NOF CORPORATION

Consolidated Financial Statements

For the years ended March 31, 2008 and 2009

Ernst & Young ShinNihon LLC
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Report of Independent Auditors

The Board of Directors
NOF CORPORATION

We have audited the accompanying consolidated balance sheets of NOF CORPORATION and consolidated subsidiaries as of March 31, 2009 and 2008, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of NOF CORPORATION and consolidated subsidiaries at March 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2009 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3.

Ernst & Young ShinNihon LLC

June 19, 2009

NOF CORPORATION and Subsidiaries

Consolidated Balance Sheets
As of March 31, 2008 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2008	2009	2009
ASSETS			
Current assets:			
Cash and time deposits (Note 4)	¥ 10,029	¥ 5,185	$ 52,781
Notes and accounts receivable	28,999	28,341	288,518
Allowance for doubtful accounts	(107)	(100)	(1,014)
	28,892	28,241	287,504
Inventories	29,267	31,091	316,514
Deferred tax assets (Note 11)	1,767	1,731	17,620
Other current assets (Note 5)	2,070	2,681	27,290
Total current assets	72,025	68,929	701,709
Property, plant and equipment (Note 6):			
Land	19,386	19,257	196,039
Buildings and structures	56,154	56,073	570,838
Machinery and equipment	86,967	87,708	892,887
Construction in progress	1,339	2,013	20,494
Leased assets	-	125	1,268
Others	13,261	14,288	145,453
Accumulated depreciation	(114,228)	(118,308)	(1,204,395)
Total property, plant and equipment	62,879	61,156	622,584
Investments and other assets:			
Investments in securities (Note 5)	31,165	21,239	216,221
Deferred tax assets (Note 11)	1,399	428	4,354
Intangible assets	3,019	2,139	21,780
Prepaid pension expenses (Note 12)	6,675	6,858	69,814
Other assets	1,611	1,801	18,329
Total investments and other assets	43,869	32,465	330,498
Total assets	¥ 178,773	¥ 162,550	$ 1,654,791

The accompanying notes are an integral part of the statements.

NOF CORPORATION and Subsidiaries

Consolidated Balance Sheets
As of March 31, 2008 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2008	2009	2009
LIABILITIES AND NET ASSETS			
Current liabilities:			
Short-term bank loans (Note 6)	¥ 13,772	¥ 19,821	$ 201,778
Current portion of long-term debt (Note 6)	976	5,446	55,441
Notes and accounts payable	24,816	17,773	180,937
Accrued expenses	5,589	4,362	44,406
Income taxes payable	1,472	501	5,104
Deposits payable	3,317	3,428	34,898
Lease obligations	-	10	98
Other current liabilities (Note 11)	3,382	4,110	41,838
Total current liabilities	53,324	55,451	564,500
Long-term liabilities:			
Long-term debt (Note 6)	14,283	9,361	95,293
Deferred tax liabilities (Note 11)	11,175	6,918	70,426
Retirement benefit provisions (Note 12)	3,611	3,729	37,964
Retirement benefit provisions for directors	235	279	2,840
Retirement benefit provisions for officers	82	90	918
Lease obligations	-	109	1,113
Other long-term liabilities	543	556	5,662
Total long-term liabilities	29,929	21,042	214,216
Contingent liabilities and commitments (Note 15)			
Net assets:			
Shareholders’ equity			
Common stock:			
Authorised: 783,828,000 shares at March 31, 2008 and 2009			
Issued: 201,682,752 shares and 196,682,752 shares at March 31, 2008 and 2009	17,742	17,742	180,617
Capital surplus	15,113	15,113	153,857
Retained earnings	52,189	49,809	507,067
Treasury stock, at cost	(1,600)	(2,127)	(21,655)
Total shareholders’ equity	83,444	80,537	819,886
Valuation, translation adjustments and others			
Unrealized gain on other securities	8,258	3,124	31,806
Foreign currency translation adjustments	39	(1,385)	(14,100)
Total valuation, translation adjustments and others	8,297	1,739	17,706
Minority interests	3,779	3,781	38,483
Total net assets	95,520	86,057	876,075
Total liabilities and net assets	¥ 178,773	¥ 162,550	$ 1,654,791

The accompanying notes are an integral part of the statements.

NOF CORPORATION and Subsidiaries

Consolidated Statements of Income
For the years ended March 31, 2008 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2008	2009	2009
Net sales	¥ 159,046	¥ 150,321	$ 1,530,292
Cost of sales (Notes 8 and 12)	120,846	117,879	1,200,028
Gross profit	38,200	32,442	330,264
Selling, general and administrative expenses (Notes 7, 8 and 12)	28,194	28,819	293,380
Operating income	10,006	3,623	36,884
Other income (expenses):			
Interest and dividend income	848	737	7,498
Interest expenses	(453)	(443)	(4,514)
Gain on sale of properties	56	1,212	12,343
Loss on disposal of properties	(127)	(78)	(798)
Loss on disposal of obsolete inventory items	(106)	-	-
Gain (Loss) on sale of investments in securities	1,266	(147)	(1,497)
Impairment loss on investment securities	(1,234)	(1,116)	(11,363)
Equity in earnings (losses) of affiliates	130	(3)	(34)
Foreign exchange loss, net	(262)	(111)	(1,128)
Business start-up expenses	(186)	-	-
Others, net	(4)	379	3,874
	(72)	430	4,381
Income before income taxes and minority interests in the earnings of consolidated subsidiaries	9,934	4,053	41,265
Income taxes (Note 11)			
Current	3,745	1,207	12,292
Deferred	(633)	282	2,868
	3,112	1,489	15,160
Minority interests in the earnings of consolidated subsidiaries	(262)	(182)	(1,856)
Net income	¥ 6,560	¥ 2,382	$ 24,249

Consolidated Statements of Changes in Net Assets
For the years ended March 31, 2008 and 2009

	Millions of yen										
	Number of shares of common stock (thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gain on other securities	Foreign currency translation adjustments	Total valuation, translation adjustments and others	Minority interests	Total net assets
Balance at March 31, 2007	203,683	¥ 17,742	¥ 15,113	¥ 49,204	¥ (1,177)	¥ 80,882	¥ 17,453	¥ (221)	¥ 17,232	¥ 3,891	¥ 102,005
Net income	-	-	-	6,560	-	6,560	-	-	-	-	6,560
Cash dividends	-	-	-	(2,406)	-	(2,406)	-	-	-	-	(2,406)
Bonuses to directors	-	-	-	(5)	-	(5)	-	-	-	-	(5)
Purchase of treasury stock	-	-	-	-	(1,583)	(1,583)	-	-	-	-	(1,583)
Sale of treasury stock	-	-	-	(22)	59	37	-	-	-	-	37
Retirement of treasury stock	(2,000)	-	-	(1,101)	1,101	-	-	-	-	-	-
Change in the scope of consolidation	-	-	-	(41)	-	(41)	-	-	-	-	(41)
Net change in items other than shareholders' equity	-	-	-	-	-	-	(9,195)	260	(8,935)	(112)	(9,047)
Balance at March 31, 2008	201,683	¥ 17,742	¥ 15,113	¥ 52,189	¥ (1,600)	¥ 83,444	¥ 8,258	¥ 39	¥ 8,297	¥ 3,779	¥ 95,520
Effect of application for ASBJ Practical Issues Task Force No.18 (Note 2-(2))	-	-	-	(186)	-	(186)	-	-	-	-	(186)
Net income	-	-	-	2,382	-	2,382	-	-	-	-	2,382
Cash dividends	-	-	-	(2,171)	-	(2,171)	-	-	-	-	(2,171)
Purchase of treasury stock	-	-	-	-	(2,860)	(2,860)	-	-	-	-	(2,860)
Sale of treasury stock	-	-	-	(10)	27	17	-	-	-	-	17
Retirement of treasury stock	(5,000)	-	-	(2,306)	2,306	-	-	-	-	-	-
Change in the scope of equity method	-	-	-	(89)	-	(89)	-	-	-	-	(89)
Net change in items other than shareholders' equity	-	-	-	-	-	-	(5,134)	(1,424)	(6,558)	2	(6,556)
Balance at March 31, 2009	196,683	¥ 17,742	¥ 15,113	¥ 49,809	¥ (2,127)	¥ 80,537	¥ 3,124	¥ (1,385)	¥ 1,739	¥ 3,781	¥ 86,057

	Thousands of U.S. dollars (Note 3)										
	Number of shares of common stock (thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gain on other securities	Foreign currency translation adjustments	Total valuation and adjustments	Minority interest	Total net assets
Balance at March 31, 2008	201,683	$ 180,617	$ 153,857	$ 531,298	$ (16,294)	$ 849,478	$ 84,064	$ 401	$ 84,465	$ 38,467	$ 972,410
Effect of application for ASBJ Practical Issues Task Force No.18 (Note 2-(2))	-	-	-	(1,894)	-	(1,894)	-	-	-	-	(1,894)
Net income	-	-	-	24,249	-	24,249	-	-	-	-	24,249
Cash dividends	-	-	-	(22,104)	-	(22,104)	-	-	-	-	(22,104)
Purchase of treasury stock	-	-	-	-	(29,112)	(29,112)	-	-	-	-	(29,112)
Sale of treasury stock	-	-	-	(100)	278	178	-	-	-	-	178
Retirement of treasury stock	(5,000)	-	-	(23,473)	23,473	-	-	-	-	-	-
Change in the scope of equity method	-	-	-	(909)	-	(909)	-	-	-	-	(909)
Net change in items other than shareholders' equity	-	-	-	-	-	-	(52,258)	(14,501)	(66,759)	16	(66,743)
Balance at March 31, 2009	196,683	$ 180,617	$ 153,857	$ 507,607	$ (21,655)	$ 819,886	$ 31,806	$ (14,100)	$ 17,706	$ 38,483	$ 876,075

The accompanying notes are an integral part of the statements.

NOF CORPORATION and Subsidiaries

Consolidated Statements of Cash Flows
For the years ended March 31, 2008 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2008	2009	2009
Cash flows from operating activities:			
Income before income taxes and minority interests in the earnings of consolidated subsidiaries	¥ 9,934	¥ 4,053	$ 41,265
Adjustments for:			
Depreciation	6,995	7,560	76,964
Net change in retirement benefit provisions	(797)	7	68
Interest and dividend income	(848)	(737)	(7,498)
Interest expenses	453	443	4,514
Equity in losses (earnings) of affiliates	(130)	3	34
Gain on sale of properties	(56)	(1,212)	(12,343)
Impairment loss on investments in securities	1,234	1,116	11,363
Gain (loss) on sale of investments in securities, net	(1,266)	147	1,497
Increase in notes and accounts receivable	4,498	96	973
Increase in inventories	(4,684)	(2,336)	(23,783)
Decrease in notes and accounts payable	(471)	(6,590)	(67,083)
Others, net	1,397	9	82
Sub total	16,259	2,559	26,053
Interest and dividends received	884	766	7,800
Interest paid	(456)	(445)	(4,529)
Income taxes paid	(4,725)	(3,225)	(32,836)
Others, net	(168)	(41)	(418)
Net cash (used in)provided by operating activities	11,794	(386)	(3,930)
Cash flows from investing activities:			
Payments for additional acquisition of interest in subsidiary	(272)	-	-
Payments for purchase of investments in securities	(1,650)	(688)	(7,003)
Proceeds from sale of investments in securities	2,747	416	4,234
Payments for purchase of property, plant and equipment	(8,807)	(5,077)	(51,687)
Proceeds from sale of property, plant and equipment	668	1,105	11,251
Net increase in short-term loans receivable	11	55	560
Payments for long-term loans receivable	(3)	(201)	(2,047)
Proceeds from long-term loans receivable	19	23	238
Others, net	33	(97)	(987)
Net cash used in investing activities	(7,254)	(4,464)	(45,441)

Consolidated Statements of Cash Flows (Continued)
For the years ended March 31, 2008 and 2009

Cash flows from financing activities:			
Net increase in short-term bank loans	4,149	6,249	63,619
Borrowing of long-term debt	2,700	550	5,599
Repayments of long-term debt	(5,814)	(976)	(9,938)
Repayments of lease obligations	-	(13)	(128)
Payments for purchase of treasury stock	(1,584)	(2,870)	(29,221)
Proceeds from sale of treasury stock	38	17	176
Cash dividends paid	(2,399)	(2,163)	(22,021)
Cash dividends paid to minority shareholders	(84)	(84)	(854)
Net cash provided by (used in) financing activities	(2,994)	710	7,232
Effect of exchange rate changes on cash and cash equivalents	90	(724)	(7,380)
Net decrease in cash and cash equivalents	1,636	(4,864)	(49,519)
Cash and cash equivalents at beginning of year	7,719	9,954	101,334
Adjustments of new consolidated subsidiaries on cash and cash equivalents	599	-	-
Cash and cash equivalents at end of year (Note 4)	¥ 9,954	¥ 5,090	$ 51,815

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements
For the years ended March 31, 2008 and 2009

1. Basis of presenting the consolidated financial statements

NOF CORPORATION (the "Company") and its subsidiaries maintain their accounting records and prepare their financial statements in accordance with accounting principles generally accepted in Japan. The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year presentation.

2. Summary of significant accounting policies

(1) Scope of consolidation

The Company had 34 subsidiaries (majority-owned companies) as of March 31, 2009 (34 for 2008). The consolidated financial statements include the accounts of the Company and 24 of its subsidiaries for the year ended March 31, 2009 (24 for 2008).

The remaining 10 (10 for 2008) subsidiaries, whose combined assets, net sales and net income in the aggregate are not significant in relation to those of the consolidated financial statements of the Group, have been excluded from consolidation.

Notes to Consolidated Financial Statements
For the years ended March 31, 2008 and 2009

The accompanying consolidated financial statements include the accounts of the 24 majority owned subsidiaries listed below (the Company and these consolidated subsidiaries are together referred to as the "Group"):

Name of subsidiaries	Percentage of voting rights owned by the Company
(Domestic subsidiaries)	%
Nippon Koki Co., Ltd.	95.0
Nichiyu Giken Kogyo Co., Ltd.	66.7
Nippon Dacro Shamrock Co., Ltd.	100.0
Hokkaido NOF Corporation	100.0
Nichiyu Trading Co., Ltd.	100.0
Japex Corporation	70.0
Showa Kinzoku Kogyo Co., Ltd.	97.4
Nichiyu Solution Inc.	100.0
Nippo Kogyo Co., Ltd.	93.2
Nichiyu Logistics Co., Ltd.	100.0
Cactus Co., Ltd.	66.7
Yuka Sangyo Co., Ltd.	100.0
Nichiyu Kogyo Co., Ltd.	100.0
Nikka Coating Co., Ltd.	100.0
(Foreign subsidiaries)	
Metal Coatings International Inc.	100.0
Michigan Metal Coatings Co.	100.0
Georgia Metal Coatings Co.	100.0
Dacral S.A.	100.0
Metal Coatings Brazil Ind. E. Com. Ltda.	90.0
Dacral Manufacturing NV	100.0
NOF Europe (Belgium) NV	100.0
P.T. NOF Mas Chemical Industries	89.6
Korea Shamrock Co., Ltd.	80.0
Changshu NOF Chemical Co., Ltd.	100.0

The Company and all of its consolidated subsidiaries use a fiscal year ended March 31, except for Nippon Dacro Shamrock Co., Ltd., Nikka Coating Co., Ltd. and foreign subsidiaries. Those subsidiaries use a fiscal year ended December 31. The accounts of those subsidiaries have been consolidated by using the results of operations and account balances for the fiscal year, and necessary adjustments have been made for any material transactions that occurred between the different fiscal year-ends.

(2) Consolidation and elimination

For the purposes of preparing the accompanying consolidated financial statements, any gains/losses in relation to inter-company transactions have been eliminated, and the portion thereof attributable to minority interests is charged to minority interests.

Applicable inter-company accounts have been eliminated. The cost of investments in the common stock of consolidated subsidiaries is offset by the underlying equity in the net assets of such subsidiaries. Assets and liabilities in the consolidated subsidiaries are revalued at fair market value when the majority interest in the subsidiaries is purchased.

The differences between the cost of an investment and the amount of underlying equity in the net assets of such subsidiaries are amortized on a straight-line basis over their estimated useful lives or over a period of 5 years.

On May 17, 2006, the Accounting Standards Board of Japan ("ASBJ") issued ASBJ Practical Issues Task Force (PITF) No.18 "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements."
PITF No.18 requires that the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should, in principle, be unified for the preparation of the consolidated financial statements.
The Company adjusted the valuation of investments in debt securities, which has been reported
at cost of acquisition, bonuses paid for directors, amortization of goodwill, scheduled amortization of actuarial gain or loss on retirement benefits has been directly recorded in equity.
The Company adjusted the beginning balance of retained earnings at April 1, 2008 as if this accounting standard had been retrospectively applied.

(3) Cash and cash equivalents

Cash and cash equivalents in the consolidated statements of cash flows are composed of cash in hand, bank deposits able to be withdrawn on demand and short-term investments with an original maturity of three months or less and which represent a minor risk of fluctuations in value.

(4) Accounting for investments in unconsolidated subsidiaries and affiliates

The equity method is applied to investments in 1 affiliate (2 for 2008) for the year ended March 31, 2009.

Company management divested some of its shares in Nissan Soap Co., Ltd. which had been accounted for by the equity method. The investee has not been accounted for by the equity method as of March 31, 2009 due to a decrease in materiality.

The 1 affiliate(s) (2 for 2008) accounted for by the equity method for the year ended March 31, 2009 are listed below:

Name of Affiliates	Percentage of voting rights owned by the Company
	%
Autoliv Nichiyu Co., Ltd.	40.0

(5) Financial instruments

(a) Securities

Available-for-sale securities for which market quotations are available are stated at an amount based on the average market price over a period of one month prior to the balance sheet date. Net unrealized gains or losses on those securities are reported as a separate component of net assets at a net-of-tax amount.

Held-to-maturity debt securities are stated at amortized cost.

Available-for-sale securities for which market quotations are unavailable are stated at cost, principally determined by the moving-average method.

(b) Hedge accounting

The Company has entered into forward foreign exchange contracts to reduce its exposure to the risk of fluctuation in foreign exchange rates related to its trade accounts receivables and payables, and the Company also has entered into interest rate swap contracts to reduce its exposure to the risk of fluctuation in interest rates related to long-term bank loans. It is the Company's policy not to enter into any speculative derivatives transactions.

Gains or losses arising from changes in fair value of hedging instruments are deferred as assets or liabilities until the related gains or losses on the hedged items are recognized.

If forward foreign exchange contracts meet certain hedging criteria, however, the existing foreign currency receivables or payables are translated at their forward rates.

In addition, if interest rate swap contracts meet certain hedging criteria, the net amount to be paid or received under these swap contracts is added to or deducted from the interest on the liabilities for which the swap contracts were executed.

The Company evaluates the effectiveness of its hedging activities by reference to the accumulated gains or losses on the hedging instruments and the related hedged items from the commencement of the hedges.

(6) Allowance for doubtful accounts

The allowance for doubtful accounts is provided at amounts sufficient to cover probable losses on collection. It consists of the estimated uncollectible amounts with respect to identified doubtful accounts and an amount calculated by a formula based on actual collection losses incurred in the past with respect to the remaining receivables.

(7) Inventories

Inventories are principally stated at the total-average method.
On July 5, 2006, the ASBJ issued ASBJ Statement No. 9 "Accounting Standard for

measurement of inventories", which is effective for fiscal years beginning on or after April 1, 2008.

This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate.

The company applied the new accounting standard for measurement of inventories from the year ended March 31, 2009. As a result, operating income and income before income taxes and minority interests for the year ended March 31, 2009, decreased by ¥946 million ($9,627 thousand), respectively, compared to the amounts that would have been reported if the previous method had applied.

(8) Property, plant and equipment (except for leased assets)

Depreciation of property, plant and equipment (excluding buildings) is principally computed using the declining-balance method, based on the estimated useful lives of the assets. Depreciation of buildings (excluding attachments to buildings) is principally computed using the straight-line method, based on the estimated useful lives of the assets. The principal range of useful lives is principally from 7 to 50 years for buildings and structures and from 5 to 10 years for machinery, equipment, furniture and tools.

Effective the year ended March 31, 2008, the Company and its consolidated domestic subsidiaries changed the depreciation method for the property, plant and equipment acquired on or after April 1, 2007 due to the revision of Japanese Corporate Tax Law and its regulation. As a result, operating income and income before income taxes and minority interests for the year ended March 31, 2008, decreased by ¥124 million ($1,238 thousand), compared to the amounts that would have been reported if the previous methods had been applied consistently.

Effective the year ended March 31, 2008, the Company and its consolidated domestic subsidiaries started the depreciation for the property, plant and equipment, which were acquired on or before March 31, 2007, and were already depreciated to 5% of the acquisition cost. The depreciation was calculated by straight-line method within next five years after these assets were depreciated to 5% of the acquisition cost. The depreciation was charged to depreciation expenses. As a result, operating income and income before income taxes and minority interests for the year ended March 31, 2008, decreased by ¥548 million ($5,476 thousand), compared to the amounts that would have been reported if the previous methods had been applied consistently.

Effective the year ended March 31, 2009, the Company and its consolidated domestic subsidiaries changed the estimated useful life of plant and equipment due to the revision of Japanese Corporation Tax Law and its regulations. As a result, operating income and income before income taxes and minority interests for the year ended March 31, 2009, decreased by ¥133 million ($1,354 thousand), respectively, compared to the amounts that would have been reported if the previous methods had been applied.

(9) Intangible assets (except for leased assets)

Intangible assets are amortized using the straight-line method.

Software for internal use is amortized using the straight-line method over the useful life of the software, which is 5 years.

(10) Retirement benefit provisions

The employees of the Company and certain consolidated subsidiaries are covered by a funded retirement plan. Benefits under this retirement plan are generally based on employees' average basic salary during the period and length of service.

Unrecognized actuarial gains or losses are amortized by straight-line method over the period of 10 years from the next year in which they arise.
Prior service costs are amortized by straight-line method over the period of 10 years.

(11) Retirement benefit provisions for directors

Certain domestic subsidiaries calculate the amount that would be required, based on the pertinent rules of these companies, if all directors are to retire at the balance sheet dates, and accounts for it as retirement benefit provisions for directors, which was presented as retirement benefit provisions for directors and corporate auditors.

(12) Retirement benefit provisions for officers

Effective the year ended March 31, 2008, the Company calculates the amount that would be required, based on the pertinent rules of the Company, if all officers are to retire at the balance sheet dates, and accounts for it as retirement benefit provisions for officers, which was presented as retirement benefit provisions for officers.

(13) Leases

On March 30, 2007, the ASBJ issued Statement No.13 "Accounting Standard for Lease transactions." The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008.
Under the previous accounting standard, finance leases that transfer ownership of the leased asset to the lessee were to be capitalized. However, the leased transactions that do not transfer ownership of the assets at the end of the lease term were permitted to be accounted for as operating lease transactions if certain "as if capitalized" (see Note 13) information was disclosed in the notes to the lessee's financial statements.
The revised accounting standard requires that all finance lease transactions and lease obligations be reflected on the balance sheets. However, it permits leases in existence at the transition date that do not transfer the ownership at the end of lease term to continue to be accounted for as operating leases.
The Company applied the revised accounting standard from the year ended March 31, 2009.
The change did not affect the income statement for the year ended March 31, 2009.
Leased assets are depreciated over the lease term by the straight-line method with no

residual value.

(14) Income taxes

The income taxes of the Company and its domestic subsidiaries consist of corporate income taxes, local inhabitant taxes and enterprise taxes.

Deferred income taxes were determined using the assets and liabilities approach, whereby deferred tax assets and liabilities were recognized in respect of temporary differences between the tax basis of assets and liabilities and those as reported in the financial statements.

(15) Consumption tax

Consumption tax is imposed at the flat rate of 5% on all domestic consumption of goods and services (with certain exemptions). The consumption tax paid is generally offset against the balance of consumption tax withheld, and the balance is shown in the accompanying consolidated balance sheets as "Other current liabilities".

(16) Reclassification of accounts

Certain prior year amounts have been reclassified to conform to the current year's presentation except for the loss on disposal of obsolete inventory items.
Under the previous accounting standard, the Company classified prior year's loss on disposal of obsolete inventory items as a non-operating expense which arises from the ordinary course of business. For the year ended March 31, 2009, as the result of application of the new accounting standard for measurement of inventories, the Company classifies the expense as cost of goods sold.
As a result, gross profit and operating income for the year ended March 31, 2009, decreased by ¥146 million ($1,485 thousand), respectively, compared to the amounts that would have been reported if the previous methods had been applied.

3. United States dollar amounts

The Company maintains its accounting records in yen. The dollar amounts included in the consolidated financial statements and notes thereto represent the arithmetical results of translating yen to dollars on the basis of ¥98.23 = U.S.$1, the approximate rate of exchange prevailing on the latest balance sheet date of March 31, 2009. The inclusion of such dollar amounts is solely for convenience and is not intended to imply that yen amounts have been or could be converted, realized or settled in dollars at ¥98.23 = U.S.$1 or at any other rate.

4. Supplementary cash flow information

(1)The relationship between cash and cash equivalents as of March 31, 2008 and 2009 and the accounts booked in the balance sheet is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2008	2009	2009
Cash and time deposits	¥ 10,029	¥ 5,185	$ 52,781
Time deposits with maturity periods exceeding three months	(75)	(95)	(966)
Cash and cash equivalents	¥ 9,954	¥ 5,090	$ 51,815

(2)Material nonmonetary transactions for the year ended March 31, 2009

Amount of leased assets and lease obligations recognized for the year ended March 31, 2009 were ¥125 million(US$ 1,276 thousand) and ¥132 million(US$1,339 thousand), respectively.

5. Investments in securities

(1) The book value and aggregate fair market value of the securities classified as held-to-maturity debt securities for which market quotations at March 31, 2008, and 2009 were as follows:

	Millions of yen		
	2008		
Description	Book value	Fair market value	Unrealized gain or loss
Fair market value does not exceed book value			
Government and municipal bonds	¥ 5	¥ 5	¥ 0
Total	¥ 5	¥ 5	¥ 0

	Millions of yen		
	2009		
Description	Book value	Fair market value	Unrealized gain or loss
Fair market value does not exceed book value			
Government and municipal bonds	¥ 0	¥ 0	¥ 0
Total	¥ 0	¥ 0	¥ 0

	Thousands of U.S. dollars (Note 3)		
	2009		
Description	Book value	Fair market value	Unrealized gain or loss
Fair market value does not exceed book value			
Government and municipal bonds	$ 1	$ 1	$ 0
Total	$ 1	$ 1	$ 0

(2) The cost, book value and unrealized gains or losses on available-for-sale securities with fair value as of March 31, 2008 and 2009 were as follows:

	Millions of yen		
	2008		
Description	Acquisition cost	Book value (fair market value)	Unrealized gain or loss
Fair market value exceeds acquisition cost			
Shares	¥ 10,576	¥ 25,844	¥ 15,268
Others	22	26	4
Sub total	10,598	25,870	15,272
Fair market value does not exceed acquisition cost			
Shares	3,758	2,488	(1,270)
Others	28	26	(2)
Sub total	3,786	2,514	(1,272)
Total	¥ 14,384	¥ 28,384	¥ 14,000

	Millions of yen		
	2009		
Description	Acquisition cost	Book value (fair market value)	Unrealized gain or loss
Fair market value exceeds acquisition cost			
Shares	¥ 9,158	¥ 15,704	¥ 6,546
Sub total	9,158	15,704	6,546
Fair market value does not exceed acquisition cost			
Shares	4,720	3,468	(1,252)
Others	48	43	(5)
Sub total	4,768	3,511	(1,257)
Total	¥ 13,926	¥ 19,215	¥ 5,289

Description	Thousands of U.S. dollars (Note 3) 2009 Acquisition cost	Book value (fair market value)	Unrealized gain or loss
Fair market value exceeds acquisition cost			
Shares	$ 93,227	$ 159,870	$ 66,643
Sub total	93,227	159,870	66,643
Fair market value does not exceed acquisition cost			
Shares	48,050	35,306	(12,744)
Others	488	435	(53)
Sub total	48,538	35,741	(12,797)
Total	$ 141,765	$ 195,611	$ 53,846

(3) Available-for-sale securities sold during the years ended March 31, 2008 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2008	2009	2009
Proceeds from sale of available-for-sale securities	¥ 2,657	¥ 506	$ 5,155
Realized gain	1,268	7	70
Realized loss	2	154	1,567

(4) The book value of major securities without fair value as of March 31, 2008 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2008	2009	2009
Unlisted stocks	¥ 677	¥ 656	$ 6,680
Fund certificates	9	5	55

(5) Schedule for redemption of investments in securities with maturity as of March 31, 2008 and 2009 were as follows:

	Millions of yen			
	2008			
	Within a year	1 to 5 years	5 to 10 years	Over 10 years
Government and municipal bonds	¥ 4	¥ 0	¥ -	¥ -

	Millions of yen			
	2009			
	Within a year	1 to 5 years	5 to 10 years	Over 10 years
Government and municipal bonds	¥ -	¥ 0	¥ -	¥ -

	Thousands of U.S. dollars (Note 3)			
	2009			
	Within a year	1 to 5 years	5 to 10 years	Over 10 years
Government and municipal bonds	$ -	$ 1	$ -	$ -

6. Short-term bank loans and long-term debt

Short-term bank loans outstanding are generally represented by notes payable issued by the Company to banks with a weighted average interest rate of 1.52% at March 31, 2008, and 1.14% at March 31, 2009.

Long-term debt as of March 31, 2008 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2008	2009	2009
Loans, principally from banks and insurance companies, due fiscal 2009 to 2023 with average interest rates of 1.63% at March 31, 2008, and 1.71% at March 31, 2009	¥ 15,259	¥ 14,807	$ 150,734
Less: Current maturities of:			
Long-term loans	976	5,446	55,441
	¥ 14,283	¥ 9,361	$ 95,293

Aggregate annual maturities of long-term debt subsequent to March 31, 2009 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars (Note 3)
2011	¥ 1,530	$ 15,573
2012	5,839	59,439
2013	1,376	14,010
2014	464	4,721
2015 and thereafter	152	1,550
	¥ 9,361	$ 95,293

The Company's assets pledged as collateral for long-term loans and to obtain credit from banks, other financial institutions (including current maturity), and suppliers of ¥2,045 million at March 31, 2008, and ¥1,763 million (US$17,946 thousand) at March 31, 2009 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2008	2009	2009
Marketable securities	¥ -	¥ 11	$ 115
Property, plant and equipment at book value	16,179	15,218	154,922
	¥ 16,179	¥ 15,229	$ 155,037

7. Selling, general and administrative expenses

Major elements of selling, general and administrative expenses for the years ended March 31, 2008 and 2009 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2008	2009	2009
Delivery and storage charges	¥ 3,886	¥ 4,098	$ 41,722
Salaries and bonuses	7,767	7,464	75,989
Retirement benefit costs	395	569	5,795
Retirement benefit costs for directors	67	78	793
Retirement benefit costs for officers	41	40	411
Research and development costs	5,227	5,599	56,994
Amortization of goodwill	0	0	3
Accrued bonuses	601	779	7,930
Allowance for doubtful accounts	-	39	393

8. Research and development costs

Research and development costs for the years ended March 31, 2008 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2008	2009	2009
Research and development costs	¥ 5,906	¥ 6,352	$ 64,663

9. Net Assets

Information regarding changes in net assets for the years ended March 31, 2008 and 2009 is as follows:

(1) Shares issued and outstanding / Treasury stock

	Thousands of shares			
	Number of shares at March 31, 2008	Increase	Decrease	Number of shares at March 31, 2009
Common stock	201,683	-	5,000	196,682
Treasury stock	2,917	7,126	5,055	4,988

(2) Cash dividends

Appropriations are not accrued in the consolidated financial statements for the period to which they relate, but are recorded in the subsequent accounting period when the shareholders' approval has been obtained.

Dividends paid for the year ended March 31, 2009

		Millions of yen	Thousands of U.S. dollars (Note 3)	Yen	U.S. dollars (Note 3)
	Type of shares	Total dividends	Total dividends	Dividends per share	Dividends per share
Meeting of the Board of Directors on June 27, 2008	Common stock	¥ 1,193	$ 12,141	¥ 6	$ 0.06
Meeting of the Board of Directors on November 7, 2008	Common stock	¥ 979	$ 9,963	¥ 5	$ 0.05

Dividends with the cut-off date in the year ended March 31, 2009 and the effective date in the year ending March 31, 2010

		Millions of yen	Thousands of U.S. dollars (Note 3)	Yen	U.S. dollars (Note 3)
	Type of shares	Total dividends	Total dividends	Dividends per share	Dividends per share
Meeting of the Board of Directors on June 26, 2009	Common stock	¥ 1,150	$ 11,709	¥ 6	$ 0.06

(3) Stock option

Stock Option Plan
The stock options outstanding as of March 31, 2009 are as follows:

Name		Stock Option 2003
Position and number of grantee	Directors of the Company:	9
	Employees of the Company:	17
Number of options	Common stocks of the Company:	277,000
Date of grant		July 28, 2003
Vesting period		From July 28, 2003 to July 31, 2005

10. Income taxes

The statutory tax rate used for calculating deferred tax assets and deferred tax liabilities as of March 31, 2008 and 2009 was 41.0%. At March 31, 2008 and 2009, significant components of deferred tax assets and liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2008	2009	2009
Deferred tax assets:			
Accrued bonus	¥ 1,065	¥ 917	$ 9,335
Retirement benefit provisions	1,034	1,158	11,788
Unrealized earnings	323	326	3,317
Accrued enterprise tax	157	42	425
Retirement benefit provisions for directors and officers	156	113	1,150
Impairment loss on investment securities	849	231	2,351
Valuation difference	321	321	3,268
Others	905	1,303	13,263

	4,810	4,411	44,897
Valuation allowance	(646)	(600)	(6,103)
Total deferred tax assets	4,164	3,811	38,794
Deferred tax liabilities:			
Unrealized gain on investments in securities	(5,740)	(2,159)	(21,977)
Reserve for advanced depreciation of property plant and equipment	(2,895)	(2,749)	(27,990)
Prepaid pension expenses	(552)	(524)	(5,334)
Valuation differences	(2,010)	(2,056)	(20,930)
Gain on revaluation of assets trusted for retirement benefit	(838)	(838)	(8,533)
Others	(185)	(244)	(2,481)
Total deferred tax liabilities	(12,220)	(8,570)	(87,245)
Deferred income taxes, net	¥ (8,056)	¥ (4,759)	$ (48,451)

A reconciliation of the tax rate to the Company's effective tax rate for years ended March 31, 2009 is summarized as follows:

	2008	2009
Statutory tax rate	41.0%	41.0%
Non-deductible expenses	1.2	2.4
Tax credits	(6.2)	(6.8)
Valuation allowance	(3.2)	(3.4)
Inhabitants' per capita taxes	0.4	1.1
Equity method	-	1.0
Other	(1.9)	1.4
Effective tax rate	31.3%	36.7%

11. Retirement benefit provisions

The Company has a pension plan (funded and non-contributory) to cover the employees (excluding directors and corporate auditors) of the Company. The benefits under this plan are determined generally by reference to the employees' average rate of pay, length of service and the conditions under which retirement occurs.

The following tables show the funded and accrued status of the employees' retirement benefits, and the amounts recognized in the consolidated balance sheets as of March 31, 2008 and 2009.

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2008	2009	2009
Projected benefit obligations	¥ (19,126)	¥ (19,656)	$ (200,102)
Plan assets	17,531	14,084	143,376

Unfunded projected benefit obligations		(1,595)		(5,572)		(56,726)
Unrecognized actuarial differences		4,881		8,887		90,468
Unrecognized prior service costs		(222)		(186)		(1,892)
Book value – net		3,064		3,129		31,850
Prepaid pension expenses		(6,675)		(6,858)		(69,814)
Retirement benefit provisions	¥	(3,611)	¥	(3,729)	$	(37,964)

Net pension expenses related to retirement benefits for the years ended March 31, 2008 and 2009 were as follows:

	Millions of yen				Thousands of U.S. dollars (Note 3)	
	2008		2009		2009	
Service costs *1	¥	960	¥	1,166	$	11,871
Interest costs		356		387		3,943
Expected return on plan assets		(565)		(594)		(6,046)
Amortization of actual differences		284		837		8,518
Amortization of prior service costs		(36)		(28)		(286)
Net pension expenses	¥	999	¥	1,768	$	18,000

Notes:

*1 The pension expenses of consolidated subsidiaries which applied the expediency method are included in "Service costs".

Assumptions used in the calculation of the above information were as follows:

	2008	2009
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	3.5%	4.0%
Amortization of unrecognized prior service costs	10 years	10 years
Amortization of unrecognized actuarial gains or losses	10 years	10 years

12. Leases

The Group leases certain machinery and equipment, and other assets. The following is information of the leases in existence at the transition date of new accounting standard adaption and accounted for as operating lease.

Total lease payments under these leases were ¥157 million and ¥147 million (US$1,504 thousand) for the years ended March 31, 2008 and 2009, respectively.

Information relating to acquisition costs, accumulated depreciation and future minimum payments for assets held under finance leases which do not transfer ownership of the leased assets to the lessee on an "as if capitalized" basis for the years ended March 31, 2008 and 2009, is as follows:

	Millions of yen		
	2008		
	Furniture and fixtures	Others	Total
Acquisition costs	¥ 436	¥ 515	¥ 951
Accumulated depreciation	295	202	497
Net leased assets	¥ 141	¥ 313	¥ 454

	Millions of yen		
	2009		
	Furniture and fixtures	Others	Total
Acquisition costs	¥ 235	¥ 410	¥ 645
Accumulated depreciation	165	158	323
Net leased assets	¥ 70	¥ 252	¥ 322

	Thousands of U.S. dollars (Note 3)		
	2009		
	Furniture and fixtures	Others	Total
Acquisition costs	$ 2,395	$ 4,169	$ 6,654
Accumulated depreciation	1,676	1,606	3,282
Net leased assets	$ 719	$ 2,563	$ 3,282

Future minimum lease payments under finance leases as of March 31, 2008 and 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2008	2009	2009
Due within one year	¥ 150	¥ 114	$ 1,159
Due over one year	303	209	2,123
Total	¥ 453	¥ 323	$ 3,282

The acquisition costs and future minimum lease payments under finance leases include the interest expense portion because the amount of accrued lease payments was immaterial to the balance of property, plant and equipment as of March 31, 2008 and 2009.

The depreciation expense, which is not reflected in the accompanying consolidated statement of income, computed using the straight-line method, would have been ¥157 million and ¥148 million (US$1,504 thousand) for the years ended March 31, 2008 and 2009, respectively.

Obligations under non-cancelable operating leases as of March 31, 2008 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2008	2009	2009
Due within one year	¥ 72	¥ 54	$ 551
Due after one year	304	209	2,126
Total	¥ 376	¥ 263	$ 2,677

13. Derivative financial instruments

The Group uses derivative financial instruments, which comprise principally forward exchange contracts and interest rate swap agreements, to reduce its exposure to market risks from fluctuations in foreign currency exchange and interest rates. The Group has established a control environment, which includes policies and procedures for the approval and monitoring of transactions involving derivative financial instruments. The Group does not hold or issue financial instruments for trading purposes.

The Group is exposed to certain market risks arising from its forward exchange contracts and interest rate swap agreements. The Group is also exposed to the risk of credit loss in the event of non-performance by the counterparties to the currency and interest. However, the Group does not anticipate non-performance by any of these counterparties all of whom are domestic financial institutions with high credit ratings.

14. Contingent liabilities and commitment

(1) As of March 31, 2008 and 2009, the Group was contingently liable for guarantees of loans as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2008	2009	2009
As a guarantor of indebtedness of:			
Amagasaki Utility Services	¥ 302	¥ 310	$ 3,156
Shanghai NDS CO., LTD	-	25	255
Others	6	0	1
	¥ 308	¥ 335	$ 3,412

(2) As of March 31, 2008 and 2009, the Company was contingently liable for the conditional assignment of ¥2,217 million at 2008 and ¥1,338 million (US$13,617 thousand) at 2009 of trade notes and accounts receivable with recourse obligation.

(3) As of March 31, 2008 and 2009, the Company had contingent liabilities for notes receivable endorsed in the aggregate amount of ¥168 million at 2008 and ¥110 million (US$1,121 thousand) at 2009.

(4) As of March 31, 2008 and 2009, the Company has unused commitment agreements amounting to ¥10,000 million at 2008 and ¥10,000 million (US$101,802 thousand) at 2009 with banks and other financial institutions.

15. Per share information

Net income per share of common stock is based upon the weighted average number of shares outstanding during each fiscal period.

	Yen		U.S. dollars (Note 3)
	2008	2009	2009
Per share:			
Net income - basic	¥ 32.8	¥ 12.2	$ 0.12
Net income - diluted	32.7	12.2	0.12
Cash dividends applicable to the year	11.0	11.0	0.11
Net assets	461.55	429.21	4.37

Basis for calculating net income per share:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2008	2009	2009
Net income per share			
Net income	¥ 6,560	¥ 2,382	$ 24,249
Amount not available to shareholders			
Earnings appropriated for directors' bonuses	-	-	-
Net income related to common stock	¥ 6,560	¥ 2,382	$ 24,249
Average number of shares outstanding (1,000 shares)	199,938	194,889	194,889
Net income per share (diluted)			
Net income adjustment	-	-	-
Stock options (1,000 shares)	¥ 62	¥ 3	$ 3
Increase in number of shares (1,000 shares)	¥ 62	¥ 3	$ 3
Shares not included in diluted net income per share calculation due to lack of dilution effect (1,000 shares)	-	277	277

16. Reduction entry

Reduction entries for the years ended March 31, 2008 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2008	2009	2009
Buildings and structures	¥ 516	¥ 516	$ 5,257
Machinery and equipment	393	389	3,963
Other	17	17	169
Total	¥ 926	¥ 922	$ 9,389

17. Goodwill

As of March 31, 2008 and 2009, goodwill included in “Other assets” amounted to ¥1 million and ¥1 million (US$15 thousand), respectively.
As of March 31, 2008 and 2009, negative goodwill included in other “Other long-term liabilities” amounted to ¥0 million and ¥1 million (US$6 thousand), respectively.

18. Investments in unconsolidated subsidiaries and affiliates

Investments in unconsolidated subsidiaries and affiliates for the years ended March 31, 2008 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2008	2009	2009
Investments in securities	¥ 2,099	¥ 1,363	$ 13,875
Capital contribution	60	61	616
Total	¥ 2,159	¥ 1,424	$ 14,492

19. Segment information

(1) Business segments

As of March 31, 2008 and 2009, the Group operates principally in the following business segments categorized based on similarity of products and markets.

(Millions of yen)

	2008						
	Oleo chem icals & foods	Chemicals	Explosive & propulsion	Others	Total	Elimination/ Corporate	Consolidated
Sales							
Sales to customers	¥ 62,927	¥ 62,407	¥ 32,574	¥ 1,138	¥ 159,046	¥ -	¥ 159,046
Inter-segment	382	11,866	2,882	7,762	22,892	(22,892)	-
Total	63,309	74,273	35,456	8,900	181,938	(22,892)	159,046
Operating expenses	62,993	66,325	33,865	8,802	171,985	(22,945)	149,040
Operating income	¥ 316	¥ 7,948	¥ 1,591	¥ 98	¥ 9,953	¥ 53	¥ 10,006
Assets	¥ 49,364	¥ 53,403	¥ 51,991	¥ 2,938	¥ 157,696	¥ 21,077	¥ 178,773
Depreciation	2,034	3,129	1,712	120	6,995	-	6,995
Capital expenditure	¥ 2,197	¥ 2,721	¥ 1,354	¥ 52	¥ 6,324	¥ -	¥ 6,324

	2009						
	Oleo chem icals & foods	Chemicals	Explosive & propulsion	Others	Total	Elimination/ Corporate	Consolidated
Sales							
Sales to customers	¥ 63,767	¥ 52,420	¥ 33,057	¥ 1,077	¥ 150,321	¥ -	¥ 150,321
Inter-segment	149	2,855	73	7,174	10,251	(10,251)	-
Total	63,916	55,275	33,130	8,251	160,572	(10,251)	150,321
Operating expenses	65,055	52,119	31,486	8,299	156,959	(10,261)	146,698
Operating income	¥ (1,139)	¥ 3,156	¥ 1,644	¥ (48)	¥ 3,613	¥ 10	¥ 3,623
Assets	¥ 48,173	¥ 44,122	¥ 47,702	¥ 2,478	¥ 142,475	¥ 20,075	¥ 162,550
Depreciation	2,239	3,405	1,790	126	7,560	-	7,560
Capital expenditure	1,303	3,603	1,529	68	6,503	-	6,503

(Thousands of U.S.dollars (Note 3))

	2009						
	Oleo chem icals & foods	Chemicals	Explosive & propulsion	Others	Total	Elimination/ Corporate	Consolidated
Sales							
Sales to customers	$ 649,164	$ 533,643	$ 336,525	$ 10,960	$ 1,530,292	$ -	$ 1,530,292
Inter-segment	1,513	29,062	747	73,039	104,361	(104,361)	-
Total	650,677	562,705	337,272	83,999	1,634,653	(104,361)	1,530,292
Operating expenses	662,271	530,577	320,532	84,490	1,597,870	(104,462)	1,493,408
Operating income	$ (11,594)	$ 32,128	$ 16,740	$ (491)	$ 36,783	$ 101	$ 36,884
Assets	$ 490,415	$ 449,166	$ 485,616	$ 25,231	$ 1,450,428	$ 204,363	$ 1,654,791
Depreciation	22,795	34,666	18,225	1,278	76,694	-	76,694
Capital expenditure	13,261	36,677	15,565	700	66,203	-	66,203

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The Company's business are segmented into "Oleo chemicals & foods", "Chemicals", "Explosive & propulsion" and "Others" based on their similarity of the type of products and sales markets.
The main products or services of each segment are as follows.

1. Oleo chemicals & foods --- fatty acids, fatty acid derivatives, surfactants, edible oils, health-related products
2. Chemicals --- organic peroxides, polybutene, ethylene oxide and propylene oxide derivatives, functional polymers, materials for anti corrosion
3. Explosive & propulsion --- industrial explosives, rocket propellant, automotive safety devices, defense-related explosives
4. Others --- logistics, real estate services

The amounts of assets included in the column "Elimination/Corporate" are ¥32,592 million and ¥21,665 million (US$220,550 thousand) for the years ended March 31, 2008 and 2009, respectively, which includes surplus working funds (cash and securities), long-term investment funds (investments in securities), and deferred tax assets.

As described in Note 2(8), effective the year ended March 31, 2008, the Company and its consolidated domestic subsidiaries changed the depreciation method for the property, plant and equipment acquired on or after April 1, 2007 due to the revision of Japanese Corporate Tax Law and its regulation. As a result, operating expenses increased by ¥42 million ($428 thousand) in Oleo chemicals & foods, ¥58 million ($580 thousand) in Chemicals, ¥22 million ($227 thousand) in Explosive & propulsion, and ¥0 million ($3 thousand) in Others, compared to the amounts that would have been reported if the previous methods had been applied consistently, and operating income decreased by the same amounts for the year ended March 31, 2008.

As described in Note 2(8), effective the year ended March 31, 2008, the Company and its consolidated domestic subsidiaries started the depreciation for the property, plant and equipment, which were acquired on or before March 31, 2007, and were already depreciated to 5% of the acquisition cost. The depreciation was calculated by the straight-line method within next five years after these assets were depreciated 5% of the acquisition cost. The depreciation was charged to depreciation expense. As a result, operating expenses increased by ¥153 million ($1,531 thousand) in Oleo chemicals & foods, ¥124 million ($1,239 thousand) in Chemicals, ¥270 million ($2,696 thousand) in Explosive & propulsion, and ¥1 million ($10 thousand) in Others, compared to the amounts that would have been reported if the previous methods had been applied consistently, and operating income decreased by the same amounts for the year ended March 31, 2008.

As described in Note 2(8), effective the year ended March 31, 2009, the Company and its consolidated domestic subsidiaries changed the depreciation method for the property, plant and equipment acquired on or after April 1, 2008 due to the revision of Japanese Corporation Tax Law and its regulation. As a result, operating expenses increased by ¥70 million ($709 thousand) in Oleo chemicals & foods, ¥94 million ($959 thousand) in Chemicals, ¥(31) million ($(314) thousand) in Explosive & propulsion, and ¥0 million ($0 thousand) in Others, compared to the amounts that would have been reported if the previous methods had been applied consistently, and operating income decreased by the same amounts for the year ended March 31, 2009.

As described in note 2(7), effective the year ended march 31, 2009, the Company and its consolidated domestic subsidiaries applied the new accounting standard for measurement of inventories. As a result, operating expenses increased by ¥358 million ($3,643 thousand) in Oleo chemicals & foods, ¥447 million ($4,546 thousand) in Chemicals, and ¥141 million ($1,438 thousand) in Explosive & propulsion, compared to the amounts that would have been reported if the previous methods has been applied consistently, and operating income decreased by the same amounts for the year ended march 31, 2009.

(2) Geographical segments

Segment information classified by geographic area (inside and outside Japan) for the years ended March 31, 2008 and 2009 is as follows:

(Millions of yen)

	2008				
	Japan	Others (Note 1)	Total	Elimination/ Corporate	Consolidated
Sales					
Sales to customers	¥ 143,064	¥ 15,982	¥ 159,046	¥ -	¥ 159,046
Inter-segment	3,407	381	3,788	(3,788)	-
Total	146,471	16,363	162,834	(3,788)	159,046
Operating expenses	137,842	15,110	152,952	(3,912)	149,040
Operating income	¥ 8,629	¥ 1,253	¥ 9,882	¥ 124	¥ 10,006
Assets	¥ 139,918	¥ 12,922	¥ 152,840	¥ 25,933	¥ 178,773

	2009				
	Japan	Others (Note 1)	Total	Elimination/ Corporate	Consolidated
Sales					
Sales to customers	¥ 137,871	¥ 12,450	¥ 150,321	¥ -	¥ 150,321
Inter-segment	3,314	373	3,687	(3,687)	-
Total	141,185	12,823	154,008	(3,687)	150,321
Operating expenses	137,905	12,557	150,462	(3,764)	146,698
Operating income	¥ 3,280	¥ 266	¥ 3,546	¥ 77	¥ 3,623
Assets	¥ 138,137	¥ 9,003	¥ 147,710	¥ 15,410	¥ 162,550

(Thousands of U.S. dollars (Note 3)

	2009				
	Japan	Others	Total	Elimination/ Corporate	Consolidated
Sales					
Sales to customers	$ 1,403,551	$ 126,741	$ 1,530,292	$ -	$ 1,530,292
Inter-segment	33,738	3,797	37,535	(37,535)	-
Total	1,437,289	130,538	1,567,827	(37,535)	1,530,292
Operating expenses	1,403,896	127,830	1,531,726	(38,317)	1,493,409
Operating income	$ 33,393	$ 2,708	$ 36,101	$ 782	$ 36,883
Assets	$ 1,406,259	$ 91,650	$ 1,497,909	$ 156,882	$ 1,654,791

Others represent --- North America, Europe, and Asia

As described in Note 2(8), effective the year ended March 31, 2008, the Company and its consolidated domestic subsidiaries changed the depreciation method for the property, plant and equipment acquired on or after April 1, 2007 due to the revision of Japanese Corporate Tax Law and its regulation. As a result, operating expenses increased by ¥124 million ($1,238 thousand) and operating income decreased by the same amounts in Japan for the year ended March 31, 2008, compared to the amounts that would have been reported if the previous methods had been applied consistently.

As described in Note 2(8), effective the year ended March 31, 2008, the Company and its consolidated domestic subsidiaries started the depreciation for the property, plant and equipment, which were acquired on or before March 31, 2007, and were already depreciated to 5% of the acquisition cost. The depreciation was calculated by the straight-line method within next five years after these assets were depreciated 5% of the acquisition cost. The depreciation was charged to depreciation expense. As a result, operating expenses increased by ¥548 million ($5,476 thousand) and operating income decreased by the same amounts in Japan for the year ended March 31, 2008, compared to the amounts that would have been reported if the previous methods had been applied consistently.

As described in Note 2(8), effective the year ended March 31, 2009, the Company and its consolidated domestic subsidiaries changed the depreciation method for the property, plant and equipment acquired on or after April 1, 2008 due to the revision of Japanese Corporation Tax Law and its regulation. As a result, operating expenses increased by ¥133 million ($1,354 thousand) and operating income decreased by the same amounts in Japan for the year ended March 31, 2009, compared to the amounts that would have been reported if the previous methods had been applied.

As described in note 2(7), effective the year ended march 31, 2009, the Company and its consolidated domestic subsidiaries applied the new accounting standard for measurement of inventories. As a result, operating expenses increased by ¥946 million($9,627 thousand) and operating income decreased by the same amounts in Japan for the year ended march 31, 2009, compared to the amounts that would have been reported if the previous methods had been applied.

(3) Sales to foreign customers

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2008	2009	2009
Overseas sales	¥ 29,962	¥ 22,671	$ 230,792
Consolidated sales	159,046	150,321	1,530,292
Ratio	18.84%	15.08%	

Overseas sales represents ··· North America, Europe and Asia