of tangible fixed assets acquired before March 31, 2007, beginning in the fiscal year following the fiscal year in which the asset's value reaches 5% of the acquisition value based on depreciation methods prior to corporate tax law revisions.
As a result, effect of this change was to decrease operating income (348 million yen in basic chemicals, 356 million yen in functional chemicals, and 36 million yen in environment & catalysts), compare to the previous method.

(2) Geographical Segment Information

1st half FY3/07 (Apr. 1, 2006 – Sep. 30, 2006)

(Unit: Millions of yen)

	Japan	Europe	Asia	Others	Total	Elimination or corporate	Consolidated
Net sales and operating income							
Net sales							
(1) Sales to third parties	87,616	14,639	14,424	8,134	124,813	-	124,813
(2) Intergroup sales and transfers	10,948	38	425	25	11,437	(11,437)	-
Total	98,564	14,677	14,849	8,159	136,249	(11,437)	124,813
Operating expenses	90,067	14,645	14,368	8,037	127,117	(12,353)	114,764
Operating income	8,498	31	481	122	9,133	916	10,049

1st half FY3/08 (Apr. 1, 2007 – Sep. 30, 2007)

(Unit: Millions of yen)

	Japan	Europe	Asia	Others	Total	Elimination or corporate	Consolidated
Net sales and operating income (loss)							
Net sales							
(1) Sales to third parties	103,499	21,084	15,117	8,755	148,455	-	148,455
(2) Intergroup sales and transfers	17,114	42	2,090	220	19,465	(19,465)	-
Total	120,613	21,126	17,206	8,976	167,920	(19,465)	148,455
Operating expenses	111,177	21,151	16,958	8,845	158,131	(20,333)	137,798
Operating income (loss)	9,436	(25)	248	130	9,790	868	10,657

Full FY3/07 (Apr. 1, 2006 – Mar. 31, 2007)

(Unit: Millions of yen)

	Japan	Europe	Asia	Others	Total	Elimination or corporate	Consolidated
Net sales and operating income (loss)							
Net sales							
(1) Sales to third parties	186,288	32,521	30,194	17,510	266,513	-	266,513
(2) Intergroup sales and transfers	21,979	71	1,219	493	23,761	(23,761)	-
Total	208,267	32,592	31,413	18,002	290,274	(23,761)	266,513
Operating expenses	190,966	32,522	30,549	18,287	272,325	(25,241)	247,084
Operating income (loss)	17,301	70	864	(285)	17,949	1,480	19,429

Notes:

- Geographical segments are classified according to geographical proximity.
- Specific countries of each area:
 - Europe: Belgium
 - Asia: Singapore, Indonesia, and China
 - Others: North America (USA)
- The Company and its domestic consolidated subsidiaries, following tax law revisions, depreciate tangible fixed assets purchased after April 1, 2007 in line with methods prescribed in the revised Corporate Tax Law.
As a result, effect of this change was to decrease operating income by 111 million yen in Japan, compare to the previous method.
- The Company and its domestic consolidated subsidiaries, following tax law revisions, depreciate equally over five years, and book as a depreciation expense, the difference between the memorandum value, and 5% of the acquisition value, of tangible fixed assets acquired before March 31, 2007, beginning in the fiscal year following the fiscal year in which the asset's value reaches 5% of the acquisition value based on depreciation methods prior to corporate tax law revisions.
As a result, effect of this change was to decrease operating income by 740 million yen in Japan, compare to the previous method.

(3) Overseas Sales

1st half FY3/07 (Apr. 1, 2006 – Sep. 30, 2006)

(Unit: Millions of yen)

	Asia	Europe	North America	Others	Total
I. Overseas sales	23,443	19,540	10,870	4,417	58,270
II. Consolidated sales					124,813
III. Overseas sales to consolidated sales	18.8%	15.7%	8.7%	3.5%	46.7%

1st half FY3/08 (Apr. 1, 2007 – Sep. 30, 2007)

(Unit: Millions of yen)

	Asia	Europe	North America	Others	Total
I. Overseas sales	29,641	24,127	12,609	7,760	74,137
II. Consolidated sales					148,455
III. Overseas sales to consolidated sales	20.0%	16.2%	8.5%	5.2%	49.9%

Full FY3/07 (Apr. 1, 2006 – Mar. 31, 2007)

(Unit: Millions of yen)

	Asia	Europe	North America	Others	Total
I. Overseas sales	51,847	41,654	23,184	9,628	126,313
II. Consolidated sales					266,513
III. Overseas sales to consolidated sales	19.5%	15.6%	8.7%	3.6%	47.4%

Notes:

1. Geographical segments are classified according to geographical proximity.
2. Specific countries of each area:
 - (1) Asia: East and South East Asian countries
 - (2) Europe: European countries
 - (3) North America: North American countries
 - (4) Others: ARIAS/countries except Asia, Europe, North America, and Japan
3. "Overseas sales" means sales to outside Japan by Nippon Shokubai Co., Ltd. and its consolidated subsidiaries.

* This financial report is solely a translation of "Kessan Tanshin" (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.