

Business Results for Full FY3/08

May 8, 2008

Company name: Nippon Shokubai Co., Ltd. Listing: TSE, OSE (First Section)
 Code number: 4114 URL: <http://www.shokubai.co.jp/>
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 Scheduled date of the general shareholders' meeting: June 19, 2008
 Scheduled date of dividend payment: June 20, 2008
 Scheduled date of filing annual securities report: June 19, 2008

(Figures are rounded off to the nearest million yen)

1. Consolidated Business Results for FY3/08 (April 1, 2007 to March 31, 2008)

(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	%
Full FY3/08	302,669	13.6	18,379	(5.4)	20,745	(8.8)	11,875	(15.1)
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	Return on equity	Ordinary income on assets	Operating income to net sales
	Yen	Yen	%	%	%
Full FY3/08	64.91	-	6.9	6.1	6.1
Full FY3/07	74.92	-	8.2	7.4	7.3

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

Full FY3/08: 1,671 Full FY3/07: 1,358

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Full FY3/08	352,783	175,634	48.6	947.34
Full FY3/07	323,675	179,368	54.1	948.34

Reference: Shareholders' equity (millions of yen):

Full FY3/08: 171,489 Full FY3/07: 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
Full FY3/08	20,129	(33,100)	17,495	21,371
Full FY3/07	16,087	(23,109)	4,037	16,991

2. Dividend

	Dividend per share			Total dividends (Annual)	Payout ratio (Consolidated)	Dividend on equity (Consolidated)
	Interim	Year-end	Annual			
	Yen	Yen	Yen	Millions of yen	%	%
Full FY3/07	8.00	8.00	16.00	2,970	21.4	1.8
Full FY3/08	8.00	8.00	16.00	2,913	24.6	1.7
Full FY3/09 (forecast)	8.50	8.50	17.00	-	22.4	-

3. Consolidated Forecast for FY3/09 (April 1, 2008 to March 31, 2009)

(% 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
First half	162,000	9.1	7,600	(28.7)	8,500	(29.7)	5,000	(36.1)	27.73
Full FY3/09	345,000	14.0	20,000	8.8	22,000	6.0	13,600	14.5	75.84

4. Others

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

(2) Changes in accounting principles, procedures and presentation methods for preparation of 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)

Full FY3/08: 194,881,287 shares Full FY3/07: 194,881,287 shares

2) Number of treasury stock at the end of period

Full FY3/08: 13,859,502 shares Full FY3/07: 10,291,302 shares

(Reference) Non-consolidated Business Overview**1. Non-consolidated Business Results for FY3/08 (April 1, 2007 to March 31, 2008)**

(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	%
Full FY3/08	231,151	20.3	16,286	1.7	19,815	(2.8)	11,707	(5.4)
Full FY3/07	192,177	12.7	16,008	(15.4)	20,378	(11.4)	12,378	(14.6)

	Net income per share		Fully diluted net income per share	
	Yen		Yen	
Full FY3/08	63.99		-	
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	
Full FY3/08	280,080		148,553		53.0		820.49	
Full FY3/07	262,059		151,266		57.7		819.47	

Reference: Shareholders' equity (millions of yen):

Full FY3/08: 148,553 Full FY3/07: 151,266

2. Non-consolidated Forecast for FY3/09 (April 1, 2008 to March 31, 2009)

(% 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	
First half	121,000	7.0	6,400	(28.8)	8,600	(25.7)	5,300	(30.1)	29.39	
Full FY3/09	250,000	8.2	16,300	0.1	20,400	3.0	12,600	7.6	70.25	

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

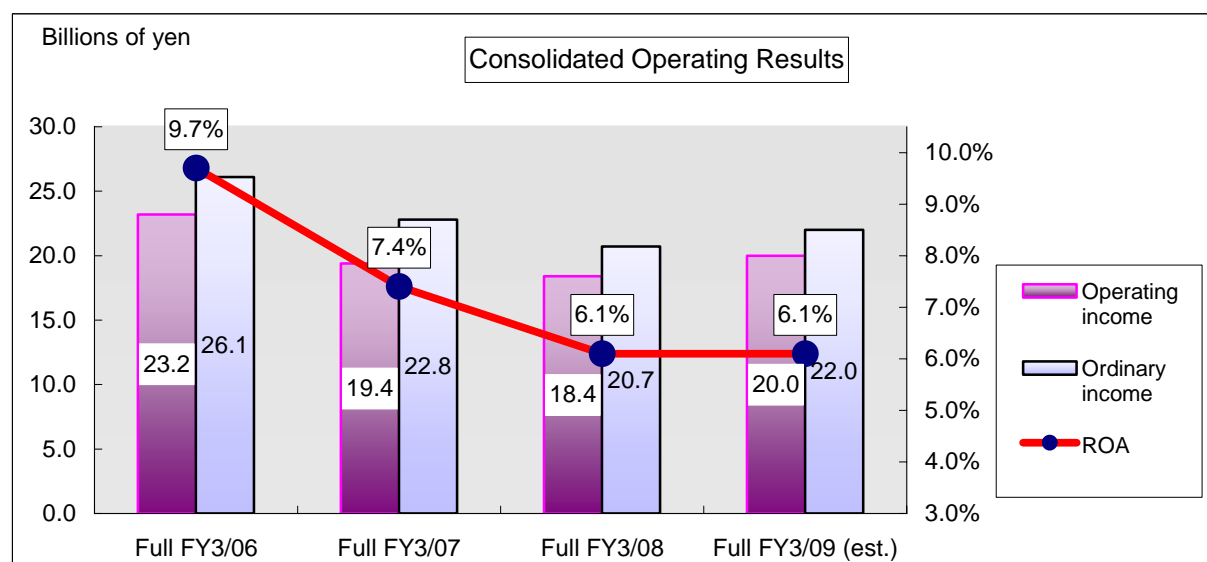
These materials contain forward-looking statements and statements of this nature based on reasonable judgments in accordance with information currently available. Readers should be aware that actual results and events might differ substantially from these projections. For discussion of the assumptions and other factors considered by the Company in preparing the above projections, please refer to pages 5 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.

Results Trend and Features

(Unit: Millions of yen)

	Full FY3/06		Full FY3/07		Full FY3/08		Full FY3/09 (Forecast)		Change	
	Amount	YoY	Amount	YoY	Amount	YoY	Amount	YoY	FY3/08- FY3/07	FY3/09- FY3/08
Net sales	[1.36]		[1.39]		[1.31]		[1.38]			
Consolidated	232,441	17.9%	266,513	14.7%	302,669	13.6%	345,000	14.0%	36,156	42,331
Non-consolidated	170,510	16.2%	192,177	12.7%	231,151	20.3%	250,000	8.2%	38,974	18,849
Operating income	[1.23]		[1.21]		[1.13]		[1.23]			
Consolidated	23,228	4.6%	19,429	(16.4)%	18,379	(5.4)%	20,000	8.8%	(1,051)	1,621
Non-consolidated	18,915	24.0%	16,008	(15.4)%	16,286	1.7%	16,300	0.1%	277	14
Ordinary income	[1.14]		[1.12]		[1.05]		[1.08]			
Consolidated	26,148	10.3%	22,754	(13.0)%	20,745	(8.8)%	22,000	6.0%	(2,009)	1,255
Non-consolidated	23,008	29.3%	20,378	(11.4)%	19,815	(2.8)%	20,400	3.0%	(563)	585
Net income	[1.12]		[1.13]		[1.01]		[1.08]			
Consolidated	16,257	3.5%	13,988	(14.0)%	11,875	(15.1)%	13,600	14.5%	(2,114)	1,725
Non-consolidated	14,502	31.1%	12,378	(14.6)%	11,707	(5.4)%	12,600	7.6%	(671)	893
Equity-method investment	961		1,358		1,671		664		313	(1,007)
Minority equity profits	153		178		5		97		(173)	92
Total assets	[1.23]		[1.24]		[1.26]		[1.23]			
Consolidated	291,564	16.9%	323,675	11.0%	352,783	9.0%	370,000	4.9%	29,108	17,217
Non-consolidated	237,571	14.6%	262,059	10.3%	280,080	6.9%	300,000	7.1%	18,021	19,920
Net assets	[1.11]		[1.19]		[1.18]		[1.18]			
Consolidated	164,631	13.8%	179,368	9.0%	175,634	(2.1)%	183,383	4.4%	(3,734)	7,749
Non-consolidated	148,283	11.4%	151,266	2.0%	148,553	(1.8)%	155,205	4.5%	(2,713)	6,652
ROA									Point	Point
Consolidated		9.7%		7.4%		6.1%		6.1%	(1.3)	-
Non-consolidated		10.3%		8.2%		7.3%		7.0%	(0.9)	(0.3)

The figures in bracket represent the consolidated-parent ratio.



Comparison of FY3/08 with FY3/07

Sales up, profits down: sales reached a record high, but profits fell because of a narrowing spread between sales prices and raw materials prices, and an increase in fixed costs

		Major components
Net sales	+ 36.2 bil. yen YoY	<ul style="list-style-type: none"> • Greater sales across all segments • Greater sales volumes of mainstay products including superabsorbent polymers, and acrylic acids and esters • Higher prices for ethylene glycol and ethanolamine • Greater sales of polymers for concrete admixture, electronic information materials, and process catalysts
Operating income	- 1.1 bil. yen YoY	<ul style="list-style-type: none"> • Narrowing spread between sales prices and raw materials prices + greater fixed costs from investment in new and larger production facilities > benefits from greater sales volumes
Ordinary income	- 2.0 bil. yen YoY	<ul style="list-style-type: none"> • Foreign exchange valuation losses from yen appreciation > greater equity-method investment earnings
Net income	- 2.1 bil. yen YoY	<ul style="list-style-type: none"> • Extraordinary losses (losses from plant closures and liquidation of business)

Comparison of FY3/09 with FY3/08

Sales up, profits up: sales to reach a new record, and profits to turn upward as greater sales volumes offset higher raw materials costs

		Major components
Net sales	+ 42.3 bil. yen YoY	<ul style="list-style-type: none"> • Greater sales across all segments • Greater sales of functional chemicals including polymers for concrete admixture, and electronic information materials • Greater sales of basic chemicals, despite softer prices for ethylene glycol and other chemicals, due to a contribution from Nippon Nyukazai Co., Ltd. which was made a subsidiary in February 2008 through the acquisition of stock
Operating income	+ 1.6 bil. yen YoY	<ul style="list-style-type: none"> • Benefits from greater sales volumes of functional chemicals + upward revisions to product pricing to reflect higher raw materials prices > rising raw materials prices + softer market prices for some products
Ordinary income	+ 1.3 bil. yen YoY	<ul style="list-style-type: none"> • Deterioration in balance of finances + decline in earnings from equity-method investments > decline in foreign exchange valuation losses
Net income	+ 1.7 bil. yen YoY	<ul style="list-style-type: none"> • We do not anticipate any extraordinary gains or losses

1. Business Results

I. Analysis of Business Results

(1) Outline of FY3/08 (April 1, 2007 – March 31, 2008)

The Japanese economy weakened in the latter half of the fiscal year under review due to surging prices of crude oil and other natural resources, a decelerating US economy, and sharp fluctuations in foreign exchange rates.

For the chemicals industry, the outlook became increasingly uncertain, despite firm demand in domestic and overseas markets, due to surging crude oil prices, price volatility in global commodity markets, and yen appreciation.

1) Overall results summary

(Unit: Millions of yen)

	Full FY3/07	Full FY3/08	Change	
Net sales	266,513	302,669	36,156	13.6%
Operating income	19,429	18,379	(1,051)	(5.4)%
Ordinary income	22,754	20,745	(2,009)	(8.8)%
Net income	13,988	11,875	(2,114)	(15.1)%
EPS (net income per share)	74.92 yen	64.91 yen	(10.01) yen	(13.4)%
ROA (ordinary income/total assets)	7.4%	6.1%	-	(1.3) points
ROE (net income/shareholders' equity)	8.2%	6.9%	-	(1.3) points
Foreign exchange rate (\$, EUR)	\$=117.00 yen EUR=150.08 yen	\$=114.38 yen EUR=161.59 yen	(2.62) yen 11.51 yen	
Naphtha price	50,000 yen/kl	61,500 yen/kl	11,500 yen/kl	

In this business environment, group net sales increased 13.6% year-over-year to 302,669 million yen (+36,156 million yen) in the current fiscal year under review due to an increase in sales volumes, particularly of functional chemicals, upward revisions to product pricing to reflect higher raw materials prices, and higher market prices for certain basic chemicals including ethylene glycol and ethanolamine.

As for profits, operating income declined 5.4% year-over-year to 18,379 million yen (-1,051 million yen) as expanding sales volumes and upward revisions to product pricing failed to fully offset the negative impact of surging raw materials prices, and a rise in fixed costs from investment in new and larger production facilities since last year.

Ordinary income declined 8.8% year-over-year to 20,745 million yen (-2,009 million yen), despite an increase in equity-method investment earnings, due to an increase in interest expense, and the emergence of foreign exchange valuation losses caused by yen appreciation.

Net income declined 15.1% year-over-year to 11,875 million yen (-2,114 million yen), despite capital gains from the sale of investment securities, because we booked extraordinary losses related to the closure of the Ehime Plant and withdrawal from the unsaturated polyester business.

Net income per share was 64.91 yen, ROA (ordinary income / total assets) declined 1.3 points to 6.1%, and ROE (net income / shareholders' equity) declined 1.3 points to 6.9%.

2) Segment summary

Business summary

(Unit: Millions of yen)

Basic chemicals

	Full FY3/07	Full FY3/08	Change
Net sales	97,665	109,331	11,665
Operating income	5,399	6,721	1,322

Functional chemicals

	Full FY3/07	Full FY3/08	Change
Net sales	141,321	155,892	14,570
Operating income	10,838	8,769	(2,069)

Environment & catalysts

	Full FY3/07	Full FY3/08	Change
Net sales	27,526	37,447	9,921
Operating income	2,982	2,812	(170)

Basic chemicals business

- Acrylic acids and ester sales increased due to expanding sales volumes and upward revisions to product pricing 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.
- Sales of ethylene glycol and ethanalamine increased, despite a drop in sales volumes on tight inventories, as rising demand in China and plant trouble in the Middle East drove market prices higher.

In summary, sales in the basic chemicals business increased 11.9% year-over-year to 109,331 million yen.

Operating income in the basic chemicals business increased 24.5% year-over-year to 6,721 million yen as expanding sales volumes, upward price revisions, and higher market prices for some products more than offset the negative impact of surging raw materials prices and an increase in fixed costs from large 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 detergents materials and resin performance hardeners increased on steady domestic and overseas 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 adhesives/paints resins, adhesive products, and iodine compounds were roughly flat year-over-year.
- We stopped producing and selling unsaturated polyester resins as of the end of September 2007.

In summary, sales in the functional chemicals business increased 10.3% year-over-year to 155,892 million yen.

Operating income in the functional chemicals business declined 19.1% year-over-year to 8,769 million yen as we could not fully factor surging raw materials prices into end-product pricing; that said, rising sales volumes offset the increase in fixed costs from investment in new and larger production facilities since last year.

Environment & catalysts business

- Sales of automotive catalysts increased due to rising sales volumes, and higher sales prices on the back of surging precious metal prices.
- Sales of process catalysts increased on firm overseas replacement demand.
- Sales of De-NOx catalysts, waste gas treatment equipment and catalysts increased on rising sales volumes.
- Sales of waste water treatment plant equipment and catalysts decreased due to the absence of large-scale equipment sales booked in the previous fiscal year.

In summary, sales in the environment & catalysts business increased 36.0% year-over-year to 37,447 million yen.

Operating income in the environment & catalysts business declined 170 million yen year-over-year to 2,812 million yen due to higher raw materials costs and a more negative sales mix (no sales of large waste water treatment equipment).

Regional summary

(Unit: Millions of yen)

Japan

	Full FY3/07	Full FY3/08	Change
Net sales	186,288	213,793	27,505
Operating income	17,301	17,380	79

Europe

	Full FY3/07	Full FY3/08	Change
Net sales	32,521	43,130	10,609
Operating income	70	282	213

Asia

	Full FY3/07	Full FY3/08	Change
Net sales	30,194	29,816	(378)
Operating income	864	435	(429)

Other regions

	Full FY3/07	Full FY3/08	Change
Net sales	17,510	15,930	(1,580)
Operating income	(285)	(1,392)	(1,107)

Japan

- Sales in Japan increased 14.8% year-over-year to 213,793 million yen due to firm demand for mainstay superabsorbent polymers and acrylic acids and esters; an increase in sales volumes of concrete admixture polymers, electronic and information materials, and process catalysts; and upward price revisions to reflect surging raw materials prices.
- Operating income in Japan was roughly flat year-over-year to 17,380 million yen as greater sales volumes particularly for functional chemicals, and upward price revisions to reflect surging raw materials prices, helped offset the negative impact of higher fixed costs from production facility expansions since last year, and surging raw materials prices.

Europe

- Sales in Europe increased 32.6% year-over-year to 43,130 million yen on greater sales volumes of superabsorbent polymers, and upward price revisions to reflect surging raw materials prices.
- Operating income in Europe increased 213 million yen year-over-year to 282 million yen as greater sales volumes and progress in revising prices upward more than offset the negative impact of surging raw materials prices and higher fixed costs from production facility expansions since last year.

Asia

- Sales in Asia declined 1.3% year-over-year to 29,816 million yen because higher sales of superabsorbent polymers due to greater sales volumes and upward price revisions to reflect surging raw materials prices, failed to fully offset a decline in sales volumes of acrylic acid and esters.
- Operating income in Asia declined 49.6% year-over-year to 435 million yen as improvements in the profitability of superabsorbent polymers failed to fully offset a decline in the profitability of acrylic acid and esters due to surging raw materials prices and lower sales volumes.

Other regions

- Sales in other regions declined 9.0% year-over-year to 15,930 million yen as an increase in sales volumes of concrete admixture polymers failed to offset declines in sales volumes of superabsorbent polymers and detergent materials.
- Operating income in other regions declined 1,107 million yen year-over-year to a 1,392 million yen loss as benefits from greater sales volumes of concrete admixture polymers failed to fully offset declines in sales volumes of superabsorbent polymers and detergent materials, and the negative impact of surging raw materials pricing.

(2) FY3/09 Forecast (April 1, 2008 – March 31, 2009)

We project a continued slowdown of the Japanese economy, but expect capital investment and personal consumption to remain firm. Some experts see greater downside risks for the economy due to uncertainty over the outlook for the global economy, and rising concerns about global financial markets.

As for the chemicals industry, the future outlook is unclear as crude oil prices continue to hit new record highs, and market competition continues to intensify.

In this environment, we assume foreign exchange rates of 105 yen to the US dollar and 160 yen to the euro, and naphtha pricing of 65,000 yen/kl. We forecast net sales will increase 42.3 billion yen to 345.0 billion yen (162.0 billion yen in the first half), despite greater market competition, due to expanding sales volumes particularly of basic and functional chemicals.

We forecast ordinary income will increase 1.3 billion yen to 22.0 billion yen (8.5 billion yen in the first half), and net income will increase 1.7 billion yen to 13.6 billion yen (5.0 billion in the first half), despite rising energy and raw materials prices and softer market prices for some products, due to benefits of expanding production and sales volumes of functional chemicals.

II. Financial Condition**(1) Assets, Liabilities and Net Assets**

Assets increased 29,108 million yen year-over-year to 352,783 million yen at the end of fiscal year under review, mainly due to the addition of a consolidated subsidiary following the acquisition of stock in Nippon Nyukazai Co., Ltd., and an increase in accounts receivable and inventories.

Liabilities increased 32,842 million yen year-over-year to 177,149 million yen, mainly due to an increase in the number of consolidated subsidiaries and corporate bond issuance.

Net assets decreased 3,734 million yen year-over-year to 175,634 million yen, mainly due to an increase in retained earnings, but decrease in net unrealized holding gain on securities.

Shareholders' equity ratio declined 5.5 points, from 54.1% at the end of the previous fiscal year, to 48.6% at the end of the current fiscal year under review. Net assets per share declined 1 yen over the same period to 947.34 yen.

(2) Cash Flows

Cash and cash equivalents at the end of the fiscal year under review increased 4,380 million yen to 21,371 million yen over the end of the previous fiscal year, 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 20,129 million yen (16,087 million yen in the previous fiscal year).

This was a net result of a decrease in income before income taxes and minority interests, an increase in depreciation and amortization and a decrease in income tax payment.

(Cash flow from investing activities)

Cash used in investing activities totaled 33,100 million yen (23,109 million yen used in the previous fiscal year). This was a result of an increase in outlays for the purchase of subsidiary stocks.

(Cash flow from financing activities)

Cash from financing activities totaled 17,495 million yen (4,037 million yen in the previous fiscal year).

We procured funds through corporate bond issuance.

Cash flow indices

	Full FY3/04	Full FY3/05	Full FY3/06	Full FY3/07	Full FY3/08
Shareholders' equity ratio	59.8%	58.0%	56.5%	54.1%	48.6%
Shareholders' equity ratio at market base	71.2%	74.2%	90.3%	72.5%	33.9%
Years debt amortization	2.1 years	1.8 years	2.6 years	3.6 years	4.4 years
Interest coverage ratio	23.1	47.1	24.6	17.0	15.1

Shareholders' equity ratio = shareholders' equity/ total assets

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

Years debt amortization = 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 period end × outstanding shares at period end (after deducting treasury stock)

3. We used operating cash flow from the consolidated cash flow statement for "operating cash flow."

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 and FY3/09

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 fiscal year under review taking into consideration the business environment, earnings in the fiscal year, and plans for business expansion. This would give an annual dividend of 16 yen per share and a consolidated payout ratio of 24.6%.

We intend to improve capital efficiency and improve financial benchmarks including return on equity (ROE) and earnings per share (EPS). Also, we plan to retire treasury stock on May 13 to reduce the total number of outstanding shares, and boost shareholder profits and returns. Additionally, we plan to pay an annual dividend of 17 yen per share (composed of interim and year-end dividends of 8.50 yen each) in the new fiscal year.

We bought back 3,500,000 shares on the market for 3,427 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 yen

Ordinary Income: 35 billion yen

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 yen (including 40 billion yen of new products), ordinary income of 30 billion yen, and ROA of 7.5% or higher.

3) Progress in the Medium-term Business Plan

a. Existing businesses

In the superabsorbent polymer business, we completed capacity additions to our Himeji Plant last year, boosting annual production capacity of superabsorbent polymers to 410,000 tons at the end of March 2008 and maintaining our top position in the global market.

In the acrylic acid business, we launched commercial operations at an acrylic acid factory with production capacity of 160,000 tons per annum at the Himeji Plant in December 2006, and in line with a scrap and build policy, we closed an acrylic acid factory at the Ehime Plant at the end of 2007, and are building a new 80,000-ton factory at the Himeji Plant with completion scheduled for the end of 2009. Through these moves to consolidate domestic production, we intend to improve efficiency in the acrylic acid business while maintaining production capacity at around 620,000 tons per annum.

In the ethylene oxide business, we aim to boost production capacity of ethylene oxide at our Ukishima factory at the Kawasaki Plant by 70,000 tons per annum by the summer of 2009, and together with production at our Chidori factory, this would give us 320,000 tons of annual production capacity, the highest in Japan. Also, we acquired land for a new factory in Kawasaki, and made Nippon Nyukazai Co., Ltd. and SINO-JAPAN CHEMICAL Co., Ltd. subsidiaries through the acquisition of stock in February 2008, to boost sales of ethylene oxide and its derivative products to achieve a non-EG (ethylene glycol) product ratio above 80%, and thereby establish a more solid business foundation that is less susceptible to market fluctuations.

In other businesses, we seek to further expand the global reach of our 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. at the end of 2007, and commercial operations have already begun. We have also boosted production capacity of the product with annual capacity of 10,000 tons at our Kawasaki Plant, raising total production across the Group to 80,000 tons per annum, and making concrete admixture polymers a core business.

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 (Acryviewa) for optical applications reached 6,000 tons at the end of 2007 due to the launch of a second production line at the Himeji Plant, and shipments have also begun for LCD panels, mobile phones, and television applications. Also, we have made solid progress in business development of fine spherical particles and functional pigments. We 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, we are 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 Mar. 31, 2007		As of Mar. 31, 2008		Change
Assets					
Current assets	145,444	44.9	168,461	47.8	23,017
Cash and deposits	17,156		21,586		4,430
Trade notes and accounts receivable	71,002		81,318		10,317
Securities	-		200		200
Inventories	45,941		54,353		8,412
Deferred tax assets	3,172		3,874		702
Others	8,742		7,438		(1,304)
Allowance for doubtful accounts	(568)		(308)		261
Fixed assets	178,230	55.1	184,321	52.2	6,091
Tangible fixed assets	117,647	36.4	123,964	35.1	6,317
Building and structures	24,373		28,399		4,026
Machinery and vehicle	57,379		57,158		(221)
Equipment and tools	2,470		2,403		(66)
Land	27,609		32,058		4,449
Construction in progress	6,778		5,573		(1,205)
Accumulated impairment of value	(962)		(1,628)		(666)
Intangible fixed assets	2,065	0.6	3,807	1.1	1,742
Goodwill	-		2,318		2,318
Others	2,065		1,489		(576)
Investments and other assets	58,518	18.1	56,551	16.0	(1,968)
Investments in securities	43,206		39,127		(4,080)
Investments	4,765		4,871		105
Long-term loans receivables	2,570		1,422		(1,148)
Deferred tax assets	901		3,521		2,620
Prepaid pension cost	2,997		3,874		876
Others	4,533		4,160		(372)
Allowance for doubtful accounts	(454)		(423)		31
Total assets	323,675	100.0	352,783	100.0	29,108

(Unit: Millions of yen)

	As of Mar. 31, 2007		As of Mar. 31, 2008		Change
Liabilities					
Current liabilities	99,785	30.8	112,116	31.8	12,332
Trade notes and accounts payable	54,459		57,284		2,824
Short-term bank loans	18,177		27,571		9,394
Current portion of long-term bank loans	5,887		6,998		1,111
Accrued income taxes	4,018		2,982		(1,036)
Accrued expense for bonuses to employees	2,061		2,485		424
Accrued expense for bonuses to directors and corporate auditors	130		157		27
Accrued expense for periodical maintenance	2,742		2,673		(69)
Accrued expense for closing of a plant	-		1,236		1,236
Others	12,310		10,730		(1,580)
Long-term liabilities	44,522	13.8	65,032	18.4	20,510
Bonds	5,000		20,000		15,000
Long-term bank loans	28,668		34,797		6,129
Deferred tax liabilities	2,647		710		(1,937)
Accrued retirement benefits for employees	6,791		8,153		1,362
Others	1,417		1,373		(44)
Total liabilities	144,307	44.6	177,149	50.2	32,842
Net assets					
Shareholders' equity	160,367	49.6	165,499	46.9	5,133
Common stock	16,529		16,529		-
Additional paid-in capital	13,567		13,567		(0)
Retained earnings	140,350		148,955		8,605
Less treasury stock, at cost	(10,080)		(13,552)		(3,472)
Valuation and translation adjustments	14,687	4.5	5,990	1.7	(8,697)
Net unrealized holding gain on securities	10,686		2,644		(8,042)
Deferred hedge gains (losses)	-		(22)		(22)
Translation adjustments	4,000		3,368		(633)
Minority interests	4,314	1.3	4,145	1.2	(170)
Total net assets	179,368	55.4	175,634	49.8	(3,734)
Total liabilities and net assets	323,675	100.0	352,783	100.0	29,108

(2) Consolidated Statements of Income

(Unit: Millions of yen)

	Apr. 1, 2006 – Mar. 31, 2007		Apr. 1, 2007 – Mar. 31 2008		Change
Net sales	266,513	100.0	302,669	100.0	36,156
Cost of sales	212,468	79.7	248,024	81.9	35,556
Gross profit	54,045	20.3	54,646	18.1	600
Selling, general and administrative expense	34,616	13.0	36,267	12.0	1,651
Operating income	19,429	7.3	18,379	6.1	(1,051)
Non-operating income	5,719	2.1	6,377	2.1	659
Interest and dividend income	1,021		1,378		357
Amortization of negative goodwill	350		213		(137)
Equity in earnings of unconsolidated subsidiaries and affiliates	1,358		1,671		313
Others	2,991		3,116		125
Non-operating expenses	2,394	0.9	4,011	1.3	1,617
Interest expense	1,014		1,349		335
Others	1,380		2,662		1,282
Ordinary income	22,754	8.5	20,745	6.9	(2,009)
Extraordinary gains	-	-	328	0.1	328
Gain on sale of investments in securities	-		328		328
Extraordinary losses	452	0.1	3,227	1.1	2,775
Loss on liquidation of an affiliate	452		-		(452)
Loss on closing of a plant	-		1,873		1,873
Loss on liquidation of business	-		686		686
Impairment losses	-		355		355
Loss on disaster	-		185		185
Loss on disposal of inventories	-		128		128
Income before income taxes and minority interests	22,302	8.4	17,846	5.9	(4,456)
Corporate income taxes, residents' taxes, business taxes	6,857	2.6	5,945	2.0	(912)
Income taxes deferred	1,279	0.5	21	0.0	(1,258)
Minority interests in earnings of consolidated subsidiaries	178	0.1	5	0.0	(173)
Net income	13,988	5.2	11,875	3.9	(2,114)

(3) Consolidated Statements of Changes in Shareholders' Equity

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

(Unit: Millions of yen)

	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

Note: Appropriation of dividend paid resolved at the annual general meeting of shareholders in June 2006 (1,599 million yen) and interim dividends approved at the November 2006 Board of Directors meeting (1,493 million yen).

Full FY3/08 (Apr. 1, 2007 – Mar. 31, 2008)

(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	-	-	(2,941)	-	(2,941)
Net income	-	-	11,875	-	11,875
Purchase of treasury stock	-	-	-	(3,478)	(3,478)
Disposal of treasury stock	-	(0)	-	6	6
Decrease of an affiliate with equity method	-	-	(329)	-	(329)
Net increase/decrease except shareholders' equity	-	-	-	-	-
Total change during this period	-	(0)	8,605	(3,472)	5,133
Balance as of Mar. 31, 2008	16,529	13,567	148,955	(13,552)	165,499

(Unit: Millions of yen)

	Valuation and translation adjustments				Minority interests	Total net assets
	Net unrealized holding gain on securities	Deferred hedge gains (losses)	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	-	-	-	-	-	(2,941)
Net income	-	-	-	-	-	11,875
Purchase of treasury stock	-	-	-	-	-	(3,478)
Disposal of treasury stock	-	-	-	-	-	6
Decrease of an affiliate with equity method	-	-	-	-	-	(329)
Net increase/decrease except shareholders' equity	(8,042)	(22)	(633)	(8,697)	(170)	(8,866)
Total change during this period	(8,042)	(22)	(633)	(8,697)	(170)	(3,734)
Balance as of Mar. 31, 2008	2,644	(22)	3,368	5,990	4,145	175,634

(4) Consolidated Statements of Cash Flow

(Unit: Millions of yen)

	Apr. 1, 2006 – Mar. 31, 2007	Apr. 1, 2007 – Mar. 31 2008	Change
I. Operating activities			
Income before income taxes and minority interests	22,302	17,846	(4,456)
Depreciation and amortization	12,951	18,230	5,279
Gain on sale of investments in securities	-	(328)	(328)
Loss on liquidation of an affiliate	452	-	(452)
Loss on closing of a plant	-	1,873	1,873
Loss on liquidation of business	-	686	686
Impairment losses	-	355	355
Loss on disaster	-	185	185
Loss on disposal of inventories	-	128	128
Increase (decrease) in accrued retirement benefits for employees	37	134	97
Interest and dividend income	(1,021)	(1,378)	(357)
Interest expense	1,014	1,349	335
Equity in earnings of unconsolidated subsidiaries and affiliates	(1,358)	(1,671)	(313)
Disposal of tangible fixed assets	317	116	(201)
Decrease (increase) in trade notes and accounts receivable	(13,146)	(3,229)	9,917
Decrease (increase) in inventories	(6,666)	(4,969)	1,697
Increase (decrease) in trade notes and accounts payable	13,492	(2,471)	(15,963)
Increase (decrease) in accrued consumption taxes	(14)	106	120
Other, net	(4,888)	216	5,104
Subtotal	23,473	27,179	3,705
Interest and dividends received	1,959	2,125	166
Interest paid	(949)	(1,332)	(383)
Amount paid on closing of a plant	-	(333)	(333)
Amount paid on liquidation of business	-	(190)	(190)
Amount paid on loss on disaster	-	(185)	(185)
Amount paid on loss on disposal of inventories	-	(128)	(128)
Income taxes paid	(8,396)	(7,007)	1,390
Net cash provided by operating activities	16,087	20,129	4,042
II. Investing activities			
Purchases of tangible fixed assets	(22,527)	(20,478)	2,049
Proceeds from sales of tangible fixed assets	4	86	82
Purchases of investment in securities	(1,437)	(3,795)	(2,358)
Proceeds from sales of investment in securities	121	528	407
Purchases of subsidiary stock resulting in changes in number of consolidated subsidiaries	-	(5,793)	(5,793)
Purchases of affiliate stock	(7)	(4,025)	(4,018)
Increase in investments receivable	(413)	(575)	(163)
Collection of investments receivable	334	257	(77)
Increase in loans receivable	(110)	-	110
Collection of loans receivable	1,191	1,069	(122)
Other, net	(265)	(375)	(110)
Net cash used in investing activities	(23,109)	(33,100)	(9,992)
III. Financing activities			
Increase (decrease) in short-term bank loans, net	6,546	4,746	(1,800)
Proceeds from long-term debt	10,700	10,167	(533)
Repayment of long-term debt	(5,370)	(5,994)	(624)
Proceeds from bond issuance	-	15,000	15,000
Cash dividends paid	(3,092)	(2,941)	151
Cash dividends paid to minority interests	(15)	(17)	(2)
Purchase of treasury stock	(4,737)	(3,472)	1,265
Other, net	5	6	1
Net cash provided by financing activities	4,037	17,495	13,458
IV. Effect of exchange rate changes on cash and cash equivalents	119	(144)	(264)
V. Increase (decrease) in cash and cash equivalents	(2,865)	4,380	7,244
VI. Cash and cash equivalents at beginning of term	19,856	16,991	(2,865)
VII. Cash and cash equivalents at term end	16,991	21,371	4,380

4. Segment Information

(1) Business Segment Information

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

(Unit: Millions of yen)

	Basic chemicals	Functional chemicals	Environment & catalysts	Total	Elimination or corporate	Consolidated
I 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
II Assets, depreciation, and capital expenditures						
Assets	104,262	156,625	28,160	289,047	34,628	323,675
Depreciation	5,304	8,163	421	13,888	-	13,888
Capital expenditures	9,309	15,118	370	24,798	-	24,798

Full FY3/08 (Apr. 1, 2007 – Mar. 31, 2008)

(Unit: Millions of yen)

	Basic chemicals	Functional chemicals	Environment & catalysts	Total	Elimination or corporate	Consolidated
I Net sales and operating income						
Net sales						
(1) Sales to third parties	109,331	155,892	37,447	302,669	-	302,669
(2) Intergroup sales and transfers	34,188	1,358	718	36,263	(36,263)	-
Total	143,518	157,249	38,165	338,932	(36,263)	302,669
Operating expenses	136,797	148,480	35,353	320,630	(36,340)	284,291
Operating income	6,721	8,769	2,812	18,302	76	18,379
II Assets, depreciation, and capital expenditures						
Assets	133,265	164,435	30,194	327,894	24,888	352,783
Depreciation	8,236	10,762	456	19,454	-	19,454
Impairment losses	-	208	147	355	-	355
Capital expenditures	5,809	11,484	330	17,624	-	17,624

Notes:

1. Business segments are classified according to similarity sorts and characters of the products.

2. Major products by business segment

(1) Basic chemicals

Acrylic acids, acrylic ester, ethylene oxides, ethylene glycols, ethanolamine, higher-alcohol, glycol ether

(2) 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

(3) Environment & catalysts

Automotive catalysts, De-NOx catalysts, dioxin decomposition catalysts, industrial catalysts, exhaust gas treatment equipment

3. Assets that account for corporate use within "Elimination or corporate" category consisted primarily of the Company's excess funds (cash and deposits), and long-term investments (investments in securities, etc.). The amounts are as follows:

Full FY3/07: 35,550 million yen Full FY3/08: 26,766 million yen

4. Depreciation and capital expenditure include long-term prepaid expenses and its depreciation expenses.

5. Changes in significant accounting policies

(1) Change in depreciation method of tangible fixed assets

The Company and its domestic consolidated subsidiaries, following tax law revisions, depreciate tangible fixed assets acquired on or 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 (104 million yen in basic chemicals, 412 million yen in functional chemicals, and 22 million yen in environment & catalysts), compare to the previous method.

(2) Supplementary information

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 on or 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 (695 million yen in basic chemicals, 715 million yen in functional chemicals, and 72 million yen in environment & catalysts), compare to the previous method.

(2) Geographical Segment Information

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

(Unit: Millions of yen)

	Japan	Europe	Asia	Others	Total	Elimination or corporate	Consolidated
I 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
II Assets	222,114	20,547	38,112	13,760	294,533	29,142	323,675

Full FY3/08 (Apr. 1, 2007 – Mar. 31, 2008)

(Unit: Millions of yen)

	Japan	Europe	Asia	Others	Total	Elimination or corporate	Consolidated
I Net sales and operating income (loss)							
Net sales							
(1) Sales to third parties	213,793	43,130	29,816	15,930	302,669	-	302,669
(2) Intergroup sales and transfers	33,718	78	3,721	244	37,761	(37,761)	-
Total	247,511	43,208	33,537	16,174	340,430	(37,761)	302,669
Operating expenses	230,131	42,925	33,103	17,566	323,725	(39,434)	284,291
Operating income (loss)	17,380	282	435	(1,392)	16,705	1,674	18,379
II Assets	263,558	27,522	32,490	13,984	337,553	15,229	352,783

Notes:

1. Geographical segments are classified according to geographical proximity.

2. Specific countries of each area:

- (1) Europe: Belgium
(2) Asia: Singapore, Indonesia, China, and Taiwan
(3) Others: North America (USA)

3. Assets that account for corporate use within "Elimination or corporate" category consisted primarily of the Company's excess funds (cash and deposits), and long-term investments (investments in securities, etc.). The amounts are as follows:

Full FY3/07: 35,550 million yen Full FY3/08: 26,766 million yen

4. Changes in significant accounting policies

(1) Change in depreciation method of tangible fixed assets

The Company and its domestic consolidated subsidiaries, following tax law revisions, depreciate tangible fixed assets acquired on or 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 539 million yen in Japan compare to the previous method.

(2) Supplementary information

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 on or 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 1,482 million yen in Japan compare to the previous method.

(3) Overseas Sales

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%

Full FY3/08 (Apr. 1, 2007 – Mar. 31, 2008)

(Unit: Millions of yen)

	Asia	Europe	North America	Others	Total
I. Overseas sales	57,458	48,683	23,667	15,435	145,242
II. Consolidated sales					302,669
III. Overseas sales to consolidated sales	19.0%	16.1%	7.8%	5.1%	48.0%

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: Areas/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.*