IR Conference

FY 3/2007

NIPPON SHOKUBAI

A global company creating new values through unique technologies

May 2007

NIPPON SHOKUBAI

Progress of Medium/Long-term Business Plan

“TechnoAmenity V3”

（FY3/2007～FY3/2011）

President

Tadao Kondo

Contents

Glossary

SAP:	Super-absorbent polymer
AA:	Acrylic acid
EO:	Ethylene oxide
EG:	Ethylene glycol
ROA:	Return on assets
NAII:	NA Industries Inc. (US) [Subsidiary company for manufacture and sale of SAP etc.]
NSC:	NISSHOKU CHEMICAL INDUSTRY (ZHANGJIAGANG) CO., LTD. (China) [Subsidiary company for manufacture and sale of SAP]
ICT Co.:	ICT Co., Ltd. [Joint venture company for automobile catalysts]
ICT Inc.:	International Catalyst Technology, Inc. (US) [Joint venture company for automobile catalysts]

TechnoAmenity V3

"Obsessiveness, Transformation and Leap"

Medium/Long-Term Plan：FY3/2007～FY3/2011

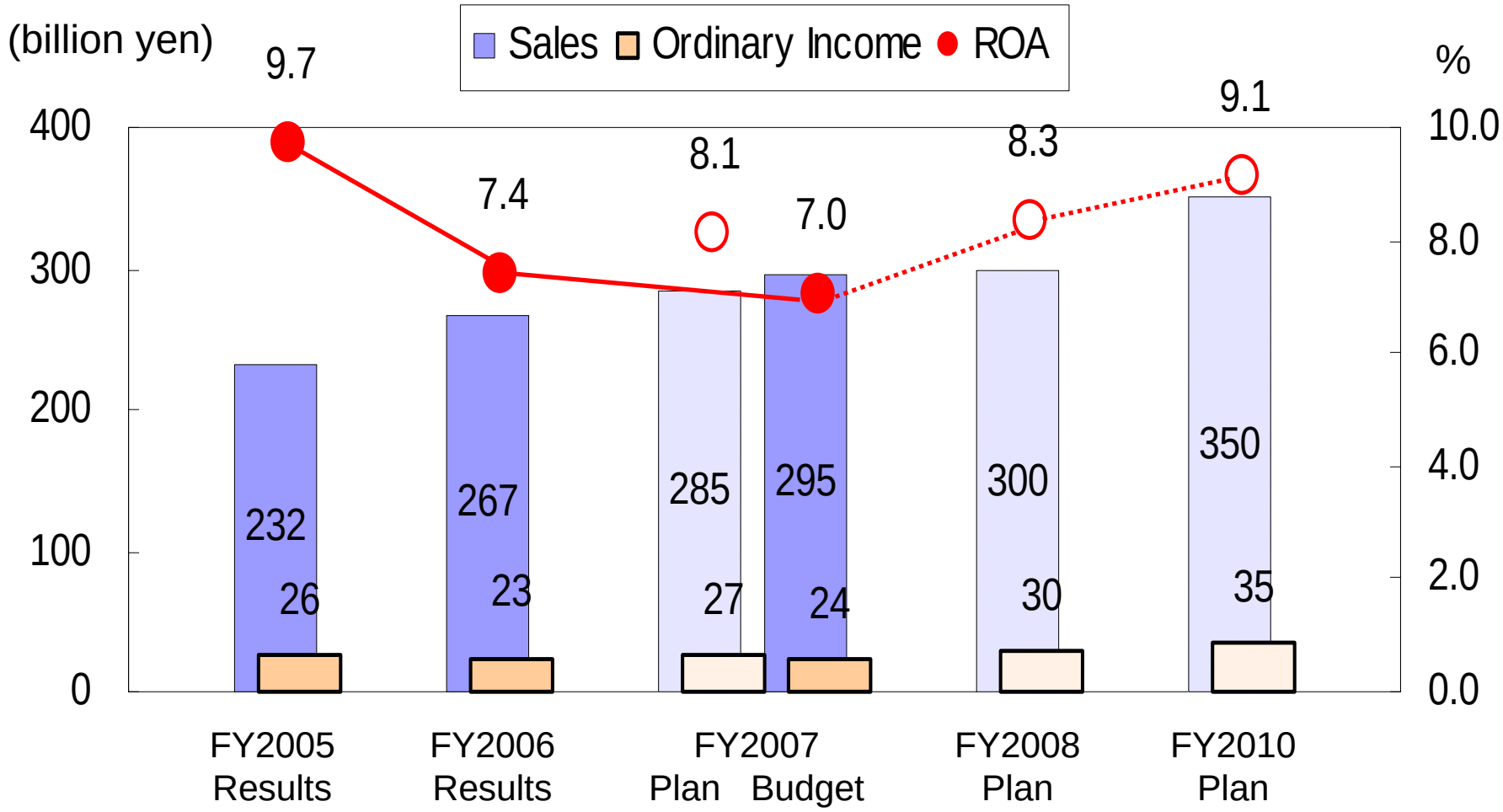
■New business

Concentration on
Electronic & Information materials business

■Existing business

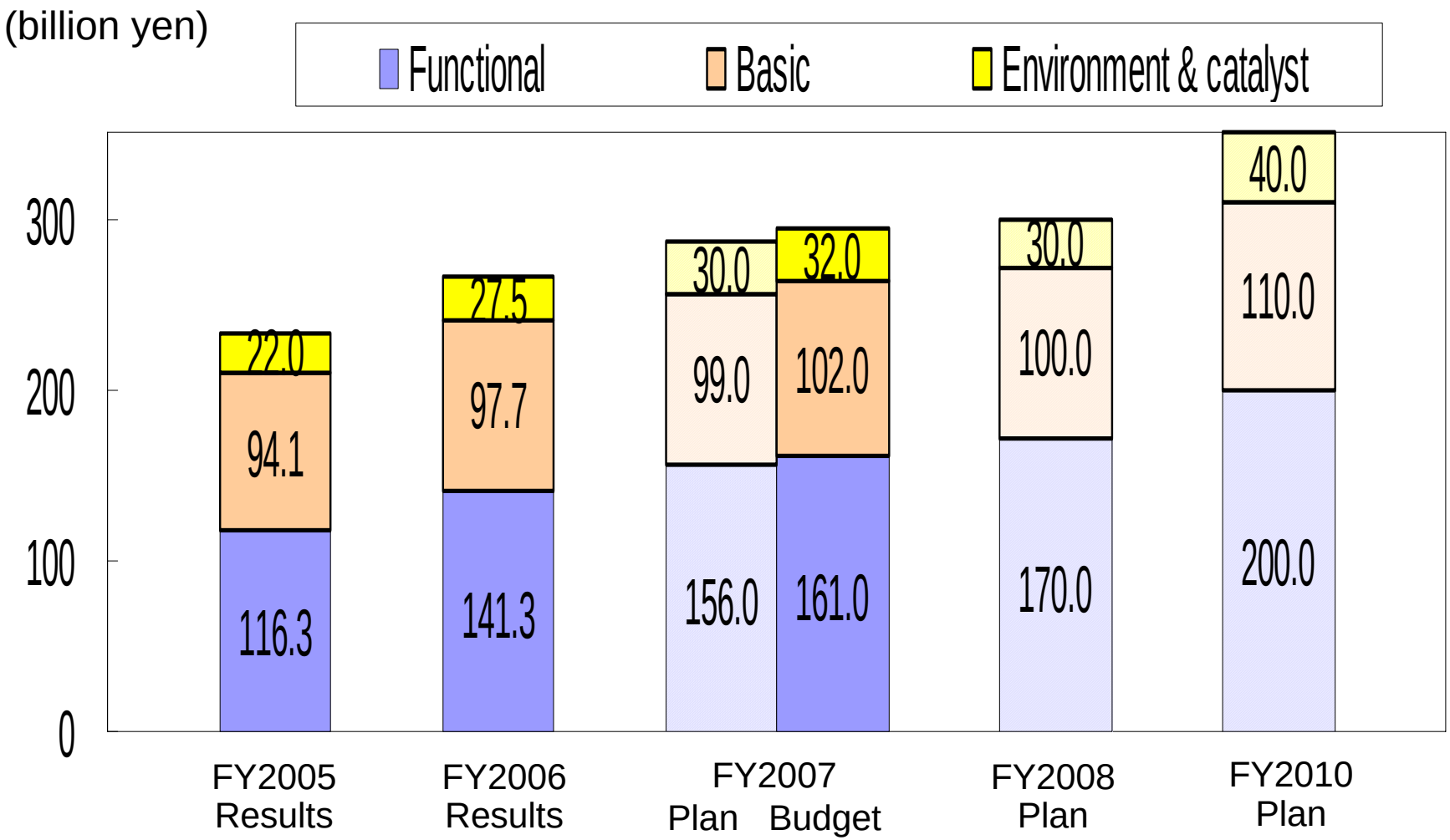
Selective advance into growth areas

Consolidated Targets

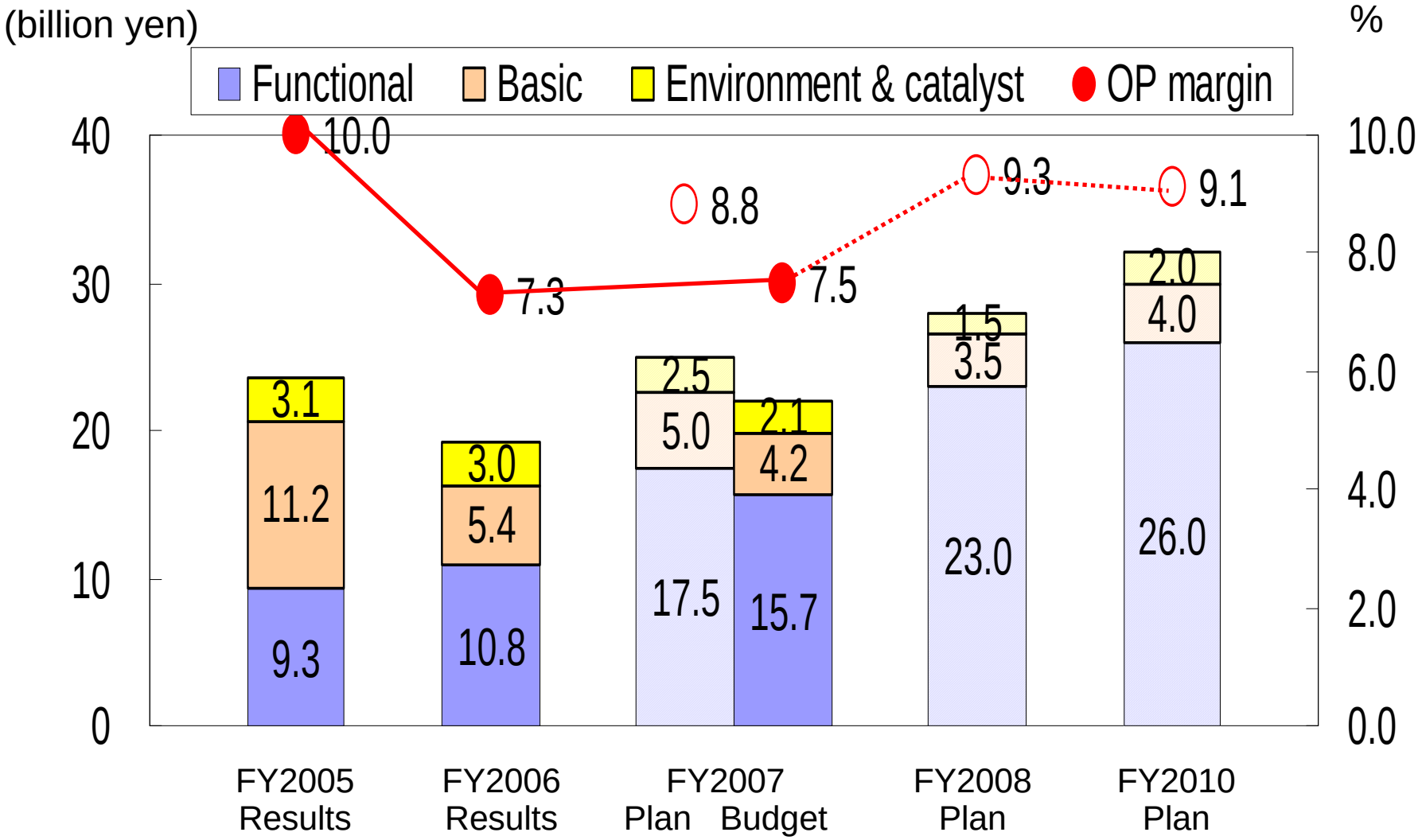


ROA: Return on assets

Sales Targets by Segment

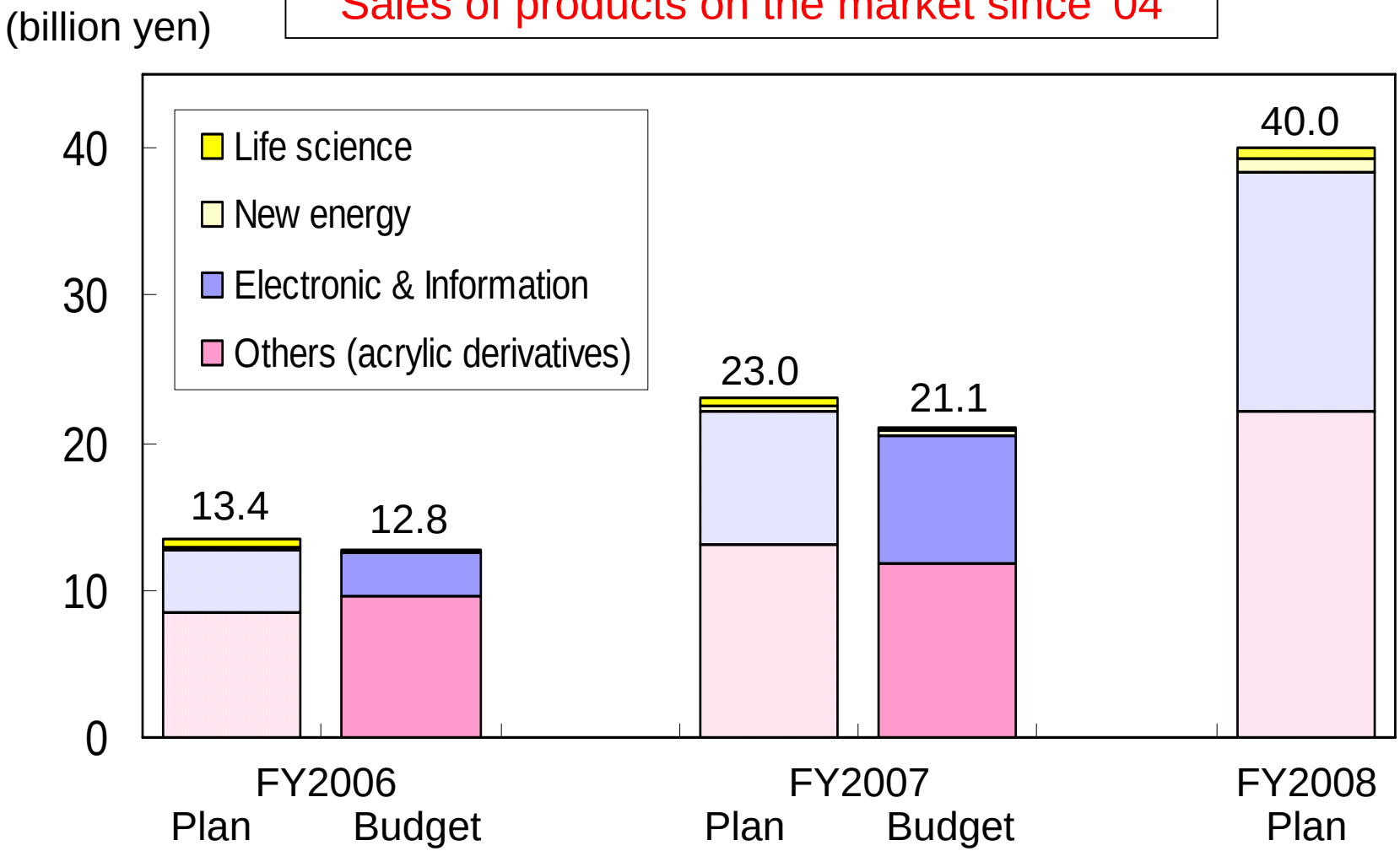


Operating Profit Targets by Segment



Target Sales of New Products

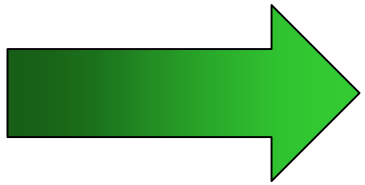
Sales of products on the market since '04



Electronic & Information Materials

TechnoAmenity V3

2005 volume of sales:
¥5 billion



2010 volume of sales:
¥30 billion

Target area	FY2006 results	FY2007 budget	FY2008 plan	FY2010 plan
Display materials	5.8	11.3	17.0	22.0
Battery materials	0.0	0.1	1.0	2.4
Semiconductor materials	0.9	1.0	1.5	4.6
Communication materials	0.0	0.1	0.5	1.0
Total	6.7	12.5	20.0	30.0

Electronic & Information Materials

Classification	Main articles
Display materials	Acryviewa (acrylic resin for optical materials) Spherical fine particles, Functional dyes Polymers for resists, Photopolymerizing materials
Battery materials	Ionic liquids
Semiconductor materials	Polymers for resists, Insulating film material for semiconductors
Communication materials	Fluorinated polymers, Heat resistant resin for optical materials

Acrywiewa (acrylic resin for optical materials)

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FY2010 Sales target ¥10 billion

■ Resin production

6,000 t/y capacity this Fall

* First stage 3,000 t/y facilities: Operations successfully underway

■ Sales situation

(1) For small FPD — Favorable sales

(2) For large FPD — Development underway for use in this Fall's models

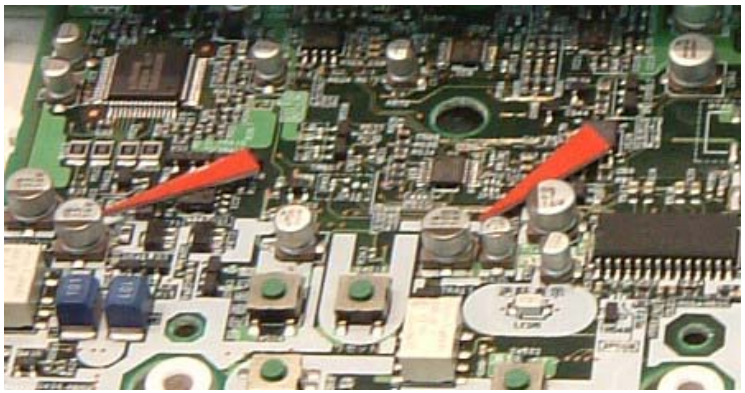
■ Status of development of film materials

- Materials development — More high performance grades in development
- Test facilities — Partial operation, scheduled for completion this Fall

Ionic liquids

FY2010 Sales target ¥2 billion

- Targeting electrolytic capacitor applications
- Startup scheduled this Fall



Insulating film material for semiconductors

FY2010 Sales target ¥2 billion

Applicable to next generation semiconductors

Achieves low permittivity and high strength

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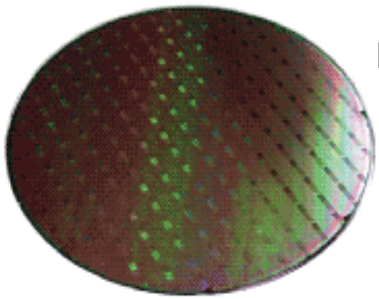
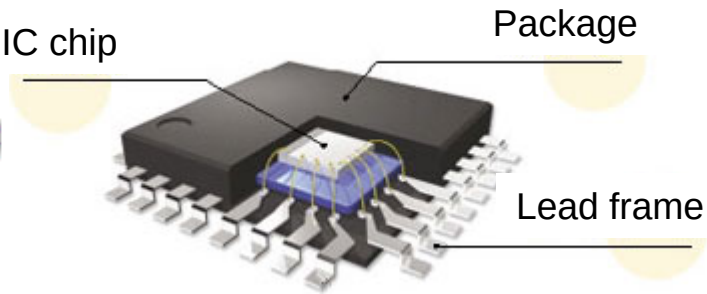
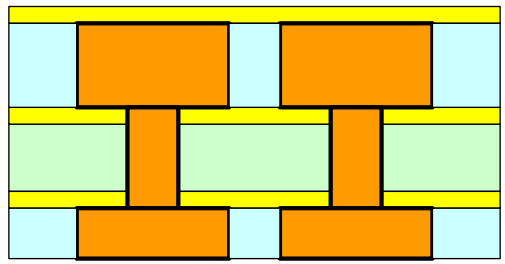
Application as insulating film
in semiconductor devices







Heat resistant resin for optical materials

FY2010 Sales target ¥1 billion

■ Application

Various types of optical material

Various types of devices in cameras

Liquid crystal projectors

Optical communications materials **etc.**

■ Features New organic-inorganic nano composite materials

Heat resistance, molding and processability, dimensional stability

Joint development with key users

Fall 2007 Start of sales scheduled

Existing Products (E&I materials)

- Spherical fine particles
  - Nippon Shokubai's method technical features
    Particle size distribution, refractive index, material applications
  - Segments for expansion and strengthening
    - Optical diffusing agent, LC filler, liquid crystal spacers

FY2010 Sales target ¥8 billion

- Functional dyes
  - Raw material - Phthalocyanine series
  - Segments for expansion and strengthening
    - Near infrared radiation blocking materials for FPD

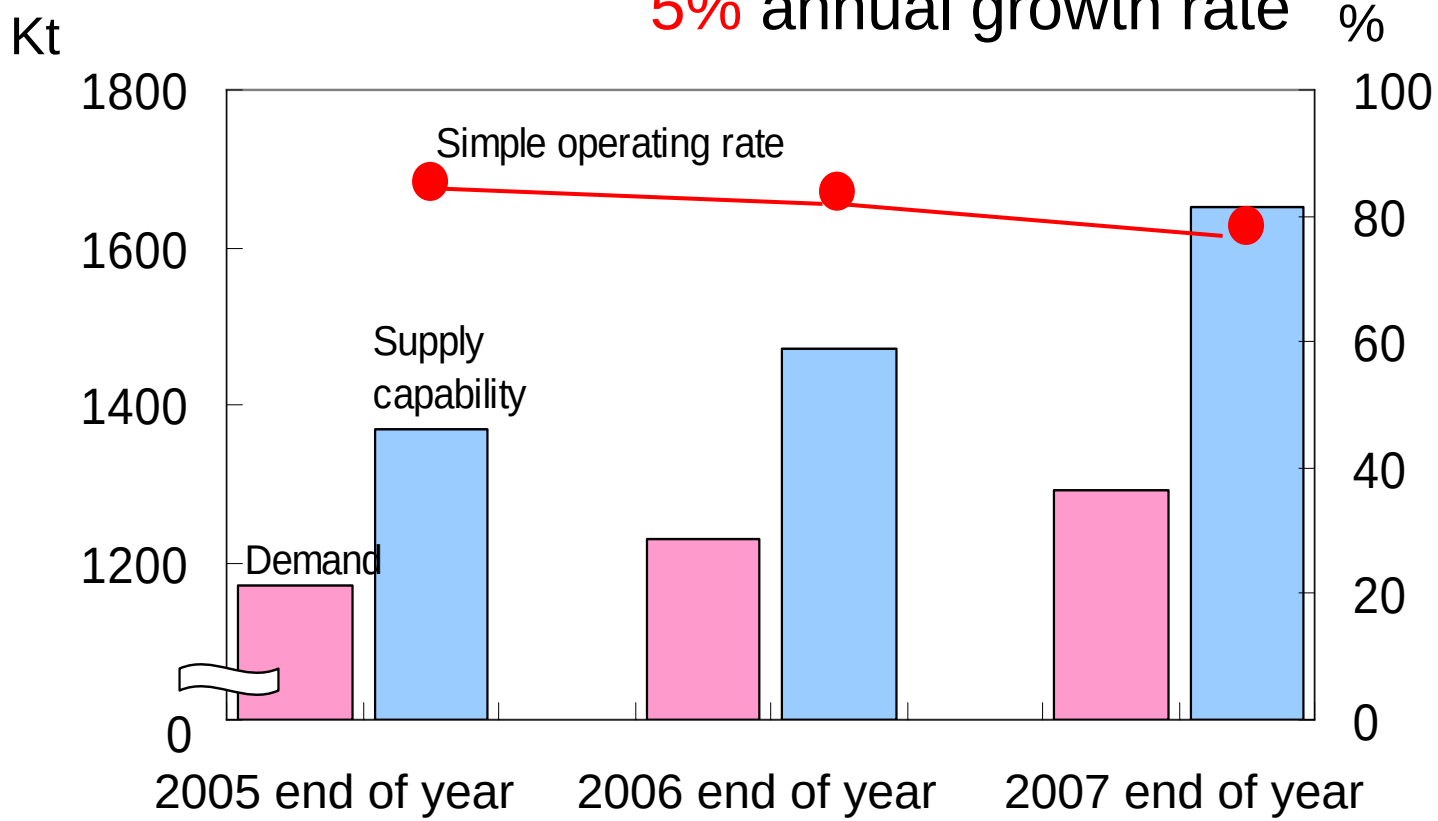
FY2010 Sales target ¥3 billion

SAP

Strong demand

Approximately 1,200 Kt (2006 end)

5% annual growth rate



SAP worldwide supply and demand balance
(researched by Nippon Shokubai)

SAP

SAP = High performance product

Our advantage

- Responsiveness to needs — Research and development / Patent strategy
- Stable supply capability — 410 Kt/y in Japan, USA, Europe, and China (world's top producer)
- Cost competitiveness — Dominant technology and scale for acrylic acid
  Superior proprietary of SAP production technology

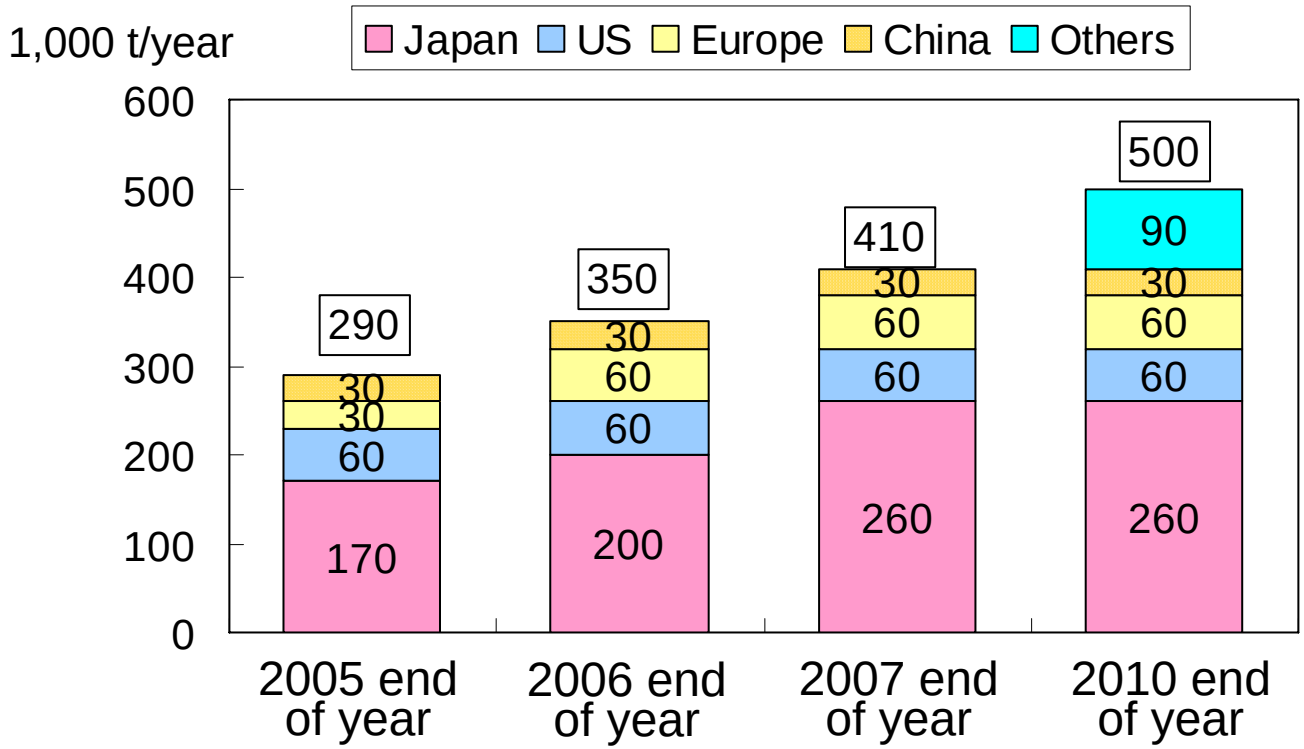
Survive mega-competition

SAP

Nippon Shokubai's capacity

April 2006 Himeji plant, 30 Kt/y expanded capacity

June 2007 Himeji plant, 60 Kt/y expanded capacity



Nippon Shokubai's SAP facility capability

Polymers for Concrete Admixture

- World demand About 300K t

(2006 end of year, polycarboxylic acid series)

Annual growth rate over 10%

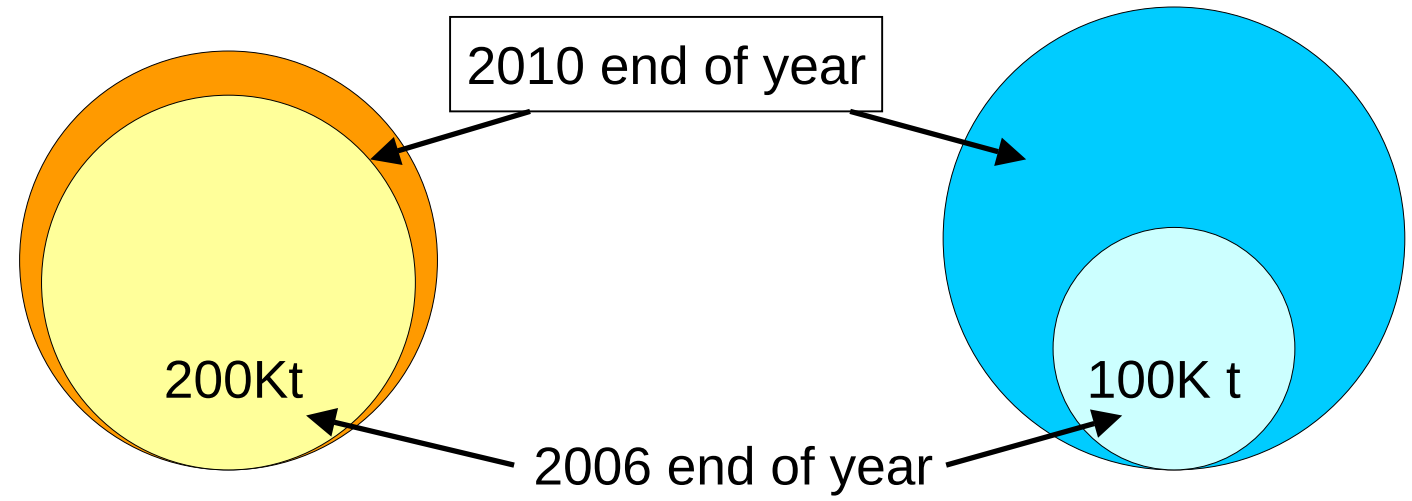


Image of market growth (researched by Nippon Shokubai)

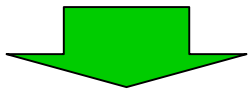
Polymers for Concrete Admixture

- Nippon Shokubai's capacity 60Kt (2006 end)
- Our advantage
  - Cost competitiveness through integrated production all the way from raw materials up
  - A product development system that can respond to diversified needs
  - Superior pricing and performance

Polymers for Concrete Admixture

Our Action

- Improvement of R&D system
- Expand supply capability to local demand
  - Domestic (Kawasaki) 10 Kt capacity increase (2007 end of year)
  - Considering increase in USA (NAII)
  - Completion of new 10 Kt plant in China (NSC) this Fall



Towards a 100 Kt framework

Acrylic Series Derivatives

- Resin for paint and adhesives
  - Technical orientation
    High durability, environmental measures
  - Main applications
    Consumer electronics recycling
    Sick building syndrome prevention
- Special acrylic esters
  - Main applications
    Automotive paints etc.
  - Demand regions
    India, Thailand etc.
    Major expansion of demand

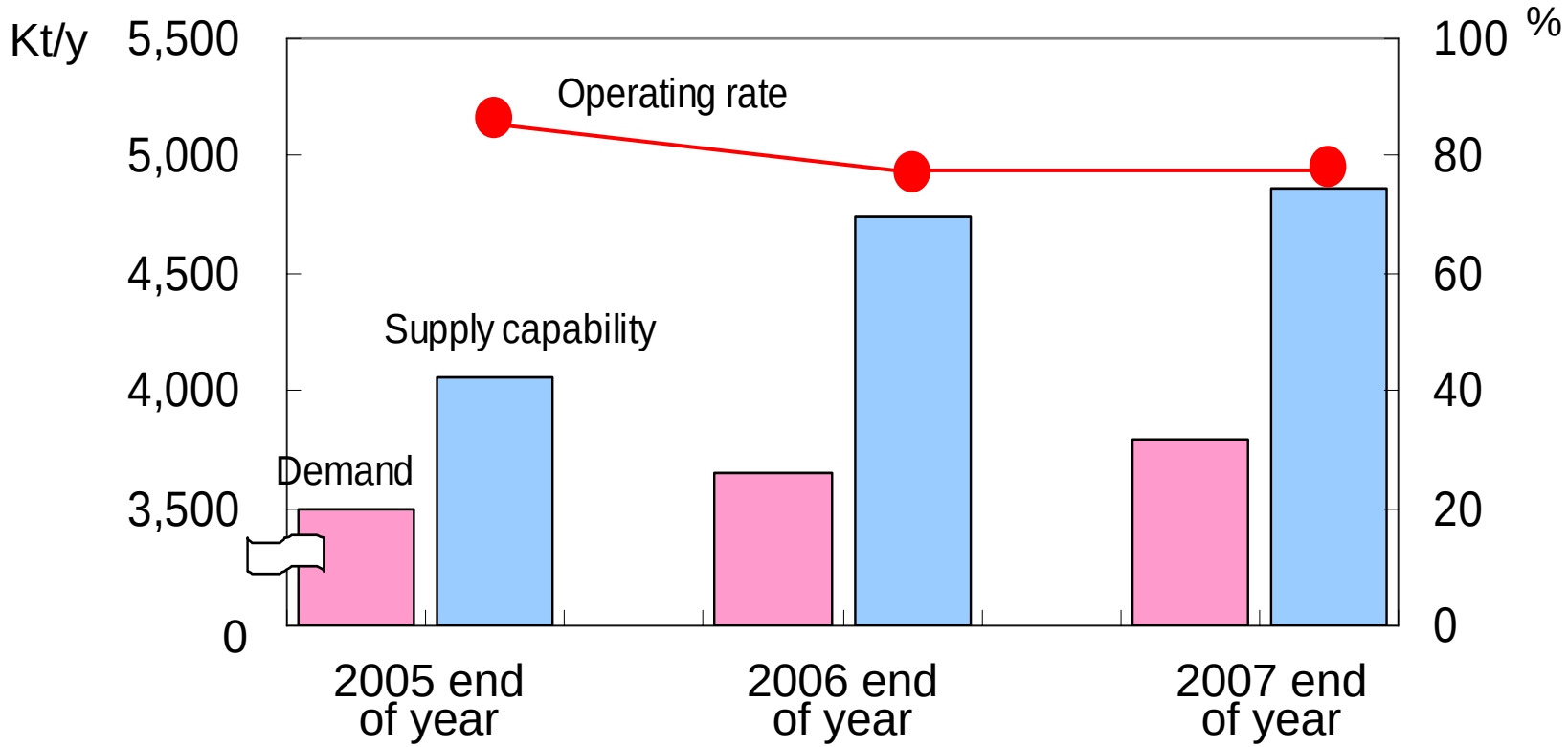
Acrylic Series Derivatives

- Builders for detergent
  - Technical orientation
    Towards diversified detergent needs
    Comprehensive product lineup
  - Global supply system

- Emulsions for damping materials
  - Technical orientation
    Interest in high damping
  - Region
    Now in Japan as well as USA
    Preparing for commercial production

Acrylic Acid/Acrylic Esters

- **World demand** 4% annual percentage growth rate
- **Supply capacity** Increased capacity in China 2006: 400 Kt



Acrylic acid worldwide supply and demand balance
(researched by Nippon Shokubai)

Acrylic Acid/Acrylic Esters

- Nippon Shokubai's capacity 620 Kt (Acrylic acid)
- Market condition

Raw material price	Remains high (propylene, alcohols)
Product price	Higher prices constrained due to competition

The spread between product prices and raw material prices appears to be closing

Acrylic Acid/Acrylic Esters

Our action

- Our advantage
  - World beating manufacturing technology
  - Maintaining high AA operating rates due to large volume of captive demand
  - External sale of high quality products
- Plant operation
  - Group-wide production optimization
- Raw material procurement
  - Obtain low-cost raw materials on a global level

EO and its Derivatives

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Making Kawasaki Plant the EO Center

- Expand EO as a strategic product
  - Expansion of facilities

    Mid-2009, Ukishima

    Plant facilities 70 Kt/y expansion
  - Specific measures

    Expand outside sales of EO

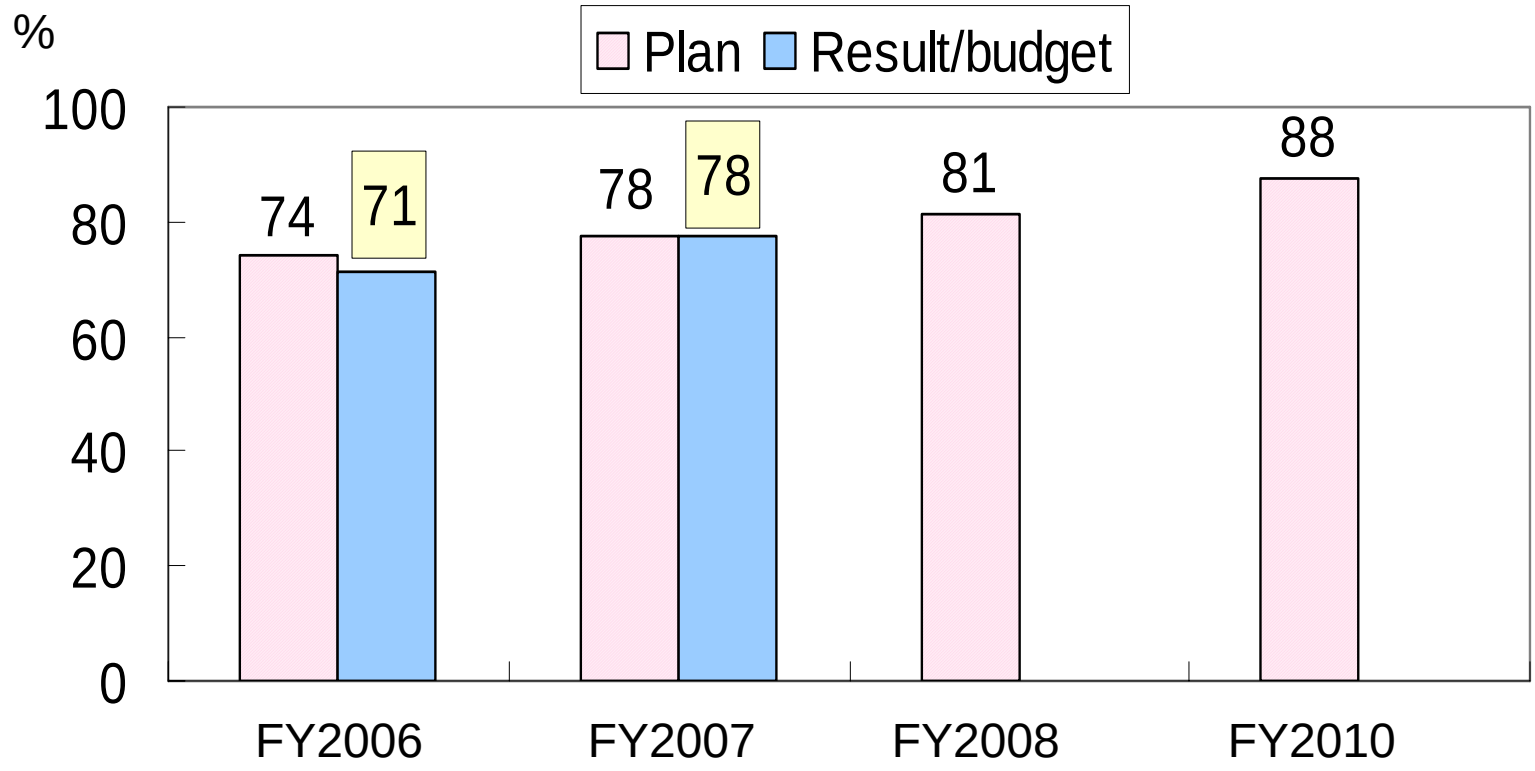
    Expand contract production of EO derivatives

    Expand EO derivatives

Purchase land in Kawasaki area

Non-EG promotion

Stable income through “Non-EG”



Trend in Nippon Shokubai’s “non-EG” ratio

Environment & Catalyst

Automotive catalysts

- Growth business

Expansion of the business base

Entry into emerging markets (BRICs)

Production streamlining

Japan ICT Completion of modern facilities (Himeji)

US ICT Consolidation of production at Umicore (joint partner) Canada

Process catalysts

- Pillar of segment revenue

High performance, technical support ➔ Increase share

Reduce costs ➔ Strengthened revenue

Introduction of Hostile Takeover Defense Measures

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Features

Establish a warning system before bids emerge

Call shareholders' meeting if bids emerge

Purpose

Protect and enhance corporate value and shareholders' common interests

Means

Bonus issue with share warrant only executable by share-holders excluding specific major outside buyers of the stock

Introduction of Hostile Takeover Defense Measures

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Defensive measures that are fair to shareholders, acquisition targets, and buyers

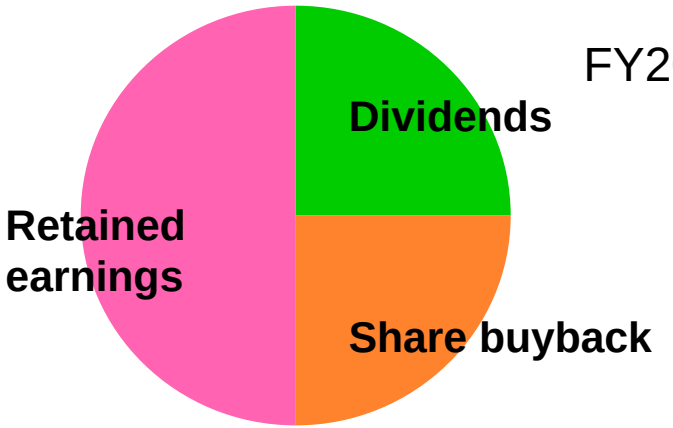
- Reflect the opinion of shareholders both when introducing the system, and when imposing takeover defense measures
- Fulfill the three principles announced by METI and MOJ
  - The principle of protecting and enhancing corporate value and shareholders' common interests
  - Principle of prior disclosure in line with shareholders' interests
  - Principle of ensuring the necessity and reasonableness of defensive measures

Shareholders' Policy

Maintaining and improving corporate value

$$\text{Total payout (\%)} = \frac{\text{Dividends + Share buyback}}{\text{Current net income}}$$

Maintain at about 50%



FY2006	Dividends	3.0 billion yen (¥16/share)
	Share buyback	4.7 billion yen
	Total return (Total payout	7.7 billion yen 55%)

Forecast for FY2007

	FY06 results	FY07 plan
Volume of sales (billion yen)	266.5	295.0
Ordinary income (billion yen)	22.8	24.0
ROA (%)	7.4	7.0

- Steady progress in electronic & information materials
- Strong development of acrylic series derivatives
- Maintain and improve the spread between input and output prices
- Rigorously reduce costs