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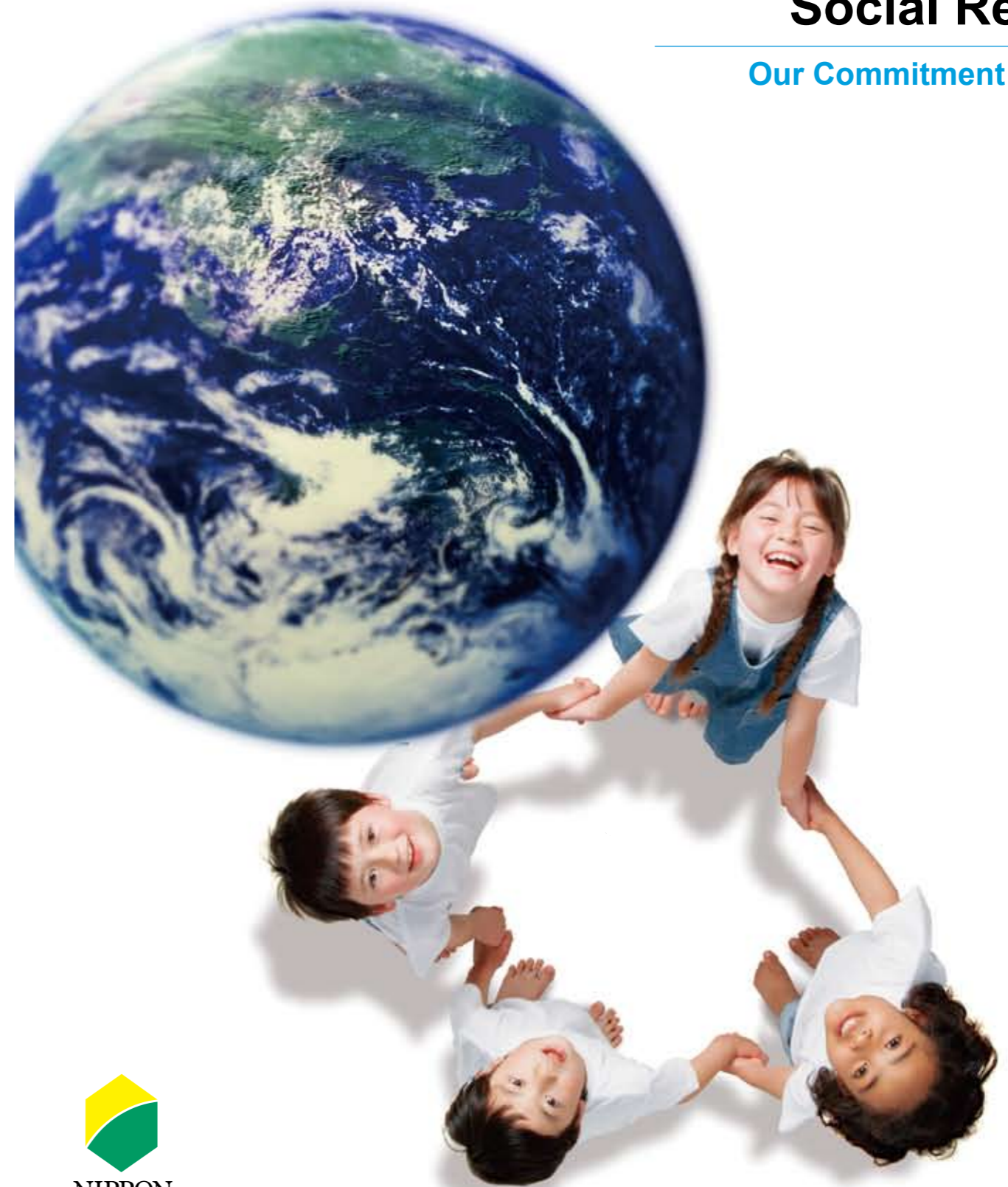
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2011

Environmental and Social Report

Our Commitment to CSR



2011.11.300



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Editorial Policies

- This is our second report in English (we have published 10 reports in Japanese since 2001) in which we have emphasized both readability and ease of understanding for all our stakeholders.
- As an objective third-party evaluation of this report, we present the results of our Responsible Care evaluation at the end of this report.

Scope of This Report**Organization****NIPPON SHOKUBAI CO., LTD.**

Osaka Office, Tokyo Office
Himeji Plant, Kawasaki Plant, Suita Plant,
Advanced Materials Research Center,
Strategic Technology Research Center,
Superabsorbents Research Center,
Fine & Specialty Chemicals Research Center,
E & I Materials Research Center,
GSC Catalyst Technology Research Center,
Process Technology Center
(Unless otherwise stated, all data on business
performance refers solely to Nippon Shokubai Co., Ltd.)

Main Group Companies**In Japan**

Nippon Chemicals Co., Ltd., Nippon Polyester Co., Ltd.,
Tokyo Fine Chemical Co., Ltd., Chugoku Kako Co., Ltd.,
Nippon Polymer Industries Co., Ltd.,
Nihon Jyoryu Kogyo Co., Ltd.,
NIPPON NYUKAZAI CO., LTD., Nisshoku Butsuru Co., Ltd.

Outside Japan

NA Industries, Inc.
PT.NIPPON SHOKUBAI INDONESIA
NIPPON SHOKUBAI EUROPE N.V.
Singapore Acrylic Pte Ltd. / Singapore Glacial Acrylic Pte Ltd.
NISSHOKU CHEMICAL INDUSTRY (ZHANGJIAGANG) CO., LTD.
SINO-JAPAN CHEMICAL CO., LTD.*
*Included in the report beginning fiscal 2010.

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Message from the President

Supporting the sustainable development of society through CSR-focused management

On behalf of the Nippon Shokubai Group, I offer my deepest condolences to the families and friends of the victims of the Great East Japan Earthquake that struck on March 11, 2011. Moreover, we express our sincere wish for the earliest possible recovery of the affected areas.

Unfortunately, factories in the disaster area suffered extensive damage to much of their production facilities. In addition, Japanese society was greatly alarmed by the accident that occurred at the Fukushima Daiichi Nuclear Power Station as a result of the earthquake.

Although the earthquake caused little direct damage to the Nippon Shokubai Group, we were abruptly reminded that the very foundation of our productive capability is reliant upon safety, stability, and peace of mind. Throughout our history, we have adhered to our company creed of "Safety takes priority over production," and we intend to pursue our future business operations with a renewed focus on the fundamental principles of safety.

The Nippon Shokubai Group's commitment to CSR-focused management

This year, Nippon Shokubai marks its 70th anniversary. On commemorating its 50th anniversary in 1991, the Nippon Shokubai Group adopted the corporate philosophy of "TechnoAmenity — Providing affluence and comfort to people and society, with our unique technology." In keeping with this philosophy, we are actively engaged in CSR-focused management while fulfilling our corporate social responsibility and remaining in compliance with all mandated requirements. In 2006, we strengthened our CSR system by, among other initiatives, establishing a CSR Committee. In 2009, we signed the "Declaration of Biodiversity by Nippon Keidanren (Japan Business Federation)" and have worked extensively to fulfill our corporate social responsibility by participating as a partner in promoting the declaration.

Responsible Care activities as the pillar of our CSR-focused management

Nippon Shokubai was one of the earliest members of the Japan Responsible Care Council (JRCC), which was founded in 1995. Consequently, we are actively implementing Responsible Care (RC) activities as the centerpiece of our CSR-focused management by addressing environmental protection; process safety and disaster prevention; occupational health and safety; chemical safety; quality; and communication with society.

We are currently promoting RC activities according to our 7th Medium-Term RC Promotion Basic Plan. During fiscal 2010, our environmental protection initiatives included steadily lowering both our energy intensity and our CO₂ emission intensity as a result of our energy conservation measures. Moreover, in light of the series of explosions and fires that have impacted the Japanese chemical industry in recent years, we have addressed the issue of process safety and disaster prevention by confirming safety through re-inspection of design concepts, operational management, and facility management. In addition, we are ensuring an appropriate response to various international chemical regulations such as REACH of the EU.

As a chemical manufacturer and supplier of basic industrial materials, we believe that we can best contribute to the environment and society by continuing to meet customer needs through the production of high-quality products of high added value in a safe, stable and efficient manner while continuing to adhere to the requirements of Responsible Care.

Dedicated to providing new value through innovative technologies

Envisioning ourselves in 2025 as a chemical company that provides new value through innovative technologies, in 2010 we began promoting our long-term business plan "TechnoAmenity 2015" under the slogan "challenging to the future, make dreams come true."

Under this plan, we are cultivating our electronic & information materials business and renewable energy business in addition to enhancing our basic business areas such as acrylic acid and esters as well as ethylene oxide and its derivatives. We also aim to source materials from non-fossil-based sources while striving to conserve energy and reduce our CO₂ emissions. Through these initiatives, we can further contribute to the protection of the global environment and the sustainable development of society.

In this report, we introduce the CSR initiatives of the Nippon Shokubai Group, which encompasses our RC activities. We welcome your continued support and frank opinions, and we greatly appreciate your cooperation with our initiatives.

June 2011

Masanori Ikeda, President

<Corporate Philosophy>

TechnoAmenity

Providing value and comfort to people and society,
with our unique technology

Management Philosophy

We will conduct all of our corporate activities based upon a deep respect for humanity.

We will pursue innovative technology.

We will aim at coexisting with society, and working in harmony with the environment.

We will act on the global stage.

Nippon Shokubai Corporate Behavior Charter

In the belief that it is our social responsibility to conduct business based upon the principles of compliance and self-responsibility for the sake of proper social development, we have set forth the following basic corporate behavior guidelines as the "Nippon Shokubai Corporate Behavior Charter."

1. Guided by our Corporate Philosophy of "TechnoAmenity," we will conduct all of our actions as a good corporate citizen.
2. We will comply with relevant laws both inside and outside of Japan, and act in accordance with in-house regulations.
3. We will create and nurture a sound, vibrant workplace, where each individual can hone their professional competence and find fulfillment in their career.
4. We will develop and market products and services that are both safe and useful, based upon an accurate understanding of social demands.
5. We will commit ourselves to eliminating labor hazards and accidents, and constantly strive to protect the global environment.
6. We will conduct business based on fair and open competition.
7. We will take a firm stance when dealing with unlawful or antisocial groups.
8. We will ensure frequent communications with our shareholders and members of society in general, and guarantee the appropriate disclosure of corporate information.
9. With respect for the culture and customs of every nation/region we serve, we will contribute to their development and wellbeing through community-based business undertakings.
10. We will ensure the solid and sustainable development of the company through business undertakings based soundly upon the above action guidelines.

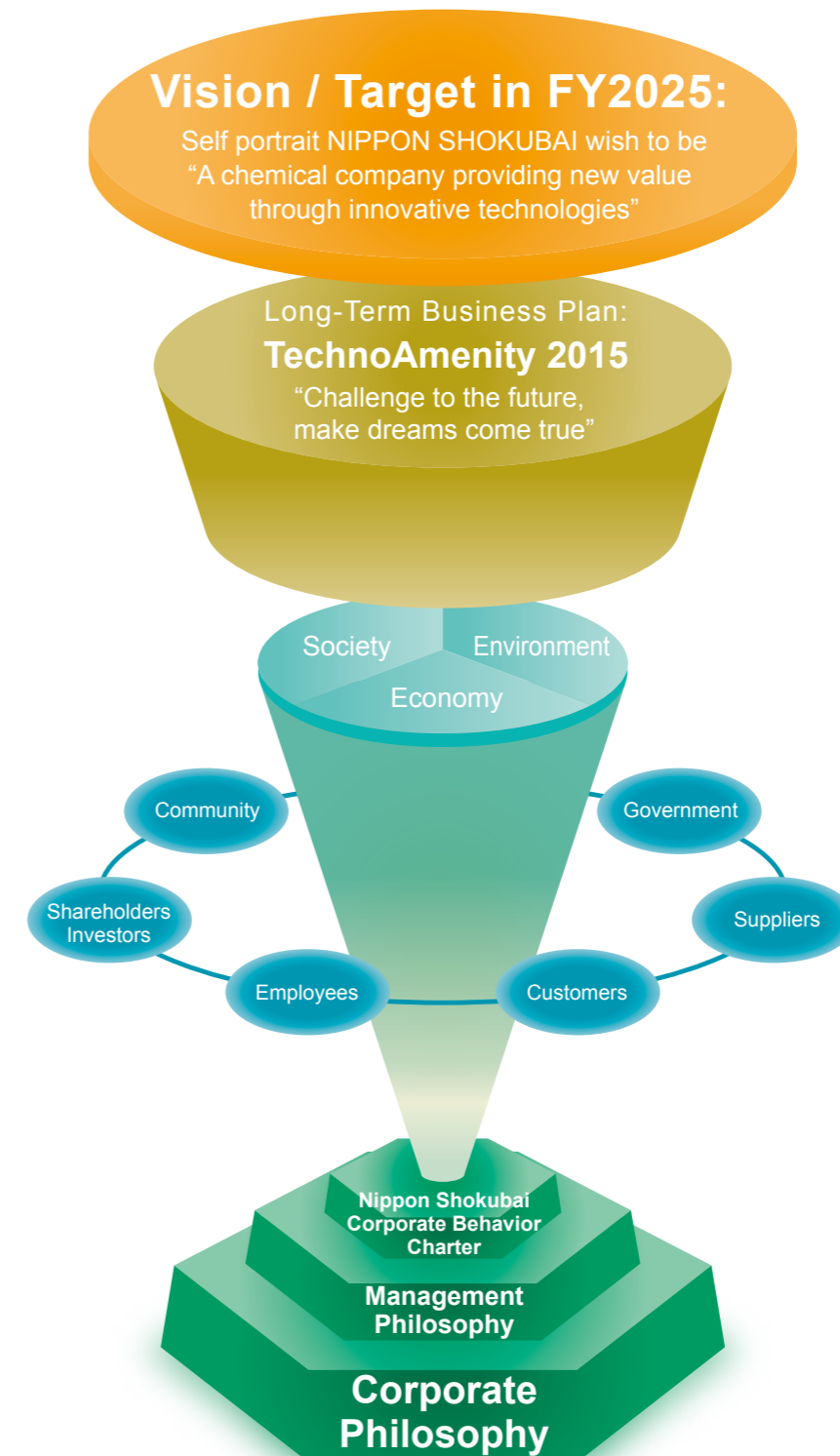
CSR Implementation Structure

In an effort to embody our CSR management with a high degree of effectiveness, the CSR Management Committee, chaired by the president, provides overall coordination while carrying out inspections and monitoring the implementation of the policies, and action plans as well as the achievements of each committee.



In accordance with "TechnoAmenity", our corporate philosophy, Nippon Shokubai established a management philosophy and corporate behavior charter to comprehensively view our corporate behavior from economic, social and environmental perspectives, setting out our corporate ethics, Responsible Care (RC), human rights & labor, information disclosure, social contribution and corporate governance as our management's top priority issues and implementing our activities to enhance our corporate value via continuing dialogue with various stakeholders, including our customers, business partners, shareholders/investors, public administration, employees and local communities.

Based on this concept of CSR, we will strive to contribute to the development of a sustainable society by implementing our Long-term Management Plan: "TechnoAmenity 2015 — Challenge to the future, make dreams come true —" toward the realization of our vision/target (ideal attitude) in 2025.



Corporate Ethics

We remain committed to various group-wide initiatives intended to further improve and strengthen our corporate ethics and legal compliance systems.

Corporate Ethics Training

• Training Officers for the Introduction of the Executive Officer System

In June 2010, we introduced the Executive Officer System as part of the effort to strengthen our corporate governance system and accelerate management decision-making and business operations.

To help launch the new management structure, we invited external lecturers to provide officer training sessions. The importance of the executive officer system was emphasized with a focus on executives' roles and responsibilities, the purpose of corporate governance, and other aspects.



• Position-targeted Training

We provided our managers with company-wide training in corporate ethics. External lecturers conducted group training sessions and imparted updated information on compliance requirements while reaffirming the vision and role required of managers. A total of 19 training sessions were held at all plants and offices with over 400 employees in attendance. In fiscal 2011, we plan to conduct corporate ethics training for general office staff.



• Workplace Training

We introduced workplace training in corporate ethics beginning in August 2010 with the goal of further consolidating and instituting corporate ethics. Under managerial leadership, each workplace training session has become a center of lively discussion based on training issues such as corporate ethics and legal compliance.

Moreover, in order to further disseminate workplace training, we highlight examples of workplace initiatives in our in-house magazine.



• Training at Group Companies in Japan

In the interests of further improving corporate ethics group-wide, each of eight group companies in Japan provided training in corporate ethics with a focus on their respective management ranks. More than 200 employees attended the courses, which were taught by outside lecturers.

Corporate Ethics Internet Portal

We have created an Internet portal on our intranet titled "Understanding Corporate Ethics." This site makes available a variety of related documents such as the Japanese Antitrust Law and the Subcontract Act, web links to related laws, and a FAQ section. This site enables us to provide the latest information in a timely manner following the revision of laws and regulations.



"Understanding Corporate Ethics"

Nippon Shokubai Compliance Guidebook

We compiled the Nippon Shokubai Compliance Guidebook to serve as a concrete behavioral guideline based on the Nippon Shokubai Corporate Behavior Charter. To help raise awareness, we distributed it to all employees.



"Nippon Shokubai Compliance Guidebook"

Training in Specific Laws and Regulations

• Understanding contracts

We conducted training for our research department to impart a basic understanding of contracts, and about 90 employees attended. In this training, they learned the basics of contracts in order to protect our rights and avoid risk in accordance with our development and business strategies. They also learned how to engage in contract negotiations.

From fiscal 2011, we plan to implement training for our research department on the themes of confidentiality and collaborative research and development.



• Training in the Antimonopoly Act

We conducted training on the Antimonopoly Act (Act on Prohibition of Private Monopolization and Maintenance of Fair Trade) for our sales, purchasing, and research departments. More than 200 employees attended the total of seven training courses.

In the training conducted for the sales and purchasing departments, those in attendance learned about recent trends and the impact on our business from violating this act. The training classes provided for the research department taught dos and don'ts regarding licensing and collaborative research and development.



• Training in the Subcontract Act

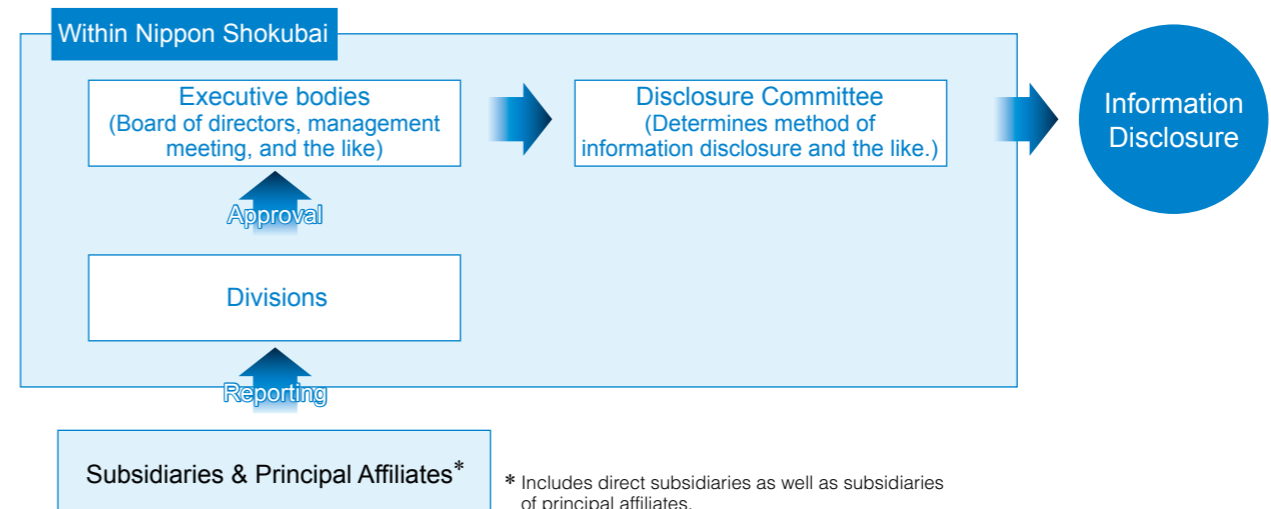
Since 2009 we have been offering courses on the Subcontract Act (Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors) in order to promote more rigorous compliance with this legislation. So far, we have provided seven courses to more than 150 employees at our plants and offices with a focus on explaining the dos and don'ts to observe when engaging in subcontracting arrangements.



Information Disclosure

In order to fulfill our social responsibility and ensure full management transparency while promoting a better understanding of our company among all stakeholders, we shall fairly disclose relevant corporate information regarding Nippon Shokubai, our subsidiaries, and our major affiliates on a timely basis.

Flow of Information Disclosure



Social Contribution

In order to impart a deeper understanding of our company, we strive to actively communicate with all stakeholders through environmental protection initiatives, involvement in local communities, and by supporting the development of the next generation. We contribute to society by focusing on maintaining harmony with society and the local community through our business activities.

Our Policy on Social Initiatives

In keeping with our corporate philosophy of TechnoAmenity and our commitment to protecting biodiversity, we intend to adopt initiatives focused on benefitting and increasing the prosperity of our stakeholders, including local communities, while maintaining clear communication with society as a good corporate citizen.

Environmental Protection Initiatives

Forest Development Initiatives

In an effort to help mitigate the threat of global warming, which presents a challenge for the 21st century, we are promoting our forest development initiative among employees who participate as volunteers in forest protection and regeneration.

Contributing to Our Forests and Water Resources

The Akasai Valley is part of the headwaters of the Ibo River, which faces our Himeji Plant. In order to enhance conservation of the headwater forest that extends to that area, we are undertaking maintenance work in order to leave a beautiful forest for future generations. This initiative also enables us to expand our ties with local residents.

Location: Akasai Valley, Hara-chinai, Haga-cho, Shiso-shi, Hyogo prefecture
 Activity: Forest improvement and forest tours and the like
 Start date: November 2008



Photos taken in May 2010

* These activities were undertaken in cooperation with National Land Afforestation Promotion Organization and NPO.

Conserving and Popularizing the "Nojigiku" Chrysanthemum

In order to rescue, conserve, and popularize the endangered "Nojigiku" chrysanthemum, the Hyogo prefectural flower, we began cultivating it in 1972. We have been distributing seedlings every year since 1974 in cooperation with Hyogo prefecture. In April 2010, we distributed 32,000 seedlings to 350 organizations, including local governments.

Today, 160 varieties of Nojigiku, including foundation stock, have been conserved and cultivated in a 2,000-square-meter green yard at the Himeji Plant.

Japan-China Friendship Forest Development and Global Warming Prevention

Acknowledging the serious problem of global desertification, we are working to prevent desertification in inland China. We are planting trees with local residents and intend to restore the forest throughout the area where it once existed on this land.

Location: Ejina Horo Banner, Inner Mongolia Autonomous Region, China
 Activity: Afforestation, maintenance, management, and the like
 Start date: October 2008



Photos taken in October 2010



Nojigiku in a conservation garden

Seedlings being distributed

Participation in the "Sea Forest" Tree-planting Project

In November 2010, our Tokyo head office took part in a tree-planting event for the Sea Forest (Umi-no-Mori) Project being promoted by the Tokyo Metropolitan Government. Participants toiled in the sun in the hope that the area of reclaimed land in Tokyo Bay made from refuse covered with soil would be reborn as a beautiful lush forest.



Assisting the Community

Cleanup Campaign

We participate in regular community cleanup campaigns. The Kawasaki Plant, together with group companies, participates in the Tsujido Beach cleanup in Kanagawa prefecture. The Suita Plant participates in the riverbed cleaning effort along the Kanzaki River as part of the Kanzaki River Adopt-a-River Program. We are also collaborating with community beautification activities.



Tsujido Beach cleanup at the Kawasaki Plant

Kanzaki River riverbed cleanup at the Suita Plant

Sweet Potato Harvest Party

We grow sweet potatoes in the potato fields we have created in the green yard of our Himeji Plant. Each year in October, we invite neighborhood kindergartners to enjoy harvesting sweet potatoes. Recently, about 850 parents and children visited together.

We have been holding this activity since 1971 and it has become rooted in the community. In fact, some of the children who harvested potatoes in the past are now employed with us.



Kindergartners harvest potatoes

Volunteer Initiatives

Employee volunteers participate in events held at the Nukachan Welfare Workshop (a facility for the disabled) located near the Himeji Plant.

We hope to further expand our circle of volunteerism in the future.



Christmas party

Initiatives to Help Raise Future Generations

Plant Tours

In July 2010, the Himeji Plant conducted a plant tour for Grade 7 students from the local junior high school.



Plant tour

Lecture

In December 2010, responding to a request from Saga University, we dispatched an employee who is a graduate of this university to present a special lecture on technology.



Special lecture on technology

Science Booth

We staffed a science booth at the Sakurayama Park Festival in July 2010 at the Himeji City Science Museum, which organized the event. We helped mainly elementary and junior high school students participate in chemical experiments with our superabsorbent polymer. All who attended clearly enjoyed the thrill of working with chemistry.



Science booth

Our Relationship with Our Employees

We are committed to maintaining a healthy work environment and respecting the human rights of each of our employees. We support all our employees by providing a positive working environment that contributes to a high level of job satisfaction.

An Environment That Contributes to Job Satisfaction

We seek to revitalize our employees and the organizations as the foundation for achieving our medium- and long-term business plans.

With the understanding that responsibility for oneself equates to self-direction, and with the goal of forming a corporate structure with the dynamic flexibility to respond quickly to changing times, we are striving to design and manage a system framework that can develop autonomous workers and awaken the ambitions of individual employees.

Human Resources Management System

We have introduced a human resources management system based on management by objectives, which is applicable to all employees, and we are creating a substantial system that is both open and transparent.

1. Basic approach
 - Create a substantial system that is both open and transparent.
 - Implement a fair employee reward mechanism based on roles, performance, and competency.
 - Structure a system capable of responding to diverse values.
2. Framework
 - Multiple avenues to rewards (Rewards can be accrued for performance or for demonstrated skills and proficiency.)
 - Clarification of job grade criteria and evaluation criteria (Roles and required performance and competency are specified.)
 - Feedback focused on human resources development (Advice is provided according to management by objectives and an appropriate evaluation system.)

Human Resources Development

1. Personnel objectives
 - Independently minded personnel capable of taking the initiative in identifying and resolving issues
 - Personnel capable of flexibly adapting themselves and their organizations
 - Personnel capable of demonstrating sophisticated expertise
 - Personnel capable of working with a diverse international community
2. Characteristics of the human resources development system
 - Development according to section
Emphasis on improving organizational and management skills, level of expertise, and competency by section
 - Self-directed development
Emphasis on self-directed development to boost career development
 - Development according to corporate hierarchy
Emphasis on strengthening management leadership

A Positive Working Environment

In an effort to provide our employees with the opportunity to achieve "the good life," we offer a wide-ranging employee welfare system for the benefit of our employees and their families. This initiative includes wealth building, emergency preparedness, support for daily life activities, planning for a stable retirement, positive use of personal time, and maintenance of health and wellness. Our company will continue to support a good life for our employees through self-help as we enter the era of a low birth rate and an aging population.

Supporting the Positive Use of Personal Time

We advise our employees on the positive use of their time away from work by offering guidance in maintaining a balanced work, family, and social life, thus contributing to life enrichment.



Ski tour held as an employee welfare event

Providing Balanced Assistance for Child Care and Nursing Care

Japan's low birth rate and aging population remain pressing issues; therefore, it is essential that all sectors of society continue to support child care and nursing care. Private enterprises are also required to create an environment that supports a balance among work, child care, and nursing care. We are responding to these social realities by striving to create an environment and infrastructure that provides a variety of systems for supporting employees with their parenting and nursing responsibilities while employed. We also published a guidebook that summarizes our balanced support system, and we continue to keep our employees broadly informed and educated.

Re-employment System

This system corresponds to measures addressing the rescheduling of full pension eligibility age and is intended to help stabilize the lives of retired employees through re-employment. The period of employment extends until the beginning of an employee's eligibility for full pension. This initiative contributes to an employee's sense of security, self-worth, job satisfaction and motivation, as it provides ongoing employment in a familiar work environment.

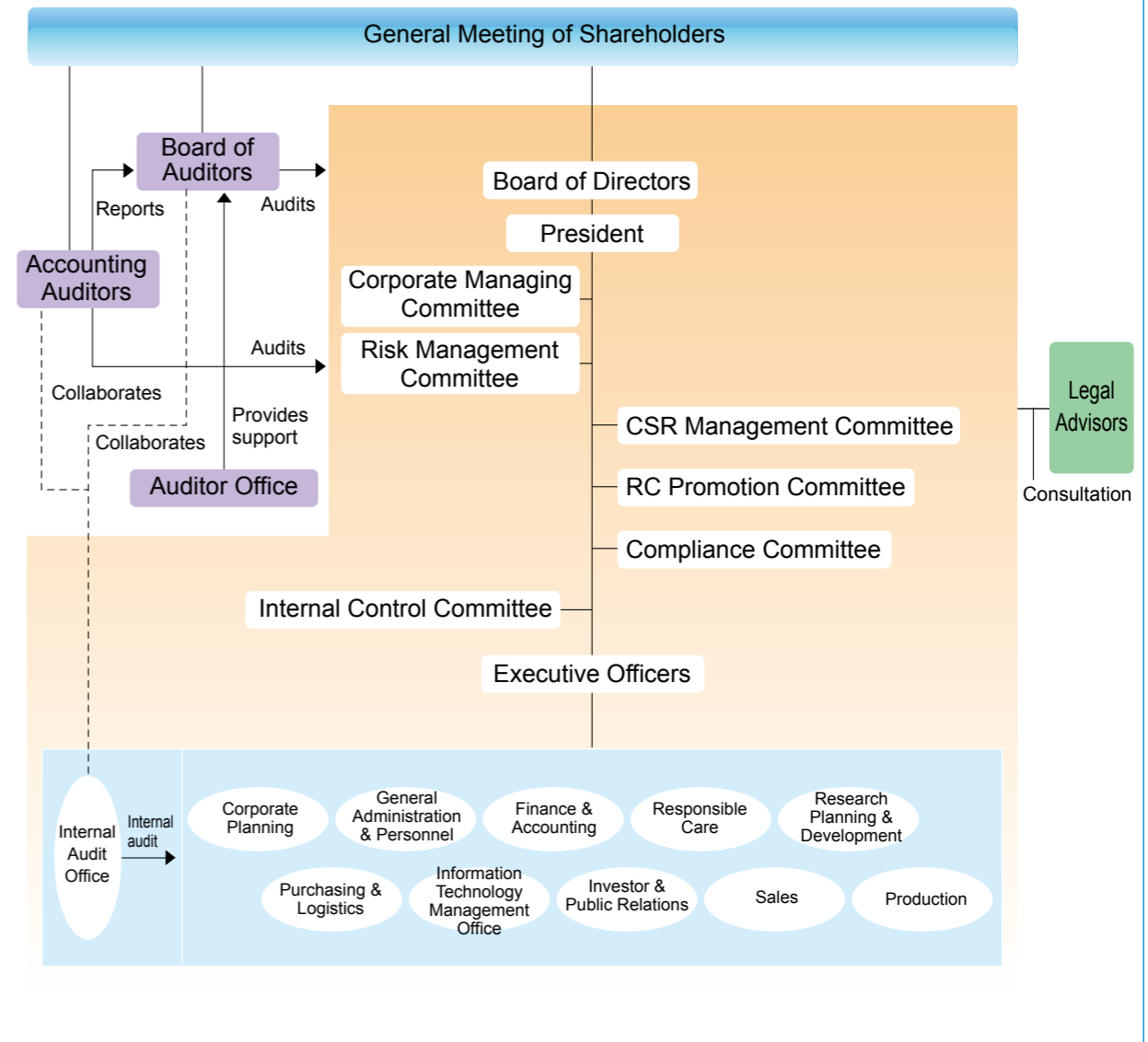
Toward a Sound Labor-Management Relationship Based on Mutual Respect

Nippon Shokubai and the Nippon Shokubai Labor Union maintain a dialogue based on mutual respect. Through our good labor-management relationship based on mutual understanding and trust, we are addressing the resolution of various issues and achievement of goals through cooperation. Under the union shop agreement, all our employees — except for managers — are required to join the union.

Management Structure

We are working to improve our corporate culture and strengthen our competitiveness in order to respond to global trends. Our approach to corporate governance therefore establishes our foundation. Using the system illustrated in the following diagram, we are taking steps to revitalize our board of directors, strengthen our audit system, improve the efficiency of our management structure, and improve and strengthen our compliance system.

Our Corporate Governance System (as of April 1, 2011)



- | | | | |
|--|---|---|---|
| <p>Board of Directors Supervises the execution of duties of each director and reports, deliberates on, and resolves matters related to execution of duties. In general, the board of directors convenes monthly.</p> | <p>Corporate Managing Committee As an advisory body to the president, this committee deliberates on basic management policies and related matters. It also consults on the execution of important divisional matters.</p> | <p>Board of Auditors Comprising two external auditors and two internal auditors, this board convenes monthly in general, submits reports, and engages in discussions and deliberations on important matters.</p> | <p>Risk Management Committee Chaired by the president, this committee implements periodic measures in response to various wide-ranging risks to which the company is exposed.</p> |
| <p>CSR Management Committee Chaired by the president, this committee determines the company's CSR direction and promotes CSR initiatives that contribute to the interests of stakeholders while maintaining coordination with the other committees.</p> | <p>RC Promotion Committee Chaired by the president, this committee promotes the company's Responsible Care activities. It formulates the RC Promotion Basic Plan and works to further improve safety, quality, and environmental issues.</p> | <p>Compliance Committee Chaired by the president, this committee improves and strengthens the company's overall corporate ethics and systems for compliance with laws and regulations.</p> | <p>Internal Control Committee This committee, in full operation since April 2008 under the chairmanship of the president, has established a system to ensure the reliability of financial reporting as enforced by the Financial Instruments and Exchange Act. It also seeks to process company operations more efficiently and effectively.</p> |

For the chemical industry, Responsible Care (RC) activities are very important contributors to sustainable development through their focus on health, safety, and environmental protection over the total product life cycle. At the same time, they help to increase the trust of society through dialogue.

Nippon Shokubai participated in the Japan Responsible Care Council (JRCC) at the time of its establishment in 1995. We have been actively promoting RC activities with a focus on our main pillars: environmental protection; process safety and disaster prevention; occupational safety and health; chemical safety; quality; and communication with society. We are determined to continue gaining the trust of society with our group-wide RC activities by contributing to society and fulfilling our corporate social responsibility.

RC Policy

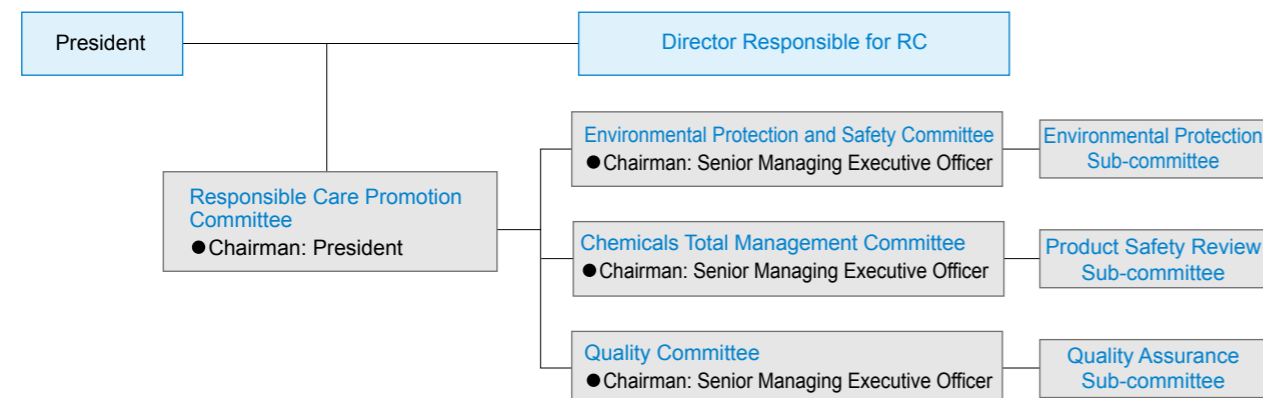
In conformity with our Corporate Philosophy, Management Philosophy and the Nippon Shokubai Corporate Behavior Charter, we rank it as an important management measure to provide products and technologies that contribute to society and environmental protection. In addition, while paying due respect to the principle of Sustainable Development, we are determined to conduct all activities in accordance with the following policy related to environmental protection, safety and product quality that will bring our business operations into harmony with the global environment.

- 1 **Aim at environmental protection and reduction of negative environmental impact throughout the entire life cycle of a product, from development to disposal.**
- 2 **Ensure the safety of our employees and our communities by targeting zero accidents and zero disasters with a commitment to the principle "Safety takes priority over production."**
- 3 **Confirm the safety of chemical materials, intermediates and products, and consider the health of our customers, employees of our logistics subcontractors, our employees, and others.**
- 4 **Stably supply products and associated services that meet customer satisfaction and inspire their trust.**
- 5 **Publicly announce the results of these activities and make an effort to communicate for proper understanding.**

We will implement this RC Policy in all our business operations by ensuring all employees have a thorough understanding and awareness of its importance. The president shall be the person with the ultimate responsibility for implementing this policy.

RC Promotion Organization

The president is chairman of the RC Promotion Committee, and technical committees and sub-committees are established to promote company-wide RC activities.



The Results of Our 7th Medium-term Responsible Care Promotion Basic Plan in Fiscal 2010

Concurrent with our new medium- and long-term business plans, Nippon Shokubai has formulated a three-year Medium-term Responsible Care Promotion Basic Plan targeting environmental protection, safety, quality, and other issues.

In fiscal 2010, the first year of this plan, our environmental protection initiatives succeeded in lowering both our energy intensity and CO₂ emission intensity. We maintained our achievement of zero emissions,¹ but our emissions of substances

subject to the PRTR Law increased due to a revision in the law that included additional chemical substances under the scope of the law.

In the area of occupational health and safety, we experienced one injury with loss of workdays,² nine injuries without loss of workdays,³ and one facility accident.⁴ In the areas of chemical safety and serious customer complaints⁵ regarding quality and chemical safety, we had no problems during the period.

Evaluation: Achieved Partially Achieved Not Achieved

| | 7th Medium-term RC Promotion Basic Plan (Fiscal 2010–12) | Results for Fiscal 2010 | Self-evaluation |
|--|---|--|-----------------|
| Environmental Protection | <ul style="list-style-type: none"> To reduce energy intensity by 20% compared with the level of fiscal 1990. Planned value for fiscal 2010: 16.9% To reduce CO₂ emission intensity by 23% compared with the level of fiscal 1990. Planned value for fiscal 2010: 21.2% To maintain zero emissions Emissions of substances regulated under the PRTR Law: 77.5 tons/year (Reduced by 50% from fiscal 2005 levels.) | <ul style="list-style-type: none"> Reduced energy intensity by 19%. Reduced CO₂ emission intensity by 24.3%. Zero emissions maintained. Emissions of substances regulated under the PRTR Law: 114 tons (Reduced by 27%.) | |
| Process Safety and Disaster Prevention | <ul style="list-style-type: none"> Zero facility disasters Zero facility accidents | <ul style="list-style-type: none"> Zero facility disasters occurred. One facility accident occurred. | |
| Occupational Safety and Health (including contractors) | <ul style="list-style-type: none"> Zero injuries with loss of workdays Zero injuries without loss of workdays | <ul style="list-style-type: none"> One injury with loss of workdays occurred. Nine injuries without loss of workdays occurred. | |
| Chemical Safety | <ul style="list-style-type: none"> Zero problems related to chemical safety (legal or social problems) | <ul style="list-style-type: none"> Zero problems related to chemical safety occurred. | |
| Quality | <ul style="list-style-type: none"> Zero serious quality complaints Zero quality nonconformities⁵ | <ul style="list-style-type: none"> Zero serious quality complaints were filed. Three quality nonconformities were discovered. | |
| Communication with Society | <ul style="list-style-type: none"> To maintain a dialogue with stakeholders and implement reasonable information disclosure | <ul style="list-style-type: none"> Had the Suita Plant participate in community dialogue and introduced RC activities. Instituted tours of our Himeji Plant. | |
| Developing RC among Our Group Companies ⁶ | Measures Common to Our Group Companies (1) Environmental Protection <ul style="list-style-type: none"> To reduce energy intensity To reduce final disposal at off-site landfills (group companies in Japan) To reduce the amount of waste (group companies outside Japan) To reduce emissions of PRTR Law covered substances (2) Process Safety and Disaster Prevention <ul style="list-style-type: none"> To achieve zero disasters and zero accidents (3) Occupational Safety and Health <ul style="list-style-type: none"> To achieve zero injuries with loss of workdays (4) Chemical Safety <ul style="list-style-type: none"> To achieve zero problems related to chemical safety (legal or social problems) (5) Quality <ul style="list-style-type: none"> To receive zero serious customer complaints (6) Communication with Society <ul style="list-style-type: none"> To maintain a dialogue with stakeholders and implement reasonable information disclosure (7) Management System <ul style="list-style-type: none"> To effectively manage risk assessments through EMS and OSHMS | <ul style="list-style-type: none"> Three of seven group companies in Japan reduced their energy intensity. Waste subject to final disposal at off-site landfills was reduced by 5% compared with the level of the previous fiscal year. Substances subject to the PRTR Law were reduced by 20% compared with the level of the previous fiscal year. One facility disaster occurred. • One facility accident occurred. Three injuries with loss of workdays occurred. Six injuries without loss of workdays occurred. Zero problems related to chemical safety occurred. One serious customer complaint was filed. — EMS: 13 of our 14 group companies have already introduced an EMS. Risk assessment: All group companies inside and outside Japan have already introduced risk assessments. | |

Definitions: ¹ Zero emissions: Reducing the quantity of waste subject to final disposal at off-site landfills to less than 0.1% of the total amount of waste generated (in the calculation of total waste, the amount of sludge subject to activated sludge treatment is calculated before dehydration).
² Injury with loss of workdays: Injury requiring at least one lost workday for medical treatment
³ Injury without loss of workdays: Injury requiring no loss of workdays for medical treatment
⁴ Facility accident: Any problem accompanied by at least a two-day shutdown but with no impact on any third party
⁵ According to company standard ⁶ The performance of SINO-JAPAN CHEMICAL CO., LTD. is included for fiscal 2010.

Responsible Care Audits

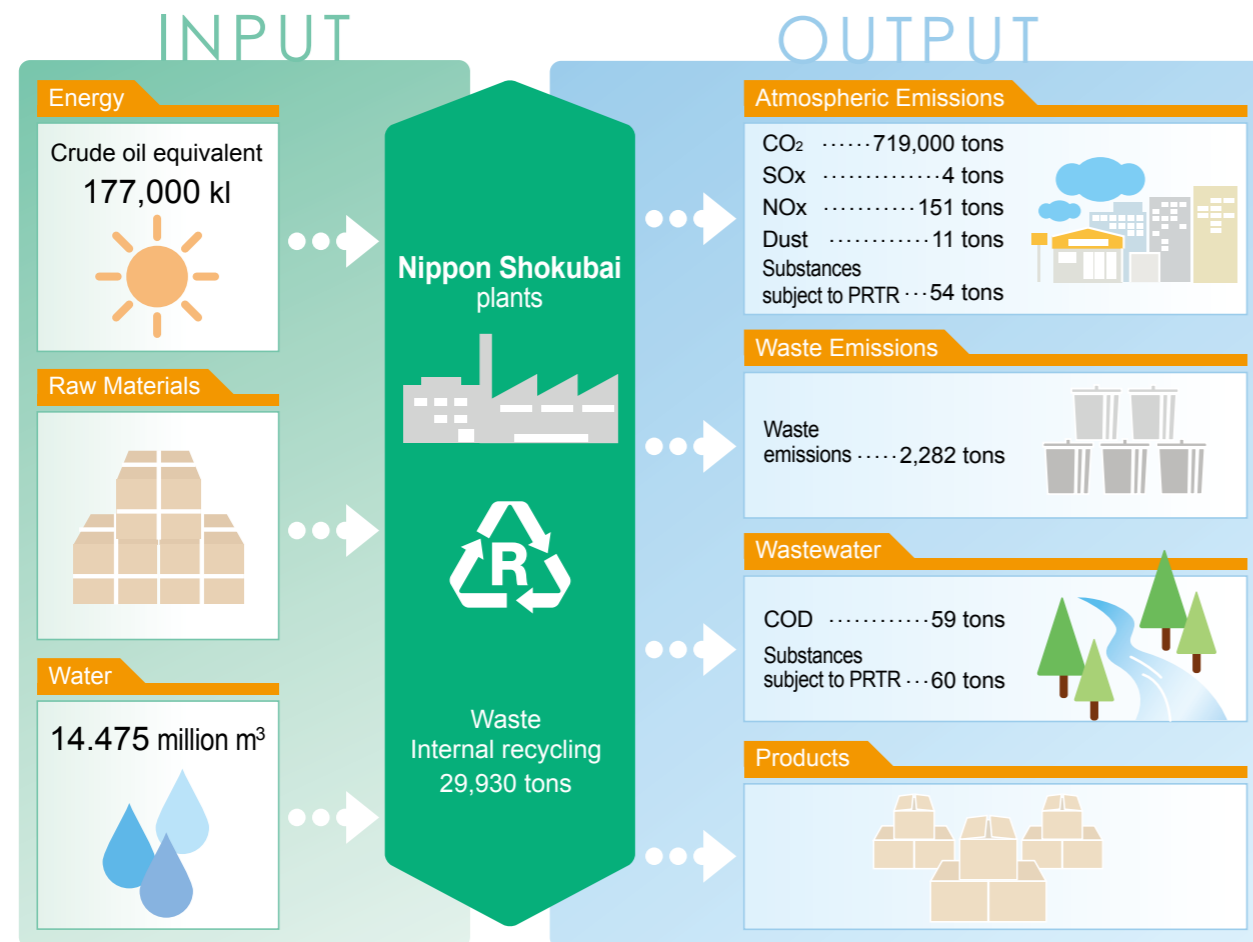
Since fiscal 1973, we have been undertaking annual RC audits at each plant under committees comprising members of top management. These audits are based on annual priority themes. The 38th annual audit took place in fiscal 2010, with audit results being reported to the RC Promotion Committee under the chairmanship of the company

president. For each plant, we draft an improvement plan targeting the issues identified and then implement the required activities. The priorities for the preceding five years are shown in the following table; in fiscal 2010, the audits were conducted on the theme of "initiatives to prevent explosions and fires at chemical plants."

| Fiscal Year | Priorities |
|-------------|---|
| 2006 | Environmental protection initiatives focused on reducing environmental impacts |
| 2007 | Initiatives to improve the safety culture |
| 2008 | Initiatives to prevent accidents and the spread of damage |
| 2009 | Initiatives to pass on technologies and enhance our approach to change management |
| 2010 | Initiatives to prevent explosions and fires at chemical plants |

Environmental Impacts of Our Business Operations

We are engaged in various initiatives to reduce the environmental impacts of our business operations and to provide better products and services.



RC Training

To improve the knowledge base and awareness of Responsible Care as an important issue, we continue to provide RC training to employees on issues such as safety, quality, and environmental protection by instituting RC training programs in the Responsible Care Division of our head office.

To date, we have provided this training to managers and general employees. They now have a deeper understanding of the following topics:

- Overview of Responsible Care
 - The importance of compliance with laws and regulations relevant to Responsible Care
 - The environmental protection and safety initiatives of Nippon Shokubai
 - Fundamentals of prevention of industrial accidents and facility accidents
 - The roles of managers and supervisors in implementing Responsible Care
 - Basics of quality and in-house steps for launching new products
- Our training for new employees also includes lectures on Responsible Care.



RC training



Training of new employees

Introducing Responsible Care to the Local Community

We participated in dialogues with members of the local community held by the Responsible Care Committee (formerly the Japan Responsible Care Council) of the Japan Chemical Industry Association. We introduced our RC activities to the participants, who included representatives of government, NPOs, industry associations, corporations, and the community associations associated with each plant. We have also taken steps to further enhance their understanding.

In fiscal 2010, our Suita Plant, in the role of representative company, introduced RC activities in the district of Osaka.



Dialogue with the local community

Initiatives for Preventing Global Warming

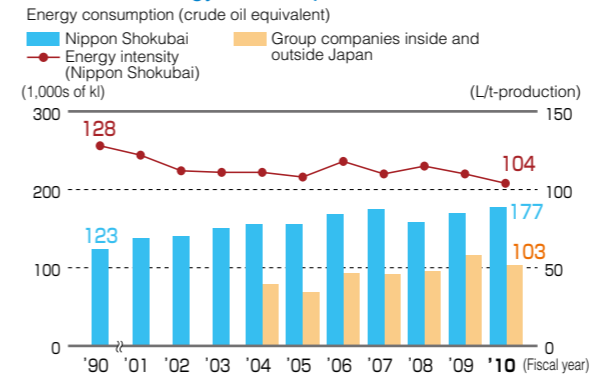
Promoting Energy Efficiency

In an effort to achieve the goals of the Kyoto Protocol, the Japan Chemical Industry Association has set targets to reduce the chemical industry's energy consumption rate per unit of production ("energy intensity") to 80% of the fiscal 1990 level as an average value for the period fiscal 2008–12. Nippon Shokubai has adopted a target for CO₂ emissions per unit of production ("emission intensity") as

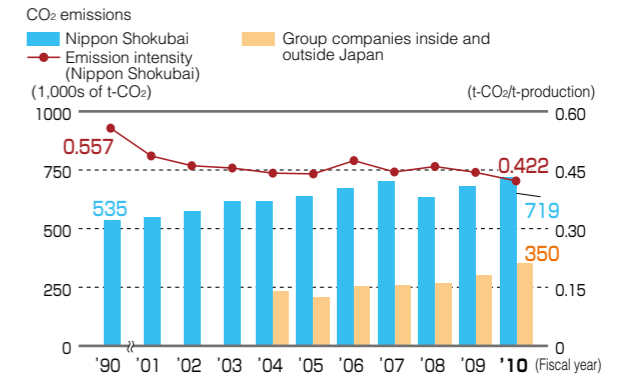
well as energy intensity by taking into account the Kyoto Protocol's target for reduction of CO₂ emissions. Each of our plants has been focusing on energy efficiency initiatives in order to reduce our CO₂ emissions.

In fiscal 2010, we succeeded in reducing our energy intensity by 19.0% and our CO₂ emission intensity by 24.3% from the fiscal 1990 levels.

Trend in Energy Consumption



Trend in CO₂ Emissions



*Excludes head office, research centers, plant administration buildings and employee welfare facilities.
*The amount of energy consumed and CO₂ emissions in fiscal 2010 totaled 3,400 kiloliters and 4,900 tons, respectively, for the head office, research centers, plant administration buildings, and employee welfare facilities of Nippon Shokubai.

Interview



We realized annual energy savings of 1,300 kl by using steam from Kawasaki Steam Net Co., Ltd.

Kenji Nakahara
Engineering Dept., Kawasaki Plant

Kawasaki Steam Net Co., Ltd. was established by Tokyo Electric Power Company ("TEPCO"), Asahi Kasei Chemicals Corporation, and Nippon Shokubai. This project is intended to utilize steam after it has been used for power generation by the high-efficiency power generating turbines of the Kawasaki Thermal Power Plant of TEPCO. This steam is supplied to the Kawasaki Chidori and Yako Industrial Complex through a new pipeline network. Compared with conventional steam boilers, this system achieves higher energy efficiency and realizes excellent energy savings.

The steam supply began on February 2010, and it has contributed to a significant reduction in energy consumption and CO₂ emissions.

TOPICS

Kawasaki Steam Net Co., Ltd. and Tokyo Electric Power Co., Inc. are presented with the Prize of the Minister of Economy, Trade and Industry of the Eco-Products Awards

Eco-Services Category

Minister's Prize, the Ministry of Agriculture, Forestry and Fisheries

Recycling, reduced energy consumption, and reduced usage

CHIBA CO-OP
SAITAMA CO-OP
CO-OP TOKYO
TOCHIGI CO-OP
CO-OP GUNMA
IBARAKI CO-OP
(Collaboration with six group members of CO-OP NET)

Minister's Prize, the Ministry of Economy, Trade and Industry

Sales and supply of steam through large-scale cooperative arrangement with the Kawasaki Thermal Power Plant and its steam supply pipelines

Kawasaki Steam Net Co., Ltd.
Tokyo Electric Power Co., Inc.

Minister's Prize, the Ministry of Land, Infrastructure, Transport and Tourism

Integrated logistics system for bulk containers

SENKO Co., Ltd.

Minister's Prize, the Ministry of Environment

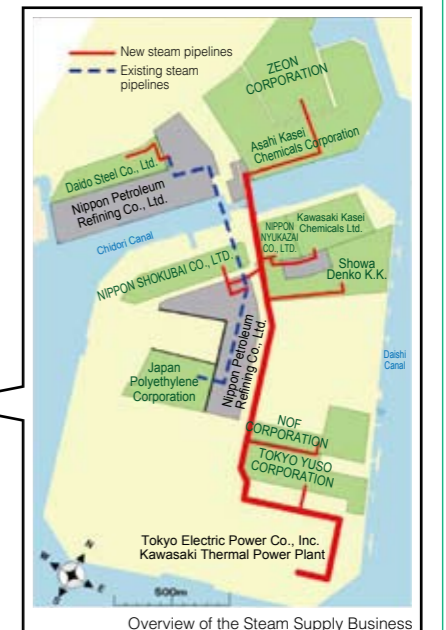
SMBC environmental assessment loan/private placement bond

Sumitomo Mitsui Banking Corporation

(Four Minister's Prizes)

Note: Not eligible for Prizes of the Finance Minister and Minister of Health, Labour and Welfare

(From the website of the Steering Committee of the Eco-Products Awards)



Initiatives for Eco-friendly Distribution

Promoting modal shift

As a global warming countermeasure in our logistics operations, we are implementing an emissions control plan in an effort to control air pollution and reduce CO₂ emission intensity.

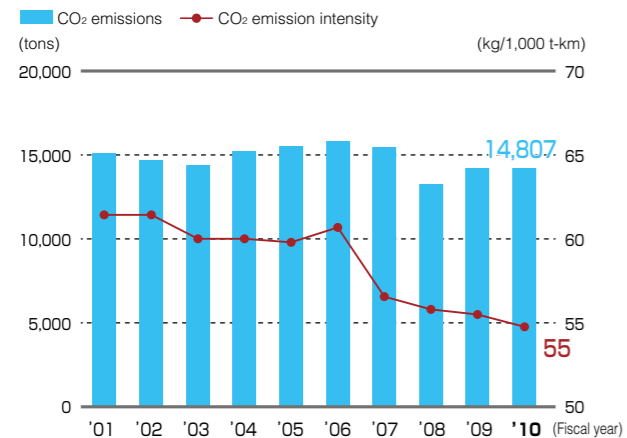
Although changing economic conditions can affect the amount of goods we ship and our CO₂ emissions, we are implementing initiatives to reduce CO₂ emission intensity. These include modal shift, improved transport efficiency, introduction of digital tachometers, and energy-efficient vehicle operation such as minimized idling and the installation of energy-efficient tires. Furthermore, we are accommodating environmental considerations by increasing the use of tank containers adaptable to rail transport in response to the

increased shipping volume of ethylene oxide, our main product line.

As an air pollution control measure, we adopted the Kawasaki Eco-Transport System* (effective April 1, 2010) and began promoting three initiatives: eco-friendly driving and display of "eco-drive" stickers; elimination of vehicles that do not comply with laws regulating NO_x and PM emissions; and widespread adoption of low-emission and energy-efficient vehicles.

* An environmentally friendly transportation system established with the partial amendment of the "Kawasaki City Ordinance for Conservation of Life Environment, including Pollution Prevention."

Trend in CO₂ Emissions and Emission Intensity Attributable to Domestic Logistics



We increased the use of container cargo packing equipment and rail transport containers for ethylene oxide, our main product line.



Sticker of the Kawasaki Eco-Transport System



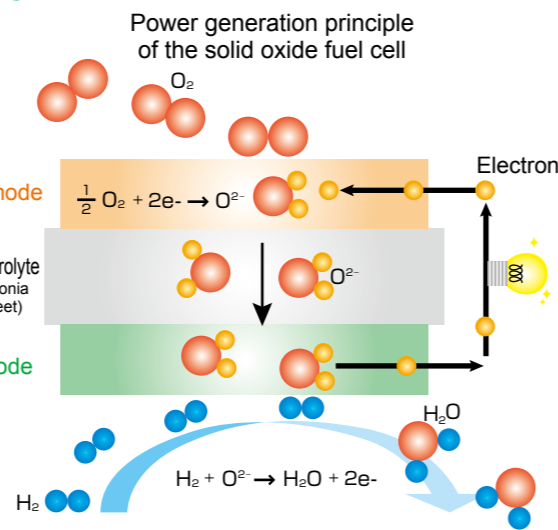
Increased use of compliant low-emission vehicles at Nishoku Butsuryu Co., Ltd.

TOPICS

Development of technology for mass production of zirconia electrolyte sheet for solid oxide fuel cells

60th Industrial Technology Award of the Osaka Industrial Research Association

This award was presented for a technology for mass-producing zirconia electrolyte sheet, the heart of the solid oxide fuel cell (SOFC), which holds promise as a next-generation power generation system. This technology boosts the efficiency of the production line and contributes to quality and cost levels that meet customer requirements.



Modal Shift By changing our shipping method toward bulk transport using railways and ships, we are optimizing our transport method to conserve energy and reduce our environmental impact.

Pollution Control Initiatives Targeting Air and Water

We introduced a high-performance activated sludge treatment system to accommodate increased production capacity and ensure consistent treatment.

To control air pollution, we are taking steps to reduce byproduct oil and consumption of fuel oil. At the same time, we are converting fuel sources to natural gas while monitoring our emissions of SO_x, NO_x and dust.

In addressing water pollution control, we are endeavoring to reduce the environmental impact (reduction in chemical oxygen demand, or COD) of our wastewater by

recovering wastewater from the production process and reusing it. We have also installed an activated sludge treatment system and a waste liquid combustion furnace.

In addition, in fiscal 2009 we introduced a high-performance activated sludge treatment system to ensure stable treatment of high COD loads.

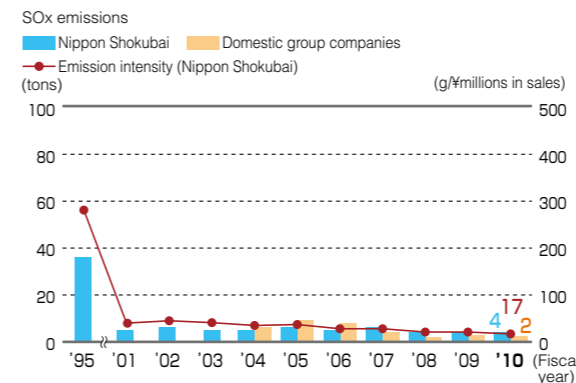


Activated sludge treatment system

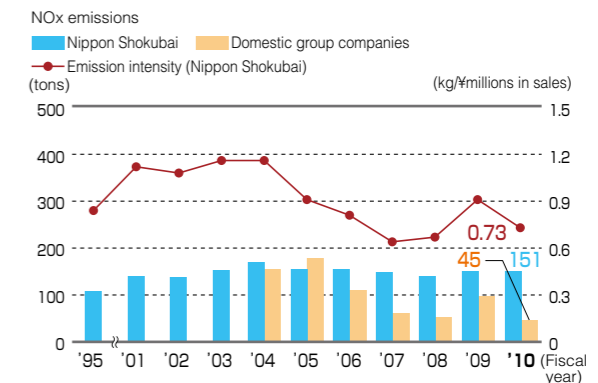


Waste liquid combustion furnace

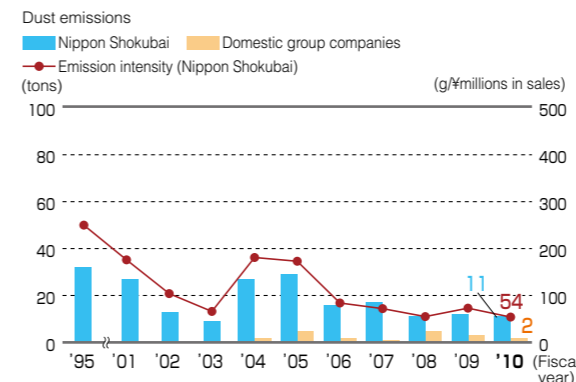
Trend in SO_x Emissions



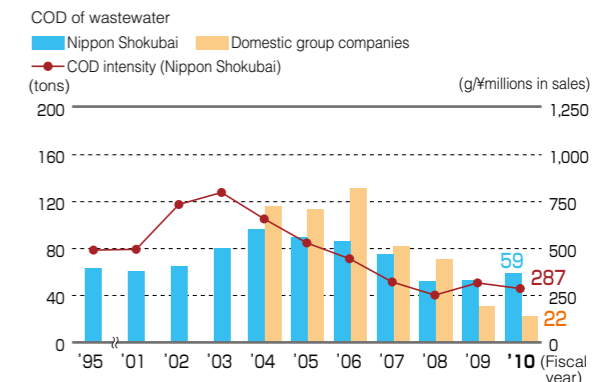
Trend in NO_x Emissions



Trend in Dust Emissions



Trend in COD of Wastewater



Note: Regarding the values agreed to by the city and prefecture, SO_x emissions total 1/50th and dust emissions total 1/10th. NO_x and COD totals are below the agreed values.

SO_x

A hazardous air pollutant. This is a general term for sulfur oxides such as sulfur dioxide (SO₂) and sulfur trioxide (SO₃), which are generated mainly from the burning of fossil fuels.

NO_x

A general term for nitrogen oxides such as nitric oxide (NO) and nitrogen dioxide (NO₂). These substances contribute to acid rain and photochemical smog.

Dust

Fine particles generated through incineration of materials and other processes

COD (Chemical Oxygen Demand)

An index of water pollution caused by an organic substance. It represents the volume of oxygen consumed when an organic substance is oxidized.

Waste Reduction Initiatives

We are striving to reduce the amount of waste subject to final disposal at off-site landfills.

Addressing the need to reduce waste is a necessary initiative to support the emergence of a society committed to recycling. By achieving and continuing our initiative toward zero emissions (defined as "reducing the quantity of waste subject to final disposal at off-site landfills to less than 0.1% of total amount of waste generated"), we are promoting the sorting for recovery and recycling of our waste.

In fiscal 2010, we continued to implement our zero emissions policy by reducing the amount of waste subject to final disposal at off-site landfills through on-site treatment of production residues and by implementing thorough sorting for recovery and recycling.

Interview



Stringent sorting of waste has enabled us to reduce waste emissions.

Yasuhiro Masui
Production Section, Suita Plant

We are working to reduce waste emissions by increasing our recycling rate through stringent and thorough sorting of waste for recovery. In order to ensure that waste sorting becomes ingrained, our Zero-emissions Committee (in collaboration with our plants and research centers) formulated rules for waste sorting and conducts monthly patrols to verify the rate of implementation and raise the level of awareness. Through these initiatives, we are steadily reducing waste emissions.



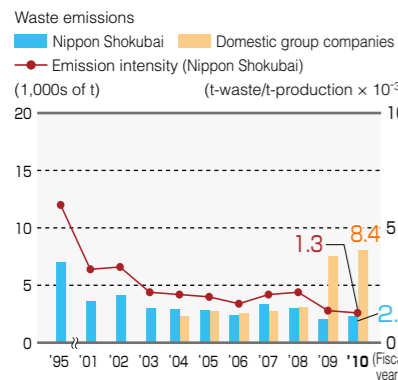
Our new recovery equipment has dramatically reduced the amount of waste we generate.

Kazuya Michimoto
Superabsorbent Polymers
Production Dept., Himeji Plant

One major issue we faced was determining how to reduce the amount of industrial waste we generated through our manufacturing processes. Recently, we introduced new recovery equipment in the process and established a recovery technology. We have also introduced this technology in our latest plants.

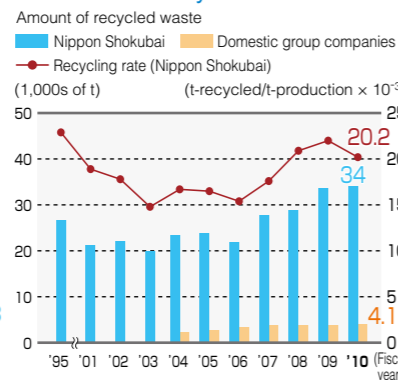
We will continue to introduce this technology in our other plants as we work to further reduce the amount of waste we generate.

Trend in Waste Emissions

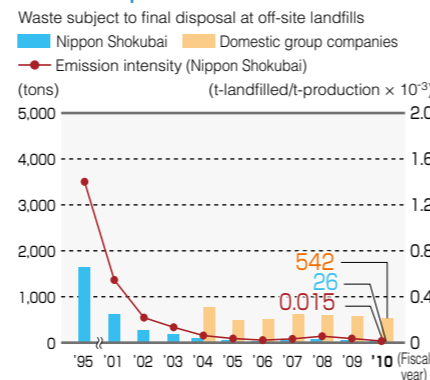


* Increased as a result of the inclusion, in the scope of this report, of one additional group company in fiscal 2009 and another in fiscal 2010.

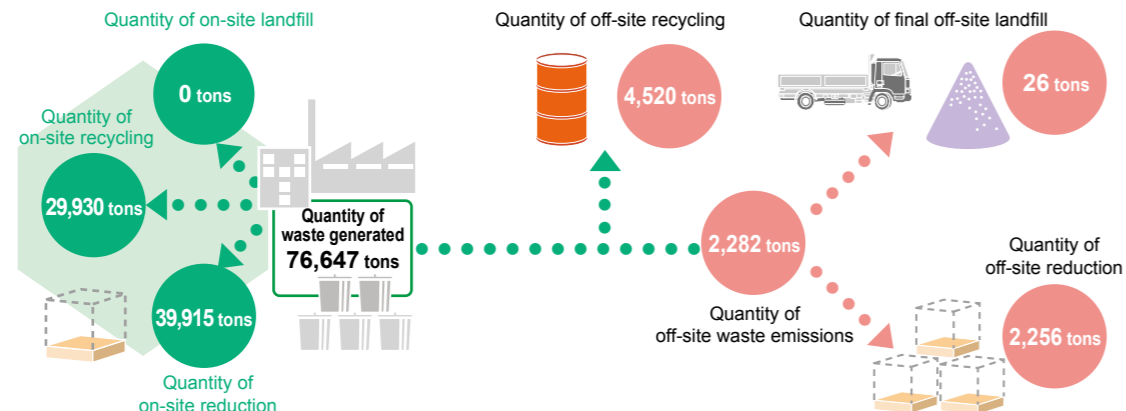
Trend in Amount of Recycled Waste



Trend in Amount of Waste Subject to Final Disposal at Off-site Landfills



Waste Flowchart



Chemical Substances Control Initiative

We are focused on reducing our chemical emissions.

In 1995, we participated in a voluntary PRTR survey undertaken by the Japan Chemical Industry Association and have set out to reduce our emissions of chemical substances into the environment.

In fiscal 2010, we released 114 tons of chemical substances, which represents an increase in emissions relative to the preceding fiscal year due to a revision in the law that included additional chemical substances under the scope of the law. We remain committed to our effort to further reduce emissions toward our fiscal 2012 target of a 50% reduction from fiscal 2005 levels.



Flue gas treatment system



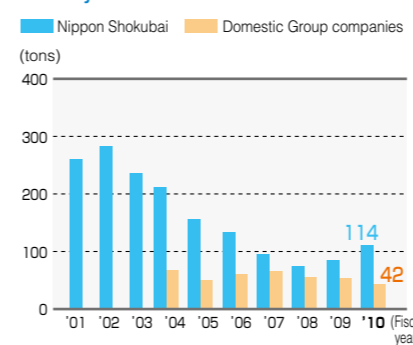
Acrylic acid absorption system

Top 10 Substances Subject to the PRTR Released in Fiscal 2010

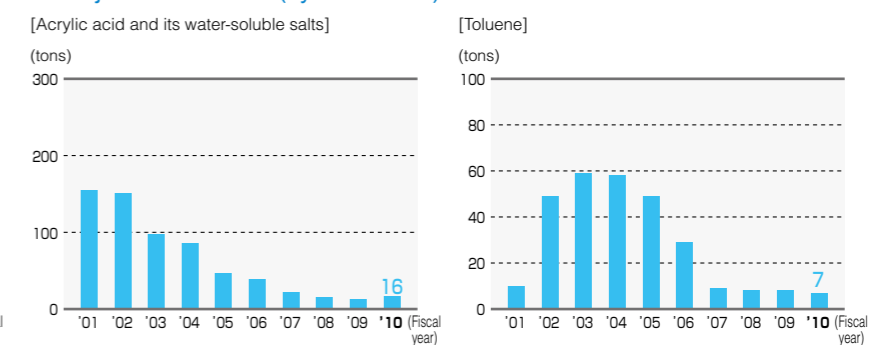
| No. | Government Designation No. | Substance Subject to PRTR | Released into Atmosphere | Released into Water | Total Emissions |
|-----|----------------------------|---|--------------------------|---------------------|-----------------|
| 1 | 405 | Boron compounds | 0.0 | 32.3 | 32.3 |
| 2 | 4 | Acrylic acid and its water-soluble salts* | 13.0 | 3.1 | 16.1 |
| 3 | 56 | Ethylene oxide | 9.9 | 0.0 | 9.9 |
| 4 | 150 | 1,4-dioxane | 0.0 | 9.6 | 9.6 |
| 5 | 321 | Vanadium compounds | 0.0 | 9.3 | 9.3 |
| 6 | 400 | Benzene | 8.4 | 0.0 | 8.4 |
| 7 | 300 | Toluene | 7.1 | 0.0 | 7.1 |
| 8 | 80 | Xylene | 3.0 | 0.0 | 3.0 |
| 9 | 414 | Maleic anhydride | 2.6 | 0.0 | 2.6 |
| 10 | 58 | Ethylene glycol monomethyl ether | 2.5 | 0.0 | 2.5 |

* In fiscal 2010, water-soluble salts were included in the PRTR.

Trend in Emissions of Substances Subject to the PRTR



Trend in Emissions of Substances Subject to the PRTR (by Substance)



PRTR (Pollutant Release and Transfer Register) A regulatory system that requires the reporting of emissions of designated chemical substances into the air, water and soil as well as the volume of waste transferred. Data compiled and submitted to governmental agencies are disclosed to the public.

Environmental Accounting

The values determined in our environmental accounting were aggregated according to the *Environmental Accounting Guidelines* published in 2000 by the Ministry of the Environment of Japan and the *Environmental Accounting Guidelines for the Chemical Industry* published in 2003 by the Japan Chemical Industry Association and the Japan Responsible Care Council. We also made reference to the 2007 Edition of the *Environmental Accounting Guidelines* published by the Ministry of the Environment of Japan.

● **Environmental Protection Costs & Environmental Protection Benefits** Applicable period: April 1, 2010–March 31, 2011
Scope: Nippon Shokubai (nonconsolidated) (millions of yen)

| Classification | Main Initiatives | Amount Invested | Expenses | Effects | Relevant Page |
|---|---|-----------------|--------------|--|---------------|
| Environmental protection costs related to control of the environmental impacts of our production and service business operations (Business area cost) | 1. Pollution Control Cost | 198 | 2,075 | No pollution problems occurred. | P17, 19 |
| | 2. Global Environmental Protection Cost | 27 | 1,982 | Energy efficiency efforts resulted in a 19% reduction in energy intensity from fiscal 1990 level. • Energy intensity Fiscal 2009: 110 L/t → Fiscal 2010: 104 L/t (14% reduction) | P15 |
| | 3. Resource Recycling Cost | 52 | 424 | We achieved zero emissions by sorting and recycling our solid waste. • Amount of waste subject to final disposal at off-site landfills Fiscal 2009: 56 tons → Fiscal 2010: 26 tons | P18 |
| Cost of controlling the environmental impacts of production and service operations occurring upstream & downstream (Upstream/downstream costs) | Reuse of drum containers | 0 | 32 | Parts of drum containers are reused. | — |
| Environmental protection costs related to management activities (Environmental management costs) | Operation of environmental structure; acquisition and maintenance of ISO 14001 registration | 0 | 522 | Having acquired ISO 14001 registration at all plants, we plan to enhance our environmental management systems. | — |
| Environmental protection costs related to R&D activities (R&D costs) | Reduction of the environmental impact through development and manufacturing of green products | 0 | 1,794 | Conducting R&D of catalysts for treating wastewater containing organic substance(s) and catalysts for dioxin decomposition | — |
| Environmental protection cost related to social activities (Social activity cost) | Environmental-related contributions | 0 | 43 | Forest development initiatives | P8 |
| Cost of dealing with environmental remediation (Environmental damage cost) | — | 0 | 7 | — | — |
| Total | | 277 | 6,879 | | |

● **Economic Effects (Monetary Benefits) Resulting from Environmental Protection Initiatives** (millions of yen)

| | Effect | Amount |
|-------------|---|--------------|
| Income | Operating revenue from recycling used products and waste generated by principal business activities | 6 |
| | Reduction in expenses associated with energy conservation | 1,186 |
| Cost saving | Reduction in waste disposal cost accruing from resource conservation and recycling | 1,228 |
| | Total | 2,420 |

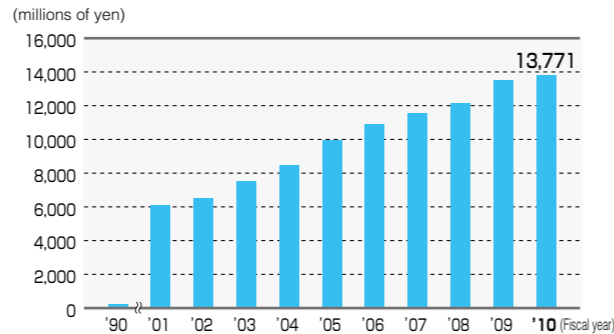
● **Reference**

Total investment for the period: 10,873 million yen
Total R&D expenses for the period: 10,711 million yen

Environmental Investment

Every year, we actively invest in environmental protection measures. Beginning in fiscal 1990, we began to calculate our total investment in environmental protection.

● **Total Environmental Investment (since fiscal 1990)** (millions of yen)



Environmental Accounting This system collects and analyzes the costs and effectiveness of environmental protection in business activities, quantitatively and to the maximum extent, and makes the data available to the public. It is focused on sustainable development for companies with the goal of efficiently and effectively promoting environmental protection initiatives while maintaining a good relationship with society.

Basic Approach to Safety Issues

We recognized early on that the sustainable development of our company could not be achieved without ensuring safety and earning the trust of the community. Since 1973, we have been developing a consensus among all our employees that ensures safety is our top priority with the company's mission statement "Safety takes priority over production."



■ **The Role of Senior Management in Ensuring Safety**

Senior management has the important role of ensuring safety by implementing the following four items.

- Clearly demonstrate an attitude of emphasizing safety.
- Carefully monitor actual circumstances and issue necessary instructions to ensure safety.
- Maintain adequate management resources.
- Ensure compliance (with corporate ethics as well as all laws and regulations).

■ **The Principles of Safety Management**

We have established and implemented the following basic policy regarding safety management into the Safety Management Regulations of our company regulations.

Principles of Safety Management (excerpt)

- Safety takes priority over production.
- Undertake an immediate shutdown if you encounter an error in operation (without any risk of being assigned blame).

Achieving Zero Accidents and Disasters (Promotion of Voluntary Safety Initiatives)

Since our company was established, we have been employing our own proprietary technology in our production operations. This has enabled us to gain much technical knowledge regarding the risks specific to certain processes from the development stage. We are applying the knowledge thus gained during plant construction and the like and are promoting voluntary safety initiatives.

■ **Achieving Continuous Improvement with a Safety Management System**

In an effort to more thoroughly visualize our safety initiatives and promote continuous improvement, we introduced plans to implement a safety management system at all our plants under our 5th Medium-term RC Promotion Basic Plan (spanning fiscal 2006–08). Under this system, we have been steadily upgrading our safety management by formulating a safety management plan and related goals, implementing this plan, and assessing the system.

■ **Implementation of Various Emergency Drills**

We have established an emergency response system at each plant in order to minimize damage in the event of an emergency and are systematically conducting various emergency drills. Any challenges encountered are reflected in the subsequent drill following an evaluation, as this approach enables us to steadily improve our emergency response system.



Emergency response drills

■ **Assessing the Safety of Facilities**

In order to prevent accidents and disasters, we conduct risk assessments when undertaking new construction, expansion, and remodeling of facilities, or when changing work procedures. In fiscal 2001, we began employing HAZOP* and other methods when re-evaluating existing plants to ensure safety.

HAZOP (Hazard and Operability Study)

A safety evaluation method for systematically evaluating the adequacy of safeguards in plants and eliminating latent risks in plants through comprehensive detection.

■ **High-Pressure Gas Safety Certification Acquired**

In recognition of their compliance with the provisions of the High Pressure Gas Safety Act, the seven facilities of the Chidori Plant and the six facilities of the Ukishima Plant in our Kawasaki Plant have been recognized by the Ministry of Economy, Trade and Industry as "Certified Completion Inspector and Certified Safety Inspector" under the provisions of the High Pressure Gas Safety Act. This certification enables us to conduct self-administered safety and self-completion inspections on these plants. Recertification may be undertaken every five years. Both plants are actively seeking to upgrade safety management with a view to future recertification.

■ **Trend in the Number of Facility Disasters**

| Fiscal year | '06 | '07 | '08 | '09 | '10 |
|---------------------|-----|-----|-----|-----|-----|
| Number of disasters | 0 | 0 | 0 | 0 | 0 |

■ **Commendations**

• At the Hazardous Materials Safety Convention, the Hyogo Association for Safety of Hazardous Materials, an employee of the Himeji Plant was awarded the Association President's Commendation as an Excellent Hazardous Materials Engineer (Officer, Handler). This employee was recognized for his achievements in his many years of handling hazardous materials.



Commendation awarded at the Hazardous Materials Safety Convention

• An employee of the Himeji Plant received the Chairperson's Commendation as an Excellent High-Pressure Gas Safety Supervisor at the 40th Hyogo Prefecture High Pressure Gas Safety Supervisor Convention. This employee was recognized for his many years of achievements in high-pressure gas safety.



Commendation ceremony at a convention of professionals in charge of high-pressure gas safety

Continuous Improvement through the Occupational Safety and Health Management System

In fiscal 2003, we introduced our Occupational Safety and Health Management System (OSHMS) and have been implementing it continuously since then. Using this system, we have been improving occupational safety and health by seeking to eradicate industrial accidents, reduce potential risks, and promote health and the creation of pleasant work environments.

Targeting Zero Industrial Accidents

We are committed to the prevention of industrial accidents by implementing systematic "KY" (*kiken yochi*, or risk prediction) campaigns, "close-call incident" (*hiyari hatto*) campaigns, our "5 S" campaigns, and a variety of drills and training classes. We are working toward our current goal of eradicating industrial accidents by developing various initiatives to enhance our risk prediction at each plant.

On-site Training Sessions

We hold a variety of on-site training sessions at each plant with the intention of increasing our sensitivity to dangers inherent in on-site work.

Current and retired employees serve as instructors for the on-site training courses we offer. These classes include donning safety belts and a falling demonstration; burning of our products; and exposure to spray and liquids released as a result of residual pressure associated with valve opening and closing operations or flange disassembly and reassembly.

Moreover, we actively work with outside educational institutions and provide training in first aid and the dangers of becoming entangled or entrapped in equipment or being exposed to fire or explosion.

Through this training, we are developing safety-conscious operators.



Donning of safety belts



Exposure to spray and liquids

Intramural Exchange Program

In order to further promote Responsible Care at our plants, we have been conducting an Intramural Exchange Program. At these exchange meetings, we introduce examples of initiatives implemented at the production sites at each plant and facilitate exchanges of opinion. Thus, we are taking steps to extend Responsible Care by supporting one other and promoting interactions between plants.



Intramural Exchange Program

KY Campaign

In an effort to prevent industrial accidents, we are committed to increasing our sensitivity to work-related risks and have maintained a daily focus on our KY campaign. We have implemented group KY before work, KY for individual workers, and radio (Mobix) KY coordinated between workers and the control room. Thus, we are enhancing our sensitivity to risk.

We also carry out systematic drills and KY-focused training, such as KY training with case sheets and holding KY workshops.



KY campaign



Entrapment training



Exposure to spray and liquids



First aid training

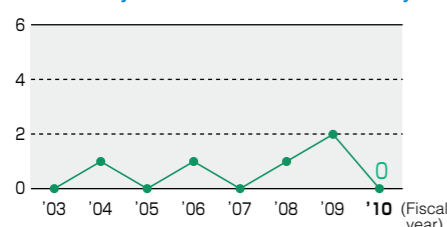


Exposure to fire and explosion

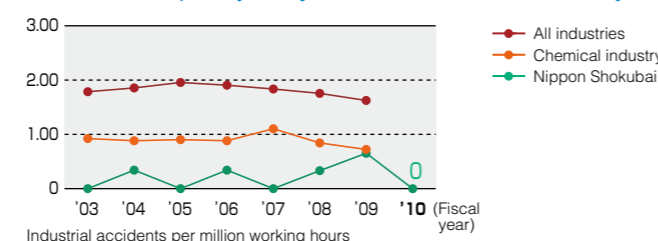
Occurrence of Industrial Accidents

In fiscal 2010, we had five injuries without loss of workdays; our contractors had one injury with loss of workdays, and four injuries without loss of workdays. We are focused on preventing any recurrence through intramural support and by providing comprehensive measures and information at each plant.

Trend in Injuries with Loss of Workdays



Trend in Frequency of Injuries without Loss of Workdays



Addressing the Asbestos Issue

Since our establishment, we have never manufactured asbestos products; however, because we used insulation and sealing materials containing asbestos, we have handled asbestos on occasion. Therefore, we are contacting employees and retirees regarding health issues and are implementing a phase-out of parts containing asbestos.

Supporting Health Issues

In January 2006 and May 2009, we sent information about asbestos-related medical examinations to retirees, offering an annual medical examination at our expense. To date, a total of 69 retired employees have been issued a Health Check Note. Four persons were awarded industrial accident compensation benefits under the Industrial Accident Compensation Insurance Act. One person was awarded special compensation benefit for bereaved families under the Act on Asbestos Health Damage Relief. We will continue to support our retirees and employees with asbestos checkups in the future.

Addressing the Use of Parts Containing Asbestos

In fiscal 2005, we stopped using asbestos-containing parts where the asbestos was at risk of becoming airborne.

In fiscal 2007, we completed a shift to using asbestos-free sealing materials wherever there was a potential to come into contact with the product.

As for other asbestos-containing parts that are not associated with the risk of becoming airborne in normal use, we are systematically phasing them out whenever the opportunity arises for updating or replacing parts.

Responsible Care Activities

Logistics Safety Initiatives

We are committed to improving our ability to respond by periodically conducting mock accident drills that assume an accident on a transportation route. Through this effort, we are helping to prevent accidents during product shipments while minimizing damage should an accident occur.

Moreover, we began installing GPS units in all tanker trucks transporting our ethylene oxide products. This initiative enables us to accurately monitor the locations of these trucks so that we, as the shipper, can promptly respond when required.

We conduct annual audits of the logistics safety of our distribution contractors and seek to achieve continuous improvements.



Mock accident-response drill for shipping accident en route

Close-call Incident (*Hiyari Hatto*) Campaign

Through this campaign, we are implementing safety measures in our day-to-day activities with a focus on our facilities and initiatives in order to clarify the reason for a close call and how we can avoid experiences involving similar tense or alarming occurrences that do not necessarily involve an accident.

KY (*Kiken Yochi* or Risk Prediction) Campaign

This campaign seeks to prevent accidents and disasters by identifying and correcting risk factors (unsafe behaviors or unsafe conditions) that are not readily apparent at the meeting or the like before work gets under way.

OSHMS (Occupational Safety and Health Management System)

This management system, undertaken in collaboration with workers, sets out the organization, responsibilities, practical issues, procedures, processes, and management resources required for business operators to continuously implement risk reduction in the area of safety and health. This management framework aims to improve workplace safety and health standards.

"5 S" Campaign

An activity promoting the "5 S" (*seiri, seiton, seiketsu, seisou* and *shitsuke*) targeting sorting, tidying, hygiene, cleaning, and discipline.

Chemical Safety Initiatives

We have established a Chemicals Total Management Committee and have implemented a variety of initiatives to work toward our goal of zero legal and social issues related to the chemical substances contained in products. This effort applies throughout the product life cycle from the R&D stage to disposal at the end of the product service life.

We are upgrading our internal systems across the global operations of our Group in order to comply with national and international laws and regulations related to chemical products. Moreover, we are committed to providing our customers with information on relevant laws and regulations as well as product safety information.

Accommodating the REACH Regulation

Our Group manufactures, imports, and sells a variety of products in Europe, including superabsorbent polymer, and we carry numerous substances that are subject to REACH registration.

To expand our business under the terms of REACH, we are required to collect safety information, undertake risk evaluations, and register these substances. We are preparing to accommodate these requirements in collaboration with others in the same industry and throughout our supply chain. (Substances subject to the November 2010 registration deadline have all been registered.)

We will continue to promote such initiatives in order to ensure our Group in Europe remains in compliance with local laws and regulations.

Addressing Import/Export Controls

In order to ensure compliance with relevant laws and regulations regarding the import and export of our chemical products, we are promoting a variety of initiatives such as strengthening company regulations; determining whether a product is on a list subject to import/export restrictions; keeping our employees informed about whether a product has been listed as subject to import/export restrictions; recording applicable items on the MSDS; and improving our shipping management system for coordination with our enterprise resource planning (ERP) backbone accounting system. We also conduct regular internal training on import/export management.

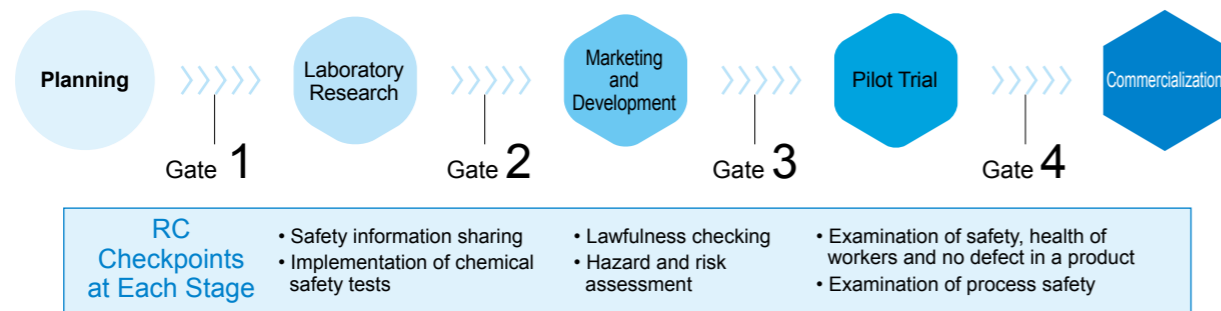
Accommodating Laws and Regulations Applicable to New Chemical Substances

In collaboration with specialized institutions and our Group companies outside Japan, we are responding appropriately to the laws and regulations both within and outside Japan that require us to issue notifications of new chemical substances. These include the Act on the Evaluation of Chemical Substances and Regulation of Their Manufacture, etc. and the Industrial Safety and Health Act of Japan; the Toxic Substances Control Act (TSCA) of the U.S.A.; REACH; Provisions on the Environmental Administration of New Chemical Substances in China; and the Toxic Chemical Control Act of South Korea.

Ensuring the Safety of New Products

We have introduced a gate system at each stage from R&D to commercialization. In order to maintain safety throughout all processes including material procurement, processing, production, application, and disposal according to the terms of Responsible Care, at each stage we use technical expertise to determine whether to proceed to the next stage.

Gate System



REACH

This European Union's chemical regulation is an acronym for Registration, Evaluation, Authorization and Restriction of Chemicals. While risk assessment of chemical substances had conventionally been carried at the initiative of administrative agencies, this responsibility was later transferred to companies. This legislative approach requires registrants (manufacturers and importers of chemicals) in the supply chain to assume the responsibility for maintaining human health and reducing environmental impacts. One of the objectives of this legislation is to strengthen the competitiveness of manufacturers within the EU.

Risk Assessment of Chemical Substances

Chemical risk assessment entails evaluation of the risk of various toxic hazards associated with chemical substances. Chemical manufacturers have the social responsibility to minimize the risk of chemical substances and are required to implement voluntary Responsible Care activities.

MSDS

The Material Safety Data Sheet lists a chemical's properties as well as data on its safety, transportation requirements, applicable laws, proper handling, and specific emergency response measures in a prescribed format. We compile an MSDS for each of the products we manufacture and develop, and we have implemented a system for distributing the latest versions to all employees through our MSDS-DB. In the future, we intend to compile a GHS-compatible version, an international version, and versions targeted to specific countries, such as an EU version and Chinese version.

Product Safety Initiatives

Our Product Safety Review Sub-committee verifies product safety, including compliance with the Product Liability Act. We prepare and inspect GHS-compliant warning labels, MSDSs, and Yellow Cards for the logistics sector and provide information to customers in real time while promoting training sessions for our employees.

Sample warning label



(for use outside Japan)



(for use within Japan)

GHS pictographs



Accommodating Green Procurement

For substances that are regulated or highly hazardous, we have independently assigned them to two categories: "prohibited substances (total ban on use)" and "restricted substances (handling restricted depending on product application)." We are promoting the development of green products and the procurement of raw materials with low environmental impact while determining and controlling the inclusion of such substances in our products. In response to customer requirements regarding the discontinuation and reduction of substances imparting an environmental burden, we are striving to eliminate these hazardous substances from our products and are disclosing appropriate information to customers.

Responsible Care Activities

Quality Assurance Initiatives

We give the highest priority to providing products and services that fully satisfy our customers while earning their trust through continuous quality improvement.



Customer Satisfaction Initiatives

To ensure our customers are satisfied with the exceptional and stable quality of our products and services, we promote quality assurance initiatives from the product development stage through to manufacturing and delivery. Accordingly, we are dedicated to ensuring continuous improvement of our quality management system through certification of registration with ISO 9001, the international standard for quality management system acquired by all our plants and all Group companies engaged in manufacturing and distribution both within and outside Japan.

Promoting Initiatives to Address Quality Issues

We are dedicated to ensuring a quick response to every quality issue that arises. In order to address such quality issues with certainty, we have compiled a database that enables us to share information company-wide and visualize the state of progress of our response.

Furthermore, in order to prevent the emergence of quality issues throughout our Group, we support the improvement of the quality assurance systems of our Group companies outside Japan and advise our Group companies in Japan on quality issues when necessary.

GHS

An abbreviation for Globally Harmonized System of Classification and Labeling of Chemicals, GHS reflects the risks and health and environmental hazards of chemicals determined in accordance with international standards. Under this system, products identified as presenting a risk or hazard are categorized according to test data and the information is displayed on labels on product packaging containers and in the respective MSDS. Countries in Europe and Asia have also introduced this system on the recommendation of the United Nations. This system is enforced in Japan through the Industrial Safety and Health Act.

Yellow Card

Carriers who transport hazardous materials and toxic substances must carry a yellow card for reporting information about their cargo to fire squads in the event of an accident. The yellow card lists a chemical's hazards, first aid procedures in an accident, and emergency contact information. As part of its promotion of Responsible Care, the Japan Chemical Industry Association prepares and manages guidelines on the procedures for preparing a yellow card in order to strengthen first aid measures in the event of an accident.

Green Procurement

This initiative responds to the national policy to promote the purchase of products and raw materials with reduced environmental impact through recycling and the like. This initiative guides companies in their purchase of raw materials and parts for products from suppliers to promote the preferential selection of products with the least environmental impact.

Himeji Plant



Yosuke Ogata, Plant Manager

Plant Outline

Plant Manager: Yosuke Ogata, Member of the Board, Managing Executive Officer
 Location: 992-1 Aza-Nishioki, Okihama, Aboshi-ku, Himeji
 Number of employees: 850 at the Himeji Plant;
 171 at research centers in the Himeji district
 Products: Acrylic acid, acrylates, maleic anhydride, superabsorbent polymers, resin modifier, electronic information materials, De-NOx catalyst, dioxins decomposition catalyst, and other products

Fiscal 2010 Results of RC Activities

- We reduced our energy intensity by 8.2%, and CO₂ emission intensity by 6.2%, year on year.
- We achieved zero waste emissions.
- We achieved the process safety and disaster prevention target of zero facility disasters and zero facility accidents.
- We experienced a total of seven industrial accidents: our own employees suffered five injuries without loss of workdays, while our contractors suffered one injury with loss of workdays and one injury without loss of workdays.

The cause of most industrial accidents was a failure to apply principles such as risk prediction and safety assurance. We will continue to emphasize training and initiatives to ensure implementation of these fundamentals.

Regarding emissions of substances subject to the PRTR, total emissions grew by 21% in fiscal 2010 relative to the preceding fiscal year. In early fiscal 2011, we adopted measures to address the source of the increased emissions. We are now

implementing a plan to further reduce emissions relative to fiscal 2009 levels.

In 2010, we marked our 50th anniversary with a party to show our gratitude to the invited guests for their cooperation. We remain committed to contributing to society and maintaining harmony with the local community.

Kawasaki Plant



Kenji Rakutani, Plant Manager

Plant Outline

Plant Manager: Kenji Rakutani, Executive Officer
 Location: Chidori Plant
 14-1 Chidori-cho, Kawasaki-ku, Kawasaki
 Ukishima Plant
 10-12 Ukishima-cho, Kawasaki-ku, Kawasaki
 Number of employees: 312 (including Research Center employees)
 Products: Ethylene oxide, ethylene glycol, ethanolamine, higher-alcohol surfactants, polymers for concrete admixture, and other products

Fiscal 2010 Results of RC Activities

- We achieved zero injuries, although one contractor suffered an injury without loss of workdays.
- We remain dedicated to increasing our sensitivity to work-related risks by using educational tools such as hands-on training. In addition, we expanded our ongoing basic safety initiatives.
- The stable operation of our upgraded ethylene oxide facility contributed to a reduction in our energy consumption.

In fiscal 2010, one of our contractors unfortunately suffered an injury without loss of workdays. We are strengthening our support and training of our contractors and are taking steps to prevent any recurrence.

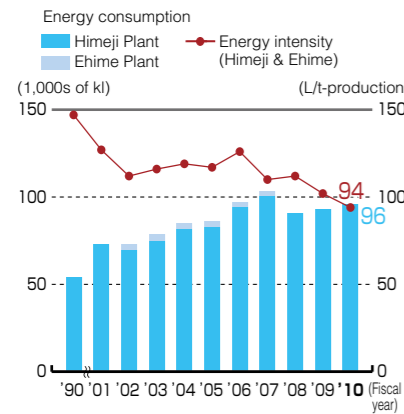
In order to ensure the robustness of our plant, we focused on hands-on training and RC training while enhancing our employees' sensitivity and knowledge of work-related risks. We are also actively working to identify and target hazards through

our safety management system while implementing measures to rectify the aging of our facilities and boost earthquake preparedness.

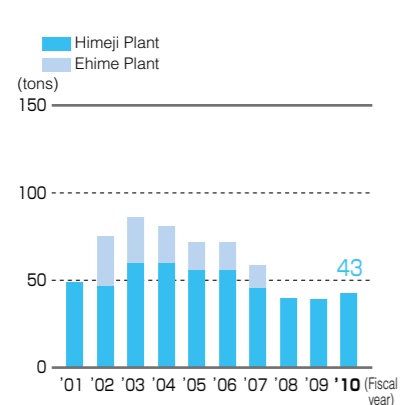
In the area of product transport, the Chidori Plant is promoting a modal shift by upgrading the freight car shipping facility for ethylene oxide.

We will continue to promote RC activities as we strive to build a safe and reliable plant.

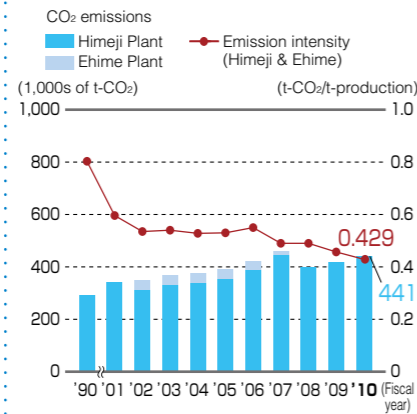
Trend in Energy Consumption



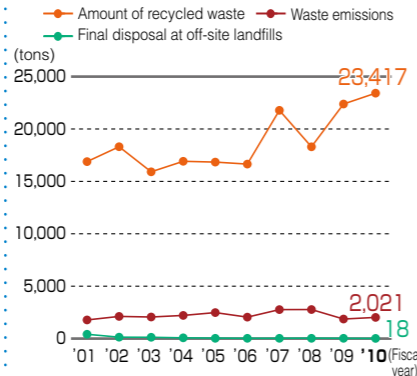
Trend in COD of Wastewater



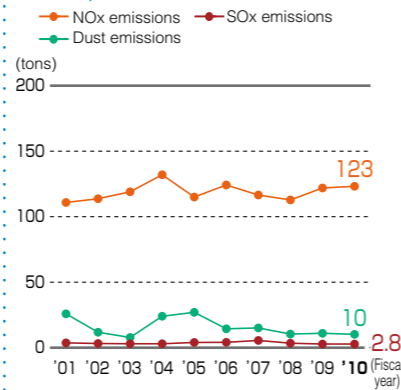
Trend in CO₂ Emissions



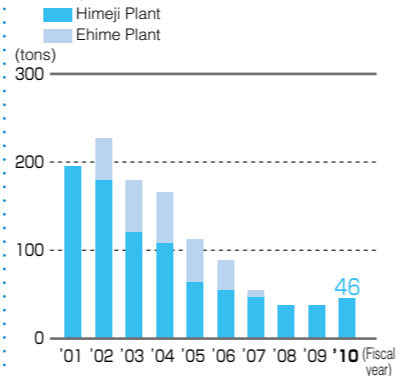
Trend in Amount of Waste, Recycled Waste, and Waste for Final Landfill Disposal



Trend in Emissions of SO_x, NO_x, and Dust

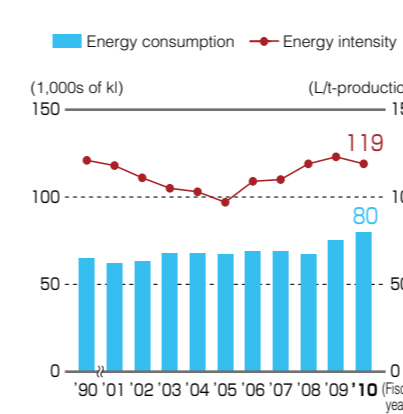


Trend in Emissions of Substances Subject to the PRTR

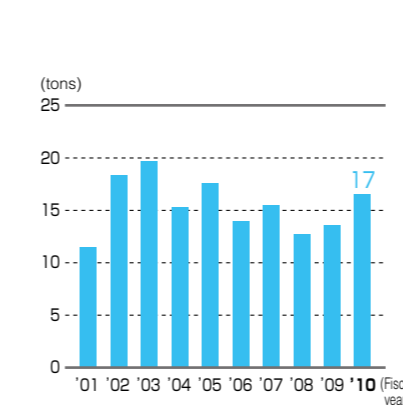


As of fiscal 2007, the Ehime Plant stopped production.

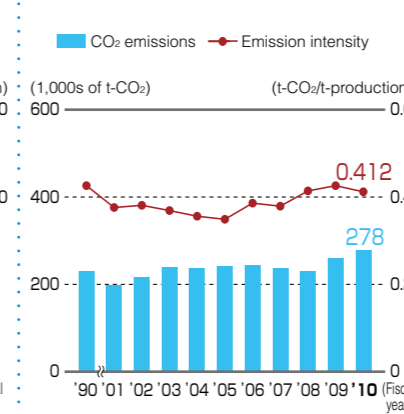
Trend in Energy Consumption



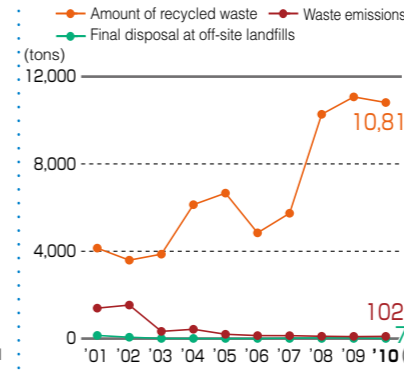
Trend in COD of Wastewater



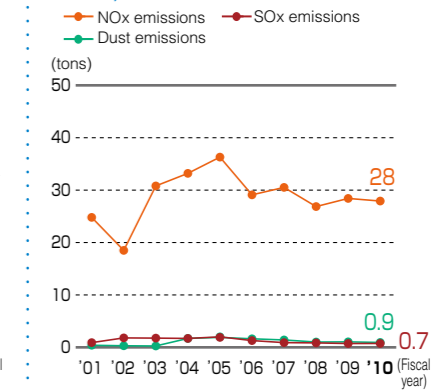
Trend in CO₂ Emissions



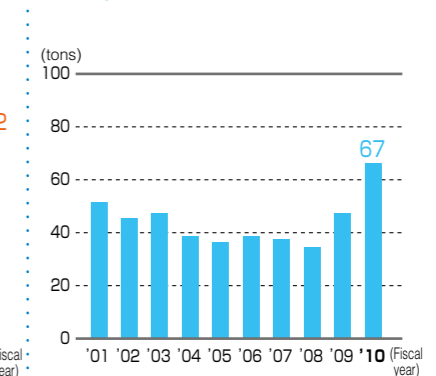
Trend in Amount of Waste, Recycled Waste, and Waste for Final Landfill Disposal



Trend in Emissions of SO_x, NO_x, and Dust



Trend in Emissions of Substances Subject to the PRTR



Suita Plant



Hideyuki Nishibayashi, Plant Manager

Plant Outline

Plant Manager: Hideyuki Nishibayashi
 Location: 5-8 Nishi Otabi-cho, Suita
 Number of employees: 83
 Products: Acrylic resins for adhesives, resins for paints, and other products

Fiscal 2010 Results of RC Activities

- We achieved zero industrial accidents, zero facility disasters, zero problems related to chemical safety, and zero serious quality complaints.
- We extended our accident-free record to 4,000 days and counting.
- We conducted fire-fighting drills under the guidance of the local fire department.
- We reduced the volume of waste generated by promoting recovery of sorted waste.
- At the 6th RC Osaka regional dialogues, we introduced the initiatives implemented by the Suita Plant.

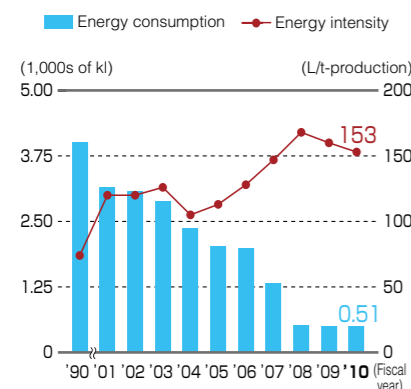
Continuing its performance in fiscal 2010, the Suita Plant experienced zero industrial accidents and zero facility disasters, thus extending the accident-free record to 4,000 days and counting as of the end of last year.

In the area of process safety and disaster prevention, we re-examined the safety of our plant operations according to the RC audits of Head Office and, under the guidance of the local fire department, we underwent training on the proper handling of fire-fighting equipment to ensure rapid extinguishing of an initial fire in the event of an emergency.

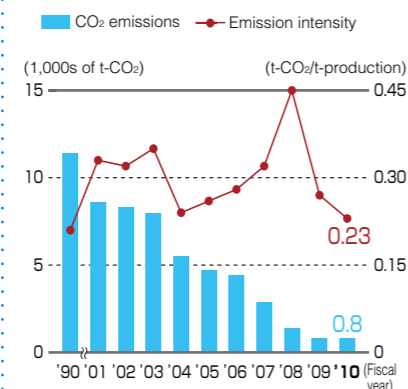
Among our environmental protection initiatives, we have been taking steps to improve our recycling rate through intensive sorting of waste. As a result, we have reduced waste emissions and continue to achieve success in this area.

As the plant is located in the midst of an urban area, we will promote continuous reduction of our environmental impact, continue to pursue our targets of zero accidents and disasters, and strive to gain the greater trust of the local community by supporting their peace of mind now and in the future.

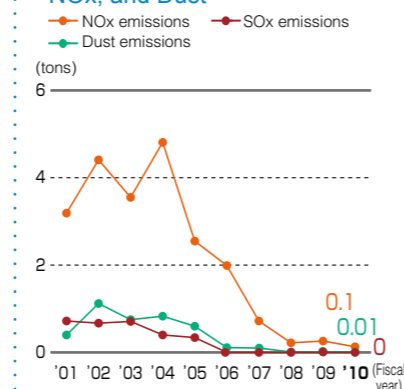
Trend in Energy Consumption



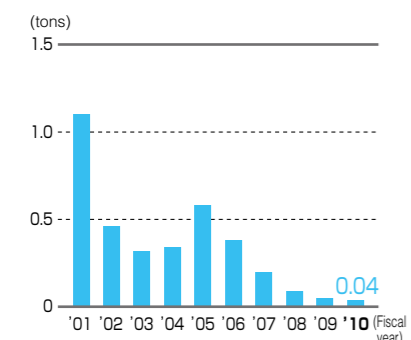
Trend in CO₂ Emissions



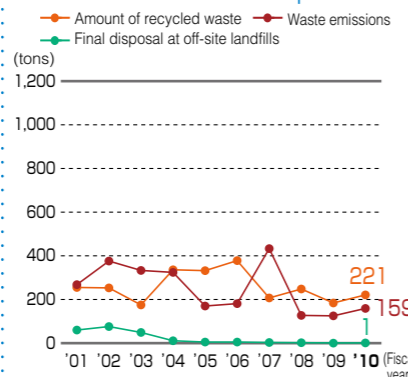
Trend in Emissions of SO_x, NO_x, and Dust



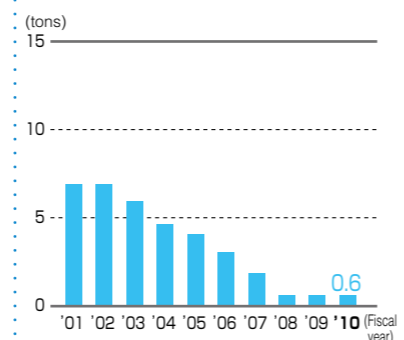
Trend in COD of Wastewater



Trend in Amount of Waste, Recycled Waste, and Waste for Final Landfill Disposal



Trend in Emissions of Substances Subject to the PRTR



RC Exchanges among Group Companies

RC Reciprocal Audits

In an effort to improve the RC activities of our Group companies in Japan, an organization of representatives of our Group companies in Japan undertakes annual reciprocal audits of all RC activities with two Group companies. In fiscal 2010, audits were conducted at Nihon Jyoryu Kogyo Co., Ltd. and Nippon Polyester Co., Ltd.



Audit of Nippon Polyester Co., Ltd.

RC Meeting of Group Companies Located Outside Japan

The fourth International RC Meeting was held at the Himeji Plant on January 25 to 26, 2011. The meeting brought together those involved in manufacturing as well as staff in charge of implementing Responsible Care at three Group companies outside Japan that manufacture superabsorbent polymer. With the primary goals of improving the sensitivity of detecting work-related risks and clarifying the danger of chemical burns, we provided training by reviewing instances of accidents and providing KY training and practical experience with exposed liquids.



International RC Meeting

Group Companies in Japan

Nippon Chemicals Co., Ltd.

Nippon Chemicals has been implementing the Nippon Chemicals Fiscal 2010 RC Activities Plan. Under this plan, the company promoted MSDS and GHS labeling on all products in its chemical safety efforts. For the EU in particular, it has developed labels that include English, German and French. In the area of quality assurance, the company has developed and administered the modification management system. Moreover, the company is improving and strengthening its compliance system by providing training in corporate ethics and in laws and regulations (such as the revised Act on the Evaluation of Chemical Substances and Regulation of Their Manufacture, etc., Security Export Control, REACH, and others).



Training in Laws and Regulations

Training in fire-fighting with water-jet equipment

Nippon Polyester Co., Ltd.

In seeking to reduce environmental emissions in the interests of environmental protection, Nippon Polyester has significantly reduced its emissions: compared with the emissions levels of the base fiscal year (fiscal 2006), it has reduced industrial waste by 90%, general waste by 80%, and substances subject to the PRTR by 20%.

Looking to process safety and disaster prevention, the company is targeting zero facility disasters and accidents by undertaking robust preventive maintenance with annual regular inspections while also remaining focused on disaster prevention.

In the area of occupational health and safety, the company is engaged in preventing industrial accidents through the HH and KY campaigns that are conducted during daily meetings.

The company is committed to achieving the targets of RC activities through the framework of the ISO 9001 standard and EA (Eco Action) 21.



HH and KY campaigns in action

Chugoku Kako Co., Ltd.

In fiscal 2010, as part of its process safety and disaster prevention initiatives, Chugoku Kako re-trained its employees by reviewing its emergency (fire, explosion, and power failure) response in addition to teaching about its conventional initiatives. As for the monthly cleanup, the company has expanded its scope to pick up trash all around the plant.

Chugoku Kako will continue to promote its RC activities within the scope of its corporate policy of "operating safely" and "maintaining a secure environment that does not trouble neighboring residents."



Cleanup

Group Companies in Japan

Tokyo Fine Chemical Co., Ltd.

Tokyo Fine Chemical remains focused on reducing the amount of waste destined for final disposal at off-site landfills. As part of its RC activities in fiscal 2010, it conducted a review of disposal and treatment of outsourced waste.

For plastic waste that, until the previous year, had simply been incinerated, the company provided containers for sorting recycled plastic (resulting in the recovery of two tons of sorted plastic). Regarding waste powder from flooring products, which had previously been landfilled as sludge, a total of five tons has been outsourced and recycled into RPF solid fuel. The company was able to reduce the total amount of plastic waste by 40% over fiscal 2009 levels.

Tokyo Fine Chemical will continue to work on initiatives that address safety, quality, and the environment.



Nippon Polymer Industries Co., Ltd.

Following the implementation of its wastewater project last year, Nippon Polymer Industries worked to reduce the amount of sludge remaining after wastewater treatment. A wastewater emulsion is turned into final effluent and dehydrated sludge after undergoing coagulation and sedimentation and the activated sludge treatment process. The company improved the dewatering ratio of the sludge by optimizing the amounts and concentrations of treatment chemicals added and by stabilizing coagulated floc. In this way, Nippon Polymer Industries has been able to reduce costs as well as the amount of sludge generated.



Dehydrator for reducing the water content

Sludge after dehydration

Nihon Joryu Kogyo Co., Ltd.

Nihon Joryu Kogyo's environmental protection initiatives have been focused on three priorities: waste generation; emissions of substances subject to the PRTR; and energy consumption. The company was able to reduce waste through in-house wastewater treatment.

In the area of occupational health and safety, the company improved the work environment and increased safety awareness through risk assessments; through KY, HH, and "5 S" campaigns; and through reviews of industrial accidents as part of a training program. The company continues to implement its zero accident program.

As for its "5 S" campaigns, Nihon Joryu Kogyo remains committed to taking action to improve its company-wide business operations and to enhancements through promotion of individual proposals for improvement as well as improvements to group circles.



Off-premises (seawall) cleanup

NIPPON NYUKAZAI CO., LTD.

Nippon Nyukazai's RC activities in fiscal 2010 included the introduction of an Occupational Safety and Health Management System (OSHMS) in both the Kawasaki and Kashima Plants; identification of hazardous tasks in the workplace under the Responsible Care program; and reduction and eradication of risk. In constructing a new glycol ethers plant in the Kashima Plant, the company carried out a Responsible Care inspection (before test run) in September 2010 that covered design, environmental protection, operation, equipment maintenance, and safety. Following the inspection, it was completed in October. Currently, the plant is running smoothly. In future, the company plans to further promote and enhance its RC activities targeting operational safety.



RC inspection (before test run) (1) at Kashima Plant

RC inspection (before test run) (2) at Kashima Plant



New glycol ethers plant (Kashima Plant)

Fire-fighting drill (Kashima Plant)

Nisshoku Butsuryu Co., Ltd.

The Nisshoku Butsuryu Group, having acquired certification of ISO 9001 and ISO 14001 registration together with the head office, continues to sharpen its focus on environmental protection, distribution safety, and distribution quality while aiming to become a better logistics company that warrants the full confidence of shippers and customers alike for implementing an environmental management system according to international standards. The following are examples of its initiatives.

- Reducing the threat of global warming and mitigating environmental impacts through initiatives focused on modal shift, transport efficiency and improved fuel economy; energy-efficient driving methods; and green management with an emphasis on eco-friendly logistics
- Continuing to introduce risk assessments of hazardous and toxic work in yard operations, strengthening efforts to manage transportation safety as a trucking business operator, and working to prevent industrial accidents
- Committing to continued compliance with the law applying breath-alcohol detectors by targeting "zero drunk-driving" in advance of the Commercial Vehicles General Safety Plan 2009 as promoted by the Ministry of Land, Infrastructure, Transport and Tourism.



Breath-alcohol detector

Group Companies outside Japan

NA Industries, Inc. (U.S.A.)

In 2010, NA Industries initiated risk analysis for all work standards using the principles learned in KY training.

Safety measures included in risk analysis are helping to verify the validity of each work standard and to consider additional safety measures.



Interview



Upgraded wastewater treatment systems contribute to the reduced amount of acid and alkali.

Nathan Hollingsworth
Environmental/Safety Engineer
NA Industries, Inc.

We installed new intermediate tanks in our wastewater treatment system to mix and neutralize acidic and alkaline waste produced by our pure water production system. In addition, we installed a pH meter and the control valve for injecting these acids and alkalis into a line for feeding the city's wastewater treatment facilities in order to adjust the final pH. In this way, we have replaced a conventional batch tank used in the system for neutralization.

With these measures, we have been able to significantly reduce the amount of acid and alkali used in wastewater treatment.

Our future goal is to address increased fuel efficiency by optimizing the operation of our boilers.

SINO-JAPAN CHEMICAL CO., LTD. (Taiwan)

In 1995, SINO-JAPAN CHEMICAL CO., LTD. introduced ISO 9001, ISO 14001 and OHSAS 18001 management systems and has been posting steady gains in terms of quality, environmental protection, and occupational safety. In 2010, the company constructed an online environmental monitoring system for its plants. In recognition of its clean record for environmental protection and safety, the authorities of Linyuan Industrial Park honored the company with a commendation for "Plant with an Excellent Record in Safety and Environmental Monitoring."

In terms of health and safety training, the company was evaluated for its efforts to promote health through the introduction of a smoke-free workplace; increased uptake of paid vacations; periodic emergency response training; risk prediction campaign; and the "5 S" campaign. Consequently, the Department of Health presented the company with the "Healthy Workplace Voluntary Certification — Health Promotion Emblem."

The company is committed to continued promotion of a policy of energy resource conservation, waste reduction, and other initiatives in addition to targeting zero accidents, zero pollution, and a safe production workplace.



NIPPON SHOKUBAI EUROPE N.V. (Belgium)

In addition to implementing its RC activities on a daily basis, Nippon Shokubai Europe has been advocating company policies related to environmental protection, occupational safety, and quality assurance. It launched its "5 S" campaign in January 2009 and has continued to post information on, and the results of, periodic inspections by the audit team. Last year, the company introduced VESTA training to highlight the importance of job safety through on-site training and minute risk analysis (preliminary check before starting work). As a result, awareness of occupational safety is growing.

Since 2004 the company has been voluntarily participating in energy-efficiency initiatives initiated by the Belgian government. Moreover, it has remained focused on reducing its environmental impact by improving production efficiency. As well, the company is providing training to ensure the appropriate response is quickly implemented and has instituted a policy of mutual cooperation with neighboring chemical companies in emergency situations such as conducting joint fire-fighting drills.



VESTA training



Fire-fighting drill

Group Companies outside Japan

PT. NIPPON SHOKUBAI INDONESIA

As a daily objective, everyone at PT. Nippon Shokubai Indonesia (NSI) is focused on providing a stable supply of products with an emphasis on safety. The company is also working to maintain friendly relations with the community.

GHS Training in ASEAN Countries

In December 2010, a GHS training workshop was held at NSI under the sponsorship of the Association for Overseas Technical Scholarship (AOTS) and KN-RC Indonesia. NSI was introduced as a company with a progressive approach to addressing GHS. The workshop brought together participants from nine of the ASEAN regional countries.



Joint Comprehensive Emergency Drill

In December 2010, NSI conducted a joint emergency drill with the community emergency response team (CERT) comprising eight companies. Fire engines and ambulances from neighboring companies gathered at NSI for treatment of the mock victims, and first aid and fire-fighting drills were held to mimic real situations. The eight participating companies conduct these emergency drills on a rotating basis. In-house emergency drills are also conducted regularly. Since no public fire-fighting equipment is available in this region, maintaining a collaborative alliance with neighboring companies under normal circumstances is a wise approach.



Awards from the Indonesian Government

In fiscal 2010, NSI earned praise for the safety, quality, and eco-friendliness of its production operations, and it was again commended by the Indonesian Government.

- In August 2010, NSI marked its 11th year of being free of accidents with loss of workdays. The Indonesian Ministry of Labour presented the company with an award for this achievement.
- This company has earned praise for its regional contribution and eco-friendly production operations, and it was presented with the "Green Award" of the Proper Award for environmental excellence, a commendation it has received annually since 2005. The Vice President of Indonesia presented this award.



Singapore Acrylic Pte Ltd.

Having adopted a management policy of safety first, zero accidents, and zero disasters, Singapore Acrylic is implementing Responsible Care as part of its daily operations. The company conducts an annual disaster drill according to an emergency scenario under the supervision of the Singapore Civil Defence Force within the jurisdiction of the Ministry of Home Affairs of Singapore. In addition to enhancing the safety awareness of employees through their joint patrols and "5 S" competitions with various companies in the SMAG Complex, the company strives to ensure the safety of employees and maintain their health through hardware improvements in the form of equipment modifications and noise controls. For this fiscal year, Singapore Acrylic is committed to promoting occupational health and safety initiatives through risk assessment, HAZOP, and environmental protection activities that include energy conservation and waste reduction.



NISSHOKU CHEMICAL INDUSTRY (ZHANGJIAGANG) CO., LTD. (China)

Nisshoku Chemical Industry continued its environmental, safety, and quality assurance production initiatives in 2010. It also focused on its goals of minimizing its generation of industrial waste and increasing energy efficiency. In 2010, the Chinese government introduced the "Standardization of Production Safety" to support equipment maintenance and the health of people and the environment. The company began its preparations in 2010 in cooperation with a consultant.

The company also undertakes fire-fighting activities in June and November each year and conducts fire drills jointly with members of the local fire-fighting team. The volunteer disaster prevention team trains in-house every two months to ensure it can promptly handle any disasters that might occur. In terms of occupational health and safety, the company undertook measurements of noise, chemical concentrations, and particulate, and took steps to support the health of its employees. Engaging in dialogue with the local community, the company exchanges information through participation in the RC Committee of the neighborhood's chemical industrial park.



The Japan Chemical Industry Association (JCIA) issued the "Independent Verification – Opinions" for our Environmental and Social Report 2011 (Japanese edition) in Japanese as below. It expresses verification on rationality and accuracy, and informed opinions of chemical industry specialists on the contents related to our RC activities and the characteristics of our report.

「2011 環境・社会報告書 CSR経営の実践」
第三者検証 意見書

2011年6月13日

株式会社 日本触媒
代表取締役社長 池田 全徳 殿

日本レスポンスブル・ケア協議会
検証センター長

中田 三郎

■ 検証の目的
レスポンスブル・ケア報告書検証は、株式会社日本触媒が作成した「2011 環境・社会報告書 CSR経営の実践」(以後、報告書と略す)に記載されている、下記の事項について、レスポンスブル・ケア検証センターが化学業界の専門家の意見を表明することを目的としています。

- 1) パフォーマンス指標(数値)の算出・集計方法の合理性及び数値の正確性
- 2) 数値以外の記載情報の正確性
- 3) レスポンスブル・ケア活動の評価
- 4) 報告書の特徴

■ 検証の手順

- ・本社において、各サイト(事業所、工場)から報告される数値の集計方法の合理性、及び数値以外の記載情報の正確性について調査を行いました。調査は、報告書の内容について各業務責任者及び報告書作成責任者に質問すること、並びに彼らより資料提示・説明を受けることにより行ないました。
- ・川崎製造所において、本社に報告する数値の算出方法の合理性、数値の正確性、及び数値以外の記載情報の正確性の調査を行いました。この調査は、各業務責任者及び報告書作成責任者に質問すること、資料提示・説明を受けること、現場確認並びに証拠物件と照合することにより行ないました。
- ・数値及び記載情報の調査についてはサンプリング手法を適用しました。

■ 意見

- 1) パフォーマンス指標(数値)の算出・集計方法の合理性及び数値の正確性について
 - ・数値の算出・集計方法は、本社及び川崎製造所において、合理的な方法を採用しています。
 - ・調査した範囲に於いて、パフォーマンスの数値は全社統一基準に基づき正確に算出・集計されています。
- 2) 記載情報の正確性について
 - ・報告書に記載された情報は、正確であることを確認しました。原案段階では表現の適切性あるいは文章の分かり易さに関し、若干指摘事項ありましたが、現報告書では修正されており、現在修正すべき重要な事項は認められません。
- 3) レスポンスブル・ケア(以後、RCと略す)活動の評価について
 - ・RC活動をCSR経営の中心と位置づけ、サステナビリティ検討プロジェクトによるCO₂削減等に取り組んでいること、RC活動の計画・実行・確認・是正のサイクルを着実に回していることを評価します。また、CSR活動のコンセプトをより明確に定義して、生物多様性保護の視点からの社会貢献活動を活発に推進していることを確認しました。
 - ・経営層はじめ各階層あるいは種々業務ごとに、企業倫理研修、法令研修およびRC教育を実施していることを評価します。
 - ・川崎製造所では、RC関連業務をワークフローとしてわかりやすく明示し、工場内ネットワークで情報共有していることを評価します。現場を訪問した川崎製造所千鳥工場では、場内の整理・整頓・清掃が確実に実施されていることを確認しました。
- 4) 報告書の特徴について
 - ・簡潔で分かりやすく、読みやすい報告書を目指して、前年度版からさらに改良していることを評価します。
 - ・担当者へのインタビュー記事やRC活動の写真を多数掲載して、親しみやすい報告書になっています。

以上

Outline

| | | |
|----------------------------------|--|-------------------------------------|
| Established | August 21, 1941 | |
| Common stock | ¥25,000 million | |
| Net sales | ¥288,300 million (consolidated) | ¥206,400 million (non-consolidated) |
| Number of employees | 3,576 (consolidated) | 1,910 (non-consolidated) |
| Osaka Office | Kogin Bldg., 4-1-1 Koraibashi, Chuo-ku, Osaka 541-0043, Japan TEL: +81-6-6223-9111 FAX: +81-6-6201-3716 | |
| Tokyo Office | Hibiya Dai Bldg., 1-2-2 Uchisaiwai-cho, Chiyoda-ku, Tokyo 100-0011, Japan TEL: +81-3-3506-7475 FAX: +81-3-3506-7598 | |
| Main Plants and Research Centers | Himeji Plant, Kawasaki Plant, Suita Plant, 6 Research Centers, Process Technology Center As of March 31, 2011 | |

Major Product Lines

Basic Chemicals

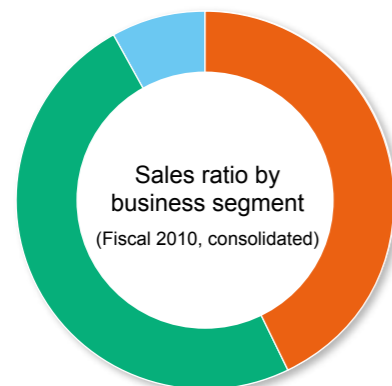
Acrylic acid, acrylates, ethylene oxide, ethylene glycol, ethanolamine, higher-alcohol surfactants, glycol ether

Functional Chemicals

Superabsorbent polymers, intermediates for pharmaceutical, polymers for concrete admixture, electronic information materials, iodine, maleic anhydride, resins for adhesives, resins for paints, plastic moldings, adhesive products

Environmental Products & Catalysts

Automotive catalysts, De-NOx catalyst, dioxins decomposition catalyst, process catalyst, waste gas treatment catalyst, materials for fuel cells



| | |
|------------------------------------|-----|
| Basic Chemicals | 43% |
| Functional Chemicals | 49% |
| Environmental Products & Catalysts | 8% |

Group Companies

<In Japan>

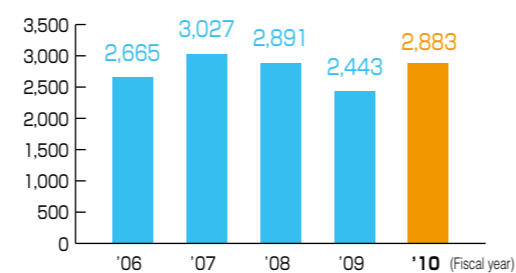
Nippoh Chemicals Co., Ltd.*, Nippon Polyester Co., Ltd.*, NIPPON NYUKAZAI CO., LTD.*, Nisshoku Butsuruyu Co., Ltd.*, Tokyo Fine Chemical Co., Ltd.*, Chugoku Kako Co., Ltd.*, Shinritsu Co., Ltd.*, Nihon Joryu Kogyo Co., Ltd.*, ICT Co., Ltd.*, Nippon Polymer Industries Co., Ltd., Japan Composite Co., Ltd.

<Outside Japan>

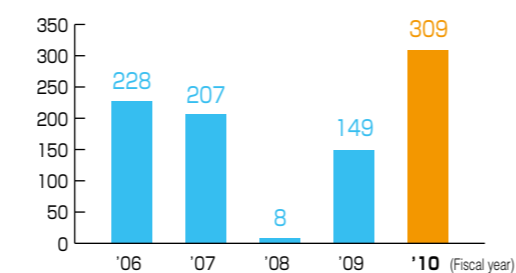
NA Industries, Inc.*, NIPPON SHOKUBAI (ASIA) PTE LTD*, PT.NIPPON SHOKUBAI INDONESIA*, NIPPON SHOKUBAI EUROPE N.V.*, Singapore Acrylic Pte Ltd.*, Singapore Glacial Acrylic Pte Ltd.*, NISSHOKU CHEMICAL INDUSTRY (ZHANGJIAGANG) CO., LTD.*, American Acryl L.P., LG MMA Corporation, SINO-JAPAN CHEMICAL CO., LTD.

(* Consolidated subsidiaries)

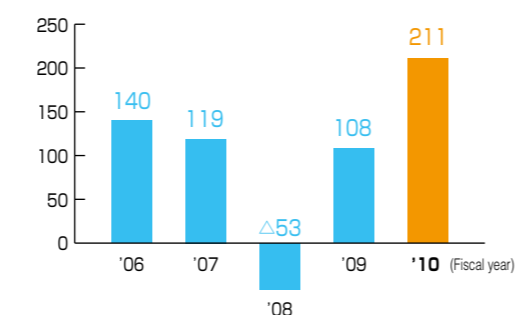
Net sales (consolidated)
(100 millions of yen)



Ordinary income (consolidated)
(100 millions of yen)



Net income (consolidated)
(100 millions of yen)



Nippon Shokubai — A Part of Your Daily Life



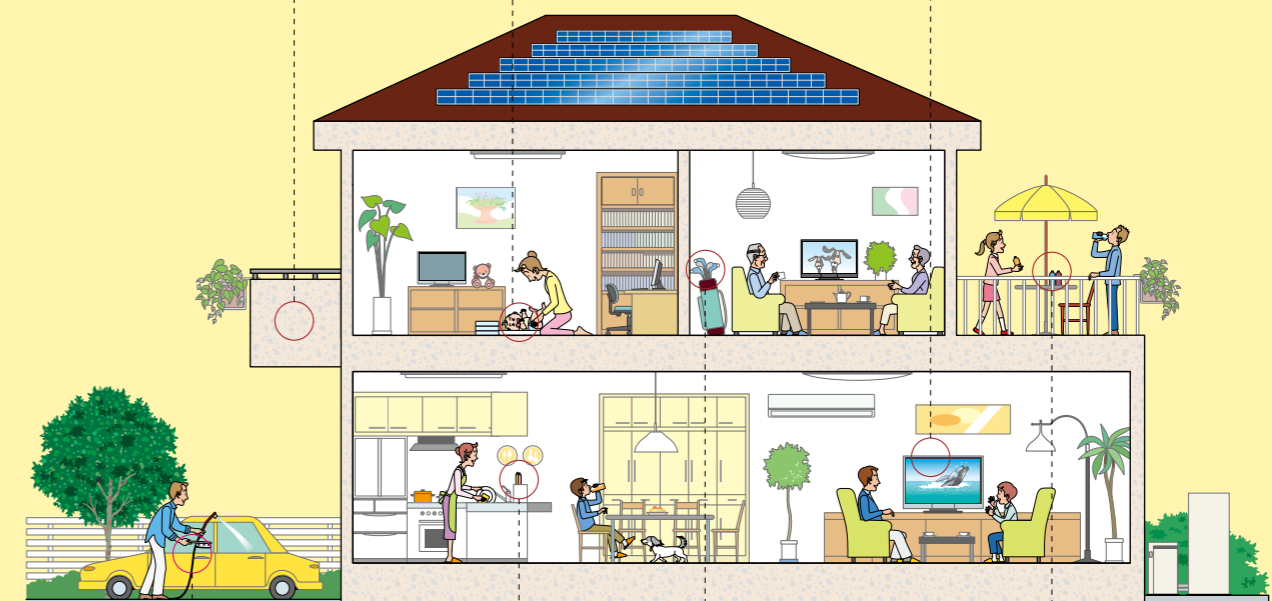
Acrylates are used as ingredients in eco-friendly water-soluble paints.



Superabsorbent polymers are used in sanitary goods such as disposable diapers.



Acrylic resins for optical materials and polymers for color resists are used in energy-efficient LCD TVs.



Catalysts are used for vehicle emissions control and for decomposing dioxins generated by incinerators.



Higher-alcohol surfactants and water-soluble polymers are used as ingredients in various detergents.



Acrylic acid derivatives are used as core materials in golf balls.



Ethylene glycol is used as a raw material in the manufacture of recyclable PET bottles.