

Business Results for Full FY3/09

May 7 2009

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 the general shareholders' meeting: June 19, 2009
 Scheduled date of dividend payment: June 22, 2009
 Scheduled date of filing annual securities report: June 19, 2009

(Figures are rounded off to the nearest million yen)

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

(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 FY3/09	289,102	(4.5)	622	(96.6)	757	(96.4)	(5,307)	-
Full FY3/08	302,669	13.6	18,379	(5.4)	20,745	(8.8)	11,875	(15.1)

	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 FY3/09	(29.61)	-	(3.3)	0.2	0.2
Full FY3/08	64.91	-	6.9	6.1	6.1

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

Full FY3/09: 374 Full FY3/08: 1,671

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Full FY3/09	302,948	151,662	48.8	831.11
Full FY3/08	352,783	175,634	48.6	947.34

Reference: Shareholders' equity (millions of yen):

Full FY3/09: 147,944 Full FY3/08: 171,489

(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 FY3/09	17,613	(16,675)	8,099	29,450
Full FY3/08	20,129	(33,100)	17,495	21,371

2. Dividend

	Dividend per share					Total dividends (Annual)	Payout ratio (Consolidated)	Dividend on equity (Consolidated)
	End of 1Q	End of 2Q	End of 3Q	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Full FY3/08	-	8.00	-	8.00	16.00	2,913	24.6	1.7
Full FY3/09	-	8.50	-	7.00	15.50	2,768	-	1.7
Full FY3/10 (forecast)	-	7.00	-	7.00	14.00	-	32.8	-

3. Consolidated Forecast for FY3/10 (April 1, 2009 to March 31, 2010)

(% 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	117,000	(32.0)	5,000	(14.1)	5,000	(30.1)	3,100	50.9	17.41
Full FY3/10	250,000	(13.5)	12,000	-	12,000	-	7,600	-	42.69

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: Yes

(3) Number of outstanding shares (common stock)

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

Full FY3/09: 187,000,000 shares Full FY3/08: 194,881,287 shares

2) Number of treasury stock at the end of period

Full FY3/09: 8,991,929 shares Full FY3/08: 13,859,502 shares

(Reference) Non-consolidated Business Overview

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

(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 FY3/09	207,870	(10.1)	1,011	(93.8)	4,262	(78.5)	(7,353)	-
Full FY3/08	231,151	20.3	16,286	1.7	19,815	(2.8)	11,707	(5.4)

	Net income per share	Fully diluted net income per share
	Yen	Yen
Full FY3/09	(41.01)	-
Full FY3/08	63.99	-

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Full FY3/09	246,636	133,625	54.2	750.53
Full FY3/08	280,080	148,553	53.0	820.49

Reference: Shareholders' equity (millions of yen):

Full FY3/09: 133,625 Full FY3/08: 148,553

2. Non-consolidated Forecast for FY3/10 (April 1, 2009 to March 31, 2010)

(% 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	77,000	(38.4)	4,300	(16.8)	5,300	(32.7)	3,300	(0.1)	18.54
Full FY3/10	168,000	(19.2)	10,200	908.9	12,000	3.0	7,500	-	42.13

* Cautionary statement with respect to forward-looking statements

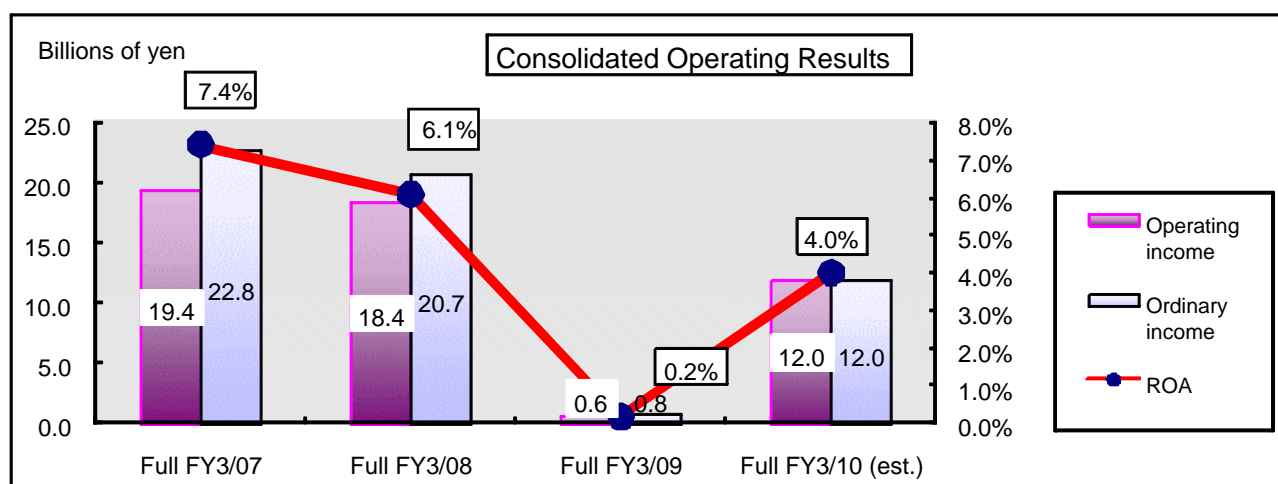
These materials contain forward-looking statements and statements of this nature based on reasonable judgments in accordance with information currently available. Readers should be aware that actual results and events might differ substantially from these projections. For discussion of the assumptions 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 FY3/07		Full FY3/08		Full FY3/09		Full FY3/10 (Forecast)		Change	
	Amount	YoY	Amount	YoY	Amount	YoY	Amount	YoY	FY3/09- FY3/08	FY3/10- FY3/09
Net sales	[1.39]		[1.31]		[1.39]		[1.49]			
Consolidated	266,513	14.7%	302,669	13.6%	289,102	(4.5)%	250,000	(13.5)%	(13,567)	(39,102)
Non-consolidated	192,177	12.7%	231,151	20.3%	207,870	(10.1)%	168,000	(19.2)%	(23,281)	(39,870)
Operating income	[1.21]		[1.13]		[0.61]		[1.18]			
Consolidated	19,429	(16.4)%	18,379	(5.4)%	622	(96.6)%	12,000	-	(17,757)	11,378
Non-consolidated	16,008	(15.4)%	16,286	1.7%	1,011	(93.8)%	10,200	908.9%	(15,275)	9,189
Ordinary income	[1.12]		[1.05]		[0.18]		[1.00]			
Consolidated	22,754	(13.0)%	20,745	(8.8)%	757	(96.4)%	12,000	-	(19,988)	11,243
Non-consolidated	20,378	(11.4)%	19,815	(2.8)%	4,262	(78.5)%	12,000	181.6%	(15,553)	7,738
Net income	[1.13]		[1.01]		[0.72]		[1.01]			
Consolidated	13,988	(14.0)%	11,875	(15.1)%	(5,307)	-	7,600	-	(17,182)	12,907
Non-consolidated	12,378	(14.6)%	11,707	(5.4)%	(7,353)	-	7,500	-	(19,059)	14,853
Equity-method investment	1,358		1,671		374		(200)		(1,297)	(574)
Minority interests in income	178		5		99		(40)		93	(139)
Total assets	[1.24]		[1.26]		[1.23]		[1.20]			
Consolidated	323,675	11.0%	352,783	9.0%	302,948	(14.1)%	300,000	(1.0)%	(49,835)	(2,948)
Non-consolidated	262,059	10.3%	280,080	6.9%	246,636	(11.9)%	250,000	1.4%	(33,444)	3,364
Net assets	[1.19]		[1.18]		[1.13]		[1.13]			
Consolidated	179,368	9.0%	175,634	(2.1)%	151,662	(13.6)%	156,770	3.4%	(23,972)	5,108
Non-consolidated	151,266	2.0%	148,553	(1.8)%	133,625	(10.0)%	138,633	3.7%	(14,928)	5,008
ROA									Point	Point
Consolidated		7.4%		6.1%		0.2%		4.0%	(5.9)	3.8
Non-consolidated		8.2%		7.3%		1.6%		4.8%	(5.7)	3.2

The figures in bracket represent the consolidated-parent ratio.



Comparison of FY3/09 with FY3/08

Sales down, profits down: sales declined due to a fall in sales volumes, and profits fell due to inventory valuation losses, and a decline in production and sales volumes

	Major components
Net sales - 13.6 bil. yen YoY	<ul style="list-style-type: none"> Decline in sales in the functional chemicals business and environment & catalysts business > Increase in sales in the basic chemicals business Large decline in sales volumes of all products due to a global decline in demand from the second half of the fiscal year Decline in repatriated sales from yen appreciation Contribution to the basic chemicals business from making NIPPON NYUKAZAI Co., Ltd. a consolidated subsidiary through the acquisition of shares in February 2008
Operating income - 17.8 bil. yen YoY	<ul style="list-style-type: none"> Inventory valuation losses + declines in production and sales volumes + narrowing spreads between sales prices and raw materials prices > Cost cutting
Ordinary income - 20.0 bil. yen YoY	<ul style="list-style-type: none"> Decline in earnings from equity-method investments + foreign exchange losses due to yen appreciation + deterioration in balance of finances
Net income - 17.2 bil. yen YoY	<ul style="list-style-type: none"> Extraordinary losses (Loss on valuation of investment securities and impairment loss on noncurrent assets, other)

Comparison of FY3/10 with FY3/09

Sales down, profits up: sales down on lower sales prices due to cheaper raw materials prices, but profits significantly up due to cost cutting, greater sales volumes, and a decline in inventory valuation losses

	Major components
Net sales - 39.1 bil. yen YoY	<ul style="list-style-type: none"> Lower sales across all segments Decrease in sales, despite increase in sales volumes of acrylic acid, acrylates, and other functional chemicals, due to lower sales prices from cheaper raw materials prices, yen appreciation, and other factors Decrease in sales of ethylene glycol, ethanolamine, and process catalysts, etc. due to lower sales volumes
Operating income + 11.4 bil. yen YoY	<ul style="list-style-type: none"> Cost cutting + greater sales volumes + decline in inventory valuation losses
Ordinary income + 11.2 bil. yen YoY	<ul style="list-style-type: none"> Deterioration in balance of finances + decline in earnings from equity-method investments + decline in technical support fee > decline in foreign exchange losses
Net income + 12.9 bil. yen YoY	<ul style="list-style-type: none"> We do not anticipate any extraordinary income or loss

1. Business Results

I. Analysis of Business Results

(1) Business Results for FY3/09 (April 1, 2008 – March 31, 2009)

The Japanese economy experienced an unprecedented slowdown in the fiscal year under review as the global economy retreated due to fallout from the US-originated financial crisis, and capital investment spending and exports declined.

The business environment for the chemicals industry became increasingly harsh due to sharp volatility in crude oil prices and foreign exchange rates, and a drop off in demand – never experienced before – caused by the economy's downturn.

1) Overview

(Unit: Millions of yen)

	Full FY3/08	Full FY3/09	Change	
			(Amount)	(% growth)
Net sales	302,669	289,102	(13,567)	(4.5)%
Operating income	18,379	622	(17,757)	(96.6)%
Ordinary income	20,745	757	(19,988)	(96.4)%
Net income	11,875	(5,307)	(17,182)	-
Net income per share	64.91 yen	(29.61) yen	(94.52) yen	-
ROA (Return on Assets)	6.1%	0.2%	-	(5.9) points
ROE (Return on Equity)	6.9%	(3.3)%	-	(10.2) points
Foreign exchange rate (\$ and EUR)	\$=114.38 yen EUR=161.59 yen	\$=100.58 yen EUR=143.66 yen	(13.80) yen (17.93) yen	
Naphtha price	61,500 yen/kl	58,900 yen/kl	(2,600) yen/kl	

In this business environment, consolidated net sales declined 4.5% year-over-year to 289,102 million yen (-13,567 million yen) in the fiscal year under review. NIPPON NYUKAZAI Co., Ltd., which we made a consolidated subsidiary, has begun contributing sales in the current fiscal year, but sales volumes fell substantially following a drop off in global demand from last autumn, and repatriated sales declined due to yen appreciation.

As for profits, operating income declined 96.6% year-over-year to 622 million yen (-17,757 million yen). Although we cut costs through the consolidation of acrylic acid production to the Himeji Plant (we closed the Ehime Plant and increased capacity at the Himeji Plant) among other measures, the drop in production and sales volumes from the second half of the fiscal year, combined with the emergence of inventory valuation losses from plunging raw materials prices, weighed heavily on profits.

Ordinary income declined 96.4% year-over-year to 757 million yen (-19,988 million yen) as non-operating income declined 2,231 million yen due to a decrease in earnings from equity-method investments, an increase in foreign exchange losses, and a deterioration in the balance of finances. Net income declined 17,182 million yen year-over-year to a loss of 5,307 million yen because we booked loss on valuation of investment securities and impairment loss on noncurrent assets.

2) Segment summary

By business segment

(Unit: Millions of yen)

Basic Chemicals

	Full FY3/08	Full FY3/09	Change
Net sales	109,331	117,902	8,572
Operating income	6,721	1,589	(5,132)

Functional Chemicals

	Full FY3/08	Full FY3/09	Change
Net sales	155,892	139,862	(16,030)
Operating income	8,769	(1,895)	(10,644)

Environment & Catalysts

	Full FY3/08	Full FY3/09	Change
Net sales	37,447	31,338	(6,109)
Operating income	2,812	1,222	(1,590)

Basic Chemicals

Sales of acrylic acid, acrylates, ethylene oxide, and higher alcohol declined, despite efforts to adjust selling prices in the first half of the fiscal year, due to a sharp drop in sales volumes in the second half.

Sales of ethylene glycol and ethanolamine declined, despite high market prices in the first half of the fiscal year, due to a sharp drop in sales volumes in the second half.

The consolidation of NIPPON NYUKAZAI Co., Ltd. as a subsidiary contributed to strong sales growth.

In summary, sales in the basic chemicals segment increased 7.8% year-over-year to 117,902 million yen.

Operating income decreased 76.4% year-over-year to 1,589 million yen, despite the consolidation of acrylic acid production to the Himeji Plant and other cost cutting efforts, due to a strong impact from the decline in production and sales volumes in the second half, and inventory valuation losses.

Functional Chemicals

Sales of superabsorbent polymers declined, despite an increase in sales volumes primarily in emerging markets, due to a decline in repatriated sales from yen appreciation.

Sales of specialty acrylates, raw materials for detergents, and resin modifiers declined, despite efforts to adjust selling prices in the first half of the fiscal year, due to a sharp drop in sales volumes in the second half.

Sales of electronic information materials, maleic anhydride, processed adhesive products, and iodine compounds declined due to a drop in sales volumes in the second half.

Sales of polymers for concrete admixtures, and resins for adhesive/paints, increased due to firm demand and efforts to adjust selling prices in the first half.

Sales of unsaturated polyester resins declined year over year as we discontinued production and marketing at the end of September 2007.

In summary, sales in the functional chemicals segment decreased 10.3% year-over-year to 139,862 million yen.

Operating income declined 10,664 million yen year-over-year to a loss of 1,895 million yen as we could not fully factor higher raw materials prices into selling prices, and due to a drop in production and sales volumes in the second half, as well as the emergence of inventory valuation losses.

Environment & Catalysts

Sales of process catalysts declined as sales volumes fell sharply due to seasonal weakness in replacement demand.

Sales of emission detoxification catalysts declined due to a drop in sales volumes.

Sales of automotive catalysts fell sharply, despite higher selling prices on the back of surging precious metal prices, as sales volumes declined due to a sharp drop in demand from the second half.

Sales of De-NOx catalysts rose due to an increase in sales volumes.

In summary, sales in the environment & catalysts segment decreased 16.3% year-over-year to 31,338 million yen.

Operating income declined 56.6% year-over-year to 1,222 million yen due to a decline in sales volumes of process catalysts, and an impact from inventory valuation losses.

By geographical segment

(Unit: Millions of yen)

Japan

	Full FY3/08	Full FY3/09	Change
Net sales	213,793	212,782	(1,011)
Operating income	17,380	774	(16,605)

Europe

	Full FY3/08	Full FY3/09	Change
Net sales	43,130	33,924	(9,207)
Operating income	282	(460)	(742)

Asia

	Full FY3/08	Full FY3/09	Change
Net sales	29,816	26,406	(3,410)
Operating income	435	(64)	(499)

Other regions

	Full FY3/08	Full FY3/09	Change
Net sales	15,930	15,991	61
Operating income	(1,392)	(1,058)	334

Japan

Sales in Japan declined 1,011 million yen year-over-year to 212,782 million yen as a decline in sales volumes in the second half outweighed an expansion of sales volumes in the first half, higher product prices to reflect higher raw materials prices, and a contribution from the consolidation of NIPPON NYUKAZAI Co., Ltd. as a subsidiary.

Operating income declined 95.5% year-over-year to 774 million yen, despite cost cutting and efforts to adjust selling prices, as we failed to fully pass on the higher costs of raw materials, production and sales volumes dropped off sharply from the second half, and inventory valuation losses emerged.

Europe

Sales in Europe declined 21.3% year-over-year to 33,924 million yen, despite greater sales volumes of superabsorbent polymers, due to the negative impact of yen appreciation.

Operating income declined 742 million yen year-over-year to a loss of 460 million yen, despite higher sales volumes, as higher raw materials prices reduced profitability.

Asia

Sales in Asia declined 11.4% year-over-year to 26,406 million yen, despite higher sales volumes of superabsorbent polymers and polymers for concrete admixtures, due to a decline in sales volumes of acrylic acid and acrylates, and the negative impact of yen appreciation.

Operating income declined 499 million yen year-over-year to a loss of 64 million yen due to a deterioration in the profitability of primarily acrylic acid and acrylates.

Other regions

Sales in other regions rose slightly year-over-year to 15,991 million yen as the negative impact of yen appreciation was outweighed by an increase in sales volumes of superabsorbent polymers, polymers for concrete admixtures, and raw materials for detergents.

Operating income improved 334 million yen year-over-year due to higher sales volumes, but a loss of 1,058 million yen was booked because profitability remained low.

(2) FY3/10 Forecast (April 1, 2009 – March 31, 2010)

We project that it will take more time for the Japanese economy to recover from the impact of the global economic downturn from last autumn. However, as various measures to stimulate domestic demand are under examination in Japan and around the world, some experts believe that the global economy will begin to recover from the second half of the new fiscal year, and that this will drive a gradual expansion of demand.

The outlook for the chemicals industry does not warrant optimism as crude oil prices have re-entered an uptrend.

In this environment, we forecast consolidated net sales in the new fiscal year will decline 39,100 million yen year-over-year to 250,000 million yen (117,000 million yen in the first half) as we expect lower selling prices due to cheaper raw materials prices and yen appreciation to outweigh the benefits of increased sales volumes of basic chemicals and functional chemicals. We base our forecasts on exchange rates of 90 yen to the US dollar and 120 yen to the euro, and naphtha prices of 35,000 yen/kl.

We forecast ordinary income will increase 11,200 million yen to 12,000 million yen (5,000 million yen in the first half), and net income 12,900 million yen to 7,600 million yen (3,100 million yen in the first half), as large inventory valuation losses from the current fiscal year drop out, and due to thorough cost cutting and an increase in sales volumes and economies of scale.

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

Total assets decreased 49,835 million yen year-over-year to 302,948 million yen, mainly due to decreases in notes and accounts receivable-trade, inventories and investment securities.

Liabilities decreased 25,862 million yen year-over-year to 151,286 million yen, despite an increase in borrowings, there was a decrease in notes and accounts payable-trade.

Net assets decreased 23,972 million yen year-over-year to 151,662 million yen, mainly due to declines in retained earnings and foreign currency translation adjustment.

Shareholders' equity ratio increased 0.2 points, from 48.6% at the end of the previous fiscal year, to 48.8% at the end of the current fiscal year. Net assets per share declined 116.23 yen to 831.11 yen.

(2) Cash Flows

Cash and cash equivalents at the end of the current fiscal year increased 8,080 million yen to 29,450 million yen over the end of the previous fiscal year, as cash flows from operating activities and loans payable on financing activities exceeded cash flow outlays for capital investment and other investment activities.

(Cash flow from operating activities)

Cash from operating activities totaled 17,613 million yen (20,129 million yen in the previous fiscal year). This was a net result of a booking of loss before income taxes and minority interests.

(Cash flow from investment activities)

Cash used in investment activities totaled 16,675 million yen (33,100 million yen used in the previous fiscal year). This was a result of declines in outlays for the purchase of stock and property, plant and equipment.

(Cash flow from financing activities)

Cash from financing activities totaled 8,099 million yen (17,495 million yen in the previous fiscal year). This was the result of declines in funds procurement from bonds payable issuance and loans.

Cash flow indices

	Full FY3/05	Full FY3/06	Full FY3/07	Full FY3/08	Full FY3/09
Shareholders' equity ratio	58.0%	56.5%	54.1%	48.6%	48.8%
Shareholders' equity ratio at market base	74.2%	90.3%	72.5%	33.9%	36.5%
Cash flow to debt ratio	1.8 years	2.6 years	3.6 years	4.4 years	5.7 years
Interest coverage ratio	47.1	24.6	17.0	15.1	12.9

Shareholders' equity ratio = shareholders' equity/ total assets

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

Cash flow to debt 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 period end × outstanding shares at period end (after deducting treasury stock)

3. We used 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 "interests paid."

III. Basic Policy on the Distribution of Profits, and Dividends for FY3/09 and FY3/10

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 yearend dividend of 7 yen per share for the current fiscal year under review as stated in our press release "Notice of revision to dividend forecast for FY3/09" of March 2, 2009, taking into consideration the business environment, earnings in the fiscal year, and plans for business expansion. This would give an annual dividend of 15.50 yen per share. For the new fiscal year, we plan an annual dividend of 14 yen per share, consisting of interim and yearend dividends of 7 yen each, based on this basic policy and taking into consideration progress in achieving our forecast profits.

2. Management Policy**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

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Unit: Millions of yen)

	As of Mar. 31, 2008	As of Mar. 31, 2009
Assets		
Current assets		
Cash and deposits	21,586	29,925
Notes and accounts receivable-trade	81,318	52,904
Short-term investment securities	200	-
Inventory	54,353	-
Merchandise and finished goods	-	21,363
Work in process	-	7,068
Raw materials and supplies	-	13,930
Deferred tax assets	3,874	4,618
Other	7,438	8,343
Allowance for doubtful accounts	(308)	(251)
Total current assets	168,461	137,900
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	77,775	78,128
Accumulated depreciation	(49,376)	(49,671)
Accumulated impairment loss	(766)	(1,426)
Buildings and structures, net	27,633	27,031
Machinery, equipment and vehicles	259,787	249,315
Accumulated depreciation	(202,629)	(203,933)
Accumulated impairment loss	(858)	(1,592)
Machinery, equipment and vehicles, net	56,300	43,790
Tools, furniture and fixtures	16,004	15,924
Accumulated depreciation	(13,601)	(13,993)
Accumulated impairment loss	(4)	(13)
Tools, furniture and fixtures, net	2,399	1,918
Land	32,058	30,753
Lease assets	-	612
Accumulated depreciation	-	(178)
Lease assets, net	-	434
Construction in progress	5,573	12,529
Total property, plant and equipment	123,964	116,454
Intangible assets		
Goodwill	2,318	1,848
Other	1,489	2,140
Total intangible assets	3,807	3,987
Investments and other assets		
Investment securities	39,127	27,988
Investments in capital	4,871	4,120
Long-term loans receivable	1,422	506
Deferred tax assets	3,521	4,335
Prepaid pension cost	3,874	3,948
Other	4,160	4,035
Allowance for doubtful accounts	(423)	(324)
Total investments and other assets	56,551	44,607
Total noncurrent assets	184,321	165,048
Total assets	352,783	302,948

(Unit: Millions of yen)

	As of Mar. 31, 2008	As of Mar. 31, 2009
Liabilities		
Current liabilities		
Notes and accounts payable-trade	57,284	23,196
Short-term loans payable	27,571	28,950
Current portion of long-term loans payable	6,998	12,614
Current portion of bonds	-	5,000
Lease obligations	-	26
Income taxes payable	2,982	405
Provision		
Provision for bonuses	2,485	2,235
Provision for directors' bonuses	157	15
Provision for repairs	2,673	1,914
Other provision	1,236	-
Total provision	6,551	4,164
Other	10,730	12,487
Total current liabilities	112,116	86,842
Noncurrent liabilities		
Bonds payable	20,000	15,000
Long-term loans payable	34,797	38,775
Lease obligations	-	294
Deferred tax liabilities	710	275
Provision for retirement benefits	8,153	8,465
Other	1,373	1,636
Total noncurrent liabilities	65,032	64,444
Total liabilities	177,149	151,286
Net assets		
Shareholders' equity		
Capital stock	16,529	16,529
Capital surplus	13,567	13,562
Retained earnings	148,955	132,778
Treasury stock	(13,552)	(7,970)
Total shareholders' equity	165,499	154,900
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	2,644	41
Deferred gains or losses on hedges	(22)	(155)
Foreign currency translation adjustment	3,368	(6,842)
Total valuation and translation adjustments	5,990	(6,955)
Minority interests	4,145	3,717
Total net assets	175,634	151,662
Total liabilities and net assets	352,783	302,948

(2) Consolidated Statements of Income

	(Unit:Millions of yen)	
	Apr. 1, 2007 to Mar. 31 2008	Apr. 1, 2008 to Mar. 31, 2009
Net sales	302,669	289,102
Cost of sales	248,024	250,892
Gross profit	54,646	38,211
Selling, general and administrative expenses	36,267	37,589
Operating income	18,379	622
Non-operating income		
Interest and dividends income	1,378	1,108
Depreciation of negative goodwill	213	209
Equity in earnings of affiliates	1,671	374
Other	3,116	3,396
Total non-operating income	6,377	5,087
Non-operating expenses		
Interest expenses	1,349	1,456
Other	2,662	3,495
Total non-operating expenses	4,011	4,951
Ordinary income	20,745	757
Extraordinary income		
Income on sales of investment securities	328	-
Total extraordinary income	328	-
Extraordinary loss		
Loss on withdrawal from business	686	46
Impairment loss	355	2,011
Loss on disaster	185	-
Loss on disposal of inventories	128	-
Loss on valuation of investment securities	-	3,886
Loss on disposal of noncurrent assets	-	618
Compensation for damage	-	246
Other	1,873	-
Total extraordinary losses	3,227	6,808
Income before income taxes and minority interests	17,846	(6,051)
Income taxes-current	5,945	166
Income taxes-deferred	21	(1,008)
Total income taxes	5,966	(842)
Minority interests in income	5	99
Net income (loss)	11,875	(5,307)

(3) Consolidated Statements of Changes in Shareholders' Equity

(Unit: Millions of yen)

	Apr.1 2007 - Mar. 31, 2008	Apr.1 2008 - Mar. 31, 2009
Shareholders' equity		
Common stock		
Balance at beginning of the period	16,529	16,529
Changes during the period		
Total changes during the period	-	-
Balance at end of the period	16,529	16,529
Capital surplus		
Balance at beginning of the period	13,567	13,567
Changes during the period		
Disposal of treasury stock	(0)	(0)
Retirement of treasury stock	-	(5)
Total changes during the period	(0)	(5)
Balance at end of the period	13,567	13,562
Retained earnings		
Balance at beginning of the period	140,350	148,955
Changes in accounting principals of foreign subsidiaries	-	(231)
Changes during the period		
Cash dividends	(2,941)	(2,970)
Net income (loss)	11,875	(5,307)
Disposal of treasury stock	-	(5)
Retirement of treasury stock	-	(7,663)
Adjustments due to decrease in affiliates accounted by the equity method	(329)	-
Total changes during the period	8,605	(15,945)
Balance at end of the period	148,955	132,778
Less treasury stock, at cost		
Balance at beginning of the period	(10,080)	(13,552)
Changes during the period		
Purchase of treasury stock	(3,478)	(2,100)
Disposal of treasury stock	6	14
Retirement of treasury stock	-	7,668
Total changes during the period	(3,472)	5,582
Balance at end of the period	(13,552)	(7,970)
Total shareholders' equity		
Balance at beginning of the period	160,367	165,499
Changes in accounting principals of foreign subsidiaries	-	(231)
Changes during the period		
Cash dividends	(2,941)	(2,970)
Net income (loss)	11,875	(5,307)
Purchase of treasury stock	(3,478)	(2,100)
Disposal of treasury stock	6	9
Retirement of treasury stock	-	-
Adjustments due to decrease in affiliates accounted by the equity method	(329)	-
Total changes during the period	5,133	(10,368)
Balance at end of the period	165,499	154,900

(Unit: Millions of yen)

	Apr.1 2007 - Mar. 31, 2008	Apr.1 2008 - Mar. 31, 2009
Valuation and translation adjustments		
Net unrealized holding gain on securities		
Balance at beginning of the period	10,686	2,644
Changes during the period		
Net changes in items other than shareholders' equity	(8,042)	(2,603)
Total changes during the period	(8,042)	(2,603)
Balance at end of the period	2,644	41
Deferred hedge gains (losses)		
Balance at beginning of the period	-	(22)
Changes during the period		
Net changes in items other than shareholders' equity	(22)	(133)
Total changes during the period	(22)	(133)
Balance at end of the period	(22)	(155)
Translation adjustments		
Balance at beginning of the period	4,000	3,368
Changes during the period		
Net changes in items other than shareholders' equity	(633)	(10,209)
Total changes during the period	(633)	(10,209)
Balance at end of the period	3,368	(6,842)
Total valuation and translation adjustments		
Balance at beginning of the period	14,687	5,990
Changes during the period		
Net changes in items other than shareholders' equity	(8,697)	(12,945)
Total changes during the period	(8,697)	(12,945)
Balance at end of the period	5,990	(6,955)
Minority interests		
Balance at beginning of the period	4,314	4,145
Changes during the period		
Net changes in items other than shareholders' equity	(170)	(428)
Total changes during the period	(170)	(428)
Balance at end of the period	4,145	3,717
Total net assets		
Balance at beginning of the period	179,368	175,634
Changes in accounting principals of foreign subsidiaries	-	(231)
Changes during the period		
Cash dividends	(2,941)	(2,970)
Net income (loss)	11,875	(5,307)
Purchase of treasury stock	(3,478)	(2,100)
Disposal of treasury stock	6	9
Retirement of treasury stock	-	-
Adjustments due to decrease in affiliates accounted by the equity method	(329)	-
Net changes in items other than shareholders' equity	(8,866)	(13,373)
Total changes during the period	(3,734)	(23,741)
Balance at end of the period	175,634	151,662

(4) Consolidated Statements of Cash Flows

(Unit:Millions of yen)

	Apr.1 2007 - Mar. 31, 2008	Apr.1 2008 - Mar. 31, 2009
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	17,846	(6,051)
Depreciation and amortization	18,230	17,958
Loss on sales of investment securities	(328)	-
Loss on withdrawal from business	686	46
Loss on impairment of property, plant and equipment	355	2,011
Casualty loss	185	-
Loss on disposal of inventories	128	-
Loss (gain) on valuation of investment securities	-	3,886
Loss (gain) on disposal of noncurrent assets	-	618
Loss on compensation for damage	-	246
Increase (decrease) in provision for retirement benefits	134	324
Interest and dividends income	(1,378)	(1,108)
Interest expenses	1,349	1,456
Equity in (earnings) losses of affiliates	(1,671)	(374)
Loss on retirement of property, plant and equipment	116	305
Decrease (increase) in notes and accounts receivable-trade	(3,229)	25,989
Decrease (increase) in inventories	(4,969)	8,993
Increase (decrease) in notes and accounts payable-trade	(2,471)	(30,833)
Increase (decrease) in accrued consumption taxes	106	(5)
Other, net	2,089	(487)
Subtotal	27,179	22,977
Interest and dividends income received	2,125	2,025
Interest expenses paid	(1,332)	(1,367)
Payments for loss on disaster	(185)	-
Compensation for damage paid	-	(246)
Income taxes paid	(7,007)	(4,494)
Other payments	(651)	(1,282)
Net cash provided by (used in) operating activities	20,129	17,613
Net cash provided by (used in) investment activities		
Purchase of property, plant and equipment	(20,478)	(17,757)
Proceeds from sales of property, plant and equipment	86	444
Purchase of investment securities	(3,795)	(272)
Proceeds from sales of investment securities	528	598
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(5,793)	-
Purchase of shares of affiliates	(4,025)	(8)
Payments for investments in capital	(575)	(478)
Collection of investments in capital	257	228
Collection of loans receivable	1,069	900
Other, net	(375)	(331)
Net cash provided by (used in) investment activities	(33,100)	(16,675)
Net cash provided by (used in) financing activities		
Increase (decrease) in short-term loans, net	4,746	2,675
Proceeds from long-term loans payable	10,167	17,355
Repayment of long-term loans payable	(5,994)	(6,832)
Proceeds from issuance of bonds	15,000	-
Cash dividends paid	(2,941)	(2,970)
Cash dividends paid to minority shareholders	(17)	(18)
Purchase of treasury stock	(3,472)	(2,100)
Other, net	6	(11)
Net cash provided by (used in) financing activities	17,495	8,099
Effect of exchange rate change on cash and cash equivalents	(144)	(957)
Net increase (decrease) in cash and cash equivalents	4,380	8,080
Cash and cash equivalents at beginning of term	16,991	21,371
Cash and cash equivalents at end of term	21,371	29,450

4. Segment Information

(1) Business Segment Information

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

Full FY3/09 (Apr. 1, 2008 – Mar. 31, 2009)

(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	117,902	139,862	31,338	289,102	-	289,102
(2) Intergroup sales and transfers	31,735	1,624	1,656	35,015	(35,015)	-
Total	149,637	141,486	32,994	342,117	(35,015)	289,102
Operating expenses	148,048	143,381	31,772	323,201	(34,720)	288,481
Operating income	1,589	(1,895)	1,222	916	(294)	622
II Assets, depreciation, and capital expenditures						
Assets	117,680	141,205	25,462	284,346	18,602	302,948
Depreciation	7,687	10,737	485	18,909	-	18,909
Impairment losses	-	2,011	-	2,011	-	2,011
Capital expenditures	12,728	7,434	452	20,614	-	20,614

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, ethanalamine, higher-alcohol, glycol ether

(2) Functional chemicals

Superabsorbent polymers, pharmaceutical intermediates, polymer for concrete admixture, electronic and information materials, iodine, maleic anhydride, 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 FY3/08: 26,766 million yen Full FY3/09: 19,332 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 valuation standards and methods for inventories

Inventories for regular sales purposes were computed primarily by the lower of cost or market, using moving average method in prior years. With the adoption of "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, July 5, 2006) from the fiscal year ended March 31, 2009, inventories are valued primarily at the lower of cost or market, using moving average

method (the carrying value on the balance sheet is written down to reflect the effect of lower profit margins).

The effect of this change was to decrease operating income by 50 million yen in basic chemicals, 125 million yen in functional chemicals, and increase 441 million yen in environment & catalysts in the fiscal year ended March 31, 2009, compare to the previous method.

(2) Supplementary information

The Company and its domestic consolidated subsidiaries have reviewed the useful life of machinery and equipment from fiscal year ended March 31, 2009 in accordance with the revised Corporation Tax Law.

The effect of this change was to increase operating income in basic chemicals, functional chemicals, and environment & catalysts by 306 million yen, 121 million yen and 3 million yen respectively, in the fiscal year ended March 31, 2009, compare to the previous method.

(2) Geographical Segment Information

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

Full FY3/09 (Apr. 1, 2008 – Mar. 31, 2009)

(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	212,782	33,924	26,406	15,991	289,102	-	289,102
(2) Intergroup sales and transfers	29,602	95	1,289	190	31,175	(31,175)	-
Total	242,383	34,019	27,695	16,181	320,278	(31,175)	289,102
Operating expenses	241,609	34,479	27,759	17,239	321,085	(32,605)	288,481
Operating income (loss)	774	(460)	(64)	(1,058)	(808)	1,429	622
II Assets	243,696	16,940	25,113	8,818	294,568	8,380	302,948

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)
- 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 FY3/08:	26,766 million yen	Full FY3/09:	19,332 million yen
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4. Changes in significant accounting policies

(1) Change in valuation standards and methods for inventories

Inventories for regular sales purposes were computed primarily by the lower of cost or market, using moving average method in prior years. With the adoption of "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, July 5, 2006) from the fiscal year ended March 31, 2009, inventories are valued primarily at the lower of cost or market, using moving average method (the carrying value on the balance sheet is written down to reflect the effect of lower profit margins).

As a result, effect of this change was to increase operating income by 266 million yen in Japan compare to the previous method.

(2) Supplementary information

The Company and its domestic consolidated subsidiaries have reviewed the useful life of machinery and equipment from the fiscal

year ended March 31, 2009 in accordance with the revised Corporation Tax Law.

As a result, effect of this change was to increase operating income by 429 million yen in Japan compare to the previous method.

(3) Overseas Sales

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%

Full FY3/09 (Apr. 1, 2008 – Mar. 31, 2009)

(Unit: Millions of yen)

	Asia	Europe	North America	Others	Total
I. Overseas sales	46,398	39,109	22,643	17,150	125,300
II. Consolidated sales					289,102
III. Overseas sales to consolidated sales	16.1%	13.5%	7.8%	5.9%	43.3%

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.*