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# NIPPON SHOKUBAI CO., LTD.

FY Ending March 31, 2013 Large Meeting



November 7, 2012



# Apologies

We NIPPON SHOKUBAI CO., LTD are deeply saddened by the loss of life resulting from the explosion and fire at the Himeji Plant on September 29 and extends its sincere condolences to family members. In addition, we extend our sincere apologies to the individuals who were injured by this accident and to the enormous problems this incident caused for the neighborhood of the plant and to other people associated with this incident.

Progress of our long-term business plan  
“TechnoAmenity 2015” and  
our forecast for the fiscal year  
ending March 2013



President

Masanori Ikeda

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## Explanation of acronyms

SAP: Superabsorbent Polymers

AA: Acrylic Acid

AES: Acrylates

EO: Ethylene Oxide

EG: Ethylene Glycol

NAII: NA Industries, Inc.(USA)

NSE: NIPPON SHOKUBAI EUROPE N.V. (Belgium)

NSI: PT.NIPPON SHOKUBAI INDONESIA (Indonesia)

SAA: Singapore Acrylic Pte Ltd (Singapore)

SGA: Singapore Glacial Acrylic Pte Ltd (Singapore)

NSC: NISSHOKU CHEMICAL (ZHANGJIAGANG) Co.,Ltd.  
(China)

# 1. The Accident, Outline and Our Actions

## ●Place of the accident

Acrylic acid-tank, NIPPON SHOKUBAI Himeji Plant, please refer the next page

## ●Casualties/Injured

The dead: 1 person (firefighter) , The injured: 36 persons

## ●Estimated amount of damage

Without taking into consideration any offsetting insurance payments, if all production facilities at the Himeji Plant suspend operations, the opportunity loss will be approximately 150 million yen per day (about 4.5 billion yen per month). We have not yet determined the cost of repairing damaged facilities, but estimate this cost at about 5 billion yen.

## ● Causes/Preventive measures

Causes of the accident are under investigation by authorities.





We formed task forces and does its best to investigate causes of the accident. On October 5, we established an accident investigation committee with members of the academia and external specialists to investigate causes of the accident. Furthermore, on October 17, we established Safe Production Technology Division, which investigates causes of the accident. With the Division we will draw up, apply and internally expand appropriate preventive measures as soon as the causes of the accident will be clarified.

# 1. The Accident, Outline and Our Actions

**Place : Himeji Plant**

**Acrylic acid-tank ( ● )**

Tanks accompanying with production facilities  
Production capacity directly damaged by the accident is about 30% of the total acrylic acid production capacity of the site.

-  Tank yard
-  Basic chemicals production area (AA, AES)
-  Functional chemicals production area (SAP, E&I materials, etc.)
-  Catalysts production area



# 1. The Accident, Outline and Our Actions

## ● Status of operations

Operations at all facilities in Himeji Plant are suspended.

Time to re-start operations is unknown at this moment.

### <Reference>

Himeji Plant , capacity of major products (Unit : KT/year)

Product	Himeji(a)	Group total (b)	(Ratio: a/b)	Notes
AA	460	620	(74%)	4,100(World demand)
SAP	320	470	(68%)	1,800(World demand)
AES	130	230	(57%)	
Maleic anhydride	36	36	(100%)	
Special esters	36	36	(100%)	
N-Phenylmaleimide	6	6	(100%)	
ACRYVIEWA	6	6	(100%)	
Auto. catalysts	4,500 K pieces	—		

Net sales of Himeji products: Approx. 50% of consolidated net sales

Himeji has many products with high market share and high capacity share in the group.

# 1. The Accident, Outline and Our Actions

## ● **Accident investigation committee** Established on October 5

<Members of academia and external specialists>

Masamitsu Tamura

The Chairperson, Emeritus Professor, The University of Tokyo

Yasukazu Arai

Former Managing Director, The High Pressure Gas Safety Institute of Japan

Mitsuo Koshi

Research Professor, Institute of Engineering Innovation, School of Engineering,,The University of Tokyo

Masayoshi Nakamura

Professor, The Graduate School of Technology Management, Tokyo University of Agriculture and Technology

<Members of NIPPON SHOKUBAI>

Yosuke Ogata

Representative Member of the Board, Senior Managing Executive Officer, Production and Technology, Research and Development

Masao Kitano

Director, Safe Production Technology Division, President, Nisshoku Butsuryu Co., Ltd.

Hiroya Kobayashi

Director, Responsible Care Division

## ● **Safe Production Technology Division** Established on October 17

The division investigates causes of the accident, draws up, applies and internally expands appropriate preventive measures.

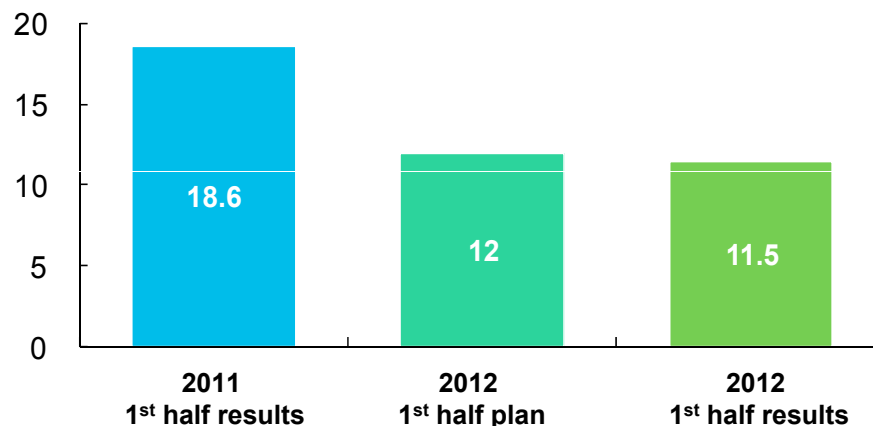


## 2. FY3/2013 Performance Trend (1) 1<sup>st</sup> Half Performance

### 1<sup>st</sup> Half : Decreased income and profit compared to the same period in the previous year

- **Weakened demand** Global economic downturn triggered by the European debt problem (especially from Jul to Sep)  
Decelerating growth in newly developing countries that were driving economic growth  
Continuing high yen
- **Deteriorating spread** Falling AES market as forecast

#### 1<sup>st</sup> Half ordinary profit (Unit: hundred million yen)



**Achieved profit level as initially forecast (normal capability)**

## 2. FY3/2013 Performance Trend (2) 2<sup>nd</sup> Half, Full Year



**2<sup>nd</sup> half, Full year** : Estimate drastic decrease of income and profit compared to the same period in the previous year  
**Unknown at this moment**

	FY 3/2012			FY 3/2013		
	1H	2H	Full	1H	2H Est.	Full Est.
Net sales (¥billion)	163.9	156.8	<b>320.7</b>	149.3	-	-
Ordinary income (¥billion)	186	145	<b>331</b>	115	-	-
ROA (Ordinary income versus total assets)	11.1%	8.4%	<b>9.7%</b>	6.5%	- %	- %
Naphtha price (¥/kL)	57,000	52,900	<b>54,900</b>	55,200	-	-
Exchange rate (¥/USD)	80	78	<b>79</b>	79	-	-
Exchange rate (¥/EUR)	114	104	<b>109</b>	101	-	-

## 2. FY3/2013 Performance Trend (3) 2<sup>nd</sup> Half Business Environment



### Demand trends

Decelerating growth in newly developing countries due to sluggish economies in developed countries

→ **Slowing demand**

### Price trends

Raw material: Naphtha ¥55,000/kL

Product market: Raw material price fluctuation according to supply and demand forecast

Ongoing high yen Second half expected rate: ¥75/USD, ¥100/EUR

### Himeji factory incident: Restart of operations unknown

Exploiting our domestic (Kawasaki, Suita, Group companies) and overseas facilities

Product procurement from other companies

Production outsourced to other companies

### 3. Trends in Major Businesses (1) SAP



#### Supply and demand trend

**Demand** Global demand approx. 1.8 million tons (2011 estimate)

**FY3/2013: 5% growth under worldwide economic slowdown**

**Supply** Plan to enter and reinforce presence at emerging manufacturers besides current majors

#### Shokubai situation and action

FY3/2013 is a lean period for expanding capacity

Himeji Plant

Whole plant stopped

When operations will resume is currently unknown

Overseas facilities

NAII (USA): Restart of the old plant in Tennessee for a limited time is under consideration

NSI (Indonesia): Of 90,000 T/Y of SAP, produce 30,000 T/Y in March 2013 and  
the rest 60,000 T/Y to be remained in August

Bottleneck is the provision of the main raw material, acrylic acid.

NSE (Belgium), NSC (China):

Aim to maximize production, but there is little scope for increased production.

### 3. Trends in Major Businesses (2) AA



#### Supply and demand trend

**Demand** Global demand approx. 4.1 million tons (2011 estimate)

**FY3/2013: Worldwide economic slowdown with 4% growth forecast**

**Supply** Planned expansion in China and Korea total 620,000 T/Y

(Slight softening of supply and demand even when operation period and operating rate are taken into consideration.)

#### Shokubai situation and action

##### Himeji Plant

Whole plant stopped

When operations will resume is currently unknown

80,000 tonne expansion plan (Aug 2013 operation Original plan):

Construction work has been suspended since the accident.

##### Overseas facilities

NSI (Indonesia), SAA & SGA (Singapore) :

Continued high operating rate with almost no scope for increased production

##### Product purchasing

Sound out overseas AA manufacturers about supply

### 3. Trends in Major Businesses (3) AA/SAP Global Expansion

#### End 2014

Company	Land	Location	AA	(Capacity KT/Y)		SAP	(Capacity KT/Y)	
			As of April 2012	Expansion	Operation in	As of April 2012	Expansion	Operation in
NSCL	Japan	Himeji	460	80	Aug. 2013	320		
NAII	USA	Tennessee				60	-60	June 2012
		Texas					60	Ditto
AAL	USA	Texas	60					
NSE	Belgium	Antwerp				60		
NSI	Indonesia	Cilegon	60	80	Aug. 2013		90	Aug. 2013
SAA • SGA	Singapore	Jurong Isl.	40					
NSC	China	Zhangjagang				30	30	July 2014
Total			620	160		470	120	
Total after completion				780			590	

### 3. Trends in Major Businesses (4) EO Business



#### Supply and demand trend

Demand : FY3/2013: Shokubai EO gross demand Year-on-year 2% forecast

Supply : Expansion of EG, by the other companies overseas in 2012, is total 1.1 million T/Y.

Market is worried about the product's quality, as they are coal base.

#### Shokubai situation and action

Production and sales of Kawasaki Plant products are almost as usual

(1) Keep and raise non-EG ratio

(2) EO centralization: **Expansion of derivatives**

April 2012 Polymer for concrete admixture 16,000 t/year Kawasaki

April 2012 Polymer for detergent builder 2,500 t/year Kawasaki

October 2013 (Meta) acrylic acid special ester 20,000 t/year Kawasaki

#### Reference

Sales of Kawasaki Plant's products (EO and its downstream):

approx. 20% of the consolidated Group

### 3. Trends in Major Businesses (5) Automobile Catalysts (6) Other Products



#### New developments in the automobile catalyst business

##### Umicore Shokubai S.A. (2012/9/28 Shokubai 40% equity)

Located in Luxembourg, parent company

Umicore Nippon Shokubai (Japan)

American subsidiary company

Chinese subsidiary company

German subsidiary company

Brazilian subsidiary company

2012/10/1

Transfer of operations from ICT (Japan)

**Build a worldwide supply system for Japanese automakers**

**Production at the Himeji Plant has been suspended since the accident**

- **Controlling share:** 50% → 40%
- **Business region:** Japan, America → Whole world
- **Customers:** Japanese automakers (as it is)
- **Consolidated handling:** Equity method affiliated companies (as it is)

#### Other products

Electronic information materials, fine chemicals, special esters, functional polymers, various catalysts etc.

**Most are Himeji factory products**

**All production facilities are stopped** → Aim to ensure safety and restart production quickly



## 4. Return Policy



Taking overall account of business expansion and corporate structural reinforcement and based on forecasts of the trend in consolidated earnings, we are aiming to improve levels in the medium term

**Expansion of investment in core business and worth income caused by the accident**

FY3/2011 dividend  
Net Income 21.1 billion yen  
**22 yen/share**

Yen/share	Interim	End of period	Total
Total	11	11	22

FY3/2012 dividend: **Originally Planned**  
Net Income 19.5 billion yen  
**22 yen/share**

Yen/share	Interim	End of period	Total
Total	11	11	22



Interim: **11Yen/share**  
End of period: **Unknown at this moment**

## 5. Long & Medium-term Business Plan



**The current long term business plan TechnoAmenity 2015  
ends in FY3/2013**

- AA/SAP global expansion
  - (1) NAI SAP 60,000 T/Y build & scrap: **Started operation of new facilities Jun 2012**
  - (2) NSI SAP 90,000 T/Y, AA 80,000 T/Y new expansion:  
**Going according to plan (Start of operation scheduled for Aug 2013)**
  - (3) NSI SAP 30,000 T/Y expansion:  
**Going according to plan (Start of operation scheduled for Jul 2014)**
- Improve profitability of current products (Profitability Improvement Committee)
- Get new businesses (electronic material, new energy, battery materials) on track
- Foothold in health and medical field  
**Aug 2012 Established an office for preparation of the health & medical business**



**All-out effort towards recovery under the FY3/2014 single-year plan  
Long & medium-term plan for FY3/2015 and beyond will be decided in FY3/2014.**

## 6. Towards Restoring Trust

The company will work sincerely in unison in order to restore trust lost due to the recent accident.

We will give the following matters priority.

- 1. Provide wholehearted support to the injured and families of the deceased**
- 2. Investigate the cause of the accident and take measures to prevent reoccurrence**
- 3. Maximum effort directed to recovery of the supply chain**

Furthermore, as a key issue, we will strive to **establish a system that can meet its responsibility to maintain a certain level of supply even in a contingency.**

We look forward to your continued support.

## Notes to Readers

This presentation material (“Material”) is aiming to provide readers referential information, not to persuade investment. Material contains forward-looking statements and statements of this nature based on reasonable judgments in accordance with information currently available. We do not commit nor guarantee the contents of Material. Readers should be aware that actual results and events might differ substantially from these projections.

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