

3. Consolidated Business Forecast for the Fiscal Year Ending March 31, 2013**(April 1, 2012 to March 31, 2013)**

(% 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	160,000	(2.4)	10,000	(44.7)	12,000	(35.3)	8,000	(34.8)	39.41
Full year	330,000	2.9	25,000	(19.6)	28,000	(15.4)	19,500	(8.3)	96.06

4. Others

(1) Changes in significant subsidiaries during the period (changes in specific subsidiaries that affect the scope of consolidation): None

(2) Changes in accounting policies; changes in accounting estimates; restatements

1) Changes in accounting policies due to amendment of accounting standards: None

2) Other changes in accounting policies: None

3) Changes in accounting estimates: None

4) Restatements: None

(3) Number of outstanding shares (common stock)

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

FY3/12: 204,000,000 shares

FY3/11: 212,000,000 shares

2) Number of treasury stock at the end of period

FY3/12: 1,001,175 shares

FY3/11: 8,992,680 shares

3) Average number of shares outstanding at the end of period

FY3/12: 203,003,218 shares

FY3/11: 191,476,968 shares

(Reference) Non-consolidated Business Overview**1. Non-consolidated Business Results for the Fiscal Year Ending March 31, 2012 (April 1, 2011 to March 31, 2012)**

(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	%
FY3/12	230,119	11.5	22,142	11.8	25,819	12.8	16,277	(0.4)
FY3/11	206,389	24.2	19,801	116.1	22,898	104.6	16,342	136.2

	Net income per share	Fully diluted net income per share
	Yen	Yen
FY3/12	80.18	-
FY3/11	85.34	-

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FY3/12	296,042	181,010	61.1	891.68
FY3/11	275,921	170,410	61.8	839.43

Reference: Shareholders' equity (millions of yen):

FY3/12: 181,010

FY3/11: 170,410

2. Non-consolidated Business Forecast for the Fiscal Year Ending March 31, 2013 (April 1, 2012 to March 31, 2013)

(% 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	117,500	1.0	8,500	(33.3)	13,000	(13.6)	9,500	(6.1)	46.80
Full year	241,000	4.7	19,000	(14.2)	24,000	(7.0)	17,000	4.4	83.74

※Indication regarding execution of quarterly review procedures

This quarterly financial results report is exempt from the quarterly review procedures in accordance with the Financial Instruments and Exchange Act. At the time of disclosure of this quarterly financial results report, the review procedures for quarterly financial statements in accordance with the Financial Instruments and Exchange Act are incomplete.

※Appropriate use of business forecasts; other special items

In this document, statements other than historical facts are forward-looking statements that reflect the Company's plans and expectations. These forward-looking statements involve risks, uncertainties and other factors that may cause our actual results and achievements to differ from those anticipated in these statements.

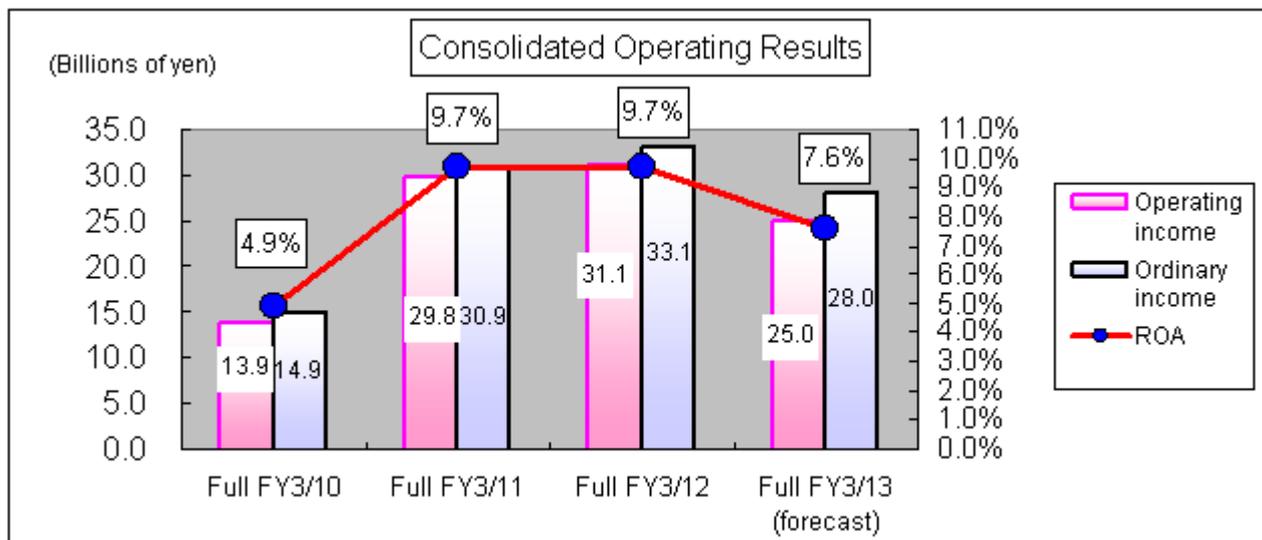
* The original, written in Japanese, of this information is prepared in accordance with Japanese standard. This is a voluntary translation of the original provided by the company for convenience of readers.

Results Trend and Features

(Unit: Millions of yen)

	Full FY3/10		Full FY3/11		Full FY3/12		Full FY3/13 (Forecast)		Change	
	Amount	YoY	Amount	YoY	Amount	YoY	Amount	YoY	FY3/12- FY3/11	FY3/13- FY3/12
Net sales	[1.47]		[1.40]		[1.39]		[1.37]			
Consolidated	244,317	(15.5)%	288,345	18.0%	320,704	11.2%	330,000	2.9%	32,359	9,296
Non-consolidated	166,198	(20.0)%	206,389	24.2%	230,119	11.5%	241,000	4.7%	23,731	10,881
Operating income	[1.51]		[1.51]		[1.40]		[1.32]			
Consolidated	13,881	-	29,813	114.8%	31,100	4.3%	25,000	(19.6)%	1,287	(6,100)
Non-consolidated	9,163	806.3%	19,801	116.1%	22,142	11.8%	19,000	(14.2)%	2,341	(3,142)
Ordinary income	[1.33]		[1.35]		[1.28]		[1.17]			
Consolidated	14,934	-	30,955	107.3%	33,114	7.0%	28,000	(15.4)%	2,159	(5,114)
Non-consolidated	11,191	162.6%	22,898	104.6%	25,819	12.8%	24,000	(7.0)%	2,920	(1,819)
Net income	[1.57]		[1.29]		[1.31]		[1.15]			
Consolidated	10,832	-	21,119	95.0%	21,257	0.7%	19,500	(8.3)%	138	(1,757)
Non-consolidated	6,918	-	16,342	136.2%	16,277	(0.4)%	17,000	4.4%	(65)	723
Equity-method investment	1,037		2,354		2,353		2,057		(1)	(296)
Minority interests in income	142		294		450		301		156	(149)
Total assets	[1.24]		[1.19]		[1.20]		[1.25]			
Consolidated	310,946	2.6%	329,332	5.9%	356,407	8.2%	380,000	6.6%	27,075	23,593
Non-consolidated	251,473	2.0%	275,921	9.7%	296,042	7.3%	305,000	3.0%	20,120	8,958
Net assets	[1.17]		[1.14]		[1.16]		[1.16]			
Consolidated	163,781	8.0%	194,266	18.6%	209,070	7.6%	224,405	7.3%	14,804	15,335
Non-consolidated	140,571	5.2%	170,410	21.2%	181,010	6.2%	193,545	6.9%	10,600	12,535
ROA									Point	Point
Consolidated		4.9%		9.7%		9.7%		7.6%	-	(2.1)
Non-consolidated		4.5%		8.7%		9.0%		8.0%	0.3	(1.0)

The figures in bracket represent the consolidated-parent ratio.



Comparison of FY3/12 with FY3/11

Sales up, profits up: sales increased on greater sales volumes accompanying bolstered capacity, and a surge in market prices; profits rose due to widening spreads and higher sales.

		Major components
Net sales	+32.4 bil. yen YoY	<ul style="list-style-type: none"> • Greater sales across all segments • Positive impact of elevated market prices of basic chemicals offset negative impact of yen appreciation • Higher sales volumes particularly of ethylene oxides, ethylene glycol, and superabsorbent polymers • Made NIPPON POLYMER IND. Co., Ltd. a consolidated subsidiary
Operating income	+1.3 bil. yen YoY	<ul style="list-style-type: none"> • Increases in production and sales volumes + wider spreads between selling prices and raw materials prices > higher manufacturing costs from bolstered production capacity
Ordinary income	+2.2 bil. yen YoY	<ul style="list-style-type: none"> • Decline in foreign exchange losses + increase in dividend income
Net income	+0.1 bil. yen YoY	<ul style="list-style-type: none"> • Reversal of deferred tax assets due to change in corporate tax rates

Comparison of FY3/13 with FY3/12

Sales up, profits down: sales up mainly due to increase in sales volumes of superabsorbent polymers; decline in profits as narrower spreads outweigh the benefits of higher sales

		Major components
Net sales	+9.3 bil. yen YoY	<ul style="list-style-type: none"> • Increase in sales of functional chemicals, environment and catalysts > decrease in sales of basic chemicals • Increase in sales of functional chemicals mainly due to an increase in sales volumes of superabsorbent polymers • Decrease in sales volumes of ethylene glycol and acrylates (particularly exports where profitability deteriorated due to falling market prices of basic chemicals)
Operating income	-6.1 bil. yen YoY	<ul style="list-style-type: none"> • Narrowing spreads between selling prices and raw materials prices + increase in SG&A expenses > greater production and sales volumes + decline in processing costs
Ordinary income	-5.1 bil. yen YoY	<ul style="list-style-type: none"> • Increase in technology licensing income + decline in foreign exchange losses > decreases in equity-method investment and dividend income
Net income	-1.8 bil. yen YoY	<ul style="list-style-type: none"> • Decrease in income taxes

1. Business Results

I. Analysis of Business Results

(1) Business Results for FY3/12 (April 1, 2011 – March 31, 2012)

In the fiscal year under review, the Japanese economy confronted record high yen levels, the European debt crisis, and concerns of a slowdown of the global economy, but the pick up in production and personal consumption gradually spread as the drop in supplies from the impact of the Great East Japan Earthquake and Thai floods eased.

In the chemicals industry, the outlook remained unclear as the pace of demand expansion in emerging countries began to slow, and due to yen appreciation and elevated raw materials prices.

1) Overview

(Unit: Millions of yen)

	Full FY3/11	Full FY3/12	Change	
			(Amount)	(% growth)
Net sales	288,345	320,704	32,359	11.2%
Operating income	29,813	31,100	1,287	4.3%
Ordinary income	30,955	33,114	2,159	7.0%
Net income	21,119	21,257	138	0.7%
Net income per share	110.30 yen	104.71 yen	(5.59) yen	(5.1)%
ROA (Return on Assets)	9.7%	9.7%	-	-
ROE (Return on Equity)	12.1%	10.8%	-	(1.3) points
Foreign exchange rates (\$ and EUR)	\$ = 85.72 yen	\$ = 79.07 yen	(6.65) yen	
	EUR = 113.15 yen	EUR = 109.01 yen	(4.14) yen	
Naphtha price	47,500 yen/kl	54,900 yen/kl	7,400 yen/kl	

In this business environment, the Group's consolidated net sales rose 11.2% year-over-year to 320,704 million yen (+32,359 million yen) in the current fiscal year. Yen appreciation reduced the value of repatriated sales, but sales volumes of some products rose on firm demand, and product prices rose due to elevated raw materials prices and tight supply-demand conditions.

As for profits, operating income increased 4.3% year-over-year to 31,100 million yen (+1,287 million yen) in the current fiscal year. Although fixed costs increased mainly due to the bolstering of production capacity for ethylene oxides, acrylic acids and superabsorbent polymers, profitability improved due to an increase in production and sales volumes and a widening of spreads for some products (product prices rose more than raw materials prices in the markets).

Ordinary income increased 7.0% year-over-year to 33,114 million yen (+2,159 million yen) as net non-operating income improved by 872 million yen due to a decrease in foreign exchange losses and an increase in dividend income. Net income increased 0.7% year-over-year to 21,257 million yen (+138 million yen).

2) Segment summary

By business segment

(Unit: Millions of yen)

Basic Chemicals

	Full FY3/11	Full FY3/12	Change
Net sales	125,052	136,562	11,510
Operating income	13,986	13,387	(599)

Functional Chemicals

	Full FY3/11	Full FY3/12	Change
Net sales	141,553	160,762	19,209
Operating income	13,323	16,526	3,203

Environment & Catalysts

	Full FY3/11	Full FY3/12	Change
Net sales	21,740	23,380	1,640
Operating income	2,366	1,671	(695)

Basic Chemicals

Although the sales volumes of acrylic acids and acrylates were about the same as one year earlier, there was a big increase in sales as export prices increased along with a surge in market prices driven by tight supply-demand conditions worldwide.

Sales of ethylene oxide also increased due to upward revisions to selling prices to reflect higher raw materials prices in addition to a rise in sales volumes on firm demand.

Sales of ethylene glycol increased as market prices remained high and sales volumes rose primarily for exports.

Sales of higher alcohol increased, despite a decline in sales volumes, primarily for exports, due to upward revisions to selling prices to reflect higher raw materials prices.

Sales of ethanolamine decreased as a decline in sales volumes, despite upward revisions to selling prices to reflect higher raw material prices.

In summary, sales in the basic chemicals segment increased 9.2% year-over-year to 136,562 million yen.

Operating income decreased 4.3% year-over-year to 13,387 million yen, despite an increase in sales and production, and a widening of spreads for some products on a surge in market prices, due to an increase in fixed costs from the bolstering of production capacity and an increase in SG&A expenses.

Functional Chemicals

Sales of superabsorbent polymers increased as sales volumes significantly increased on firm demand and also thanks to the bolstering of production capacity.

Sales of raw materials for detergents, maleic anhydride, resin modifiers and resins for paints increased due to a rise in sales volumes.

Sales of polymer for concrete admixture and electronic and information materials decreased due to a decline in sales volumes.

Sales of specialty acrylates and iodine compounds increased due to upward revisions to selling prices, despite a decline in sales volumes.

The Company made Nippon Polymer Industries Co., Ltd. a consolidated subsidiary in the current fiscal year.

In summary, sales in the functional chemicals segment increased 13.6% year-over-year to 160,762 million yen.

Operating income increased 24.0% year-over-year to 16,526 million yen, despite effects of the yen's appreciation and higher raw materials prices, due to an increase in production and sales volumes and upward revisions to selling prices.

Environment & Catalysts

Sales of automotive catalysts and process catalysts increased due to an increase in sales volumes and upward revisions to selling prices.

Sales of wet oxidation catalyst and fuel cell materials decreased due to a decline in sales volumes.

In summary, sales in the environment and catalysts segment increased 7.5% year-over-year to 23,380 million yen.

Operating income was down 29.4% year-over-year to 1,671 million yen, despite the benefit of higher sales of process catalysts, due to the absence of valuation gain of inventory posted in the previous fiscal year.

(2) FY3/13 Forecast (April 1, 2012 – March 31, 2013)

Production activity in the Japanese economy, which fell sharply due to the impact of the Great East Japan Earthquake and Thai floods, has with few exceptions begun to recover. However, we expect conditions to remain uncertain due to concerns of extended economic weakness and reconstruction delays in Japan, a slump in consumption overseas due to renewed concerns of crisis in Europe, and the possibility of sharp volatility in foreign exchange rates.

In the chemicals industry, the situation bears close watching due to the impact of geopolitical risk in Iran and the Middle East, and excessive liquidity from monetary easing, on crude oil prices, other natural resources prices, and foreign exchange rates; and difficulties in continuing business activities due to constraints in electricity usage following the suspension of operations at nuclear power plants.

We base our consolidated forecasts for the new fiscal year on exchange rates of 80 yen to the US dollar and 100 yen to the euro, and naphtha prices of 60,000 yen/kl. We expect higher sales volumes of functional chemicals and progress in correcting prices following higher raw materials prices. As a result, we forecast consolidated net sales over the full fiscal year will increase 2.9% to 330,000 million yen (+9,296 million yen) with 160,000 million yen in the first half.

As for profits, we expect an increase in sales volumes mainly in the second half, but a growing impact from narrowing spreads due to falling global prices of basic chemicals and rising raw materials prices. As a result, we forecast operating income over the full fiscal year will decline 19.6% to 25,000 million yen (-6,100 million yen) with 10,000 million yen in the first half; ordinary income will decline 15.4% to 28,000 million yen (-5,114 million yen) with 12,000 million yen in the first half; and net income will decline 8.3% to 19,500 million yen (-1,757 million yen) with 8,000 million yen in the first half.

Our full-year forecasts by business segment are as follows:

(Unit: Billions of yen)

	Basic Chemicals		Functional Chemicals		Environment & Catalysts	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
First-half results	67.0	3.5	80.0	6.0	13.0	0.5
Second-half forecasts	68.0	4.0	89.0	10.5	13.0	0.5
Full-year forecasts	135.0	7.5	169.0	16.5	26.0	1.0

II. Qualitative Information on Consolidated Financial Position

(1) Assets, liabilities and net assets

Total assets increased 27,075 million yen year-over-year to 356,407 million yen. Current assets increased 22,045 million yen mainly due to increases in cash and deposits, notes and accounts receivable-trade and inventories. Noncurrent assets increased 5,030 million yen as investment securities decreased with declining market values but property, plant and equipment increased because of capital expenditures.

Liabilities increased 12,271 million yen year-over-year to 147,337 million yen. There were decreases in repayment of loans payable and income taxes payable, while notes and accounts payable-trade increased.

Net assets increased 14,804 million yen year-over-year to 209,070 million yen. This increase was mainly due to an

increase in retained earnings, despite decreases in valuation difference on available-for-sale securities and foreign currency translation adjustments. Following the cancellation of the company's treasury stock of 8 million shares, treasury stock, capital surplus and retained earnings decreased 7,108 million yen, 0 million yen, and 7,108 million yen, respectively.

Shareholders' equity ratio decreased 0.6 points, from 57.9% at the end of the previous fiscal year, to 57.3%. Net assets per share increased 67.81 yen to 1,006.48 yen.

(2) Cash Flows

Cash and cash equivalents at the end of the current fiscal year increased 11,638 million yen over the end of the previous fiscal year to 50,812 million yen as cash flow provided by operating activities exceeded cash flow used in investing activities (capital investment, etc.) and financing activities (the repayment of loans payable, etc.)

Cash flow from operating activities

Net cash provided by operating activities totaled 43,857 million yen (31,706 million yen in the previous fiscal year). This was mainly due to an increase in income taxes paid, while there was a progress in collection of trade notes and accounts receivable, and increases in notes and accounts payable-trade, and income before income taxes.

Cash flow from investing activities

Net cash used in investing activities totaled 21,747million yen (16,696 million yen in the previous fiscal year). This was mainly due to an increase in outlays for the purchase of property, plant and equipment.

Cash flow from financing activities

Net cash used in financing activities totaled 9,671 million yen (3,050 million yen in the previous fiscal year). Although there was a decrease in short-term loans payable, cash flows one year earlier included proceeds from issuance of common stock, and there was an increase in cash dividends paid.

Cash flow indicators

	Full FY3/08	Full FY3/09	Full FY3/10	Full FY3/11	Full FY3/12
Shareholders' equity ratio	48.6%	48.8%	51.4%	57.9%	57.3%
Shareholders' equity ratio at market base	33.9%	36.5%	48.4%	64.2%	54.6%
Cash flow to debt ratio	4.4 years	5.7 years	1.8 years	2.0 years	1.4 years
Interest coverage ratio	15.1	12.9	32.4	35.9	58.9

Shareholders' equity ratio = shareholders' equity/ total assets

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

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

Interest coverage ratio = operating cash flow/ interest payments

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

2. Market capitalization = closing share price at period end × outstanding shares at period end (after deducting treasury stock)

3. We use "net cash provided by operating activities" from the consolidated statements of cash flows for "operating cash flow."

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

5. We use "interest expenses paid" from the consolidated statements of cash flows for "interest payments."

III. Basic Policy on the Distribution of Profits, and Dividends for FY3/12 and FY3/13

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 11 yen per share for the current fiscal year under review, taking into consideration the business environment, earnings in the fiscal year, and plans for business expansion. This would give an annual dividend of 22 yen per share, and a consolidated payout ratio of 21.0%. For the new fiscal year, we plan an annual dividend of 22 yen per share, consisting of interim and yearend dividends of 11 yen each, based on this basic policy and taking into consideration progress in achieving our forecast profits.

2. Corporate Group

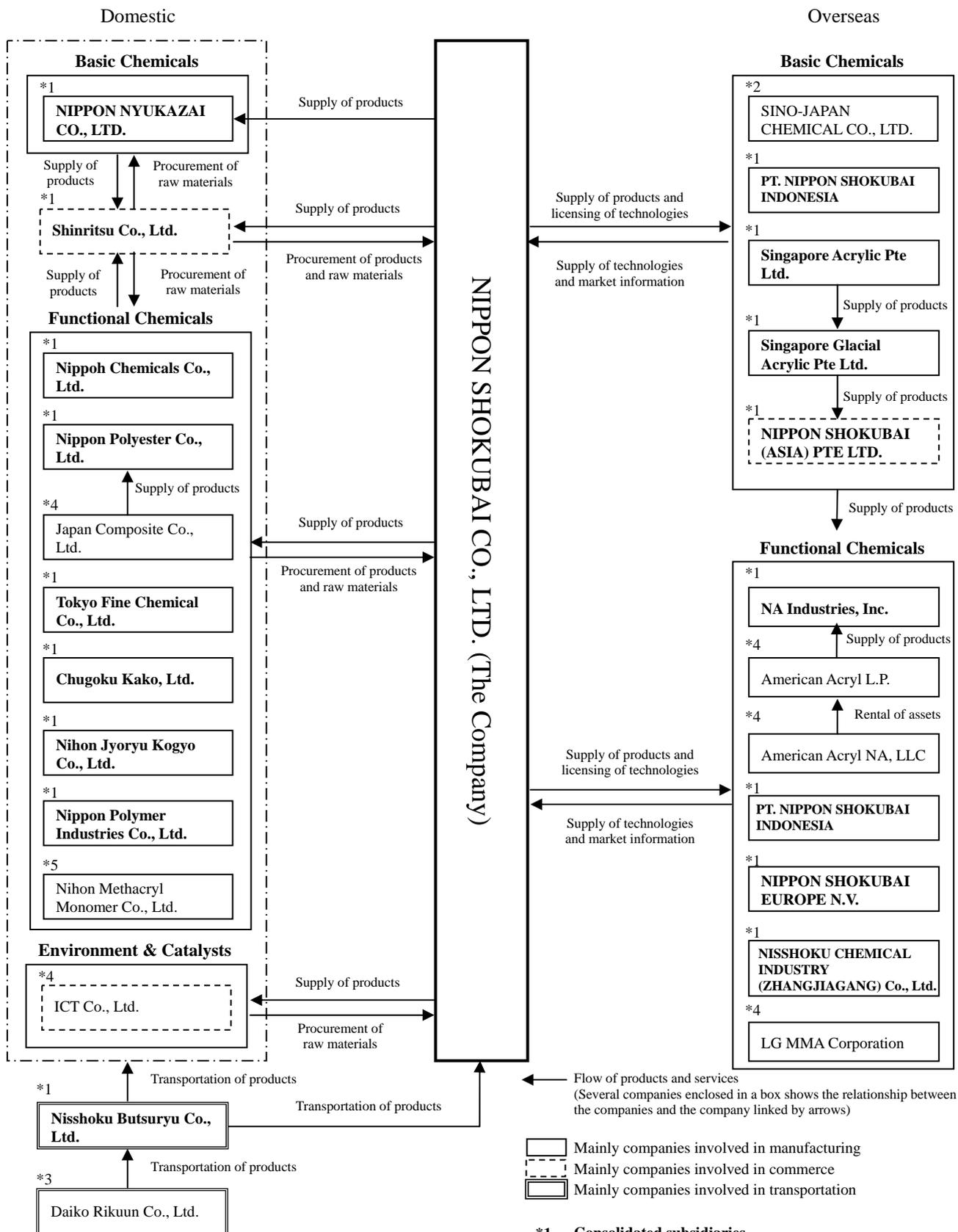
(1) The NIPPON SHOKUBAI corporate group consists of 25 subsidiaries and 10 affiliates, and its mainstay business is the manufacture and sale of chemicals.

The table below shows the positioning and relationship of mainstay companies among the group's business segments.

Business segments	Main products	Positioning of mainstay companies within the business
Basic Chemicals	Acrylic acid Acrylates Ethylene oxide Ethylene glycol Ethanolamine Higher alcohol Glycol ether	NIPPON SHOKUBAI ('the Company') manufactures and sells acrylic acids, acrylates, and other basic chemicals. Shinritsu Co., Ltd. procures mainly basic chemicals from the Company and sells them. It also procures products and raw materials to supply to the Company. PT. NIPPON SHOKUBAI INDONESIA manufactures and sells acrylic acids and acrylates. Singapore Acrylic Pte Ltd. and Singapore Glacial Acrylic Pte Ltd. manufacture and sell acrylic acids, and NIPPON SHOKUBAI (ASIA) PTE LTD. sells some of the products. NIPPON NYUKAZAI CO., LTD. manufactures and sells surfactants and chemical products such as glycol ether. It procures ethylene oxide and other raw materials for surfactants from the Company. SINO-JAPAN CHEMICAL CO., LTD. manufactures and sells surfactants and other industrial chemicals in Taiwan.
Functional Chemicals	Superabsorbent polymers Intermediates for pharmaceuticals Polymers for concrete admixtures Electronic and information materials Iodine compounds Maleic anhydride Resins for adhesives/paints Molded plastics Processed adhesive products	The Company manufactures and sells superabsorbent polymers, pharmaceutical intermediates, and other functional chemicals. NA Industries, Inc. manufactures and sells superabsorbent polymers, polymers for concrete admixtures, and acrylic acid detergent builders in the US. It procures acrylic acid, the raw material of superabsorbent polymers, from American Acryl L.P. NIPPON SHOKUBAI EUROPE N.V. manufactures and sells superabsorbent polymers in Belgium. NISSHOKU CHEMICAL INDUSTRY (ZHANGJIAGANG) Co., Ltd. manufactures and sells superabsorbent polymers and polymers for concrete admixtures in China. Nippon Chemicals Co., Ltd. manufactures and sells iodine compounds, natural gas, and raw materials for pharmaceuticals, agricultural chemicals, and fragrances. Tokyo Fine Chemical Co., Ltd. manufactures and sells stabilizers, preservatives, and anti-freeze solutions. It procures ethylene glycol, the raw material of anti-freeze solutions, from the Company. Nihon Jyoryu Kogyo Co., Ltd. manufactures and sells raw materials for dye agents among other products, and the Company sells some of these products. It also procures acrylic acids among other raw materials from the Company. Nippon Polyester Co., Ltd. procures unsaturated polyester resins from Japan Composite Co., Ltd., and manufactures and sells corrugated sheets and other molded plastics. Chugoku Kako, Ltd. procures adhesive resins and other raw materials from the Company, and manufactures and sells processed adhesives and other products. Nippon Polymer Industries Co., Ltd. procures acrylates among other raw materials from the Company, and manufactures resins for adhesives and paint; the Company sells some of these products. LG MMA Corporation manufactures and sells MMA monomers and polymers.
Environment & Catalysts	Automotive catalysts De-NOx catalysts Dioxins decomposition catalysts Process catalysts Equipment for exhaust gas treatment Fuel cell materials	The Company manufactures and sells automotive catalysts and other environment & catalyst products. ICT Co., Ltd. procures automotive catalysts from the Company and sells them.

Note: Nisshoku Butsuryu Co., Ltd. mainly transports the Company's manufactured and commercial products and is therefore involved in all businesses.

(2) The following is a diagram of the corporate group



3. Management Policy

(1) Basic Management Philosophy

NIPPON SHOKUBAI's corporate philosophy is "TechnoAmenity: providing value and comfort to people and society, with our unique technology." And it seeks, under a management philosophy of 1) deep respect for humanity, 2) coexisting with society and working in harmony with the environment, 3) pursuing innovative technologies, and 4) acting on the global stage, to build a more solid business structure and gain a sharper competitive edge to keep pace with rapid changes in the world.

(2) Challenges, Long-term Business Strategies, and Performance Targets

NIPPON SHOKUBAI will aim for further growth and earnings base expansion based on its long-term business plan "TechnoAmenity 2015" (FY3/11 to FY3/16), launched in FY3/11, and the accompanying action plan.

1) Outline of the Long-term Business Plan "TechnoAmenity 2015"

- a. The slogan of the Company's long-term business plan is "Challenge to the future, make dreams come true."
- b. Performance benchmark targets

The Company targets FY3/16 consolidated net sales of 400 billion yen, ordinary income of 30 billion yen, and ROA of 7.5%. The performance benchmark targets it places particular importance on are profit margins (ROA, and the operating income margin in each business segment).

- c. The Company's vision and target (its ideal) for 2025 is "a chemical company providing new values through innovative technologies," and it sets 2015 as its goal (its target). The following is its basic business strategy for achieving this:
 - Grow the electronic & information materials business into an earnings pillar
 - Cultivate the new energy business into a core next-generation business
 - Strengthen the competitiveness and improve the earnings power of existing businesses
 - Gain a foothold in the pharmaceuticals and health market

2) Outline of the Medium-term Business Plan

The Company targets FY3/13 consolidated net sales of 330 billion yen (including sales of new products launched to market within the past five years of 57 billion yen), ordinary income of 22 billion yen, and ROA of 6.3% (reference figure).

3) Progress in Medium- to Long-term Business Plan

i. Existing businesses

The Group's production capacity of superabsorbent polymers expanded to 470,000 tons per annum ("tpa") in March 2012. Also, the Group is planning the scrap-and-build of 60,000 tpa in the US in 2012, the commercialization of 90,000 tpa in Indonesia in 2013, and expansion of 30,000 tpa in China in 2014. This would expand the Group's production capacity of superabsorbent polymers to 590,000 tpa, further solidifying its position as the world's top supplier.

The Group is planning to bolster its production capacity of acrylic acids in Indonesia to 80,000 tpa and 80,000 tpa in Himeji Plant by 2013. This would raise the Group's production capacity of acrylic acids to 780,000 tpa.

Regarding ethylene oxides and derivatives, the Group finished increasing production capacity of polymers for concrete admixture at the Kawasaki Plant in 2012, and plans to increase production capacity of (meth) acrylic acid special esters at the same plant in 2013. Including the expansion of these derivatives, the Group aims to shift to non-EG (ethylene glycol) to establish an earnings foundation resistant to trends in market prices.

The Group's "Earnings Improvement Committee," whose mission is to improve the profitability of existing businesses, will review all processes – from raw materials procurement, to manufacturing, inventory, and supplies to customers – regarding ethylene oxide and derivatives, acrylic acid and derivatives, and superabsorbent polymers in order to cut costs, ensure margins by product and customer, and otherwise boost profitability.

ii. New businesses

The Group targets sales of 30,000 million yen for the electronic & information materials business by FY3/16. It aims to improve profitability through expanding sales and boosting capacity utilization centered on acrylic resins for optics materials.

The Group targets sales of 5,000 million yen for the new energy business by FY3/16. It aims to bolster capacity and expand sales of fuel cell materials in particular.

The Group will also work to commercialize lithium ion battery materials and other next-generation businesses.

iii. Re-energizing human resources and the organization

The Company plans to bolster training programs for different employee levels, promote the widespread understanding of its corporate and management philosophies, and implement various measures to strengthen corporate governance. It also plans to strengthen the organization by bolstering the functions of business divisions and converting sales personnel to product managers. Finally, it aims to clarify the position of Group companies within the Group and will implement various measures to maximize Group synergies.

In this way, the Company will aim to reenergize human resources and the organization to achieve its long-term business plan "TechnoAmenity 2015," which is the way it sees itself in 2015, and will work on company-wide challenges of "Talent development," "Organizational climate," "Enhancement of organization," and "Group management."

The Company also intends to place the promotion of corporate social responsibility (CSR) at the foundation of its management, to engage in corporate activities based on compliance and self-responsibility, to ensure thoroughness in corporate ethics, to promote 'responsible care' regarding the environment, safety, and quality, and to push forward with activities that contribute to society and environmental preservation activities in particular.

Lastly, the Company intends to steadfastly carry out its role and mission while ensuring safe operations based on the principle of 'safety takes precedence over production.'

3. Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheets

	(Unit: Millions of yen)	
	Fiscal year ended Mar.31, 2011 (As of Mar.31, 2011)	Fiscal year ended Mar.31, 2012 (As of Mar.31, 2012)
Assets		
Current assets		
Cash and deposits	39,304	51,764
Notes and accounts receivable-trade	72,676	78,094
Merchandise and finished goods	21,690	24,291
Work in process	5,765	6,761
Raw materials and supplies	11,960	12,960
Deferred tax assets	3,707	3,753
Other	5,806	5,320
Allowance for doubtful accounts	(74)	(64)
Total current assets	160,834	182,879
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	80,741	83,745
Accumulated depreciation	(53,445)	(56,996)
Accumulated impairment loss	(1,509)	(1,588)
Buildings and structures, net	25,787	25,161
Machinery, equipment and vehicles	275,230	283,374
Accumulated depreciation	(219,016)	(234,457)
Accumulated impairment loss	(2,506)	(2,447)
Machinery, equipment and vehicles, net	53,708	46,469
Tools, furniture and fixtures	16,612	17,676
Accumulated depreciation	(14,824)	(15,485)
Accumulated impairment loss	(13)	(12)
Tools, furniture and fixtures, net	1,775	2,179
Land	31,567	32,271
Lease assets	523	542
Accumulated depreciation	(217)	(260)
Lease assets, net	307	282
Construction in progress	2,649	16,363
Total property, plant and equipment	115,793	122,726
Intangible assets		
Goodwill	937	468
Other	2,369	2,247
Total intangible assets	3,305	2,716

	Fiscal year ended Mar.31, 2011 (As of Mar.31, 2011)	Fiscal year ended Mar.31, 2012 (As of Mar.31, 2012)
Investments and other assets		
Investment securities	35,181	33,789
Investments in capital	3,677	3,319
Long-term loans receivable	333	193
Deferred tax assets	3,517	4,617
Prepaid pension cost	3,158	3,168
Other	3,747	3,160
Allowance for doubtful accounts	(214)	(158)
Total investments and other assets	49,399	48,087
Total noncurrent assets	168,498	173,528
Total assets	329,332	356,407

(Unit: Millions of yen)

	Fiscal year ended Mar.31, 2011 (As of Mar.31, 2011)	Fiscal year ended Mar.31, 2012 (As of Mar.31, 2012)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	39,643	53,137
Short-term loans payable	16,749	14,373
Current portion of long-term loans payable	4,884	9,694
Current portion of bonds	-	5,000
Lease obligations	30	44
Income taxes payable	7,639	7,144
Provision		
Provision for bonuses	2,798	2,991
Provision for directors' bonuses	177	193
Provision for repairs	2,586	2,359
Other provision	180	104
Total provision	5,741	5,647
Other	7,113	10,250
Total current liabilities	81,799	105,288
Noncurrent liabilities		
Bonds payable	15,000	10,000
Long-term loans payable	27,418	20,224
Lease obligations	198	172
Deferred tax liabilities	284	260
Provision for retirement benefits	9,079	10,251
Other	1,288	1,141
Total noncurrent liabilities	53,267	42,048
Total liabilities	135,066	147,337
Net assets		
Shareholders' equity		
Capital stock	25,038	25,038
Capital surplus	22,083	22,083
Retained earnings	158,961	168,441
Treasury stock	(7,990)	(890)
Total shareholders' equity	198,092	214,672
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	2,367	1,366
Deferred gains or losses on hedges	(17)	(2)
Foreign currency translation adjustment	(9,886)	(11,721)
Total valuation and translation adjustments	(7,536)	(10,357)
Minority interests	3,709	4,755
Total net assets	194,266	209,070
Total liabilities and net assets	329,332	356,407

(2) Consolidated Statements of Income and Statements of Comprehensive Income**Consolidated Statements of Income**

(Unit: Millions of yen)

	Fiscal year ended Mar.31, 2011 (Apr.1, 2010 to Mar.31, 2011)	Fiscal year ended Mar.31, 2012 (Apr.1, 2011 to Mar.31, 2012)
Net sales	288,345	320,704
Cost of sales	221,796	252,363
Gross profit	66,549	68,341
Selling, general and administrative expenses		
Transportation and warehousing expenses	13,496	12,267
Personal expenses	7,335	8,003
Research and development expenses	10,441	11,092
Amortization of goodwill	470	481
Other	4,994	5,397
Total selling, general and administrative expenses	36,736	37,241
Operating income	29,813	31,100
Non-operating income		
Interest income	98	84
Dividends income	601	874
Amortization of negative goodwill	16	8
Equity in earnings of affiliates	2,354	2,353
Technical support fee	416	584
Real estate rent	1,198	1,157
Miscellaneous income	590	427
Total non-operating income	5,274	5,487
Non-operating expenses		
Interest expenses	874	735
Depreciation	340	302
Taxes and dues	307	243
Loss on retirement of noncurrent assets	191	264
Foreign exchange losses	938	840
Miscellaneous loss	1,482	1,089
Total non-operating expenses	4,132	3,473
Ordinary income	30,955	33,114
Extraordinary income		
Insurance income	1,161	1,105
Gain on sales of noncurrent assets	322	-
State subsidy	138	100
Total extraordinary income	1,621	1,205
Extraordinary loss		
Loss on reduction of noncurrent assets	402	449
Impairment loss	571	280
Loss on liquidation of business	-	134
Loss on valuation of investment securities	362	-
Other	839	128
Total extraordinary losses	2,174	991
Income before income taxes	30,402	33,327

(Unit: Millions of yen)

	Fiscal year ended Mar.31, 2011 (Apr.1, 2010 to Mar.31, 2011)	Fiscal year ended Mar.31, 2012 (Apr.1, 2011 to Mar.31, 2012)
Income taxes-current	9,993	11,779
Income taxes-deferred	(1,004)	(158)
Total income taxes	8,989	11,620
Income before minority interests	21,414	21,707
Minority interests in income	294	450
Net income	21,119	21,257

Consolidated Statements of Comprehensive Income

(Unit: Millions of yen)

	Fiscal year ended Mar.31, 2011 (Apr.1, 2010 to Mar.31, 2011)	Fiscal year ended Mar.31, 2012 (Apr.1, 2011 to Mar.31, 2012)
Income (loss) before minority interests	21,414	21,707
Other comprehensive income		
Valuation difference on available-for-sale securities	(253)	(1,002)
Deferred gains or losses on hedges	1	1
Foreign currency translation adjustment	(3,678)	(1,544)
Share of other comprehensive income of associates accounted for using equity method	(514)	(365)
Total other comprehensive income	(4,445)	(2,910)
Comprehensive income	16,969	18,797
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	16,905	18,435
Comprehensive income attributable to minority interests	64	362

(3) Consolidated Statements of Changes in Net Assets

(Unit: Millions of yen)

	Fiscal year ended Mar.31, 2011 (Apr.1, 2010 to Mar.31, 2011)	Fiscal year ended Mar.31, 2012 (Apr.1, 2011 to Mar.31, 2012)
Shareholders' equity		
Capital stock		
Balance at the end of previous period	16,529	25,038
Changes of items during the period		
Issuance of new shares	8,509	-
Total changes of items during the period	8,509	-
Balance at the end of current period	25,038	25,038
Capital surplus		
Balance at the end of previous period	13,574	22,083
Changes of items during the period		
Issuance of new shares	8,509	-
Disposal of treasury stock	0	0
Retirement of treasury stock	-	(0)
Total changes of items during the period	8,509	(0)
Balance at the end of current period	22,083	22,083
Retained earnings		
Balance at the end of previous period	141,118	158,961
Changes of items during the period		
Dividends from surplus	(3,276)	(4,669)
Net income	21,119	21,257
Disposal of treasury stock	-	(0)
Retirement of treasury stock	-	(7,108)
Total changes of items during the period	17,843	9,480
Balance at the end of current period	158,961	168,441
Treasury stock		
Balance at the end of previous period	(7,977)	(7,990)
Changes of items during the period		
Purchase of treasury stock	(15)	(9)
Disposal of treasury stock	2	1
Retirement of treasury stock	-	7,108
Total changes of items during the period	(13)	7,100
Balance at the end of current period	(7,990)	(890)
Total shareholders' equity		
Balance at the end of previous period	163,244	198,092
Changes of items during the period		
Issuance of new shares	17,018	-
Dividends from surplus	(3,276)	(4,669)
Net income	21,119	21,257
Purchase of treasury stock	(15)	(9)
Disposal of treasury stock	2	1
Retirement of treasury stock	-	-
Total changes of items during the period	34,848	16,580
Balance at the end of current period	198,092	214,672

(Unit: Millions of yen)

	Fiscal year ended Mar.31, 2011 (Apr.1, 2010 to Mar.31, 2011)	Fiscal year ended Mar.31, 2012 (Apr.1, 2011 to Mar.31, 2012)
Valuation and translation adjustments		
Valuation differences on available-for-sale securities		
Balance at the end of previous period	2,615	2,367
Changes of items during the period		
Net changes of items other than shareholders' equity	(249)	(1,000)
Total changes of items during the period	(249)	(1,000)
Balance at the end of current period	2,367	1,366
Deferred gains or losses on hedges		
Balance at the end of previous period	(35)	(17)
Changes of items during the period		
Net changes of items other than shareholders' equity	18	14
Total changes of items during the period	18	14
Balance at the end of current period	(17)	(2)
Foreign currency translation adjustments		
Balance at the end of previous period	(5,902)	(9,886)
Changes of items during the period		
Net changes of items other than shareholders' equity	(3,984)	(1,836)
Total changes of items during the period	(3,984)	(1,836)
Balance at the end of current period	(9,886)	(11,721)
Total valuation and translation adjustments		
Balance at the end of previous period	(3,321)	(7,536)
Changes of items during the period		
Net changes of items other than shareholders' equity	(4,214)	(2,822)
Total changes of items during the period	(4,214)	(2,822)
Balance at the end of current period	(7,536)	(10,357)
Minority interests		
Balance at the end of previous period	3,858	3,709
Changes of items during the period		
Net changes of items other than shareholders' equity	(148)	1,046
Total changes of items during the period	(148)	1,046
Balance at the end of current period	3,709	4,755

(Unit: Millions of yen)

	Fiscal year ended Mar.31, 2011 (Apr.1, 2010 to Mar.31, 2011)	Fiscal year ended Mar.31, 2012 (Apr.1, 2011 to Mar.31, 2012)
Total net assets		
Balance at the end of previous period	163,781	194,266
Changes of items during the period		
Issuance of new shares	17,018	-
Dividends from surplus	(3,276)	(4,669)
Net income	21,119	21,257
Purchase of treasury stock	(15)	(9)
Disposal of treasury stock	2	1
Net changes of items other than shareholders' equity	(4,363)	(1,776)
Total changes of items during the period	30,485	14,804
Balance at the end of current period	194,266	209,070

(4) Consolidated Statements of Cash Flows

(Unit: Millions of yen)

	Fiscal year ended Mar.31, 2011 (Apr.1, 2010 to Mar.31, 2011)	Fiscal year ended Mar.31, 2012 (Apr.1, 2011 to Mar.31, 2012)
Net cash provided by (used in) operating activities		
Income before income taxes	30,402	33,327
Depreciation and amortization	15,619	16,767
Loss on reduction of noncurrent assets	402	449
Impairment loss	571	280
Loss on liquidation of business	-	134
Loss (gain) on valuation of investment securities	362	-
Other extraordinary loss (income)	839	128
Insurance income	(1,161)	(1,105)
Loss (gain) on sales and retirement of noncurrent assets	(322)	-
Subsidy income	(138)	(100)
Increase (decrease) in provision for retirement benefits	317	478
Interest and dividends income	(699)	(958)
Interest expenses	874	735
Equity in (earnings) losses of affiliates	(2,354)	(2,353)
Loss on retirement of property, plant and equipment	172	270
Stock issuance cost	97	-
Decrease (increase) in notes and accounts receivable-trade	(10,910)	(2,534)
Decrease (increase) in inventories	(3,327)	(4,395)
Increase (decrease) in notes and accounts payable-trade	3,080	10,684
Increase (decrease) in accrued consumption taxes	(239)	105
Other, net	1,902	1,703
Subtotal	35,487	53,616
Interest and dividends income received	1,739	2,022
Interest expenses paid	(884)	(745)
Proceeds from insurance income	1,034	1,226
Proceeds from subsidy	138	100
Other payments	(930)	-
Income taxes (paid) refund	(4,879)	(12,362)
Net cash provided by (used in) operating activities	31,706	43,857
Net cash provided by (used in) investment activities		
Purchase of property, plant and equipment	(15,301)	(20,883)
Proceeds from sales of property, plant and equipment	396	4
Purchase of investment securities	(2,287)	(451)
Proceeds from sales of investment securities	5	193
Proceeds from redemption of investment securities	200	200
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	-	182
Purchase of stocks of subsidiaries and affiliates	(177)	(18)
Payments for investments in capital	(323)	-
Collection of investments in capital	325	0
Collection of loans receivable	134	132
Other, net	333	(1,107)
Net cash provided by (used in) investment activities	(16,696)	(21,747)

(Unit: Millions of yen)

	Fiscal year ended Mar.31, 2011 (Apr.1, 2010 to Mar.31, 2011)	Fiscal year ended Mar.31, 2012 (Apr.1, 2011 to Mar.31, 2012)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(9,255)	(2,587)
Proceeds from long-term loans payable	210	2,542
Repayment of long-term loans payable	(7,585)	(4,872)
Proceeds from issuance of common stock	17,018	-
Payments for issuance of common stock	(97)	-
Cash dividends paid	(3,276)	(4,669)
Cash dividends paid to minority shareholders	(21)	(26)
Purchase of treasury stock	(15)	(9)
Other, net	(29)	(51)
Net cash provided by (used in) financing activities	(3,050)	(9,671)
Effect of exchange rate change on cash and cash equivalents	(1,020)	(801)
Net increase (decrease) in cash and cash equivalents	10,940	11,638
Cash and cash equivalents at beginning of period	28,234	39,174
Cash and cash equivalents at end of period	39,174	50,812

(5) Going Concern Assumption

Not applicable.

(6) Changes in the Basis of Presentation and Summary of Significant Accounting Policies for the Preparation of Consolidated Financial Statements

Fiscal year 2011 (April 1, 2011 to March 31, 2012)	
(1) Scope of consolidation	NIPPON PORYMER IND. Co., Ltd. was changed into the consolidated subsidiary from the equity method affiliate with additional stock acquisition from the fiscal year 2011.
(2) Scope of the equity method	NIPPON PORYMER IND. Co., Ltd. has excluded from the scope of the equity method since it was changed into the consolidated subsidiary from the fiscal year 2011.

(7) Notes Concerning Consolidated Financial Statements**【Segment Information】**

Fiscal year ended Mar. 31, 2011 (Apr. 1, 2010 to Mar. 31, 2011)

(Unit: Millions of yen)

	Basic chemicals	Functional chemicals	Environment & catalysts	Total	Adjustment	Consolidation
Net sales						
(1) Sales to third parties	125,052	141,553	21,740	288,345	-	288,345
(2) Intergroup sales and transfers	28,730	1,664	1,717	32,111	(32,111)	-
Total	153,781	143,217	23,457	320,456	(32,111)	288,345
Segment Income	13,986	13,323	2,366	29,675	138	29,813
Segment Assets	137,256	147,191	19,573	304,020	25,312	329,332
Other Items						
Depreciation and Amortization	8,296	7,576	381	16,253	-	16,253
Amortization of Goodwill	468	2	-	470	-	470
Increase in Tangible and Intangible Fixed Assets	5,036	9,664	525	15,225	-	15,225

Notes: 1. Below is a description of adjustments.

- (1) The "Segment Income" adjustment refers to inter-segment transaction eliminations amounting to 138 million yen.
- (2) The "Segment Assets" adjustment includes short-term surplus funds (cash and deposit) and long-term surplus funds (investments in securities) amounting to 25,312 million yen.
2. Segment income is adjusted for Operating Income described in Consolidated Statements of Income.
3. Long-term prepaid expenses and its depreciation expenses are included in "Depreciation and Amortization" and "Increase in Tangible and Intangible Fixed Assets."

Fiscal year ended Mar. 31, 2012 (Apr. 1, 2011 to Mar. 31, 2012)

(Unit: Millions of yen)

	Basic chemicals	Functional chemicals	Environment & catalysts	Total	Adjustment	Consolidation
Net sales						
(1) Sales to third parties	136,562	160,762	23,380	320,704	-	320,704
(2) Intergroup sales and transfers	35,338	1,611	1,880	38,829	(38,829)	-
Total	171,899	162,373	25,260	359,532	(38,829)	320,704
Segment Income	13,387	16,526	1,671	31,584	(484)	31,100
Segment Assets	137,775	159,104	23,657	320,536	35,871	356,407
Other Items						
Depreciation and Amortization	9,398	7,554	504	17,456	-	17,456
Amortization of Goodwill	468	13	-	481	-	481
Increase in Tangible and Intangible Fixed Assets	8,129	14,246	1,664	24,040	-	24,040

Notes: 1. Below is a description of adjustments.

- (1) The "Segment Income" adjustment refers to inter-segment transaction eliminations amounting to (484) million yen.
- (2) The "Segment Assets" adjustment includes short-term surplus funds (cash and deposit) and long-term surplus funds (investments in securities) amounting to 35,871 million yen.
2. Segment income is adjusted for Operating Income described in Consolidated Statements of Income.
3. Long-term prepaid expenses and its depreciation expenses are included in "Depreciation and Amortization" and "Increase in Tangible and Intangible Fixed Assets."

【Information concerning impairment loss of noncurrent assets or goodwill etc. by reporting segment】

Fiscal year ended Mar. 31, 2011 (Apr. 1, 2010 to Mar. 31, 2011)

(Unit: Millions of yen)

	Reporting segment			Elimination or corporate	Total
	Basic chemicals	Functional chemicals	Environment & catalysts		
impairment loss	-	571	-	-	571

Fiscal year ended Mar. 31, 2012 (Apr. 1, 2011 to Mar. 31, 2012)

(Unit: Millions of yen)

	Reporting segment			Elimination or corporate	Total
	Basic chemicals	Functional chemicals	Environment & catalysts		
impairment loss	-	-	-	280	280

【Supplementary Information】

Overseas Sales

Fiscal year ended Mar. 31, 2011 (Apr. 1, 2010 to Mar. 31, 2011)

(Unit: Millions of yen)

	Asia	Europe	North America	Others	Total
I. Overseas sales	57,774	38,504	27,146	11,825	135,249
II. Consolidated sales					288,345
III. Overseas sales to consolidated sales	20.0%	13.4%	9.4%	4.1%	46.9%

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.

Fiscal year ended Mar. 31, 2012 (Apr. 1, 2011 to Mar. 31, 2012)

(Unit: Millions of yen)

	Asia	Europe	North America	Others	Total
I. Overseas sales	60,308	35,844	29,944	19,292	145,388
II. Consolidated sales					320,704
III. Overseas sales to consolidated sales	18.8%	11.2%	9.3%	6.0%	45.3%

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.*