



2006

ANNUAL REPORT

“Making human life and society richer, more comfortable through technological innovations”

Profile

Basic Corporate Vision

NIPPON SHOKUBAI CO., LTD. has been undertaking numerous efforts to build a more solid business structure and gain a sharper competitive edge to keep pace with rapid changes in the world, under its corporate philosophy of “TechnoAmenity: Seeking to create a society where people can enjoy an affluent and comfortable life through technological innovation” and the following slogans:

1. Respect for humanity
2. Coexisting with society, and working in harmony with the environment
3. Pursuing futuristic technology
4. Acting from an international perspective

Business Fields

Since establishment in 1941, we have carried out original research and development in four major fields : polymer synthesis, environment preservation systems, organic synthesis, and catalyst technologies.

Our major products are : 1) Basic Chemicals, such as acrylic acid, ethylene oxide, higher alcohol surfactants, etc., 2) Functional Chemicals, such as superabsorbent polymers, polymers for concrete admixture and resins for paints and adhesives, etc., and 3) Environment and Catalysts, such as catalysts for cleaning automobile exhaust gases, process catalysts, De-NOx catalysts and dioxins decomposition/elimination equipment, etc.

In addition, our technologies for manufacturing chemical products are appreciated in foreign countries, as is our diversified line of products. We have licensed our technologies worldwide for manufacturing various chemicals such as acrylic acids and esters.

Created through our original technologies and know how, our products above have made various contributions to our society and daily life.

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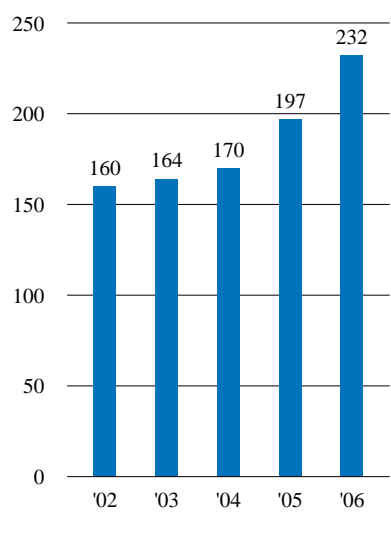
Financial Highlights

NIPPON SHOKUBAI CO., LTD. and Consolidated Subsidiaries
Years ended March 31

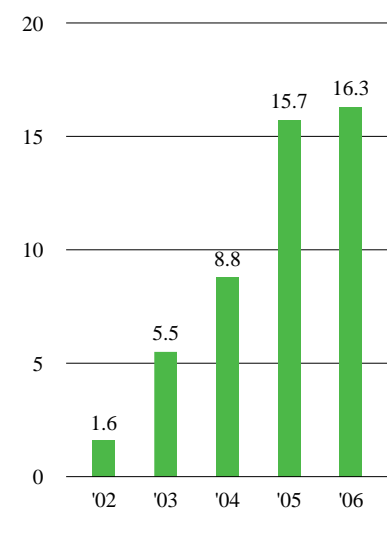
	Millions of Yen			Thousands of U.S. dollars
	2004	2005	2006	2006
For the Year				
Net sales	¥ 169,733	¥ 197,222	¥ 232,441	\$1,978,221
Operating Income	15,450	22,212	23,228	197,685
Ordinary Income	17,212	23,709	26,148	222,536
Net Income	8,822	15,705	16,257	138,357
At Year End				
Total Assets	¥ 220,185	¥ 249,349	¥ 291,564	\$2,481,396
Total Shareholders' Equity	131,685	144,660	164,631	1,401,115
	Yen			U.S. dollars
Per Share Amounts				
Net Income	¥ 45.37	¥ 81.37	¥ 85.89	\$ 0.73
Cash Dividends	9.00	13.00	16.00	0.14

Foreign Exchange Rate: US\$ 1.00 =¥117.5

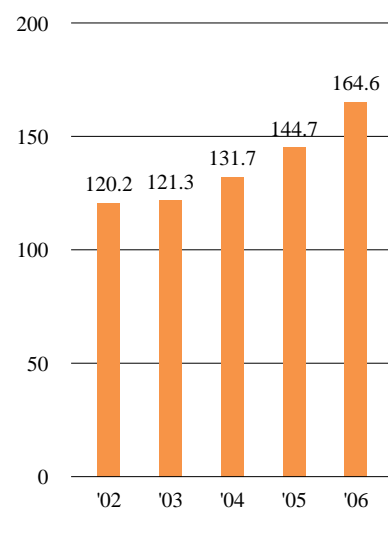
Net Sales
(Billions of yen)



Net Income
(Billions of yen)



Shareholders' Equity
(Billions of yen)



To Our Shareholders



It gives me great pleasure to report on the performance of NIPPON SHOKUBAI CO., LTD. (the “Company”), for the fiscal year ended March 31, 2006 (fiscal 2005).

Overview

In fiscal 2005, the Japanese economy got back on the recovery track, with improved corporate earnings leading to increased capital investment and personal consumption.

In the chemicals industry, meanwhile, the rise in product prices and the increase in export to the Asia region, particularly to China, bolstered corporate profits, even though negative factors existed that gave no grounds for optimism, such as surging raw material prices.

In the context given above, consolidated net sales increased by ¥35,219 million, or 17.9% year-on-year, to ¥232,441 million, thanks largely to higher market prices in the early part of the fiscal year for such Basic Chemicals as acrylic acid and acrylic esters and an increase in sales volume of Functional Chemicals, including super absorbent polymers, and industrial catalysts through overseas technology licensing.

Operating income increased by ¥1,016 million, or 4.6% year-on-year, to ¥23,228 million due to higher sales and product price corrections, and despite rising raw material prices.

Ordinary income increased by ¥2,439 million, or 10.3% year-on-year, to ¥26,148 million, due to an improved financial balance and an increase in equity in earnings of unconsolidated subsidiaries and affiliates, and despite higher costs for disposal and removal of fixed assets. Net income also increased by ¥552 million, 3.5% year-on-year, to ¥16,257 million.

Net income per share was ¥85.89. ROA (ordinary income to total assets) declined by 0.4 of a percentage point from the previous year to 9.7%, and ROE (net income to shareholders' equity) declined by 0.9 of a percentage point from the previous year to 10.5%.

On a non-consolidated basis, net sales were ¥170,510 million, operating income, ¥18,915 million, ordinary income, ¥23,008 million, and net income, ¥14,502 million.

Taking into consideration the business environment and our performance, we decided to increase the year-end dividend per share to ¥8.5. Together with the interim dividend, the annual dividend per share for the fiscal year amounts increased by ¥3 year-on-year, to ¥16.

We would like to express our sincere appreciation and ask all of our shareholders for their continued support and guidance as we move forward.

June 2006

近藤忠夫

Tadao Kondo, President

Performance Highlights

	Fiscal Year		Change	
	2005	2004	Amount	%
Net sales	232,441	197,222	35,219	17.9%
Operating Income	23,228	22,212	1,016	4.6%
Ordinary Income	26,148	23,709	2,439	10.3%
Net income	16,257	15,705	552	3.5%
Net income per share	¥85.89	¥81.37	¥4.52	5.6%
ROA	9.7%	10.1%	-	(0.4 points)
ROE	10.5%	11.4%	-	(0.9 points)
Exchange rate	\$= ¥113.35	\$= ¥107.52		¥5.83
	EUR= ¥137.85	EUR= ¥135.20		¥2.65
Naphtha price	¥42,400/kl	¥32,200/kl		¥10,200/kl

Medium- and Long-term Business Plans

The Company formulated a long-term business plan called “TechnoAmenity NV”, aiming for a shift from quantitative growth to qualitative growth, and has been working on its implementation since April 2001. In fiscal 2005, the Company delivered the results, which almost achieved each of the fiscal 2006 targets in the “TechnoAmenity NV” for consolidated net sales, ordinary income, and ROA (Return on Assets).

Based on this achievement, the Company drew up a new long-term business plan “TechnoAmenity V3” which sets out the management vision for the next five years (from fiscal 2006 through 2010), together with a medium-term business plan as its action program, in a bid to deliver further growth.

1) Outline of the Long-term Business Plan “TechnoAmenity V3”

1. Vision for the future:

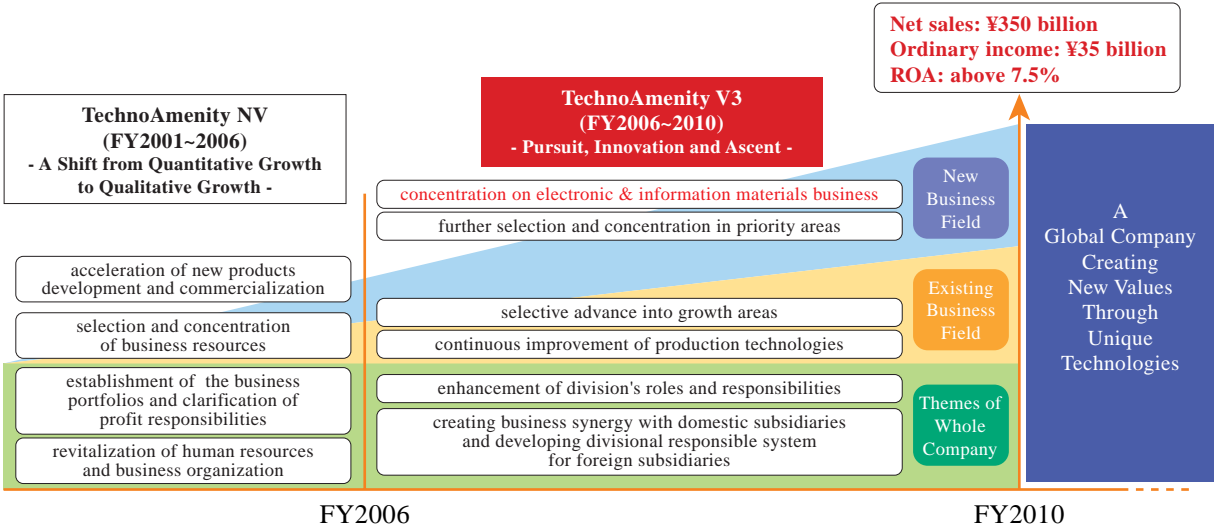
“A global company creating new values through unique technologies”

2. Slogan:

- “Pursuit” to our strength such as key technologies and key materials
- “Innovation” of way of marketing and research
- “Ascent” to be realized through “Pursuit” and “Innovation”

3. Target for FY 2010:

- Net Sales: JPY 350 billion
- Ordinary Income: JPY 35 billion
- ROA: above 7.5%



2) Outline of the Medium-term Business Plan

In order to realize the long-term business plan “TechnoAmenity V3”, the Company developed the medium-term business plan for fiscal 2006 -2008 as a concrete action plan. Under the new set of business plans, the Company seeks to enter into growth areas (fields; overseas) out of the domain of its existing business, and at the same time, continue to pursue innovative production technologies in order to enhance its cost competitiveness. As for new lines of business, the Company will concentrate its management resources on the electronic & information materials business as the top priority for the “TechnoAmenity V3” plan, while searching for next-generation business themes with a sharper focus.

Through the execution of these measures, the Company aims to attain the fiscal 2008 target for net sales of ¥300 billion (including ¥40 billion of new products), ordinary income of ¥30 billion, and ROA of 7.5% or higher.

1. Direction of Existing Business Field

Acrylic Acid Business

The Company aims to keep a firm hold on the world’s top market share of superabsorbent polymers, and expand the acrylic monomer business, in order to maintain and increase the stable source of profits and cash flows.

EO (Ethylene Oxide) Business

The Company seeks to establish a solid business foundation less susceptible to market fluctuations, by boosting sales of ethylene oxide and its derivative products up to the target ratio of 80% or higher for non-EG (ethylene glycol) products.

Functional Chemicals Business

The Company seeks to establish a presence in the acrylate polymer market, and reinforce revenue structure capitalizing on specialty products (including ethylene imine derivatives, oxazoline, and polyvinylpyrrolidone).

Fine & Specialty Chemicals Business

The Company seeks to expand the water-soluble polymer business overseas, and enhance cost competitiveness, in a bid to gain position as the world’s top supplier.

Environment & Catalyst Business

The Company seeks to boost sales in the environment & energy market, and enrich its product lines. It also seeks to improve profitability by offering high value-added products of higher quality.

2. Direction of New Business Field

The Company specializes in the electronic & information materials business, and concentrates its management resources on this.

The Company has constituted the E&I Materials Business Division in April 2006, which consolidates the product lines related to electronic & information materials. It cultivates closer ties with customers who capitalized on the Company’s original seeds, and makes a full-scale entry into the field, with the aim of increasing sales from the current ¥5 billion to ¥30 billion in fiscal 2010. The business division takes in dedicated strategy planning staff, and operate the business in seeds- and market-oriented manner.

The Company will also search for new themes to aid in leading the next generation, with a focus on the fields of health & medical care, and new energy – considered to be prospective growth areas.

Review of Operations

Basic Chemicals Business

In the early part of the fiscal year, the acrylic acid and acrylic ester market maintained high prices, and demand also remained high. Favorable market conditions coupled with an increase in sales volume of overseas subsidiaries brought in significant revenue growth.

Ethylene oxide and ethanolamine sales increased, riding on consistent demand and progress in modification of product prices.

Higher alcohol product sales (trade name: SOFTANOL®) increased thanks to progress in modification of product prices, and despite a lower export sales volume.

Ethylene glycol sales declined due to a decrease in export sales volume, and a downturn in market conditions.

As a result, the Basic Chemical Business posted net sales of ¥94,095 million, up 17.6% on the previous year.

Operating income increased by 12.4% from the previous year to ¥11,158 million, supported by a high demand and high market prices in the early part of the fiscal year and positive progress in modification of product prices, and despite rising raw material prices.



Polyester fibers (Ethylene glycol)

Functional Chemicals Business

Superabsorbent polymer sales increased thanks to the growth in sales volume due to expanding world demand, and thanks to the progress in modification of product prices.

Maleic anhydride sales increased thanks to progress in modification of product prices.

Sales of special esters and polymers for concrete admixtures increased, backed by firm demand at home and abroad.

Sales of raw materials for detergents increased due to a higher sales volume of exports.

Sales of organic/inorganic fine sphere particles, resins for adhesives/paints and processed adhesive products, iodine compounds, resin modifiers, and intermediates for pharmaceuticals increased due to steady demand.

Sales of unsaturated polyester resins and plastic molded products decreased, reflected by low demand.

As a result, the Functional Chemicals Business posted net sales of ¥116,300 million, up 17.1% on the previous year.

Operating income decreased by 8.2% year-on-year to ¥9,262 million, affected by higher prices of raw materials, although the negative impact was partly absorbed by increased sales and progress in modification of product prices.



Disposable Diapers (Superabsorbent Polymers)

LCD (organic and inorganic fine sphere particles)

Performance by Business Group and Region

(unit : millions of yen)

Product Group	Fiscal Year 2005			Fiscal Year 2004			Change		
	Basic Chemicals	Functional Chemicals	Environment & Catalysts	Basic Chemicals	Functional Chemicals	Environment & Catalysts	Basic Chemicals	Functional Chemicals	Environment & Catalysts
Sales	94,095	116,300	22,046	80,027	99,355	17,840	14,068	16,945	4,206
Operating income	11,158	9,262	3,123	9,931	10,089	2,130	1,227	(827)	993

Environment & Catalysts Business

Automotive catalysts sales increased, fueled by high demand in the domestic and export markets.

Sales of industrial catalysts increased due to overseas greater replacement demand.

Sales of equipment and catalysts for wastewater treatment and for waste gas treatment, and sales of De-NOx catalysts decreased, reflected by low demand in the domestic market.

As a result, the Environment & Catalysts Business posted net sales of ¥22,046 million, up 23.6% on the previous fiscal year.

Operating income increased by 46.6% to ¥3,123 million year-on-year, thanks primarily to the sales growth in highly profitable industrial catalysts.



Automotive catalysts / De-NOx catalysts

Regional Information

Japan

Market prices for Basic Chemicals remained high in the early part of the fiscal year. Brisk sales for Functional Chemicals were also enjoyed. In addition, replacement demand for industrial catalysts increased. Under such favorable conditions, net sales increased by 14.8% from the previous year to ¥168,773 million.

Operating income increased by 20.5% from a year earlier to ¥20,350 million, thanks to progress in modification of product prices made primarily in the Basic Chemicals area, and sales expansion in Functional Chemicals as well as industrial catalysts, and despite the negative impact of the rise in raw material prices.

Europe

High demand for superabsorbent polymers pushed up net sales to ¥23,935 million, up 5.4% on the previous year.

Operating income decreased by 78.7% year on year to ¥207 million, affected by higher raw material prices, and despite the positive impact of progress in modification of product prices.

Asia

Net sales increased by 55.6% from the period a year earlier to ¥27,405 million, because brisk sales for acrylic acid and acrylic ester were enjoyed, and in addition, a subsidiary was set up in China, which started production of superabsorbent polymers in the beginning of the fiscal year.

Operating income increased by 15.0% to ¥3,663 million year on year, thanks to higher market prices for Basic Chemicals during the first six months, and despite the negative impact of higher raw material prices.

Other Regions

Although the sales performance of superabsorbent polymers remained at the previous year's level, the sales volume of raw materials for detergents and other Functional Chemicals increased. As a result, net sales increased by 24.7% from the previous year to ¥12,329 million.

Price increases for raw materials resulted in an operating loss of ¥1,318 million, a drop in income of ¥1,565 million, compared to the previous year.

(unit : millions of yen)

Regional	Fiscal Year 2005				Fiscal Year 2004				Change			
	Japan	Europe	Asia	Other Regions	Japan	Europe	Asia	Other Regions	Japan	Europe	Asia	Other Regions
Sales	168,773	23,935	27,405	12,329	147,020	22,701	17,611	9,890	21,753	1,233	9,794	2,439
Operating income	20,350	207	3,663	(1,318)	16,884	970	3,186	247	3,467	(763)	477	(1,565)

DEA New Catalytic Process Awarded 3 Prizes of Societies



The awarding ceremony of CSJ Award

In March 2006, the new catalytic process of Diethanolamine (DEA) was awarded the three prizes for Technological Achievements from three societies: The Chemical Society Japan (CSJ) Award, The Society of Chemical Engineers Japan (SCEJ) Award and The Catalyst Society Japan (CATSJ) Award.

There has been a growing demand for DEA for a raw material in herbicide, however, with conventional processes, the efficiency of production was limited because it was difficult to control generation of the by-product, Triethanolamine (TEA). Now, however, the new catalytic process, successfully control the generation of TEA, has doubled the volume of DEA production, and as a result, the DEA business is making billions of yen in profit.

The new process was achieved by some special technologies and many catalysts / processes inventions, creating competitive edge, and which might be considered for the three prizes.

PROPER “GREEN”: Indonesian Recognition Awarded to NSI

An environmental award of recognition in the Republic of Indonesia, PROPER “GREEN” was awarded to PT. NIPPON SHOKUBAI INDONESIA (NSI) for its success in environmental management for going beyond the level of environmental regulation in Indonesia.

On December 16, 2005, the awarding ceremony was held, at which Mr. Muhammad Jusuf Kalla, the Vice-President of the Republic of Indonesia was in attendance, and Mr. Rachmat Witoelar, the State Minister for the Environment, awarded the trophy to Mr. Yoshinao Hirano, the president of NSI.

At this time, NSI received the prize for the second time (for this award, 23 companies were awarded among 466 companies in Indonesia: 9 among 251 last year). As a chemical company of Nippon Shokubai Group, NSI is willing to keep being a green company.



Mr. Rachmat Witoelar, the State Minister for the Environment and Mr. Yoshinao Hirano, the president of NSI

PROPER, the **P**rogram for **P**ollution Control, **E**valuation, and **R**ating is a national-level public environment reporting initiative of Indonesia. PROPER grades factories' performance using seven categories: Compliance with regulation on water pollution control, Compliance with air pollution control, Compliance with regulation on pollution control of toxic and hazardous (B3) wastes, Compliance with the Analysis of Environmental Impact (AMDAL), appropriate system of environmental management, the use

and process of resources, and relation to regional communities. The results of the review under the PROPER system are grouped into five categories of color, i.e. gold (excellent performance in all seven categories stated above), green (going beyond the regulatory standards), blue (compliance with regulatory standards), red (poor performance level despite some efforts of pollution control) and black (no attempt to control pollution). At present, there has been no company granted “gold” category.

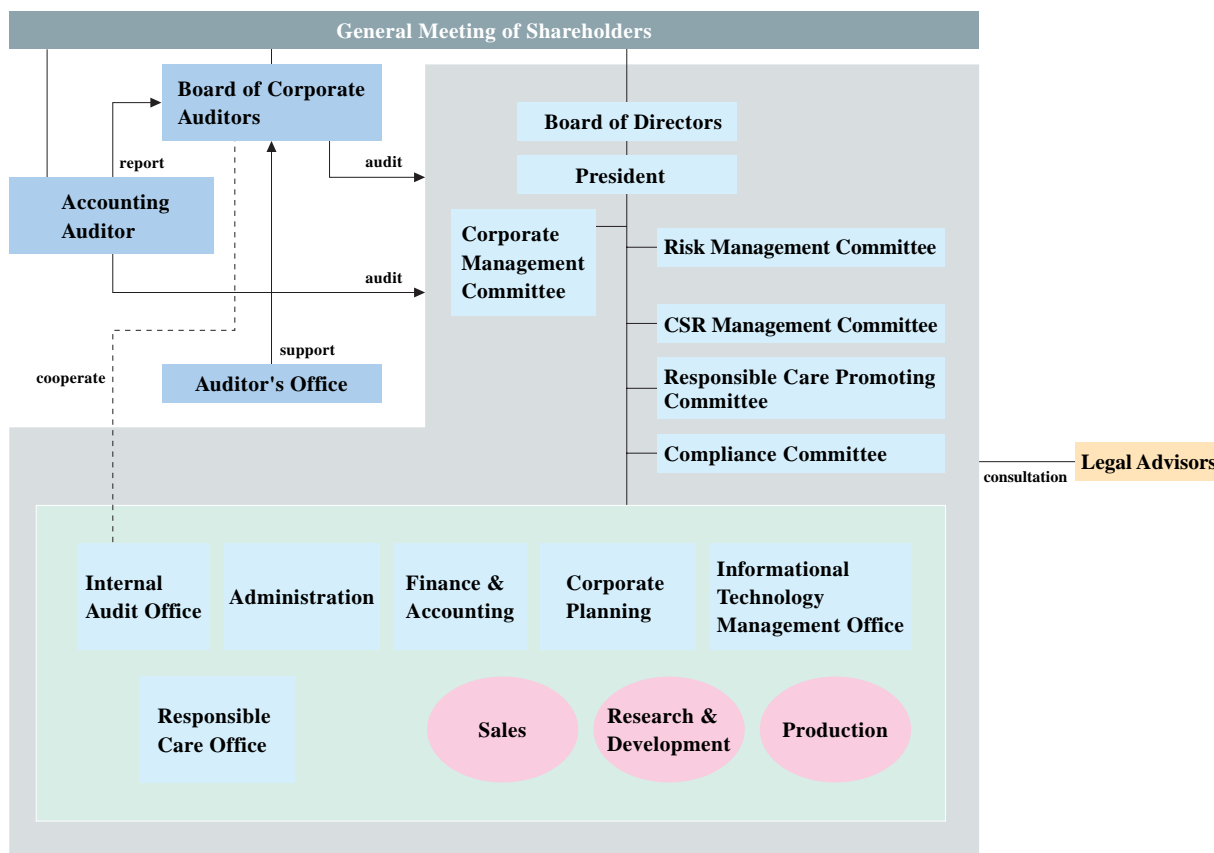
Corporate Governance

We have strived toward reinforcing our staying power and competitive edge so that we can cope flexibly with any changes in the world, and regard corporate governance as the key to achieving the goal. We are taking steps to revitalize the board of

directors, strengthen the auditing system, increase the efficiency and effectiveness of operation, and ensure tighter compliance.

The diagram below shows the frame of our corporate governance system.

Corporate Governance System



The Board of Directors, comprised of 16 directors as of March 31, 2006, deliberates and resolves matters relating to the execution of business operations, and supervises each director's execution of operation. In principle, the Board of Directors convenes once a month, chaired by the president, at which four corporate auditors, including two from outside, are in attendance. The corporate auditors present statements when deemed necessary.

The Corporate Management Committee, as an advisory body to the president, deliberates basic management policies, matters related to policy, and the execution of important business operations by individual divisions. Agenda items that come to this Committee and are regarded as important will be forwarded to the Board of Directors for deliberation.

The members of the Corporate Management Committee are the president, senior managing directors, managing directors, and directors nominated by the president.

The Board of Corporate Auditors is comprised of four corporate auditors, including two from outside. In principle, the Board convenes once a month to report, discuss and resolve important matters. In addition to attending the Board of Directors, the corporate auditors attend the Corporate Management Committee and other important meetings to monitor the decision-making process, and grasp the execution of the directors' operation, receive reports from the accounting auditors, directors and others, and put forward an audit opinion following due consultation.

The two current Corporate Auditors are external and have no personal or any other relationship through investments that could create a conflict of interest in the performance of their duties.

The Risk Management Committee, chaired by the president, explores and analyzes the risks surrounding the Company. On the basis of the analysis, the Committee discusses preventive measures or countermeasures for the risks.

The CSR Management Committee, chaired by the president, discusses and decides the CSR (Corporate Social Responsibility) policy and activities that would enable all the stakeholders to benefit, in cooperation with the other committees such as the Risk Management Committee or the Compliance Committee.

The Responsible Care Promoting Committee, chaired by the president, discusses and decides the policy and plans of activities for "Responsible Care (RC)" placing a special emphasis on environmental preservation, safety and quality throughout the entire life cycle of our products from the development to disposal. In March 2006, the Committee established the "5th Medium-term RC promotion Basic Plan" to make our RC more active.

The Compliance Committee, chaired by the president, discusses and decides measures to enhance our company-wide compliance management.

Legal Advisers provide their opinions for us when solicited. None of the Legal Advisors is involved in the management of the Company.

Accounting Auditors perform their services under the Commercial Code and Securities and Exchange Law of Japan, and provide their opinions when we call for them, to make decisions on accounting issues. None of the Accounting Auditors is involved in the management of the Company.

The Internal Audit Office carries out internal audits (verifies the adequacy and effectiveness of the business process in each division and reports the results to the directors) in cooperation with the Board of Corporate Auditors.

The Responsible Care Office carries out internal audits RC activities in each division.

Responsible Care

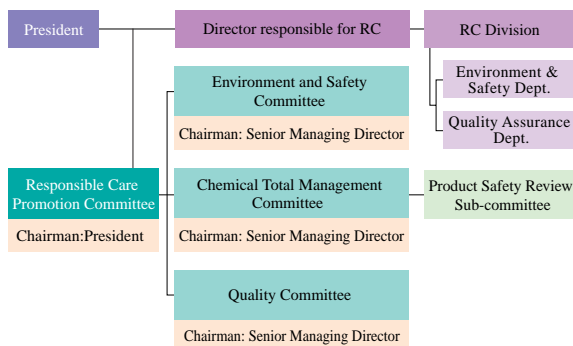
1. Our Fundamental Policy on Environment, Safety and Quality

The Company has set the corporate philosophy as “*TechnoAmenity: Seeking to create a society where people can enjoy an affluent and comfortable life through technological innovation*”. Adhering to the philosophy, the Company has defined the four priorities regarding Environment, Safety and Quality, which will bring our business activities into harmony with global environmental preservation and conservation:

1. Acknowledging environmental preservation throughout the entire life cycle of a product, from development to disposal
2. Aiming for zero accidents and disasters and keeping society, including our employees, safe
3. Confirming the safety of chemical materials, intermediates and products, and considering the health of respective people such as our customers, employees of logistics, and our employees, etc.
4. Stably supplying products and associated services that meet customer satisfaction and inspire their trust.

2. RC Promotion Organization

(1) RC Promotion Organization



(2) RC Management System

ISO 14001(EMS)

Registration of all operations completed in July 2001. Up grading to improved 2004 standards completed in 2005.

ISO 9001(QMS)

Registration of all operations completed. Up grading to improved 2000 standards completed in 2003.

3. The 5th Medium-Term RC Promotion Basic Plan(FY2006-FY2008)



Goals

(1) Voluntarily pursuing goals in each of the related areas within the company

Environmental Preservation

- 6% reduction of energy per unit of production on FY2008 (vs.FY2005)
- (3% reduction of CO₂ emission per unit of production on FY2008 (vs.FY2005))
- Accession to zero emission* and its maintenance
- 40% reduction of emission of PRTR* chemical substances (vs.FY2005)
- Establishment of eco-friendly product design system
- *:Zero emission is defined as less quantity of final off-site landfill than 0.1% of total amount of waste generated.

Process Safety and Disaster Prevention

- Zero disasters -Zero accidents

Occupational Safety and Health

- Zero industrial injuries with lost workdays (including contractors)
- Zero industrial injuries without lost workdays (including contractors)

Chemical Safety

- Zero problem on chemical safety (legal or social)

Quality

- Zero serious claims

Communication with Society

- Promotion of dialogue with stake holders and adequate disclosure of the information regarding RC

(2) Group RC activities in domestic and overseas

-Attainment of common targets to all Nippon Shokubai Group
<Group common targets>

1) Environmental preservation

- Promotion of energy saving activities
- Reduction of emission of PRTR chemical substances
- Reduction of amount of waste generated

2) Process Safety and Disaster Prevention

- Zero disasters -Zero accidents

3) Occupational Safety and Health

- 50% reduction of industrial injuries with lost workdays (vs.FY2004-FY2005)

4) Chemical Safety

- Zero problems on chemical safety(legal or social)

5) Quality

- Zero serious claims

6) Communication with Society

- Promotion of dialogue to stake holders and adequate disclosure of the information

7) Management System

- Introduction of ISO14001 and risk assessment of OHSAS18001.

4. RC Performance in FY 2005

(1) Environmental Preservation

- Energy saving
- Reduction of emission of PRTR* chemical substances
- Reduction of industrial wastes
- Kanagawa Global Environment Award (Kawasaki Plant)



(2) Process Safety and Disaster Prevention

- Implementation of safety assessment by HAZOP*
- Reduction of change risk through Management of Changes*
- Training for emergency
- Logistic safety using Yellow Card* system and training for transportation emergency

(3) Occupational Safety and Health

- Reduction of risk in workspace through Occupational Safety and Health Management System
- Prevention of injuries caused by unsafe action
- Zero industrial injuries with lost workdays for more than 5000 days (Kawasaki Plant)



(4) Chemical Safety

- Safety assessment of new products through Stage Gate System
- Global Product Stewardship for REACH* and GHS*

(5) Quality

- Prevention of quality complaint by improving Quality Management System
- Disclosing information concerning green procurement to the customers

(6) Communication with Society

- Regional activities such as conserving local chrysanthemum “Noji-Giku” in danger of extinction, and inviting children to potato digging in Himeji Plant
- Reception of trainees from ASEAN in Kawasaki Plant



“Noji-Giku” and Himeji Plant



Potato digging(Himeji Plant)

(7) RC activities of Nippon Shokubai Group in Japan & overseas

- Reduction of environmental emission, labor accident, equipment trouble and quality claim & nonconformity
- Information sharing for RC activity
- Affiliated companies in Japan:
 - RC audit and case study workshop about quality carried out by the Group companies
 - ISO 9001 certification (Tokyo Fine Chemical Co., Ltd.)
- Overseas affiliated companies:
 - ISO 9001 certification (NA Industries, Inc.)
 - OHSAS 18001 certification (Nippon Shokubai Europe N.V.)
 - Environment award (“Green” level in PROPER*) and Zero Accident Award (PT. NIPPON SHOKUBAI INDONESIA)

PRTR:Pollutant Release and Transfer Register

A regulatory system which requires reporting of emission volumes of wastes. Data compiled to the government bodies are disclosed to the public.

HAZOP:Hazard and Operability Studies

An execution to estimate the safety of plants.

Management of Changes:

Program to ensure that proposed changes to plant operations are evaluated changes are prevented so as to public, and the environmental, etc.

Yellow Card:

A card stating the producers to be taken and contact information for

transporters, fire squads, and police in the event of an accident during the road transport of chemicals.

REACH:Registration, Evaluation, and Authorization of Chemicals

A new EU regulatory framework for the Registration, Evaluation and Authorization of Chemicals aiming to improve the protection of human health and the environment through the better and earlier identification of the properties of chemical substances.

GHS:Globally Harmonized System of Classification and Labeling of Chemicals

A system for classification and labeling of chemicals hazard according to the globally harmonized rule.

PROPER:See page 9.

Management Indices

(1) Consolidated Management Indices

Year ended March 31st (Fiscal Year)	2002 (2001)	2003 (2002)	2004 (2003)	2005 (2004)	2006 (2005)
	<i>(Millions of Yen)</i>				
Net Sales	159,722	163,514	169,733	197,222	232,441
Ordinary Income	5,558	10,971	17,212	23,709	26,148
Net Income	1,590	5,516	8,822	15,705	16,257
Total Shareholders' Equity	120,238	121,297	131,685	144,660	164,631
Total Assets	230,253	216,756	220,185	249,349	291,564
	<i>(Yen)</i>				
Net Assets per Share	617.05	631.12	685.20	757.72	875.00
Net Income per Share	8.16	27.97	45.37	81.37	85.89
Fully Diluted Net Income per Share	—	—	—	—	—
Capital Ratio(%)	52.2	56.0	59.8	58.0	56.5
Return on Equity(%)	1.3	4.6	7.0	11.4	10.5
Price Earning Ratio(times)	62.0	20.4	18.0	11.9	16.3
	<i>(Millions of Yen)</i>				
Cash Flow from Operating Activities	17,268	23,117	16,399	22,161	17,468
Cash Flow from Investing Activities	(8,178)	(8,751)	(9,161)	(16,934)	(20,663)
Cash Flow from Financing Activities	(1,579)	(15,956)	(9,506)	(861)	(2,562)
Cash and Cash Equivalents at Year-end	23,151	21,217	18,654	24,160	19,856
Number of Employees	3,077	2,967	2,658	2,721	2,806

Note 1: Net Sales do not include consumption taxes.

Note 2: Starting with the fiscal year ended March 2003, net assets and net income per share have been prepared in accordance with financial Accounting Standard No.2, "Accounting Standards for Earnings per Share," and Financial Accounting Standard Implementation Guidance No.4, "Implementation Guidance for Accounting Standard for Earnings per Share."

Note 3: Fully diluted Net Income per Share is not recorded because no dilutive shares exist.

(2) Non-consolidated Management Indices

Year ended March 31st (Fiscal Year)	2002 (2001)	2003 (2002)	2004 (2003)	2005 (2004)	2006 (2005)
					<i>(Millions of Yen)</i>
Net Sales	123,706	126,612	132,622	146,789	170,510
Ordinary Income	8,054	10,879	14,228	17,795	23,008
Net Income	1,744	3,094	5,966	11,063	14,502
Capital	16,529	16,529	16,529	16,529	16,529
Issued and Outstanding Shares (Thousands shares)	194,881	194,881	194,881	194,881	194,881
					<i>(Millions of Yen)</i>
Total Shareholders' Equity	115,578	115,593	124,417	133,100	148,283
Total Assets	188,821	176,155	182,806	207,303	237,571
					<i>(Yen)</i>
Net Assets per Share	593.14	601.48	647.41	697.19	788.11
Dividend per Share	7.00	7.00	9.00	13.00	16.00
(Interim Dividend per Share)	(3.50)	(3.50)	(4.00)	(5.00)	(7.50)
Net Income per Share	8.95	15.55	30.56	57.20	76.61
Fully Diluted Net Income per Share	—	—	—	—	—
Capital Ratio(%)	61.2	65.6	68.1	64.2	62.4
Return on Equity(%)	1.5	2.7	5.0	8.6	10.3
Price Earning Ratio(times)	56.5	36.7	26.7	17.0	18.3
Dividend Payout Ratio(%)	78.2	45.0	29.5	22.7	20.9
Number of Employees	1,937	1,881	1,774	1,731	1,730

Note 1: Net Sales do not include consumption taxes.

Note 2: Starting with the fiscal year ended March 2003, net assets and net income per share have been prepared in accordance with financial Accounting Standard No.2, "Accounting Standards for Earnings per Share," and Financial Accounting Standard Implementation Guidance No.4, "Implementation Guidance for Accounting Standard for Earnings per Share."

Note 3: The dividend per share for the fiscal year ended March 31, 2005 (fiscal 2004) include a ¥2 memorial dividend our 65th anniversary of the company's foundation.

Note 4: Fully diluted Net Income per Share is not recorded because no dilutive shares exist.

Nippon Shokubai Co., Ltd.
Consolidated Financial Statements

Years ended March 31, 2006 and 2005

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Report of Independent Auditors



Report of Independent Auditors

The Board of Directors
Nippon Shokubai Co., Ltd.

We have audited the accompanying consolidated balance sheets of Nippon Shokubai Co., Ltd. and consolidated subsidiaries as of March 31, 2006 and 2005, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nippon Shokubai Co., Ltd. and consolidated subsidiaries at March 31, 2006 and 2005, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2006 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2.

Osaka, Japan
June 21, 2006

Ernst & Young Shin Nihon

A MEMBER OF ERNST & YOUNG GLOBAL

Consolidated Balance Sheets

Nippon Shokubai Co., Ltd. and Consolidated Subsidiaries

	March 31,		
	2006	2005	2006
	(Millions of yen)		(Thousands of U.S. dollars) (Note 2)
Assets			
Current assets:			
Cash and cash equivalents	¥ 19,856	¥ 24,160	\$ 168,987
Time deposits (Note 6)	223	33	1,898
Notes and accounts receivable:			
Unconsolidated subsidiaries and affiliates	7,091	6,537	60,349
Trade	50,353	46,459	428,536
Allowance for doubtful receivables	(94)	(87)	(799)
Inventories (Note 4)	38,705	29,702	329,404
Deferred income taxes (Note 8)	3,368	2,606	28,664
Other current assets	6,412	5,438	54,570
Total current assets	125,914	114,848	1,071,609
Property, plant and equipment (Notes 5 and 6):			
Land	25,636	24,839	218,179
Buildings and structures	63,972	59,568	544,443
Machinery and equipment	227,941	209,787	1,939,923
Construction in progress	16,958	9,315	144,323
Accumulated depreciation	(229,418)	(217,099)	(1,952,494)
Property, plant and equipment, net	105,089	86,410	894,374
Investments and other assets:			
Investments in securities (Notes 3 and 6)	35,610	24,109	303,064
Investments in and advances to			
unconsolidated subsidiaries and affiliates	11,138	11,001	94,791
Deferred income taxes (Note 8)	925	1,494	7,872
Prepaid pension cost	2,730	2,348	23,234
Other assets	10,158	9,139	86,452
Total investments and other assets	60,561	48,091	515,413
Total assets	¥ 291,564	¥ 249,349	\$2,481,396

	March 31,		
	2006	2005	2006
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars) (Note 2)</i>
Liabilities and shareholders' equity			
Current liabilities:			
Short-term bank loans <i>(Note 6)</i>	¥ 11,538	¥ 6,951	\$ 98,196
Current portion of long-term debt <i>(Note 6)</i>	5,317	5,653	45,251
Notes and accounts payable:			
Unconsolidated subsidiaries and affiliates	6,207	5,313	52,826
Trade	33,936	31,313	288,814
Construction	262	275	2,230
Accrued income taxes <i>(Note 8)</i>	5,657	5,029	48,145
Other current liabilities	17,790	10,545	151,406
Total current liabilities	80,707	65,079	686,868
Long-term liabilities:			
Long-term debt <i>(Note 6)</i>	28,363	26,541	241,387
Accrued retirement benefits for employees <i>(Note 7)</i>	6,754	6,756	57,481
Accrued retirement benefits for directors and corporate auditors	—	390	—
Deferred income taxes <i>(Note 8)</i>	5,429	1,157	46,204
Other	1,607	1,272	13,677
Total long-term liabilities	42,153	36,116	358,749
Minority interests	4,073	3,494	34,664
Contingent liabilities <i>(Note 12)</i>			
Shareholders' equity <i>(Note 9)</i> :			
Common stock:			
Authorized – 424,000,000 shares			
Issued – 194,881,287 shares in 2006 and 2005	16,529	16,529	140,672
Additional paid-in capital	13,565	13,565	115,447
Retained earnings	125,684	112,496	1,069,651
Net unrealized holding gain on securities	12,259	5,632	104,332
Translation adjustments	1,939	(1,057)	16,502
Less treasury stock, at cost	(5,345)	(2,505)	(45,489)
Total shareholders' equity	164,631	144,660	1,401,115
Total liabilities and shareholders' equity	¥ 291,564	¥ 249,349	\$2,481,396

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

Nippon Shokubai Co., Ltd. and Consolidated Subsidiaries

	Year ended March 31,		
	2006	2005	2006
	(Millions of yen)		(Thousands of U.S. dollars) (Note 2)
Net sales (Note 16)	¥ 232,441	¥ 197,222	\$1,978,221
Cost of sales (Note 10)	176,253	145,019	1,500,025
Gross profit	56,188	52,203	478,196
Selling, general and administrative expenses (Note 10)	32,960	29,991	280,511
Operating income (Note 16)	23,228	22,212	197,685
Other income (expenses):			
Interest and dividend income	1,458	972	12,409
Interest expense	(733)	(480)	(6,238)
Royalty income	1,022	1,006	8,698
Equity in earnings of unconsolidated subsidiaries and affiliates	961	572	8,179
Impairment loss on fixed assets (Note 5)	—	(479)	—
Other, net	212	(573)	1,803
Income before income taxes and minority interests	26,148	23,230	222,536
Income taxes (Note 8):			
Current	10,331	7,422	87,923
Deferred	(594)	(173)	(5,055)
	9,737	7,249	82,868
Income before minority interests	16,411	15,981	139,668
Minority interests in earnings of consolidated subsidiaries	(154)	(276)	(1,311)
Net income (Note 13)	¥ 16,257	¥ 15,705	\$ 138,357

See accompanying notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Nippon Shokubai Co., Ltd. and Consolidated Subsidiaries

	Year ended March 31,		
	2006	2005	2006
	(Millions of yen)		(Thousands of U.S. dollars) (Note 2)
Common stock:			
Balance at beginning and end of year.....	¥ 16,529	¥ 16,529	\$ 140,672
Additional paid-in capital:			
Balance at beginning of year	¥ 13,565	¥ 13,563	\$ 115,447
Gain on sale of treasury stock.....	0	2	0
Balance at end of year.....	¥ 13,565	¥ 13,565	\$ 115,447
Retained earnings:			
Balance at beginning of year	¥ 112,496	¥ 98,947	\$ 957,413
Net income.....	16,257	15,705	138,357
Cash dividends	(2,945)	(1,920)	(25,064)
Bonuses to directors and corporate auditors	(124)	(110)	(1,055)
Decrease in retained earnings resulting from exclusion of affiliate accounted for by equity method	—	(126)	—
Balance at end of year.....	¥ 125,684	¥ 112,496	\$ 1,069,651
Net unrealized holding gain on securities:			
Balance at beginning of year	¥ 5,632	¥ 4,961	\$ 47,932
Net change during the year	6,627	671	56,400
Balance at end of year.....	¥ 12,259	¥ 5,632	\$ 104,332
Translation adjustments:			
Balance at beginning of year	¥ (1,057)	¥ (839)	\$ (8,996)
Net change during the year	2,996	(218)	25,498
Balance at end of year.....	¥ 1,939	¥ (1,057)	\$ 16,502
Less treasury stock, at cost:			
Balance at beginning of year	¥ (2,505)	¥ (1,476)	\$ (21,319)
Net change during the year	(2,840)	(1,029)	(24,170)
Balance at end of year.....	¥ (5,345)	¥ (2,505)	\$ (45,489)

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Nippon Shokubai Co., Ltd. and Consolidated Subsidiaries

	Year ended March 31,		
	2006	2005	2006
	(Millions of yen)		(Thousands of U.S. dollars) (Note 2)
Operating activities:			
Income before income taxes and minority interests.....	¥ 26,148	¥ 23,230	\$ 222,536
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	9,349	8,028	79,566
Impairment loss on fixed assets	—	479	—
(Decrease) increase in accrued retirement benefits	(89)	148	(757)
Interest and dividend income	(1,458)	(972)	(12,409)
Interest expense	733	480	6,238
Equity in earnings of unconsolidated subsidiaries and affiliates	(961)	(572)	(8,179)
Loss on disposal of property, plant and equipment	315	340	2,681
Other, net	1,133	2,513	9,643
Changes in operating assets and liabilities:			
Notes and accounts receivable	(3,646)	(7,913)	(31,030)
Inventories.....	(8,012)	(5,140)	(68,187)
Notes and accounts payable	2,719	7,052	23,140
Other current liabilities.....	(28)	(169)	(238)
Subtotal	26,203	27,504	223,004
Interest and dividends received	1,571	957	13,370
Interest paid	(709)	(470)	(6,034)
Income taxes paid	(9,597)	(5,830)	(81,676)
Net cash provided by operating activities	17,468	22,161	148,664
Investing activities:			
Proceeds from sales of short-term investments and investments in securities	176	3	1,498
Purchases of marketable securities and investments in securities..	(1,017)	(3,351)	(8,655)
Acquisition of investments in subsidiaries resulting in inclusion in consolidation	—	(2,130)	—
Purchases of property, plant and equipment	(22,105)	(12,033)	(188,128)
Proceeds from sales of property, plant and equipment	11	29	94
Increase in loans receivable	(215)	(334)	(1,830)
Collection of loans receivable	1,375	1,126	11,702
Other, net	1,112	(244)	9,464
Net cash used in investing activities.....	(20,663)	(16,934)	(175,855)

	Year ended March 31,		
	2006	2005	2006
	(Millions of yen)		(Thousands of U.S. dollars) (Note 2)
Financing activities:			
Increase (decrease) in short-term bank loans, net	¥ 4,448	¥ (453)	\$ 37,855
Proceeds from long-term debt	7,609	10,700	64,757
Repayment of long-term debt	(8,815)	(8,148)	(75,021)
Proceeds from issuance of bonds	—	5,000	—
Redemption of bonds	—	(5,000)	—
Cash dividends paid	(2,945)	(1,920)	(25,064)
Purchases of treasury stock	(2,844)	(1,031)	(24,204)
Other, net	(15)	(9)	(127)
Net cash used in financing activities	(2,562)	(861)	(21,804)
Effect of exchange rate changes on cash and cash equivalents ...	866	80	7,369
(Decrease) increase in cash and cash equivalents	(4,891)	4,446	(41,626)
Cash and cash equivalents at beginning of year	24,160	18,654	205,617
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	587	1,060	4,996
Cash and cash equivalents at end of year	¥ 19,856	¥ 24,160	\$ 168,987

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Nippon Shokubai Co., Ltd. and Consolidated Subsidiaries
March 31, 2006

1. Summary of Significant Accounting Policies

(a) Basis of presentation

Nippon Shokubai Co., Ltd. (the "Company") and its domestic consolidated subsidiaries maintain their accounts and records in accordance with accounting principles generally accepted in Japan. Its overseas subsidiaries maintain their accounts in conformity with the requirements of their countries of domicile. The accompanying consolidated financial statements have been compiled from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

(b) Basis of consolidation

The accompanying consolidated financial statements include the accounts of the Company and its significant subsidiaries. All significant intercompany items have been eliminated in consolidation.

The overseas consolidated subsidiaries are consolidated on the basis of fiscal periods ending December 31, which differs from the balance sheet date of the Company. As a result, adjustments have been made for any significant intercompany transactions which took place during the period between the year ends of these overseas consolidated subsidiaries and the year end of the Company.

Investments in an unconsolidated subsidiary and significant affiliates are accounted for by the equity method.

Investments in unconsolidated subsidiaries and affiliates not accounted for by the equity method are carried at cost.

The excess of cost over underlying net assets at the date of acquisition is amortized over a period of five years on a straight-line basis, except that immaterial amounts are charged to income as incurred.

(c) Foreign currency translation

The financial statements of the overseas consolidated subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date except that the components of shareholders' equity are translated at their historical exchange rates. Differences resulting from translating the financial statements of the overseas consolidated subsidiaries are not included in the determination of net income but are reported as translation adjustments in a separate component of shareholders' equity and minority interests in the consolidated balance sheets at March 31, 2006 and 2005.

Revenue and expense items arising from transactions denominated in overseas currencies are generally translated into yen at the rates in effect at the respective transaction dates.

All monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date and the gain or loss on each translation is credited or charged to income.

(d) Cash and cash equivalents

Cash and cash equivalents include cash on hand and in banks and other highly liquid investments with maturities of three months or less when purchased.

(e) Inventories

Inventories of the Company and its consolidated subsidiaries are stated principally at the lower of cost or market, cost being determined by the moving average method.

(f) Property, plant and equipment

Property, plant and equipment is stated on the basis of cost. Depreciation is computed principally by the declining-balance method over the estimated useful lives of the respective assets, except that the overseas consolidated subsidiaries compute depreciation by the straight-line method over the estimated useful lives of the respective assets.

(g) Leases

Non-cancelable leases of the Company and its domestic consolidated subsidiaries are accounted for as operating leases (whether such leases are classified as operating or finance leases), except that leases which stipulate the transfer of ownership of the leased assets to the lessee are accounted for as finance leases. However, leases of the overseas consolidated subsidiaries are generally classified and accounted for as either finance or operating leases.

(h) Investments in securities

Securities are classified into three categories: trading securities, held-to-maturity debt securities and other securities. Trading securities, consisting of debt and marketable equity securities, are carried at fair value. Gain and loss, both realized and unrealized, are charged to income. Held-to-maturity debt securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value, with any changes in unrealized holding gain or loss, net of the applicable income taxes, reported as a separate component of shareholders' equity. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method.

(i) Research and development costs and computer software

Research and development costs are charged to income when incurred.

Expenditures relating to the development of computer software intended for internal use are charged to income as incurred, except if these are deemed to contribute to the generation of future income or cost savings. Such expenditures are capitalized as assets and amortized by the straight-line method over their useful lives, generally a period of 5 years.

(j) Income taxes

Income taxes are calculated based on taxable income and charged to income on an accrual basis. Deferred income tax assets and liabilities are computed based on the temporary differences between financial reporting and the tax bases of the assets and liabilities which will result in taxable or deductible amounts in the future. The calculation of deferred income tax assets and liabilities is based on the enacted tax laws.

(k) Accrued bonuses to directors and corporate auditors

Accrued bonuses for directors and corporate auditors are provided at an estimate of the amount to be paid in the following year which has been allocated to the current fiscal year.

Supplemental information

Until the year ended March 31, 2005, accrued bonuses for directors and corporate auditors was accounted for as an appropriation of retained earnings as approved by resolution of the shareholders at the annual general meeting held subsequent to each fiscal year end.

Effective April 1, 2005, the Company adopted "Practical Solution on Tentative Treatment of Accounting for Accrued Bonuses to Directors and Corporate Auditors (Accounting Standards Board of Japan Practical Solution Report No. 13 on March 9, 2004)" and commenced accounting for these accrued bonuses as an expense item. As a result of this adoption, operating income and income before income taxes and minority interests for the year ended March 31, 2006 decreased by ¥139 million (\$1,183 thousand) from the amount which would have been recorded if the method applied in previous years had been followed.

(l) Retirement benefits

The Company's employees are covered by an employees' retirement benefit plan and an employees' pension plan. The employees' retirement benefit plan provides for lump-sum payments determined by reference to their basic salary, years

of service and certain other factors. The domestic consolidated subsidiaries have either unfunded employees' retirement benefit plans and/or pension plans which are noncontributory and funded and which cover substantially all their employees. These plans provide for lump-sum payments and/or annuity payments payable upon termination of employment.

Accrued retirement benefits for employees have been provided, in general, based on the retirement benefit obligation and the fair value of the pension plan assets as adjusted for unrecognized actuarial gain or loss and unrecognized prior service cost.

Prior service cost is amortized principally by the straight-line method over 5 years, which falls within the estimated average remaining years of service of the eligible employees.

Actuarial gain or loss is amortized in the year following the year in which the gain or loss is recognized principally by the straight-line method over 10 years, which falls within the estimated average remaining years of service of the eligible employees.

The Company abolished its retirement benefit plan for directors and corporate auditors of the Company as of the annual general meeting of the shareholders held on June 22, 2005. As a result, the outstanding balance of the provision for retirement benefits for directors and corporate auditors of the Company at June 22, 2005 was reclassified to "long-term liability – other" in the consolidated balance sheet at March 31, 2006.

(m) Appropriation of retained earnings

Under the Commercial Code of Japan, the appropriation of retained earnings with respect to a given financial period is made by resolution of the shareholders at a general meeting held subsequent to the close of the financial period. The accounts for that period do not, therefore, reflect such appropriations (see Note 17).

2. U.S. Dollar Amounts

The translation of yen amounts into U.S. dollar amounts is included solely for convenience, as a matter of arithmetic computation only, at ¥117.5 = U.S.\$1.00, the approximate rate of exchange in effect on March 31, 2006. This translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

Notes to Consolidated Financial Statements (continued)

3. Investments in Securities

Marketable securities classified as other securities at March 31, 2006 and 2005 are summarized as follows:

	2006					
	<i>(Millions of yen)</i>			<i>(Thousands of U.S. dollars)</i>		
	Cost	Book value (Fair market value)	Unrealized gain (loss)	Cost	Book value (Fair market value)	Unrealized gain (loss)
Securities whose fair market value exceeds their cost:						
Equity securities.....	¥ 13,164	¥ 33,882	¥ 20,718	\$ 112,034	\$ 288,357	\$ 176,323
Subtotal	13,164	33,882	20,718	112,034	288,357	176,323
Securities whose cost exceeds their fair market value:						
Equity securities.....	593	585	(8)	5,047	4,979	(68)
Subtotal	593	585	(8)	5,047	4,979	(68)
Total	¥ 13,757	¥ 34,467	¥ 20,710	\$ 117,081	\$ 293,336	\$ 176,255

	2005		
	<i>(Millions of yen)</i>		
	Cost	Book value (Fair market value)	Unrealized gain (loss)
Securities whose fair market value exceeds their cost:			
Equity securities.....	¥ 12,350	¥ 21,892	¥ 9,542
Subtotal	12,350	21,892	9,542
Securities whose cost exceeds their fair market value:			
Equity securities.....	578	551	(27)
Subtotal	578	551	(27)
Total	¥ 12,928	¥ 22,443	¥ 9,515

The proceeds and gross realized gain and loss on sales of securities classified as other securities for the years ended March 31, 2006 and 2005 were as follows:

2006			2005			2006		
<i>(Millions of yen)</i>			<i>(Thousands of U.S. dollars)</i>			<i>(Thousands of U.S. dollars)</i>		
Proceeds	Gross realized gain	Gross realized loss	Proceeds	Gross realized gain	Gross realized loss	Proceeds	Gross realized gain	Gross realized loss
¥ 176	¥ 56	¥ -	¥ 2	¥ 1	¥ -	\$ 1,498	\$ 477	\$ -

A breakdown of other securities whose market value was not determinable at March 31, 2006 and 2005 is as follows:

	2006	2005	2006
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Preferred subscription certificates	¥ –	¥ 500	\$ –
Other securities	1,143	1,166	9,728

4. Inventories

Inventories at March 31, 2006 and 2005 were as follows:

	2006	2005	2006
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Merchandise and finished goods	¥ 19,505	¥ 13,996	\$ 166,000
Raw materials	9,255	7,626	78,766
Work in process	7,657	6,301	65,165
Supplies	2,288	1,779	19,473
	<u>¥ 38,705</u>	<u>¥ 29,702</u>	<u>\$ 329,404</u>

5. Impairment Loss on Fixed Assets

The impairment loss on fixed assets for the year ended March 31, 2005 related primarily to the significant decrease in the market value of the Company's land as well as to an overall deterioration in its business environment.

Impairment loss on fixed assets for the year ended March 31, 2005 consisted of the following:

	2005
	<i>(Millions of yen)</i>
Rental properties:	
Land	¥ 333
Building	37
Structure	1
	<u>371</u>
Production facilities for polyvinylpyrrolidone:	
Machinery	101
Structure	4
Building	3
	<u>108</u>
Total	<u>¥ 479</u>

An impairment loss on rental properties and production facilities for polyvinylpyrrolidone for the year ended March 31, 2005 was recorded at the amount at which the acquisition cost of each asset exceeded an estimate of its future cash flows, discounted at 1.7%.

Notes to Consolidated Financial Statements (continued)

6. Short-Term Bank Loans and Long-Term Debt

Short-term bank loans consisted mainly of unsecured loans. The average interest rates on short-term bank loans outstanding at March 31, 2006 and 2005 were 2.65% and 0.95%, respectively.

Long-term debt at March 31, 2006 and 2005 consisted of the following:

	2006	2005	2006
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
0.81% unsecured bonds due November 2009 ...	¥ 5,000	¥ 5,000	\$ 42,553
Unsecured loans from banks and insurance companies, payable in yen, at rates from 0.49% to 1.38%, due through 2011	17,459	16,221	148,587
Unsecured loans from banks, payable in U.S. dollars, at rates from 2.74% to 3.60%, due through 2010	5,663	9,274	48,196
Unsecured loans from banks, payable in Euro, at rates from 2.55% to 3.17%, due through 2009	3,775	347	32,128
Secured loans from banks and insurance companies, payable in yen, at rates from 1.20% to 5.60%, due through 2010	1,783	1,352	15,174
Subtotal	33,680	32,194	286,638
Less current portion	(5,317)	(5,653)	(45,251)
Total	¥ 28,363	¥ 26,541	\$ 241,387

The aggregate annual maturities of long-term debt subsequent to March 31, 2006 are summarized below:

Year ending March 31,	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
2007	¥ 5,317	\$ 45,251
2008	5,293	45,047
2009	4,510	38,383
2010	9,961	84,774
2011 and thereafter	8,599	73,183
	¥ 33,680	\$ 286,638

Assets pledged as collateral for short-term bank loans, long-term debt, including the current portion thereof, and accounts and notes payable at March 31, 2006 and 2005 were as follows:

	2006	2005	2006
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Time deposits	¥ 8	¥ 8	\$ 68
Land	293	55	2,493
Buildings and structures ..	197	30	1,677
Machinery and equipment ..	250	-	2,128
Investments in securities ..	1,179	2,517	10,034
	¥ 1,927	¥ 2,610	\$ 16,400

7. Retirement Benefits

The following table sets forth the funded and accrued status of the pension plans and the amounts recognized in the consolidated balance sheets at March 31, 2006 and 2005 for the Company's and the consolidated subsidiaries' defined benefit plans:

	2006	2005	2006
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Retirement benefit obligation at end of year ..	¥ (29,937)	¥ (30,610)	\$ (254,783)
Fair value of plan assets at end of year	25,406	19,643	216,221
Unfunded retirement benefit obligation	(4,531)	(10,967)	(38,562)
Unrecognized actuarial loss ..	1,269	6,667	10,800
Unrecognized past service cost	(762)	(108)	(6,485)
Net retirement benefit obligation	(4,024)	(4,408)	(34,247)
Prepaid pension cost	2,730	2,348	23,234
Accrued retirement benefits	¥ (6,754)	¥ (6,756)	\$ (57,481)

The components of retirement benefit expenses for the years ended March 31, 2006 and 2005 are outlined as follows:

	2006	2005	2006
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Service cost	¥ 1,007	¥ 950	\$ 8,570
Interest cost	537	677	4,570
Expected return on plan assets ..	(458)	(435)	(3,898)
Amortization:			
Past service cost	(322)	(273)	(2,740)
Actuarial loss	936	621	7,966
Retirement benefit expenses ..	¥ 1,700	¥ 1,540	\$ 14,468

The assumptions used in accounting for the defined benefit plans for the years ended March 31, 2006 and 2005 were as follows:

	2006	2005
Discount rate	Principally 1.9%	Principally 1.9%
Expected rate of return on plan assets	Principally 3.0%	Principally 3.0%

8. Income Taxes

Income taxes applicable to the Company and its domestic consolidated subsidiaries consist of corporation, inhabitants' and enterprise taxes. The statutory tax rate in Japan for the years ended March 31, 2006 and 2005 was, in the aggregate, approximately 40.6%. The effective tax rate reflected in the consolidated statements of income for the years ended March 31, 2006 and 2005 differed from the above statutory tax rate for the following reasons:

	2006	2005
Statutory tax rate	40.6 %	40.6 %
Effect of:		
Valuation allowance	4.0	(4.3)
Tax credit for research and development costs	(3.9)	(3.7)
Equity in earnings of an unconsolidated subsidiary and affiliates	(1.5)	(1.0)
Other, net	(2.0)	(0.4)
Effective tax rates	37.2 %	31.2 %

Deferred income taxes reflect the net tax effect of the temporary differences between the carrying amounts of the assets and liabilities calculated for financial reporting purposes and the corresponding tax bases reported for income tax purposes. The significant components of the deferred tax assets and liabilities of the Company and its consolidated subsidiaries at March 31, 2006 and 2005 are summarized as follows:

	2006	2005	2006
	(Millions of yen)		(Thousands of U.S. dollars)
Deferred tax assets:			
Accrued retirement benefits ..	¥ 1,989	¥ 1,519	\$ 16,928
Intercompany profit on inventories and property, plant and equipment	1,215	926	10,340
Tax loss carryforwards ..	1,152	647	9,804
Reserve for repairs	1,081	902	9,200
Depreciation and amortization	693	715	5,898
Impairment loss of fixed assets	1,507	1,562	12,826
Accrued employees' bonuses ..	819	759	6,970
Impairment of investments in securities and other	1,866	1,888	15,881
Accrued enterprise tax	481	444	4,094
Other	1,477	772	12,570
Gross deferred tax assets ..	12,280	10,134	104,511
Less: Valuation allowance ..	(2,211)	(1,064)	(18,817)
Total deferred tax assets ..	10,069	9,070	85,694
Deferred tax liabilities:			
Equity in earnings of a foreign affiliate	(1,152)	(909)	(9,804)
Net unrealized holding gain on securities	(8,407)	(3,862)	(71,549)
Depreciation and amortization ..	(852)	(822)	(7,251)
Deferred capital gain on property ..	(340)	(340)	(2,894)
Reserve for depreciation for tax purposes	(293)	(110)	(2,494)
Other	(161)	(84)	(1,370)
Total deferred tax liabilities ..	(11,205)	(6,127)	(95,362)
Net deferred tax assets	¥ (1,136)	¥ 2,943	\$ (9,668)

9. Shareholders' Equity

The Commercial Code of Japan (the "Code") provides that an amount equal to at least 10% of the amounts to be disbursed as distributions of earnings be appropriated to the legal reserve until the sum of the legal reserve and additional paid-in capital equals 25% of the common stock account. The Code also stipulates that, to the extent that the sum of the additional paid-in capital account and the legal reserve exceeds 25% of the common stock account, the amount of any such excess is available for appropriation by resolution of the shareholders.

Retained earnings include the legal reserve provided in accordance with the Code. The legal reserve of the Company included in retained earnings amounted to ¥3,920 million (\$33,362 thousand) at March 31, 2006 and 2005.

The new Corporation Law of Japan (the "Law"), which superseded most of the provisions of the Commercial Code of Japan, went into effect on May 1, 2006. The Law stipulates similar requirements on distribution of earnings to those of the Code. Under the Law, however, such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met.

Notes to Consolidated Financial Statements (continued)

10. Research and Development Costs

Research and development costs included in cost of sales and selling, general and administrative expenses for the years ended March 31, 2006 and 2005 totaled ¥10,120 million (\$86,128 thousand) and ¥9,529 million, respectively.

11. Leases

The following pro forma amounts represent the acquisition costs (including the interest portion), accumulated depreciation and net book value of the leased assets at March 31, 2006 and 2005, which would have been reflected in the balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

	2006	2005	2006
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Machinery and equipment and software:			
Acquisition costs.....	¥ 536	¥ 490	\$ 4,562
Accumulated depreciation	(388)	(292)	(3,302)
Net book value	<u>¥ 148</u>	<u>¥ 198</u>	<u>\$ 1,260</u>

Lease payments relating to finance leases accounted for as operating leases amounted to ¥110 million (\$936 thousand) and ¥125 million for the years ended March 31, 2006 and 2005, respectively. Depreciation of the leased assets calculated by the straight-line method over the respective lease terms amounted to ¥110 million (\$936 thousand) and ¥125 million for the years ended March 31, 2006 and 2005, respectively.

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2006 for finance leases accounted for as operating leases are summarized as follows:

Year ending March 31,	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
2006.....	¥ 71	\$ 604
2007 and thereafter	77	656
	<u>¥ 148</u>	<u>\$ 1,260</u>

12. Contingent Liabilities

At March 31, 2006, the Company and one consolidated subsidiary were contingently liable as guarantors of indebtedness of affiliates, the Company's employees and others in the aggregate amount of ¥2,664 million (\$22,672 thousand).

In addition, at March 31, 2006, two consolidated subsidiaries had contingent liabilities arising from

notes discounted by banks and notes endorsed in the aggregate amount of ¥917 million (\$7,804 thousand).

13. Amounts per Share

	2006	2005	2006
	<i>(Yen)</i>		<i>(U.S. dollars)</i>
Net income	¥ 85.89	¥ 81.37	\$ 0.73
Cash dividends	16.00	13.00	0.14
Net assets	<u>875.00</u>	<u>757.72</u>	<u>7.45</u>

Net income per share has been computed based on the net income attributable to shareholders of common stock and the weighted-average number of shares of common stock outstanding during the year. Diluted net income per share has not been presented for the years ended March 31, 2006 and 2005 since neither the Company nor any of the consolidated subsidiaries had any potentially dilutive shares at March 31, 2006 and 2005.

The amounts per share of net assets have been computed based on the net assets available for distribution to shareholders of common stock and the number of shares of common stock outstanding at the year end.

Cash dividends per share represent the cash dividends declared as applicable to the respective years together with the interim cash dividends paid.

The financial data used in the computation of net income per share for the years ended March 31, 2006 and 2005 is summarized as follows:

	2006	2005	2006
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Net income	¥ 16,257	¥ 15,705	\$ 138,357
Deductions from net income:			
Bonuses to directors and corporate auditors ..	—	(125)	—
Adjusted net income attributable to shareholders of common stock	<u>¥ 16,257</u>	<u>¥ 15,580</u>	<u>\$ 138,357</u>
Weighted-average number of shares of common stock outstanding for the year (Thousands of shares) ..	<u>189,287</u>	191,486	<u>189,287</u>

14. Derivatives

Derivative financial instruments are utilized by the Company and its consolidated subsidiaries principally to reduce the risk of fluctuation in interest rates and foreign exchange rates. The Company has established a control environment which includes policies and procedures for risk assessment and for the approval, reporting and monitoring of transactions involving derivatives. The Company and its consolidated subsidiaries do not hold or issue derivatives for speculative trading purposes.

The Company and its consolidated subsidiaries are exposed to certain market risks arising from forward foreign exchange contracts and interest-rate swaps. The Company and its consolidated subsidiaries are also exposed to the risk of credit loss in the event of nonperformance by the counterparties to these forward foreign exchange contracts and interest-rate swap contracts; however, the Company and its consolidated subsidiaries do not anticipate nonperformance by any of the counterparties, all of whom are financial institutions with high credit ratings.

At March 31, 2006, two consolidated subsidiaries had open interest-rate swap positions. The total value of these positions, however, was immaterial.

16. Segment Information

The Company and its consolidated subsidiaries are primarily engaged in the manufacture and sales of products in Japan and overseas.

Business Segments

The business segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2006 and 2005 is outlined as follows:

	Year ended March 31, 2006					
	Basic chemicals	Functional chemicals	Environment and catalysts	Total	Eliminations or corporate	Consolidated
<i>(Millions of yen)</i>						
I. Sales and operating income						
Sales to third parties.....	¥ 94,095	¥ 116,300	¥ 22,046	¥ 232,441	¥ –	¥ 232,441
Intergroup sales and transfers....	17,063	460	1,302	18,825	(18,825)	–
Total sales.....	111,158	116,760	23,348	251,266	(18,825)	232,441
Operating expenses.....	100,000	107,498	20,226	227,724	(18,511)	209,213
Operating income.....	¥ 11,158	¥ 9,262	¥ 3,122	¥ 23,542	¥ (314)	¥ 23,228
II. Assets, depreciation and capital expenditures						
Total assets.....	¥ 94,753	¥ 133,032	¥ 23,309	¥ 251,094	¥ 40,470	¥ 291,564
Depreciation and amortization...	3,448	6,693	504	10,645	–	10,645
Capital expenditures	11,923	13,617	394	25,934	–	25,934

15. Supplemental Information on Consolidated Statements of Cash Flows

In July 2004, the Company purchased shares of Singapore Acrylic Pte Ltd. and Singapore Glacial Acrylic Pte Ltd. and initially consolidated the accounts of these companies for the year ended March 31, 2005. The following summarizes the assets and liabilities included in consolidation and presents the acquisition costs and cash disbursements:

	2005
	<i>(Millions of yen)</i>
Current assets	¥ 1,671
Non-current assets.....	3,355
Excess of investment cost over underlying net assets of a consolidated subsidiary.....	280
Current liabilities	(1,299)
Non-current liabilities	(42)
Minority interests.....	(1,545)
Acquisition costs	2,420
Cash and cash equivalents of the two companies.....	(290)
Cash disbursements	¥ 2,130

Notes to Consolidated Financial Statements (continued)

	Year ended March 31, 2005					
	Basic chemicals	Functional chemicals	Environment and catalysts	Total	Eliminations or corporate	Consolidated
<i>(Millions of yen)</i>						
I. Sales and operating income						
Sales to third parties.....	¥ 80,027	¥ 99,355	¥ 17,840	¥ 197,222	¥ –	¥ 197,222
Intergroup sales and transfers....	12,330	441	200	12,971	(12,971)	–
Total sales.....	92,357	99,796	18,040	210,193	(12,971)	197,222
Operating expenses.....	82,426	89,707	15,910	188,043	(13,033)	175,010
Operating income.....	¥ 9,931	¥ 10,089	¥ 2,130	¥ 22,150	¥ 62	¥ 22,212
II. Assets, depreciation, impairment loss and capital expenditures						
Total assets.....	¥ 81,919	¥ 113,542	¥ 22,409	¥ 217,870	¥ 31,479	¥ 249,349
Depreciation and amortization...	2,963	5,624	407	8,994	–	8,994
Impairment loss.....	–	479	–	479	–	479
Capital expenditures.....	5,090	7,537	375	13,002	–	13,002

	Year ended March 31, 2006					
	Basic chemicals	Functional chemicals	Environment and catalysts	Total	Eliminations or corporate	Consolidated
<i>(Thousands of U.S.dollars)</i>						
I. Sales and operating income						
Sales to third parties.....	\$ 800,809	\$ 989,787	\$ 187,625	\$ 1,978,221	\$ –	\$ 1,978,221
Intergroup sales and transfers....	145,217	3,915	11,081	160,213	(160,213)	–
Total sales.....	946,026	993,702	198,706	2,138,434	(160,213)	1,978,221
Operating expenses.....	851,064	914,876	172,136	1,938,076	(157,540)	1,780,536
Operating income.....	\$ 94,962	\$ 78,826	\$ 26,570	\$ 200,358	\$ (2,673)	\$ 197,685
II. Assets, depreciation, impairment loss and capital expenditures						
Total assets.....	\$ 806,409	\$ 1,132,187	\$ 198,374	\$ 2,136,970	\$ 344,426	\$ 2,481,396
Depreciation and amortization...	29,345	56,962	4,289	90,596	–	90,596
Capital expenditures.....	101,472	115,889	3,354	220,715	–	220,715

Geographical Segments

The geographical segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2006 and 2005 is outlined as follows:

	Year ended March 31, 2006					Eliminations or corporate	Consolidated
	Japan	Europe	Asia	Other	Total		
<i>(Millions of yen)</i>							
I. Sales and operating income							
Sales to third parties ..	¥ 168,773	¥ 23,935	¥ 27,405	¥ 12,328	¥ 232,441	¥ –	¥ 232,441
Intergroup sales and transfers	19,061	61	934	81	20,137	(20,137)	–
Total sales	187,834	23,996	28,339	12,409	252,578	(20,137)	232,441
Operating expenses ...	167,484	23,789	24,676	13,727	229,676	(20,463)	209,213
Operating income	¥ 20,350	¥ 207	¥ 3,663	¥ (1,318)	¥ 22,902	¥ 326	¥ 23,228
II. Total assets	¥ 192,113	¥ 18,995	¥ 31,818	¥ 14,919	¥ 257,845	¥ 33,719	¥ 291,564

	Year ended March 31, 2005					Eliminations or corporate	Consolidated
	Japan	Europe	Asia	Other	Total		
<i>(Millions of yen)</i>							
I. Sales and operating income							
Sales to third parties ..	¥ 147,020	¥ 22,701	¥ 17,611	¥ 9,890	¥ 197,222	¥ –	¥ 197,222
Intergroup sales and transfers	15,096	52	176	603	15,927	(15,927)	–
Total sales	162,116	22,753	17,787	10,493	213,149	(15,927)	197,222
Operating expenses ...	145,232	21,783	14,601	10,247	191,863	(16,853)	175,010
Operating income	¥ 16,884	¥ 970	¥ 3,186	¥ 246	¥ 21,286	¥ 926	¥ 22,212
II. Total assets	¥ 170,752	¥ 13,428	¥ 27,355	¥ 12,634	¥ 224,169	¥ 25,180	¥ 249,349

	Year ended March 31, 2006					Eliminations or corporate	Consolidated
	Japan	Europe	Asia	Other	Total		
<i>(Thousands of U.S.dollars)</i>							
I. Sales and operating income							
Sales to third parties ..	\$ 1,436,366	\$ 203,702	\$ 233,234	\$ 104,919	\$ 1,978,221	\$ –	\$ 1,978,221
Intergroup sales and transfers	162,221	519	7,949	690	171,379	(171,379)	–
Total sales	1,598,587	204,221	241,183	105,609	2,149,600	(171,379)	1,978,221
Operating expenses ...	1,425,396	202,459	210,008	116,826	1,954,689	(174,153)	1,780,536
Operating income	\$ 173,191	\$ 1,762	\$ 31,175	\$ (11,217)	\$ 194,911	\$ 2,774	\$ 197,685
II. Total assets	\$ 1,635,004	\$ 161,660	\$ 270,791	\$ 126,971	\$ 2,194,426	\$ 286,970	\$ 2,481,396

Notes to Consolidated Financial Statements (continued)

Overseas Sales

Overseas sales, which include export sales of the Company and its domestic consolidated subsidiaries and sales (other than exports to Japan) of the overseas consolidated subsidiaries, for the years ended March 31, 2006 and 2005 are summarized as follows:

	Year ended March 31, 2006				
	Asia	Europe	North America	Other	Total
	<i>(Millions of yen)</i>				
Overseas sales	¥ 48,385	¥ 32,788	¥ 18,623	¥ 6,958	¥ 106,754
Overseas sales as a percentage of consolidated net sales	20.8%	14.1%	8.0%	3.0%	45.9%

	Year ended March 31, 2005				
	Asia	Europe	North America	Other	Total
	<i>(Millions of yen)</i>				
Overseas sales	¥ 36,309	¥ 28,688	¥ 15,975	¥ 4,079	¥ 85,051
Overseas sales as a percentage of consolidated net sales	18.4%	14.5%	8.1%	2.1%	43.1%

	Year ended March 31, 2006				
	Asia	Europe	North America	Other	Total
	<i>(Thousands of U.S. dollars)</i>				
Overseas sales	\$ 411,787	\$ 279,047	\$ 158,494	\$ 59,217	\$ 908,545

17. Subsequent Event

The following appropriations of retained earnings of the Company, which have not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2006, were approved at a shareholders' meeting held on June 21, 2006:

	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Cash dividends (¥8.50 = \$0.07 per share)	¥ 1,599	\$ 13,609

Corporate Data (as of March 31, 2006)

NIPPON SHOKUBAI CO., LTD.

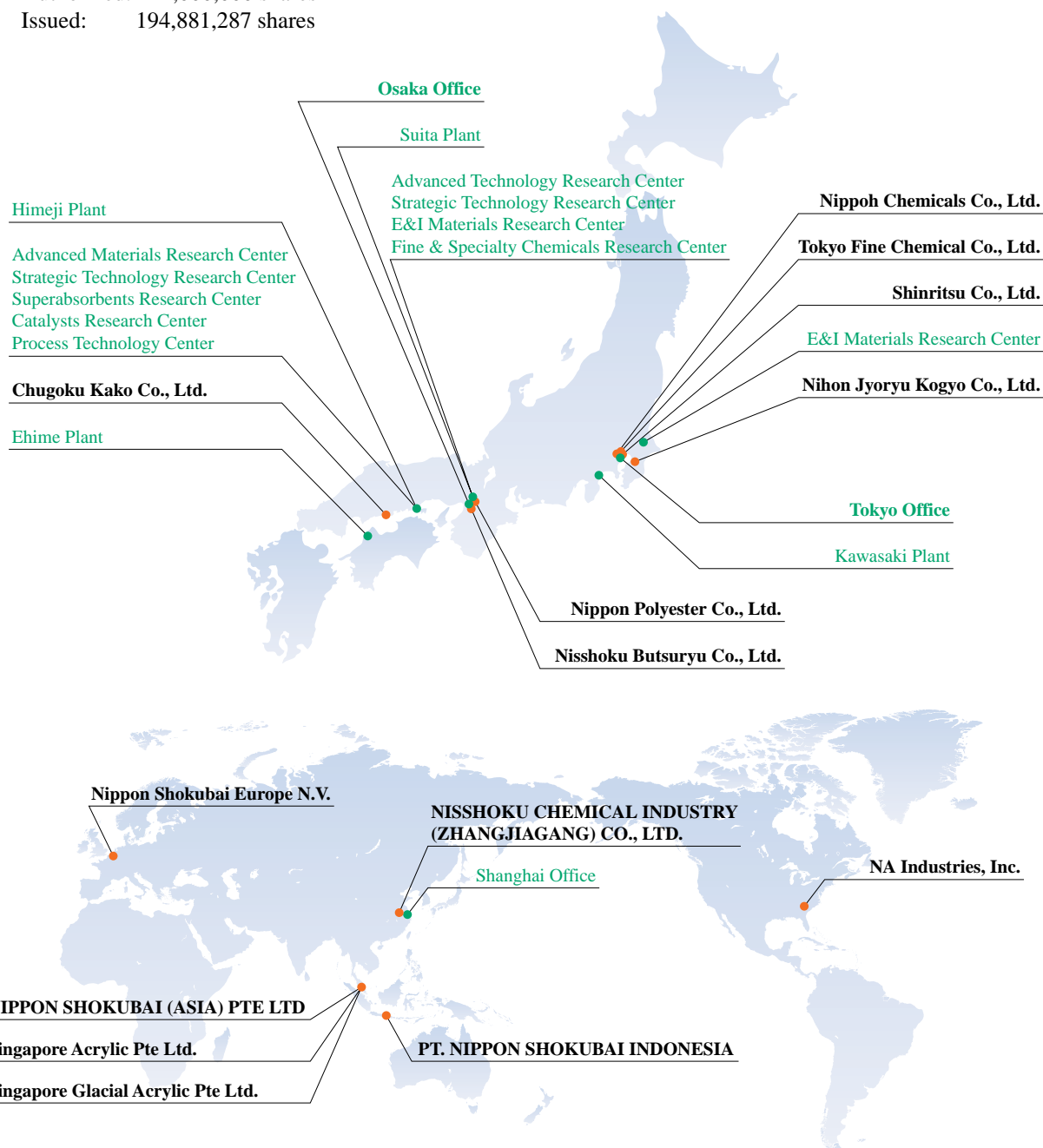
Incorporated	August 21, 1941
Capital	¥16,529,413,238
Number of Employees	Consolidated: 2,806 Non-consolidated: 1,730
Website	http://www.shokubai.co.jp
Common Stock	
Authorized:	424,000,000 shares
Issued:	194,881,287 shares

Stock Listings

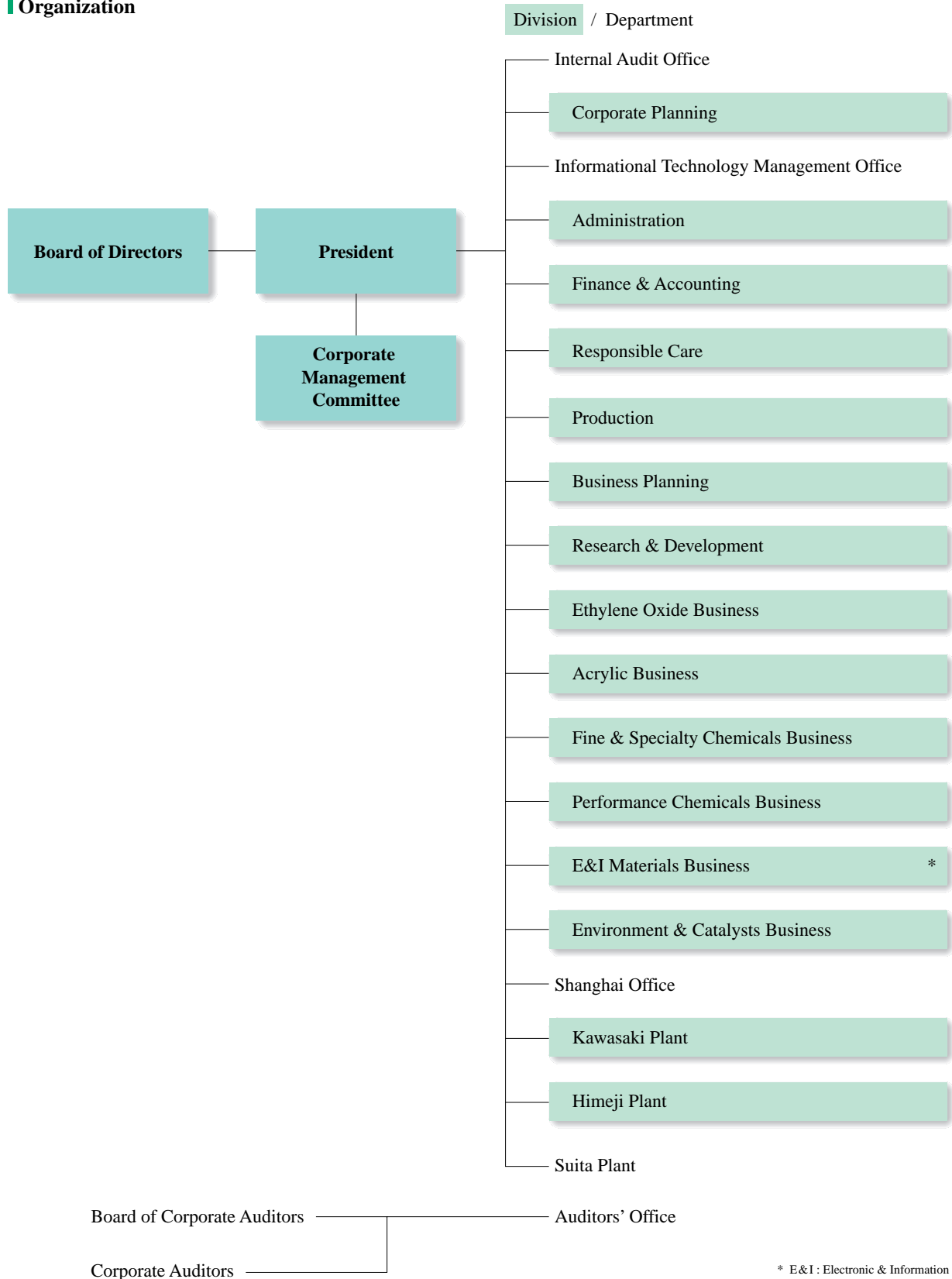
First Section, Tokyo Stock Exchange
First Section, Osaka Securities Exchange

Transfer Agent

Mitsubishi UFJ Trust and Banking Corporation
4-5, Marunouchi, 1-chome, Chiyoda-ku,
Tokyo, 100-8212, Japan



Organization



* E&I : Electronic & Information
(See Page 5)

Corporate Data

Consolidated Subsidiaries and Affiliates

<i>Name</i>	<i>Principal Business</i>	<i>President</i>
Nippon Chemicals Co., Ltd. *	Manufacture and sale of iodine, natural gas, intermediates for API and agro-chemicals and photo/electro chemicals	Tatsuhito Matsuda
Nippon Polyester Co., Ltd. *	Manufacture and sale of synthetic resins and related additives	Tamotsu Okamura
Nisshoku Butsuryu Co., Ltd. *	Logistics	Masao Kitano
Tokyo Fine Chemical Co., Ltd. *	Manufacture and sale of stabilizer of vinyl chloride resin and anti-freeze	Tadayoshi Honda
Chugoku Kako Co., Ltd. *	Manufacture and sale of adhesive tape and fine sphere particle	Fukio Ogawa
Nihon Jyoryu Kogyo Co., Ltd. *	Manufacture and sale of anthraquinone, carbozole, and their derivatives	Yoshinori Yokoyama
Shinritsu Co., Ltd. *	Sale of chemical products	Masayoshi Sugimoto
NA Industries, Inc. **	Manufacture and sale of superabsorbent polymers, polymers for concrete admixture, water soluble polymers, Technical liaison and business development	Hidetaka Yatagai
NIPPON SHOKUBAI (ASIA) PTE LTD *	Sale of chemical products	Kenjiro Komoda
Nippon Shokubai Europe N.V. *	Manufacture and sale of superabsorbent polymers	Keishi Tsuboi
PT. NIPPON SHOKUBAI INDONESIA *	Manufacture and sale of acrylic acid and acrylic esters	Yoshinao Hirano
Singapore Acrylic Pte Ltd. *	Manufacture and sale of crude acrylic acid	Kenji Ozeki
Singapore Glacial Acrylic Pte Ltd. *	Manufacture and sale of acrylic acid	Kenji Ozeki
NISSHOKU CHEMICAL INDUSTRY (ZHANGJIAGANG) CO., LTD. *	Manufacture and sale of superabsorbent polymers	Taizo Maruo
ICT Co., Ltd.	Sale of automobile exhaust catalyst	Yojiro Takahashi
Nihon Polymer Industries Co., Ltd.	Manufacture and sale of acrylic emulsions	Shigehiro Nishimura
International Catalyst Technology, Inc.	Manufacture and sale of automobile exhaust catalyst	William Staron
Japan Composite Co., Ltd.	Manufacture and sale of unsaturated polyesters resin and plastic molded materials	Tadayoshi Kishimoto

* Included in consolidation ** American Acryl NA LLC, and American Acryl L.P., are consolidated into NA Industries, Inc. by the equity method.

(as of June 30, 2006)

Directory

HEAD OFFICES

Osaka Office

Kogin Bldg.
4-1-1 Koraibashi, Chuo-ku, Osaka
541-0043, Japan
Telephone: 81-6-6223-9111
Facsimile : 81-6-6201-3716

Tokyo Office

Hibiya Dai Bldg.
1-2-2 Uchisaiwai-cho, Chiyoda-ku,
Tokyo 100-0011, Japan
Telephone: 81-3-3506-7475
Facsimile : 81-3-3506-7598

PLANTS

Kawasaki Chidori Plant

14-1 Chidori-cho, Kawasaki-ku,
Kawasaki, Kanagawa 210-0865,
Japan

Kawasaki Ukishima Plant

10-12 Ukishima-cho, Kawasaki-ku,
Kawasaki, Kanagawa 210-0862,
Japan

Himeji Plant

992-1 Aza-Nishioki Okihama,
Aboshi-ku, Himeji, Hyogo 671-1282,
Japan

Ehime Plant

5-1 Soubiraki-cho, Niihama, Ehime
792-8521, Japan

Suita Plant

5-8 Nishi Otabi-cho, Suita, Osaka
564-0034, Japan

OVERSEAS OFFICE

Shanghai Office

R/No.3604, The Center, 989
Changle Road Shanghai, China,
200031
Telephone: 86-21-5407-5959
Facsimile : 86-21-5407-5673

LABORATORIES

Advanced Materials Research Center

5-8, Nishi Otabi-cho, Suita, Osaka
564-8512, Japan

Strategic Technology Research Center

5-8, Nishi Otabi-cho, Suita, Osaka
564-8512, Japan

E & I Materials Research Center

5-8, Nishi Otabi-cho, Suita, Osaka
564-8512, Japan

Superabsorbents Research Center

992-1 Aza-Nishioki Okihama,
Aboshi-ku, Himeji, Hyogo 671-1292,
Japan

Fine & Specialty Chemicals Research Center

5-8, Nishi Otabi-cho, Suita, Osaka
564-8512, Japan

Catalyst Research Center

992-1 Aza-Nishioki Okihama,
Aboshi-ku, Himeji, Hyogo 671-1292,
Japan

OVERSEAS COMPANIES

NA Industries, Inc.

2651 Riverport Road Chattanooga,
Tennessee 37406,
U.S.A. (P.O. Box 5407)
Telephone: 1-423-624-6496
Facsimile : 1-423-629-0531

PT. NIPPON SHOKUBAI INDONESIA

Kawasan Industri Panca Puri
Jl.Raya Anyer Km.122,
Ciwandan Cilegon 42447
Banten, Indonesia
Telephone: 62-254-600-660
Facsimile : 62-254-600-657

NIPPON SHOKUBAI (ASIA) PTE LTD

1 Raffles Place OUB Centre #31-01
Singapore 048616
Telephone: 65-6532-0078
Facsimile : 65-6532-0079

Singapore Acrylic Pte Ltd.

17 Sakra Road #01-01 Singapore
627886

Singapore Glacial Acrylic Pte Ltd.

17 Sakra Road #01-01 Singapore
627886

Nippon Shokubai Europe N.V.

Haven 1053, Nieuwe Weg 1, B-2070
Zwijndrecht, Belgium
Telephone: 32-3-250-3705
Facsimile : 32-3-250-3712

NISSHOKU CHEMICAL INDUSTRY (ZHANGJIAGANG) CO., LTD.

No.19 Changjiagang Road(E),
Yangtze River International Chemical
Industrial Park, Zhangjiagang, Jiangsu,
China, 215635
Telephone: 86-512-5893-7910
Facsimile : 86-512-5893-7912

NIPPON SHOKUBAI CO.,LTD.

Osaka Office
Kogin Bldg.
4-1-1 Koraihashi, Chuo-ku,
Osaka 541-0043, Japan
Telephone: +81-6-6223-9111
Facsimile: +81-6-6201-3716

Tokyo Office
Hibiya Dai Bldg.
1-2-2 Uchisaiwai-cho, Chiyoda-ku,
Tokyo 100-0011, Japan
Telephone: +81-3-3506-7475
Facsimile: +81-3-3506-7598
URL: <http://www.shokubai.co.jp>

